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ACE Limited Global Loss Triangles Supplement 2011

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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 document 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 related to potential changes in actuarial methods and reserves 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, new theories of liability, coverage issues, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, the amount and timing of reinsurance recoverable, credit developments among reinsurers, pricing and policy term trends and actual market conditions and developments, as well as management's response to these factors, 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, 2011, the Company's quarterly reports on Form 10-Q, and in the Company's earnings press releases, 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.

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Executive Summary

This document forms the supplement to ACE's release of its Global Loss Triangles (GLT) as of December 31, 2011. This year is our ninth GLT release with the purpose of providing the reader with the opportunity to use their own judgment with respect to the adequacy of certain areas of our Property & Casualty (P&C) reserves and also providing greater insight into ACE's overall reserve balance and business in general. As discussed later in this document, our reserving approach is a detailed ground-up process using data at a detailed level that reflects the specific type and coverage of the diverse products written by our various operations. The aggregated data presented in this release is therefore a consolidation of the numerous individual loss reserve triangles that are analyzed by our actuarial staff. In addition, the market continues to see changes in both rates and terms and conditions. It is therefore difficult to prepare an aggregate disclosure that captures all of these aspects.

We advise that the inappropriate use of the aggregated data presented in this release may produce misleading results. However, we believe that with the requisite care and attention to analysis, the disclosure can be used by the reader to provide insight about ACE's loss reserves.

To assist the reader with their analysis, we have provided guidance where possible in the document on key assumptions that should be considered when performing an analysis. Please see Pages 16, 17-18, 23-24, and 28.

In compiling this year's release we have followed essentially the same format as released last year but we have also made some modest changes to the data. These changes reflect actions from foreign exchange adjustments and continued enhancements to the compilation process.

The GLT supplement is comprised of the following information:

- For direct business — accident year (AY) triangles of a) net paid loss plus paid allocated loss adjustment expenses (ALAE) and b) net reported loss plus paid ALAE (i.e., excluding Incurred But Not Reported reserves (IBNR)) for the ten calendar years ending December 31, 2011.
- For reinsurance business — treaty year (TY) triangles of a) net paid loss plus paid ALAE and b) net reported loss plus paid ALAE (i.e., excluding IBNR) for the ten calendar years ending December 31, 2011.
- Net earned premium for each of the ten accident/treaty years ending December 31, 2011.

The triangle data are provided in line groupings under three of ACE's four SEC reporting segments. The remaining segment is Life business. Life business reserves are not typically subject to analysis using triangular actuarial methodologies. The data associated with Life business is therefore not considered within the scope of the GLT release. The SEC reporting segments included are as follows:

- Insurance North American Segment (excluding Financial Solutions business)
 - Workers' Compensation (WC)
 - General Liability (GL)
 - Other Casualty
 - Non-Casualty
- Insurance Overseas General Segment
 - Casualty
 - Non-Casualty
 - Personal Accident
- Global Reinsurance Segment
 - Property
 - Non-Property

Executive Summary (cont.)

Furthermore, the GLT supplement also contains the following:

- A reconciliation of the GLT reserve balances with ACE's published GAAP reserve balance ending December 31, 2011.
- A reconciliation of the current data to that contained in the previous release.
- A discussion of some factors to consider when analyzing loss reserve triangles.
- Commentary highlighting aspects of the GLT triangles and their interpretations.
- Relevant discussion from our 2011 10-K addressing ACE's reserving process.

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation of GLT with GAAP December 31, 2011 Reserve Balances*

The net reserves (Case plus IBNR) associated with the GLT can be reconciled back to ACE Limited's December 31, 2011 closing GAAP P&C net reserve balance as follows:

	(\$millions)
GAAP Net P&C Reserve Balance at December 31, 2011	\$ 25,875
Less: Financial Solutions ¹	1,321
Unallocated Loss Adjustment Expense (ULAE)	763
Bad Debt	364
Other ²	484
Plus: Recoveries from retroactive reinsurance contracts ³	525
GLT Net Reserve Balance at December 31, 2011	23,468

The GLT Net Reserve Balance can be split as follows:	Case	IBNR	Reserves	% of GAAP Reserves
Accident Years 2002 through 2011	\$ 6,083	\$ 14,000	\$ 20,083	78%
Accident Years 2001 and prior	1,753	1,632	3,385	13%
	\$ 7,836	\$ 15,632	\$ 23,468	91%

*The triangles reflect the Penn Millers and American Millers (a subsidiary of Penn Millers) acquisitions on November 30, 2011.

The triangles are constructed to exclude the effects of shifting exchange rates. Loss and ALAE data denominated in foreign currencies are converted to U.S. dollars at December 2011 exchange rates.

As indicated above, certain blocks of loss and ALAE reserves were excluded for the following reasons, found in Footnotes 1-3 below:

1. With respect to the Financial Solutions business, traditional actuarial methods such as loss development triangles are inappropriate for evaluating reserves. The book is made up of a relatively small number of large heterogeneous accounts, each account having its own unique terms. As a result, each account is reviewed and reserved for individually.
2. Includes other reserves for which loss development methods are not appropriate, or other items such as settlements and commutations.
3. The Global Loss Triangles are presented gross of retroactive reinsurance, which is consistent with the U.S. Statutory Schedule P treatment. In general, these treaties tend to distort the net loss history and prevent a useful analysis. ACE does not utilize this type of reinsurance with third parties in the normal course of business. The retroactive treaties we have on our books relate to acquisitions made by ACE, and the majority of the expected recoveries relate to accident years 1996 and prior. \$386 million of the total retroactive recoveries relate to the NICO Brandywine cover, which was purchased at the time of ACE's acquisition of the CIGNA P&C business. \$139 million relates to the ACE Westchester acquisition.

ACE Limited 2011 Global Loss Triangles | Overview

GLT Reserves as % of GAAP Reserves – Historical Perspective

In \$US millions

The table below shows an historical perspective of the GLT reserves as a percent of the corresponding GAAP reserves for ACE's current and four prior GLT releases. The reserves on Lines 1 and 2a are taken from the "Reserve Reconciliation" sheets for each of the years. The percentages shown on Line 2b are the GLT reserve amounts divided by the GAAP reserve amounts.

The percentage of GLT reserves to GAAP reserves in 2011 is 91% for all years combined and 78% for the latest ten years. The latest ten years as shown in the 2011 GLT release are 2002-2011.

Reserve Type (\$millions)	Accident/Treaty Years	GLT Reserves as % of GAAP Reserves Data ending Dec. 31 of:				
		2011	2010	2009	2008	2007
1) GAAP Reserves	Total	\$ 25,875	\$ 25,242	\$ 25,038	\$ 24,241	\$ 23,592
2a) GLT Reserves	Latest 10 Yrs	\$ 20,083	\$ 19,422	\$ 18,936	\$ 18,405	\$ 17,845
	Prior Yrs	\$ 3,385	\$ 3,522	\$ 3,673	\$ 3,778	\$ 3,780
	All Yrs	\$ 23,468	\$ 22,944	\$ 22,609	\$ 22,183	\$ 21,625
2b) As % of GAAP Reserves	Latest 10 Yrs	78%	77%	76%	76%	76%
	Prior Yrs	13%	14%	15%	16%	16%
	All Yrs	91%	91%	90%	92%	92%

Reconciliation to Previous Release

On the following pages we summarize the historical data changes by segment and accident/treaty year (2002-2010) at December 31, 2010 for paid loss, reported loss, and earned premium. The changes in paid losses and reported losses are the differences between the next to the last diagonal in the triangles from this release and the last diagonal in the corresponding triangles from last year's release. The impact associated with currency fluctuation is separated from other "miscellaneous" enhancements. Please see discussion below for more details.

As with prior releases of the GLTs, we reviewed the compilation process in detail, and have continued to identify opportunities to improve the quality and scope of the GLT.

The most significant changes in the GLT data arise from Insurance North American and are noted below.

A number of other enhancements are also reflected in the 2011 GLTs. Although these enhancements are relatively minor in the context of the overall reserves, we believe their inclusion provides an improved data set for the reader.

A discussion of the changes by reporting segment is included below.

Insurance North American

A comparison of this year's GLT with the previous release shows paid losses increased by 1%, reported losses increased by 1%, and premiums increased by 1% across accident years 2002-2010 combined.

- **Miscellaneous**

Inclusion of the historical data for both Penn Millers and American Millers as a result of their November 30, 2011 acquisition. Increased earned premiums by \$595 million, paid losses by \$290 million, and reported losses by \$340 million. Impact was across all four Insurance North American line groupings.

Correction of net earned premium for calendar year 2010 in one Insurance North American unit. Increased earned premium in Insurance North American Other Casualty by \$48 million and decreased earned premium for Insurance North American Non-Casualty by \$14 million.

Correction of paid losses and reported losses for accident year 2010 in another Insurance North American unit. Decreased paid losses and reported losses for Insurance North American Workers' Compensation by \$15 million; and increased paid losses for Insurance North American General Liability by \$8 million and decreased reported losses for Insurance North American General Liability by \$16 million.

- **Currency**

Effect of restating historical values at December 2011 exchange rates

Insurance Overseas General

A comparison of this year's GLT with the previous release shows paid losses decreased by less than 1%, reported losses decreased by less than 1%, and premiums decreased by less than 1% across accident years 2002-2010 combined.

- **Miscellaneous**

None

- **Currency**

Effect of restating historical values at December 2011 exchange rates

Global Re

A comparison of this year's GLT with the previous release shows paid losses increased by less than 1% and reported losses decreased by less than 1% over treaty years 2002-2010 combined. A comparison of the earned premium figures would show large increases as treaty years naturally advance towards being fully earned. Therefore we have not shown this comparison within the reconciliation schedules.

- **Miscellaneous**

None

- **Currency**

Effect of restating historical values at December 2011 exchange rates

For future releases, we will continue to review the content and segmentation of the triangles to ensure that they provide a useful representation of our evolving business profile.

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Workers' Compensation

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	116,885	3,796	(13)	120,667
2003	147,748	3,955	(18)	151,686
2004	200,539	5,206	(10)	205,735
2005	306,617	5,063	(6)	311,674
2006	323,789	6,497	(5)	330,281
2007	245,355	7,145	(4)	252,495
2008	182,702	7,528	(5)	190,225
2009	117,706	4,172	(2)	121,876
2010	76,902	(13,600)	0	63,303
Total	1,718,244	29,762	(64)	1,747,943

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	146,128	3,976	(14)	150,091
2003	198,795	4,974	(22)	203,747
2004	270,262	5,773	(10)	276,025
2005	402,263	5,684	(7)	407,940
2006	432,442	7,911	(10)	440,343
2007	355,776	8,546	(10)	364,312
2008	305,193	9,852	(11)	315,035
2009	222,102	6,345	(10)	228,436
2010	164,688	(9,913)	(4)	154,771
Total	2,497,648	43,148	(98)	2,540,699

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	375,304	5,950	(1,857)	379,397
2003	615,016	7,773	(2,328)	620,461
2004	907,979	9,587	(3,230)	914,336
2005	1,263,078	10,885	(4,558)	1,269,405
2006	1,319,839	11,579	8,738	1,340,156
2007	1,249,688	13,890	3,539	1,267,117
2008	1,049,522	16,023	7,476	1,073,021
2009	962,527	14,206	(8,832)	967,902
2010	998,607	12,141	(1,945)	1,008,803
Total	8,741,561	102,034	(2,997)	8,840,599

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American General Liability

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	568,532	2,128	(638)	570,022
2003	595,333	2,231	(611)	596,953
2004	578,431	3,535	(545)	581,422
2005	830,404	3,384	(492)	833,296
2006	556,171	3,286	(322)	559,134
2007	587,012	3,985	(404)	590,593
2008	342,974	5,316	(329)	347,961
2009	145,748	3,373	(163)	148,958
2010	37,958	9,405	(31)	47,332
Total	4,242,562	36,643	(3,535)	4,275,669

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	597,350	2,152	(663)	598,839
2003	660,446	2,244	(667)	662,023
2004	657,817	3,557	(599)	660,776
2005	910,426	3,425	(612)	913,238
2006	676,297	4,877	(486)	680,687
2007	820,120	5,094	(652)	824,561
2008	551,197	8,073	(879)	558,391
2009	312,848	4,732	(378)	317,203
2010	140,682	(11,659)	(214)	128,809
Total	5,327,182	22,494	(5,151)	5,344,526

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	700,339	6,061	(695)	705,706
2003	1,285,800	7,604	(1,254)	1,292,151
2004	1,585,338	9,492	(1,576)	1,593,254
2005	2,050,873	9,455	(1,571)	2,058,758
2006	2,236,892	9,215	(2,677)	2,243,431
2007	2,213,063	11,445	(366)	2,224,142
2008	2,095,712	13,246	(1,826)	2,107,132
2009	2,063,549	13,549	(2,825)	2,074,273
2010	2,072,456	13,118	(426)	2,085,148
Total	16,304,023	93,185	(13,216)	16,383,992

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Other Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	277,700	17,275	(354)	294,622
2003	347,554	13,790	(468)	360,877
2004	352,689	13,812	(494)	366,007
2005	426,586	14,206	(357)	440,436
2006	377,313	10,159	(348)	387,124
2007	362,083	11,688	(427)	373,343
2008	561,556	9,405	(574)	570,387
2009	275,160	6,043	(315)	280,888
2010	217,192	4,908	(111)	221,989
Total	3,197,834	101,286	(3,447)	3,295,674

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	293,763	17,301	(355)	310,710
2003	348,549	13,792	(490)	361,851
2004	368,587	14,351	(577)	382,361
2005	428,169	15,017	(396)	442,790
2006	396,964	11,539	(404)	408,099
2007	413,431	13,000	(629)	425,802
2008	635,397	17,239	(644)	651,992
2009	359,493	9,740	(512)	368,721
2010	363,953	9,320	(234)	373,039
Total	3,608,308	121,299	(4,242)	3,725,365

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	556,979	24,008	(524)	580,464
2003	676,264	21,755	(829)	697,189
2004	590,821	22,318	(1,101)	612,038
2005	752,832	22,692	(1,063)	774,461
2006	820,328	22,815	(886)	842,257
2007	911,126	23,605	(1,015)	933,716
2008	969,348	24,045	(982)	992,411
2009	838,095	22,322	(1,062)	859,355
2010	790,127	66,761	(564)	856,324
Total	6,905,920	250,321	(8,026)	7,148,215

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Non-Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	660,822	8,728	(333)	669,217
2003	831,885	9,582	(876)	840,591
2004	869,753	12,133	(1,010)	880,875
2005	1,072,190	11,571	(8,110)	1,075,651
2006	824,446	9,588	(5,981)	828,052
2007	811,112	14,759	(1,465)	824,406
2008	1,825,413	21,190	(1,160)	1,845,443
2009	1,101,946	15,820	(1,793)	1,115,972
2010	860,212	13,349	(766)	872,794
Total	8,857,777	116,720	(21,495)	8,953,002

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	661,111	8,721	(334)	669,498
2003	832,155	9,594	(877)	840,872
2004	869,529	12,132	(1,010)	880,652
2005	1,073,876	11,595	(8,117)	1,077,354
2006	827,206	9,616	(5,988)	830,834
2007	815,893	14,760	(1,500)	829,154
2008	1,856,051	21,309	(1,206)	1,876,154
2009	1,168,765	16,799	(2,005)	1,183,559
2010	1,072,227	18,379	(3,449)	1,087,157
Total	9,176,815	122,905	(24,487)	9,275,233

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	996,871	16,655	(2,471)	1,011,055
2003	1,385,056	18,934	(3,104)	1,400,886
2004	1,925,461	21,695	(2,906)	1,944,251
2005	1,491,729	21,691	(2,568)	1,510,852
2006	1,510,056	21,039	(7,285)	1,523,811
2007	1,773,135	22,030	(4,602)	1,790,563
2008	2,338,622	25,420	(4,855)	2,359,187
2009	2,382,336	25,280	(4,218)	2,403,398
2010	2,253,689	9,280	(1,764)	2,261,205
Total	16,056,956	182,024	(33,772)	16,205,207

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	794,690	0	5,368	800,058
2003	695,045	0	3,070	698,115
2004	638,917	1,079	2,876	642,872
2005	731,038	0	52	731,090
2006	721,273	0	(651)	720,622
2007	772,320	0	(2,852)	769,469
2008	634,021	0	(4,231)	629,790
2009	523,624	0	(4,006)	519,618
2010	275,492	0	(6,693)	268,798
Total	5,786,419	1,079	(7,065)	5,780,433

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	851,067	0	7,523	858,590
2003	751,307	0	2,733	754,039
2004	674,855	4,364	1,431	680,650
2005	818,873	0	409	819,283
2006	821,148	0	(1,957)	819,190
2007	920,427	0	(3,602)	916,825
2008	892,694	0	(5,311)	887,384
2009	781,087	0	(306)	780,781
2010	576,170	0	(13,172)	562,998
Total	7,087,629	4,364	(12,252)	7,079,741

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	1,554,300	0	6,720	1,561,019
2003	1,730,028	0	1,549	1,731,578
2004	1,868,962	0	(599)	1,868,363
2005	1,959,267	0	(2,570)	1,956,697
2006	1,983,600	0	(3,215)	1,980,385
2007	1,858,292	0	(3,076)	1,855,217
2008	1,919,275	0	(6,684)	1,912,591
2009	1,874,608	0	(9,003)	1,865,606
2010	1,910,465	0	(8,495)	1,901,970
Total	16,658,798	0	(25,373)	16,633,426

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Non-Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	473,697	0	(2,286)	471,410
2003	522,431	0	(2,924)	519,507
2004	599,220	0	(3,058)	596,162
2005	721,361	0	(5,200)	716,161
2006	477,927	0	(3,432)	474,496
2007	563,247	0	(5,706)	557,541
2008	568,033	0	(3,922)	564,110
2009	425,464	0	(5,109)	420,355
2010	257,103	0	(2,933)	254,169
Total	4,608,482	0	(34,570)	4,573,912

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	476,184	0	(4,473)	471,710
2003	526,648	0	(2,979)	523,669
2004	607,174	0	(1,796)	605,378
2005	740,954	0	(4,696)	736,258
2006	501,824	0	(3,844)	497,980
2007	606,140	0	(5,853)	600,288
2008	675,214	0	(5,250)	669,964
2009	590,355	0	(6,342)	584,013
2010	577,175	0	(15,697)	561,477
Total	5,301,669	0	(50,930)	5,250,738

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	870,016	0	(824)	869,192
2003	1,245,235	0	(3,488)	1,241,746
2004	1,345,421	0	(5,323)	1,340,098
2005	1,268,038	0	(5,897)	1,262,141
2006	1,216,999	0	(7,292)	1,209,708
2007	1,209,883	0	(9,372)	1,200,512
2008	1,225,760	0	(13,530)	1,212,230
2009	1,216,608	0	(14,084)	1,202,524
2010	1,297,551	0	(8,460)	1,289,091
Total	10,895,510	0	(68,270)	10,827,240

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Personal Accident

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	456,477	0	62	456,539
2003	478,434	0	(693)	477,741
2004	460,479	0	(1,443)	459,037
2005	488,404	0	(2,423)	485,982
2006	544,975	0	(3,721)	541,254
2007	602,895	0	(5,130)	597,764
2008	659,666	0	(7,809)	651,857
2009	655,415	0	(10,218)	645,197
2010	397,842	0	(6,967)	390,874
Total	4,744,586	0	(38,342)	4,706,243

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	460,832	0	56	460,889
2003	484,347	0	(656)	483,692
2004	467,968	0	(1,587)	466,381
2005	491,395	0	(2,522)	488,872
2006	553,798	0	(3,834)	549,964
2007	616,681	0	(5,174)	611,507
2008	683,208	0	(7,810)	675,398
2009	719,109	0	(10,599)	708,509
2010	525,921	0	(7,661)	518,260
Total	5,003,258	0	(39,786)	4,963,472

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2002	1,140,935	0	295	1,141,229
2003	1,273,221	0	(4,349)	1,268,871
2004	1,409,809	0	(8,491)	1,401,319
2005	1,549,839	0	(14,189)	1,535,651
2006	1,755,110	0	(21,431)	1,733,680
2007	1,910,483	0	(28,240)	1,882,243
2008	1,993,427	0	(33,347)	1,960,080
2009	1,996,199	0	(34,560)	1,961,639
2010	2,057,241	0	(36,240)	2,021,001
Total	15,086,264	0	(180,552)	14,905,712

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Global Re Property

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2002	121,454	0	428	121,882
2003	119,951	0	39	119,990
2004	427,531	0	4,668	432,198
2005	575,358	0	63	575,421
2006	99,252	0	283	99,535
2007	101,762	0	(217)	101,545
2008	176,824	0	(1)	176,823
2009	75,062	0	(103)	74,959
2010	33,961	0	(213)	33,747
Total	1,731,155	0	4,945	1,736,100

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2002	122,388	0	434	122,822
2003	122,309	0	49	122,358
2004	433,584	0	4,718	438,302
2005	583,951	0	100	584,051
2006	102,390	0	311	102,701
2007	111,571	0	(228)	111,342
2008	206,385	0	55	206,440
2009	98,483	0	(157)	98,326
2010	113,709	0	(696)	113,013
Total	1,894,770	0	4,587	1,899,356

ACE Limited 2011 Global Loss Triangles | Overview

Reconciliation to Previous Release – Global Re Non-Property

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2010

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2002	196,921	0	(23)	196,898
2003	294,480	0	(1,449)	293,032
2004	328,596	0	356	328,952
2005	348,187	0	211	348,398
2006	264,265	0	(2,606)	261,659
2007	166,209	0	(1,538)	164,671
2008	121,197	0	43	121,240
2009	61,997	0	82	62,079
2010	14,632	0	(1)	14,631
Total	1,796,485	0	(4,926)	1,791,559

Cumulative Reported Loss + Paid ALAE at December 31, 2010

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2002	228,599	0	(153)	228,446
2003	353,190	0	(1,482)	351,708
2004	402,382	0	299	402,681
2005	432,930	0	168	433,098
2006	372,655	0	(2,706)	369,950
2007	264,779	0	(1,635)	263,144
2008	221,875	0	(88)	221,788
2009	117,440	0	(1)	117,439
2010	49,745	0	(31)	49,713
Total	2,443,594	0	(5,628)	2,437,966

Reserve Evaluation Considerations

We have actuarial staff in each of our operating segments who track insurance reserves and regularly evaluate the levels of loss reserves, taking into consideration factors that may impact the ultimate loss reserves. This is accomplished not only by employing a variety of actuarial methods, but also by applying judgment to help quantify the impact of these variables.

Considerable caution should be used when attempting to analyze reserve adequacy based on aggregated triangles. It is rare that the data is so consistent, homogeneous, and static that a valid analysis is possible without exercising substantial judgment. Results can be distorted by both industry-wide and company-specific factors. Below is a non-exhaustive list of possible pitfalls:

- Paid and reported chain ladder loss development methods can be particularly volatile at early evaluation points for more recent accident years, especially for longer-tailed lines. In those situations, the expected percentage of paid (reported) claims is low, and so small differences between actual and expected claims can produce large differences in projected ultimate losses. In such cases, we would recommend relying on an expected loss technique. One expected loss technique not addressed in Sholom Feldblum's paper (see below) is the Bornhuetter-Ferguson method (1), which can be modified to incorporate information on changing premium rates in an analysis of reserve adequacy.
- Certain methods for judging reserve adequacy assume that expected loss ratios (ELRs) do not change over time. In fact, ELRs can change substantially from year to year due to many reasons (e.g., change in rates, change in mix of business, etc.). In recent years, a soft market has produced lower rates and some loosening of terms and conditions for some lines, which should result in higher ELRs. If these rate changes are not taken into consideration, indicated reserves will most likely be understated, or explained another way, any resulting indicated reserve redundancies/deficiencies may be misleading. While we consider ACE's actual rate change information to be proprietary, there are a number of public sources that can be used as a proxy to adjust loss ratios to a more appropriate level. These sources include, but are not limited to, the Council of Insurance Agents & Brokers (CIAB) Commercial P&C Market Survey, Lloyd's of London Premium Rating Index, and Towers Watson Directors & Officers Liability Survey.
- Changes in inflation rates distort any reserve analysis based on loss triangles. If expected future inflation is lower (higher) than historical inflation rates, needed reserves may be overstated (understated) as a result, and appropriate adjustments should be made. If inflation rates are stable over time, no adjustment may be required.
- Many other changes and distortions (e.g., change in reinsurance structure, large losses, change in settlement rates, change in mix of business (e.g., primary vs excess; or by state/country), change in volume, etc.) can skew the results of a reserve analysis based on aggregated triangles. These distortions are not always easily corrected for and the reasonableness of the final projection should consider the possible influence of these factors.
- Contained in the triangles there may be instances of modest negative case reserves (calculated by taking the difference between the reported and paid at a given development age for a particular accident year). This is typically due to timing differences associated primarily with ceded reinsurance. In our view, these negative case reserves will not significantly distort an analysis nor detract from the usefulness of the information provided.

There are a number of valid prospective tests of reserve adequacy that can be performed based on consolidated triangles. One excellent source of information on the various methods is Completing and Using Schedule P by Sholom Feldblum (2). It is strongly recommended that anyone attempting to analyze reserves presented in loss triangles be familiar with the methods detailed in the section entitled "Loss Reserve Adequacy Testing – Prospective Valuation."

(1) Publicly available on the Casualty Actuarial Society's web site at the following address
<http://www.casact.org/pubs/proceed/proceed72/72181.pdf>

(2) Publicly available on the Casualty Actuarial Society's web site at the following address
<http://www.casact.org/pubs/forum/02forum/02ff353.pdf>

Highlights

Insurance North American Segment

The Insurance North American segment is comprised of business written by ACE USA, ACE Westchester, ACE Bermuda, ACE Commercial Risk Services, ACE Agriculture and ACE Private Risk Services. ACE USA is our U.S. based retail operation writing primarily specialty commercial lines through national and regional brokers. Included in this unit are ACE Canada – a writer of commercial lines and accident & health (A&H) business throughout Canada, and ACE Financial Solutions (AFS) – a writer of large risk management transactions including loss portfolio transfers (LPTs). ACE Westchester is our U.S. based wholesale operation writing specialty commercial lines produced by wholesale and excess & surplus (E&S) distribution channels. ACE Bermuda writes high excess property and liability coverage including products liability and directors and officers (D&O), principally with Side A/ CODA coverage for U.S. exposures, and political risk. Included in this unit is ACE Financial Solutions International (FSI) – now in runoff, which was a writer of large structured transactions including LPTs.

ACE Commercial Risk Services is our U.S. based operation targeting primarily small to middle market commercial lines risks through a variety of distribution channels including programs. ACE Agriculture is our U.S. based farm, crop and commercial agriculture insurance operation which includes the Rain and Hail business and two companies acquired on November 30, 2011, Penn Millers Insurance Company and American Millers Insurance Company. The historical data for both of these newly acquired companies has been included in the 2011 GLTs for all accident years. ACE Private Risk Services is a writer of personal lines coverages with a target market of affluent and high net worth insureds. All of the Insurance North American operations have been included in the loss triangles with the exception of AFS and FSI, where we have excluded these businesses since the accounting treatment of LPTs would distort the paid and incurred loss development patterns.

There are three important points with regards to the “Prior” line. First, the “Prior” line shown here is gross of retroactive reinsurance (NICO treaties). Second, it would be incorrect to apply a single loss development factor to the “Prior” line, as it does not represent a single accident year but the total activity in accident years 2001 and prior. Third, all of ACE’s Asbestos and Environmental exposure is contained in the “Prior” line of the General Liability and Other Casualty triangles. Development factors derived from loss triangles are inappropriate for analysis of this exposure.

Insurance North American – Workers’ Compensation

The U.S. Statutory Schedule P filings for workers’ compensation are net of two separate internal reinsurance transactions between the ACE American Pool and other ACE entities which distort the loss development shown in Schedule P. These transactions have been unwound in the loss triangles included in this supplement in order to provide a more complete representation of the U.S.-based WC business.

The WC line has experienced shifts in mix by business type during the ten year experience period included in the loss triangles. In the earliest year, 2002, the market was hardening and our national account business’s premium volume was growing significantly. Approximately 78% of total net earned premium (NEP) was from high deductible business. In 2004, we launched a small workers’ compensation initiative, offering only first dollar cost coverage in select states including California. As a result, the percentage of first dollar exposure business grew rapidly from 2004 to 2006, but then decreased in volume from 2007 onwards. The mix of premium with first dollar exposure, guaranteed cost and loss sensitive, is about 30% of the NEP in 2011.

Throughout the experience period shown in the loss triangles, our WC exposure has been heavily concentrated in risk management business which includes high deductible policies, loss sensitive business (i.e. retro policies) and business fronted for captives. NEP for these risk management accounts have significant administrative expenses and unallocated loss expenses components. As a result, the loss and ALAE component of the NEP is much lower

Highlights (cont.)

than primary or guaranteed cost policies making loss projection methods that rely on expected loss ratios based on industry experience (or prior year loss ratios) inappropriate.

Insurance North American – General Liability

The triangles consist of primary general liability, excess liability, D&O, and professional liability exposures. The primary general liability and excess liability exposures represent the largest part of the exposures and are typically written in the U.S. on an occurrence form, while the D&O and professional liability exposures are written on a claims made form. ACE Bermuda writes excess liability on a “claims first reported” form, which means that coverage is triggered when news of a potential claim is received, potentially well in advance of a claim being filed. Bermuda typically writes at high attachment points, particularly on its excess liability book. The nature of ACE Bermuda excess liability claims, low frequency due to high attachments with large policy limits, creates a volatile reporting pattern. When claim activity does occur, it produces abnormal volatility in the loss triangles at later ages within an accident year due to the complex nature of the underlying claim. (An example of such activity occurred during the 2010 calendar year where development on the Bermuda portfolio contributed to the high case incurred activity in the 2005 and 2007 accident years).

The U.S. exposure during 2002 was mostly primary standard lines coverage. Premium volume in specialty lines including D&O, professional liability (including hospital professional) and excess casualty started to become more material from 2003 as the volume of these products grew during a period of strong rate levels in the hard market. As rate adequacy began to decline in 2006 and 2007, the rate of growth had slowed and then declined. Claims made business in total has averaged a little more than 40% of our total General Liability NEP over the last ten years.

Finally, in ACE’s U.S. Statutory Schedule P, warranty business appears in Other Liability – Occurrence. The characteristics of warranty contracts are different from standard general liability exposures (i.e. claims are settled quickly, case reserves are generally not established, and premium earnings are deferred over the life of the contract rather than earning premium and recording IBNR reserves for future claims, which is consistent with industry practices). Therefore, we have removed data associated with warranty business from the triangles.

Insurance North American – Other Casualty

The triangles consist of the non-WC and non-GL casualty lines of business such as automobile liability, commercial multi-peril (CMP; includes both property and liability), homeowners, political risk, marine and aviation. The paid and reported data are impacted by some catastrophe loss activity primarily on CMP exposures, homeowners exposures and to a lesser extent, marine exposures. The ultimate loss ratio for the 2005 year will be impacted by losses associated with the 2005 hurricanes, including Hurricanes Katrina, Rita, and Wilma. The same is true for the 2008 year where losses will be impacted by catastrophes, primarily Hurricane Ike. Beginning with the 2008 accident year, this product line includes the majority of the business written by our Private Risk Services operation.

Insurance North American – Non-Casualty

This business represents first party product lines which are short-tailed in nature. The early years are predominantly lines such as property, inland marine, fidelity and surety. During this ten year period, our accident & health business grew substantially. In addition with the acquisition of the Rain & Hail business, the historical loss development experience of this business has been added to our triangles. This has dramatically increased the mixture of crop hail business within this triangle. By 2011, our crop hail business and our accident and health business made up 69% of NEP, up from 45% in 2002. The increase in net earned premium from accident year 2010 to accident year 2011 is mainly due to crop hail business.

ACE Limited 2011 Global Loss Triangles | Insurance North American

Workers' Compensation

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	186,744	343,627	498,206	615,337	745,958	884,570	979,270	1,075,600	1,166,518
2002	28,734	78,970	91,432	84,947	88,967	92,421	103,489	114,048	120,667	128,948
2003	40,316	61,334	83,759	100,840	120,874	134,295	143,662	151,686	162,461	
2004	71,171	100,133	131,582	161,656	176,649	193,330	205,735	213,626		
2005	61,216	151,301	215,913	253,428	291,377	311,674	330,847			
2006	74,152	171,103	232,514	286,440	330,281	357,966				
2007	67,615	147,303	213,177	252,495	288,028					
2008	65,089	140,516	190,225	232,628						
2009	49,909	121,876	166,595							
2010	63,303	156,425								
2011	45,664									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	1,277,444	1,405,958	1,559,417	1,670,064	1,680,428	1,787,676	1,901,175	1,987,686	2,044,859	2,100,821
2002	57,992	126,858	131,890	129,167	124,624	131,345	142,150	146,677	150,091	158,086
2003	102,528	119,138	126,736	150,238	176,465	184,892	199,254	203,747	216,021	
2004	162,094	175,496	201,773	228,552	240,971	266,582	276,025	287,567		
2005	139,384	263,561	320,373	363,093	396,451	407,940	425,176			
2006	172,220	302,002	362,225	415,009	440,343	462,511				
2007	159,182	271,771	336,785	364,312	393,380					
2008	155,122	262,235	315,035	361,245						
2009	135,602	228,436	270,477							
2010	154,771	258,680								
2011	115,585									

Net Earned Premium

Accident Year	NEP
2002	379,397
2003	620,461
2004	914,336
2005	1,269,405
2006	1,340,156
2007	1,267,117
2008	1,073,021
2009	967,902
2010	1,008,803
2011	864,664

ACE Limited 2011 Global Loss Triangles | Insurance North American

General Liability

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	561,770	909,747	1,534,671	1,805,010	2,039,557	2,211,025	2,575,219	2,756,479	3,017,220
2002	32,249	112,545	152,347	284,387	375,564	463,278	510,556	521,792	570,022	578,858
2003	42,353	206,420	295,624	326,661	372,980	475,463	511,005	596,953	612,441	
2004	67,529	175,998	274,187	370,420	439,374	516,869	581,422	625,294		
2005	62,416	201,088	329,838	491,442	595,507	833,296	888,470			
2006	45,896	151,302	291,648	429,494	559,134	668,454				
2007	46,496	164,926	321,579	590,593	849,210					
2008	42,214	160,231	347,961	533,475						
2009	32,903	148,958	292,303							
2010	47,332	185,767								
2011	59,756									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	855,820	1,277,097	1,692,318	2,203,706	2,373,359	2,490,400	2,543,395	2,903,403	3,075,069	3,320,940
2002	87,133	146,413	330,129	417,377	456,124	556,588	563,699	570,371	598,839	607,665
2003	78,132	296,891	470,464	485,708	510,283	568,528	591,838	662,023	644,021	
2004	175,592	233,149	325,726	449,556	532,233	617,848	660,776	678,142		
2005	143,874	342,952	448,157	599,545	786,951	913,238	971,329			
2006	140,233	284,151	424,930	599,393	680,687	770,348				
2007	137,492	323,953	535,326	824,561	1,056,066					
2008	143,536	350,646	558,391	708,947						
2009	142,149	317,203	451,810							
2010	128,809	298,374								
2011	136,082									

Net Earned Premium

Accident Year	NEP
2002	705,706
2003	1,292,151
2004	1,593,254
2005	2,058,758
2006	2,243,431
2007	2,224,142
2008	2,107,132
2009	2,074,273
2010	2,085,148
2011	1,924,660

ACE Limited 2011 Global Loss Triangles | Insurance North American

Other Casualty

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	224,304	336,310	477,047	724,590	840,769	939,903	1,020,074	1,127,072	1,239,605
2002	116,125	191,572	236,515	281,680	276,045	287,577	289,461	294,905	294,622	293,874
2003	128,466	192,827	232,846	275,044	340,771	351,049	357,534	360,877	362,193	
2004	142,613	236,207	281,288	318,933	344,711	358,591	366,007	373,774		
2005	141,997	249,266	314,772	370,605	411,758	440,436	444,000			
2006	118,021	238,948	304,939	355,782	387,124	400,818				
2007	114,479	244,199	324,534	373,343	398,156					
2008	225,527	471,146	570,387	639,230						
2009	122,209	280,888	343,785							
2010	221,989	409,688								
2011	286,197									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	508,859	636,790	539,628	625,804	974,691	1,053,441	1,140,927	1,224,584	1,408,651	1,520,992
2002	201,702	262,233	279,314	313,632	296,073	312,315	308,072	309,532	310,710	297,929
2003	202,361	240,051	265,869	302,303	347,636	364,091	358,962	361,851	355,373	
2004	243,469	289,974	343,664	360,833	372,574	373,362	382,361	380,258		
2005	338,857	359,745	391,942	411,723	430,550	442,790	437,408			
2006	253,271	336,945	372,591	393,272	408,099	415,102				
2007	247,272	347,841	392,010	425,802	430,843					
2008	411,645	612,109	651,992	688,353						
2009	254,447	368,721	405,869							
2010	373,039	494,306								
2011	453,496									

Net Earned Premium

Accident Year	NEP
2002	580,464
2003	697,189
2004	612,038
2005	774,461
2006	842,257
2007	933,716
2008	992,411
2009	859,355
2010	856,324
2011	910,356

ACE Limited 2011 Global Loss Triangles | Insurance North American

Non-Casualty

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	19,975	49,128	64,960	72,609	100,010	152,117	154,255	155,083	184,419
2002	472,080	591,771	664,262	632,240	648,323	664,381	664,597	666,875	669,217	677,341
2003	595,040	725,750	853,704	864,131	822,663	833,277	834,804	840,591	843,238	
2004	617,815	857,309	873,845	872,106	878,005	881,548	880,875	880,938		
2005	613,043	868,880	1,002,650	1,043,930	1,066,911	1,075,651	1,083,606			
2006	543,748	764,852	809,962	820,946	828,052	814,629				
2007	616,123	786,138	813,475	824,406	830,885					
2008	924,930	1,805,236	1,845,443	1,876,294						
2009	773,918	1,115,972	1,162,167							
2010	872,794	1,170,443								
2011	1,605,599									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	124,591	106,130	130,463	121,139	157,451	210,423	184,632	183,088	183,882	186,528
2002	521,204	601,072	669,808	636,804	651,116	665,853	666,372	667,805	669,498	668,463
2003	723,063	846,607	882,933	876,840	828,929	839,624	837,725	840,872	842,579	
2004	850,696	900,198	883,062	877,465	881,960	880,455	880,652	879,270		
2005	886,011	998,243	1,043,637	1,065,234	1,074,620	1,077,354	1,084,711			
2006	750,651	801,502	830,586	828,274	830,834	826,521				
2007	842,100	824,965	827,283	829,154	832,289					
2008	1,607,366	1,876,319	1,876,154	1,887,374						
2009	1,166,071	1,183,559	1,178,694							
2010	1,087,157	1,212,969								
2011	2,067,741									

Net Earned Premium

Accident Year	NEP
2002	1,011,055
2003	1,400,886
2004	1,944,251
2005	1,510,852
2006	1,523,811
2007	1,790,563
2008	2,359,187
2009	2,403,398
2010	2,261,205
2011	3,087,710

Highlights

Insurance Overseas General Segment

The Insurance Overseas General segment is comprised of business written by ACE International, ACE Global Markets (AGM), and Combined Insurance. The historical data for Overseas General includes the international Personal Accident business of Combined Insurance, which was acquired on April 1, 2008. Combined Insurance data is included for all accident years.

ACE International operates in over 40 countries across Europe, Asia, Latin America, Africa, and the Middle East. Roughly 40% of ACE International's net earned premium (excluding Combined Insurance) is generated by European accounts. Almost 65% of Combined Insurance's net earned premium was generated by European accounts in calendar year 2011. AGM operates within the London market and writes both U.S. and internationally exposed business, predominately short-tailed. In accordance with standard Lloyd's market practice, ACE analyzes its AGM business on a year-of-account basis rather than on an accident year basis. In order to provide data on an accident year basis, it was necessary to make a number of assumptions.

Overseas General premiums are split approximately 65% non-casualty/personal accident and 35% casualty.

We have compiled the triangles in original currency and then converted to US\$ at December 2011 exchange rates for all historical data. This approach removes the impact of currency fluctuations from historical development trends.

Insurance Overseas General – Casualty

The Casualty Class is comprised of non-U.S. general liability, employers liability, and professional liability exposures as well as shorter-tailed casualty exposures such as automobile liability, marine, aviation, and political risk. Exposures are located around the world, including Europe, Latin America, and Asia. There is some U.S. exposure in the Casualty Class from multinational accounts. Approximately 75% of the casualty premiums are general and professional liability exposures (split 53% general/47% professional) that are predominately primary and tend to be quicker developing than comparable exposures in the U.S. Excess casualty exposures represent approximately 25% of total general liability. D&O represents approximately 35% of the total professional liability exposures.

Rates for general liability and professional liability were particularly strong between 2002 and 2004 followed by a gradual weakening between 2005 and 2007 and leveling off toward the end of 2008. Overall, casualty rates remained largely flat from 2009 to 2011.

Approximately 40% of the casualty premium is shorter-tailed automobile, marine, aviation, and political risk exposures. Marine is mostly short-tailed cargo (both inland and ocean) and hull risks with some exposure to marine liability business. The aviation line includes a broad range of aviation risks from longer-tailed aviation products and airline/airport liability to shorter-tailed airline hull. Automobile liability included in this category is substantially personal lines business, with a large concentration in Japan as well as smaller portions in Latin America and Southeast Asia. With the exception of aviation, these lines tend to have had less volatile rate changes and are shorter-tailed than general and professional liability lines.

Insurance Overseas General – Non-Casualty

The Non-Casualty Class is comprised of fire, construction, and energy exposures, as well as a growing personal lines book, which includes specialty exposures such as cell phones, laptops, and Japanese renter's insurance. Generally, rates for these classes have declined from 2003 through 2008 with the exception of North American exposures with the AGM book which experienced significant rate increases following the 2005 hurricanes. Rates on these lines have remained largely flat from 2009 to 2011, again with the exception of some lines within AGM where rates increased in 2009, leveled off in 2010, and increased again in 2011. Approximately 45% of the ACE International non-casualty

Highlights (cont.)

book originates from Europe. In general, the property lines have relatively stable paid and reporting patterns although losses from Hurricanes Katrina, Rita, and Wilma in 2005 on the AGM portfolio of U.S. exposures will have some impact on the ultimate loss ratio. The same is true for the 2008 year where losses will be impacted by catastrophes, primarily Hurricane Ike, and the 2010 and 2011 years where losses will be impacted by major worldwide catastrophes, such as the Chilean earthquake, floods in Australia, earthquakes in New Zealand, and the Japanese earthquake.

Insurance Overseas General – Personal Accident

The Personal Accident Class is comprised of low limit travel, credit, disability and accident accounts sold through various marketing channels. The Class has experienced significant growth since 2002 through increased solicitation and additional marketing efforts. As noted above, the Overseas General Personal Accident line includes the Combined Insurance Personal Accident data. Average rate levels for this business have been relatively stable since 2004 and should have little impact on expected loss ratios.

ACE Limited 2011 Global Loss Triangles | Insurance Overseas General

Casualty

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	310,210	565,401	747,519	918,600	1,103,316	1,176,092	1,247,518	1,312,433	1,373,088
2002	205,951	413,614	517,229	606,060	671,299	733,328	763,941	781,777	800,058	817,221
2003	194,566	350,520	431,239	502,395	574,214	625,580	662,921	698,115	705,596	
2004	179,671	377,548	468,095	536,285	580,867	621,018	642,872	661,066		
2005	200,338	378,981	496,719	590,267	652,262	731,090	767,740			
2006	232,971	435,655	570,182	649,970	720,622	748,578				
2007	243,092	490,063	645,125	769,469	854,589					
2008	253,998	507,765	629,790	764,939						
2009	264,629	519,618	654,554							
2010	268,798	487,072								
2011	197,952									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	846,300	1,092,237	1,284,216	1,346,571	1,421,070	1,456,301	1,503,031	1,495,912	1,516,308	1,529,395
2002	399,751	634,093	776,574	860,457	868,431	862,227	863,798	861,871	858,590	867,495
2003	378,334	526,212	607,623	660,637	720,164	733,108	750,249	754,039	752,143	
2004	374,029	584,374	639,506	660,539	678,469	681,666	680,650	682,334		
2005	411,440	597,103	714,499	762,769	790,253	819,283	827,813			
2006	454,886	644,292	757,418	804,268	819,190	830,810				
2007	519,585	773,784	874,178	916,825	997,145					
2008	532,315	770,727	887,384	979,887						
2009	524,217	780,781	862,789							
2010	562,998	713,117								
2011	451,941									

Net Earned Premium

Accident Year	NEP
2002	1,561,019
2003	1,731,578
2004	1,868,363
2005	1,956,697
2006	1,980,385
2007	1,855,217
2008	1,912,591
2009	1,865,606
2010	1,901,970
2011	1,829,485

ACE Limited 2011 Global Loss Triangles | Insurance Overseas General

Non-Casualty

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	115,322	156,992	176,835	236,194	253,499	271,164	277,765	278,378	284,840
2002	178,402	365,409	442,257	461,101	465,754	468,951	470,727	468,555	471,410	467,797
2003	151,243	375,604	460,223	490,829	507,889	510,178	518,104	519,507	520,208	
2004	202,262	457,413	536,440	565,771	582,149	589,531	596,162	602,521		
2005	201,833	492,460	625,185	687,381	711,398	716,161	717,080			
2006	163,297	363,290	438,940	463,185	474,496	483,083				
2007	193,875	429,257	526,305	557,541	569,591					
2008	218,317	482,663	564,110	615,750						
2009	190,728	420,355	495,102							
2010	254,169	545,312								
2011	397,238									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	327,037	308,908	307,918	293,249	318,553	317,654	325,078	324,189	319,428	323,197
2002	399,737	495,034	497,340	494,265	485,082	475,061	473,646	469,992	471,710	469,402
2003	409,315	506,356	527,876	530,246	525,118	523,213	524,432	523,669	522,408	
2004	497,361	595,678	606,162	603,523	607,820	607,500	605,378	607,768		
2005	572,196	723,745	730,255	736,378	739,065	736,258	731,199			
2006	389,532	492,161	506,085	502,310	497,980	497,518				
2007	481,382	605,955	603,140	600,288	596,228					
2008	565,390	669,126	669,964	670,694						
2009	477,486	584,013	568,138							
2010	561,477	754,239								
2011	790,658									

Net Earned Premium

Accident Year	NEP
2002	869,192
2003	1,241,746
2004	1,340,098
2005	1,262,141
2006	1,209,708
2007	1,200,512
2008	1,212,230
2009	1,202,524
2010	1,289,091
2011	1,386,028

ACE Limited 2011 Global Loss Triangles | Insurance Overseas General

Personal Accident

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	84,335	131,865	179,703	209,583	228,714	252,182	261,152	268,247	274,674
2002	196,406	352,731	407,236	427,715	438,749	447,609	451,736	453,863	456,539	458,004
2003	211,329	383,069	432,664	452,640	465,507	471,188	475,452	477,741	479,751	
2004	220,783	386,457	421,682	442,154	451,320	455,527	459,037	460,715		
2005	238,951	417,811	460,055	474,529	481,229	485,982	488,849			
2006	282,747	473,155	517,834	536,167	541,254	544,924				
2007	312,448	533,625	578,840	597,764	604,307					
2008	347,749	594,984	651,857	665,147						
2009	380,850	645,197	702,133							
2010	390,874	665,387								
2011	392,234									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	131,951	193,064	225,062	258,180	276,729	286,112	288,423	291,812	294,585	296,648
2002	271,044	426,744	451,005	455,983	460,126	460,372	461,647	461,110	460,889	461,858
2003	303,390	445,615	473,277	479,491	483,901	483,460	484,787	483,692	483,209	
2004	298,749	436,277	449,786	459,039	462,642	465,550	466,381	466,963		
2005	321,540	466,458	483,681	485,124	488,000	488,872	490,432			
2006	368,170	526,657	540,188	546,741	549,964	550,511				
2007	406,208	593,369	605,399	611,507	612,679					
2008	456,236	654,820	675,398	678,440						
2009	502,153	708,509	727,989							
2010	518,260	732,661								
2011	535,510									

Net Earned Premium

Accident Year	NEP
2002	1,141,229
2003	1,268,871
2004	1,401,319
2005	1,535,651
2006	1,733,680
2007	1,882,243
2008	1,960,080
2009	1,961,639
2010	2,021,001
2011	2,140,289

Highlights

Global Re Segment

The Global Re segment contains the business written by Tempest USA, Tempest Bermuda, Tempest International, and Tempest Canada, all of which is sourced through reinsurance brokers. Tempest USA writes a US treaty reinsurance book covering nearly all lines. Tempest Bermuda was founded in 1993 and writes catastrophe reinsurance, primarily property coverages. Tempest International writes a worldwide portfolio of marine, aviation, international property and casualty business. Tempest Canada was formed in 2007 and writes predominately Canadian property and casualty business.

Unlike the rest of the triangles, the data for Global Re is presented on a treaty year basis, rather than on an accident year basis like the rest of the ACE Group. A feature of treaty year data is that individual treaties can incept at any time during a given treaty year. Therefore a full treaty year can typically take up to 36 months to fully earn, and possibly longer if the year contains multi-year contracts. Since reserves should only be established for the earned portion of each treaty year, care should be taken not to fully develop the more recent treaty years without excluding the unearned portion of that treaty year.

For the Global Re Property segment, we generally expect the earned premium at the end of the first development year to represent approximately 70-75% of the ultimate premium for the treaty year, and anticipate minimal development in earned premium after the second development year. For the Global Re Non-Property segment, we generally expect the earned premium at the end of the first and second development years to respectively represent 40-50% and 85-95% of ultimate premium. By the end of the third development year, ultimate premiums should be fully earned although the actual premium figures may move slightly after this point due to updated reporting from the cedants.

Global Re Property

Prior to treaty year 2000, all of the loss experience relates to Tempest Bermuda and is therefore all property catastrophe related. In the treaty years subsequent to 2000, the property proportional and property per risk books have grown substantially. Although the mixture of business varies by year, Tempest Bermuda property catastrophe represents approximately 70% of earned premium in the more recent years. U.S. exposure risks represent approximately 75% of the total Property premium. Of the non-catastrophe premium, approximately 50% of the premium is on proportional treaties increasing to close to 60% over the last four years.

Global Re Non-Property

This portfolio consists of a wide range of business which more recently includes general casualty (20%), automobile (30%), professional liability (20%), medical malpractice (10%), workers' compensation, marine and aviation. The mix of business has changed over time as the rate of growth and reduction varied by market conditions and line of business. For example, from 2002 to 2005, general casualty business comprised approximately 40% of the portfolio but in more recent years this line of business has reduced to less than 20% of the portfolio. Approximately 75% of the Non-Property business is written on U.S. exposed risks. This ratio has historically varied between 60% and 80%. Approximately 60% of the premium volume is on non-proportional business and a small portion of the premium is coming from Facultative treaties (less than 5%).

Given the long-tail nature of the Global Re Non-Property lines of business, care must be taken when trying to produce meaningful analysis from limited historical information. Compounding this limitation is the fact that this portfolio grew rapidly in its first few years and has been shrinking in the more recent years due to the softening market. As a result, loss development experience emerging from earlier treaty years may not be an unbiased predictor of loss development in later years.

ACE Limited 2011 Global Loss Triangles | Global Re

Property

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	18,871	21,385	23,391	24,508	26,772	26,317	32,028	33,821	31,040
2002	28,247	72,572	106,697	118,051	121,074	122,326	123,155	121,832	121,882	123,153
2003	31,156	68,131	102,882	112,863	116,421	118,689	119,337	119,990	120,407	
2004	171,420	327,079	388,612	413,166	423,856	429,197	432,198	434,497		
2005	89,513	405,134	516,406	555,358	568,054	575,421	584,892			
2006	12,908	57,836	86,770	95,941	99,535	100,157				
2007	12,982	62,334	92,452	101,545	105,725					
2008	53,298	139,513	176,823	204,777						
2009	28,967	74,959	95,077							
2010	33,747	191,788								
2011	6,292									

Reported Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	21,014	30,433	28,432	28,503	32,038	32,366	31,948	37,147	38,056	34,669
2002	76,831	121,184	128,513	129,339	129,214	127,887	127,911	122,925	122,822	124,026
2003	58,177	102,283	123,363	121,866	123,393	123,015	122,997	122,358	121,330	
2004	253,680	394,330	430,961	435,333	436,767	438,241	438,302	437,466		
2005	394,422	542,773	569,190	584,105	580,769	584,051	591,837			
2006	33,593	86,999	101,006	102,815	102,701	102,348				
2007	36,111	98,431	112,940	111,342	112,114					
2008	155,174	180,171	206,440	215,436						
2009	57,906	98,326	107,242							
2010	113,013	259,721								
2011	62,316									

Net Earned Premium

Treaty Year	NEP
2002	547,462
2003	615,495
2004	502,072
2005	566,751
2006	563,343
2007	476,173
2008	432,637
2009	473,742
2010	449,966
2011	315,409

ACE Limited 2011 Global Loss Triangles | Global Re

Non-Property

As of 12/31/11 in \$US thousands

Paid Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	17,437	30,499	47,071	65,482	73,298	78,933	82,512	88,082	89,987
2002	1,942	23,435	48,906	83,858	115,779	147,479	174,105	187,365	196,898	200,630
2003	4,251	38,583	84,964	136,079	198,701	240,482	268,797	293,032	312,346	
2004	10,226	56,713	104,269	167,513	238,443	291,916	328,952	348,864		
2005	13,883	93,183	174,739	244,232	305,590	348,398	386,726			
2006	10,565	66,816	141,090	207,498	261,659	307,466				
2007	8,486	52,884	113,663	164,671	210,884					
2008	12,504	57,906	121,240	165,917						
2009	10,916	62,079	116,524							
2010	14,631	98,674								
2011	12,488									

Reported Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	22,057	42,995	64,449	81,737	92,370	92,047	94,645	96,281	98,868	101,027
2002	13,485	50,644	112,729	149,312	181,873	202,992	219,512	234,203	228,446	225,870
2003	21,136	109,806	195,422	263,689	304,656	321,812	340,463	351,708	355,170	
2004	35,988	139,515	255,429	316,998	365,697	388,093	402,681	403,871		
2005	69,021	203,942	306,539	366,922	403,976	433,098	454,864			
2006	40,459	152,592	260,354	330,005	369,950	396,705				
2007	29,054	139,743	213,355	263,144	309,058					
2008	40,726	140,534	221,788	264,835						
2009	28,456	117,439	203,476							
2010	49,713	196,281								
2011	50,203									

Net Earned Premium

Treaty Year	NEP
2002	430,090
2003	758,518
2004	910,057
2005	887,460
2006	817,045
2007	635,081
2008	508,334
2009	608,065
2010	549,541
2011	224,254

ACE Limited 2011 Global Loss Triangles

Selected Excerpts based upon ACE's 2011 10-K Disclosure

Unpaid losses and loss expenses

As an insurance and reinsurance company, we are required by applicable laws and regulations and GAAP to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses under the terms of our policies and agreements with our insured and reinsured customers. The estimate of the liabilities includes provisions for claims that have been reported but are unpaid at the balance sheet date (case reserves) and for obligations on claims that have been incurred but not reported (IBNR) at the balance sheet date. IBNR may also include provisions to account for the possibility that reported claims may settle for amounts that differ from the established case reserves. Loss reserves also include an estimate of expenses associated with processing and settling unpaid claims (loss expenses).

At December 31, 2011, our gross unpaid loss and loss expense reserves were \$37.5 billion and our net unpaid loss and loss expense reserves were \$25.9 billion. With the exception of certain structured settlements, for which the timing and amount of future claim payments are reliably determinable, our loss reserves are not discounted for the time value of money. In connection with such structured settlements, we carry net discounted reserves of \$59 million.

The process of establishing loss reserves for property and casualty claims can be complex and is subject to considerable uncertainty as it requires the use of informed estimates and judgments based on circumstances known at the date of accrual. The judgments used to estimate unpaid loss and loss expense reserves require different considerations depending upon the individual circumstances underlying the insured loss. For example, the reserves established for high excess casualty claims, A&E claims, claims from major catastrophic events, or the IBNR for our various product lines each require different assumptions and judgments to be made. Necessary judgments are based on numerous factors and may be revised as additional experience and other data become available and are reviewed, as new or improved methods are developed, or as laws change.

Hence, ultimate loss payments may differ from the estimate of the ultimate liabilities made at the balance sheet date. Changes to our previous estimates of prior period loss reserves impact the reported calendar year underwriting results adversely if our estimates increase and favorably if our estimates decrease.

The potential for variation in loss reserves is impacted by numerous factors, which we discuss below.

We establish loss and loss expense reserves for our claims liabilities for all insurance and reinsurance business that we write. For those claims reported by insureds or ceding companies to us prior to the balance sheet date, and where we have sufficient information, our claims personnel establish case reserves as appropriate based on the circumstances of the claim(s), standard claim handling practices, and professional judgment. In respect of those claims that have been incurred but not reported prior to the balance sheet date, there is, by definition, limited actual information to form the case reserve estimate and reliance is placed upon historical loss experience and actuarial methods to project the ultimate loss obligations and the corresponding amount of IBNR. Furthermore, for our assumed reinsurance operation, Global Reinsurance, an additional case reserve may be established above the amount notified by the ceding company if the notified case reserve is judged to be insufficient by Global Reinsurance's claims department (refer to "Assumed reinsurance" below) [in Item 7 of the 2011 10-K].

We have actuarial staff within each of our operating segments who analyze loss reserves and regularly project estimates of ultimate losses and the corresponding indications of the required IBNR reserve. Note that losses include loss expenses for the purposes of this discussion. IBNR reserve estimates are generally calculated by first projecting the ultimate amount of losses or a product line and subtracting paid losses and case reserves for reported claims. The judgments involved in projecting the ultimate losses may include the use and interpretation of various standard actuarial reserving methods that place reliance on the extrapolation of actual historical data, loss development patterns, and industry data as appropriate.

The estimate of the required IBNR reserve also requires judgment by actuaries and management to reflect the impact of more contemporary and subjective factors, both qualitative and quantitative. Among some of these

ACE Limited 2011 Global Loss Triangles

Selected Excerpts based upon ACE's 2011 10-K Disclosure (cont.)

factors that might be considered are changes in business mix or volume, changes in ceded reinsurance structures, reported and projected loss trends, inflation, the legal environment, and the terms and conditions of the contracts sold to our insured parties.

Typically, for each product line, one or more standard actuarial reserving methods may be used to estimate ultimate losses and loss expenses, and from these estimates, a single actuarial central estimate is selected. Exceptions to the use of standard actuarial projection methods occur for individual claims of significance that require complex legal, claims, and actuarial analysis and judgment (for example, A&E account projections or high excess casualty accounts in litigation) or for product lines where the nature of the claims experience and/or availability of the data prevent application of such standard methods. In addition, claims arising from certain catastrophic events require evaluations that do not utilize standard actuarial loss projection methods but are based upon our exposure at the time of the event and the circumstances of the catastrophe and its post-event impact.

The standard actuarial reserving methods may include, but are not limited to, expected loss ratio, paid and reported loss development, and Bornhuetter-Ferguson methods. A general description of these methods is provided below. In the subsequent discussion on short- and long-tail business, reference is also made, where appropriate, to how consideration in method selection impacted 2011 results. In addition to these standard methods, we may use other recognized actuarial methods and approaches depending upon the product line characteristics and available data. To ensure that the projections of future loss emergence based on historical loss development patterns are representative of the underlying business, the historical loss and premium data is required to be of sufficient homogeneity and credibility. For example, to improve data homogeneity, we may subdivide product line data further by similar risk attribute (e.g., geography, coverage such as property versus liability exposure, or origin year), project ultimate losses for these homogenous groups and then combine the results to provide the overall product line estimate.

The premium and loss data are aggregated by origin year (e.g., the year in which the losses were incurred – “accident year” or “report year”, for example) and annual or quarterly development periods. Implicit in the standard actuarial methods that we generally utilize is the need for two fundamental assumptions: first, the pattern by which losses are expected to emerge over time for each origin year and second, the expected loss ratio for each origin year (i.e., accident, report, or underwriting).

The expected loss ratio for any particular origin year is selected after consideration of a number of factors, including historical loss ratios adjusted for intervening rate changes, premium and loss trends, industry benchmarks, the results of policy level loss modeling at the time of underwriting, and other more subjective considerations for the product line and external environment as noted above. The expected loss ratio for a given origin year is initially established at the start of the origin year as part of the planning process. This analysis is performed in conjunction with underwriters and management. The expected loss ratio method arrives at an ultimate loss estimate by multiplying the expected ultimate loss ratio by the corresponding premium base.

This method is most commonly used as the basis for the actuarial central estimate for immature origin periods on product lines where the actual paid or reported loss experience is not yet deemed sufficiently credible to serve as the principal basis for the selection of ultimate losses. The expected loss ratio for a given origin year may be modified over time if the underlying assumptions such as loss trend or premium rate changes differ from the original assumptions.

Our selected paid and reported development patterns provide a benchmark against which the actual emerging loss experience can be monitored. Where possible, development patterns are selected based on historical loss emergence by origin year with appropriate allowance for changes in business mix, claims handling process, or ceded reinsurance that are likely to lead to a discernible difference between the rate of historical and future loss emergence. For product lines where the historical data is viewed to have low statistical credibility, the selected development patterns also reflect relevant industry benchmarks and/or experience from similar product lines written elsewhere within ACE.

ACE Limited 2011 Global Loss Triangles

Selected Excerpts based upon ACE's 2011 10-K Disclosure (cont.)

This most commonly occurs for relatively new product lines that have limited historical data or for high severity/low frequency portfolios where our historical experience exhibits considerable volatility and/or lacks credibility. The paid and reported loss development methods convert the selected loss emergence pattern to a set of multiplicative factors which are then applied to actual paid or reported losses to arrive at an estimate of ultimate losses for each period. Due to their multiplicative nature, the paid and reported loss development methods will leverage differences between actual and expected loss emergence. These methods tend to be utilized for more mature origin periods and for those portfolios where the loss emergence has been relatively consistent over time.

The Bornhuetter-Ferguson method is essentially a combination of the expected loss ratio method and the loss development method, where the loss development method is given more weight as the origin year matures. This approach allows a logical transition between the expected loss ratio method which is generally utilized at earlier maturities and the loss development methods which are typically utilized at latter maturities. We usually apply this method using reported loss data although paid data may be used.

The applicability of actuarial methods will also be impacted by the attachment point of the policy or contract with the insured or ceding company. In the case of low attachment points typical of primary insurance or working layer reinsurance, the experience tends to be more frequency driven. For these product types, standard actuarial methods generally work well in determining loss reserve levels, as the loss experience is often credible, given a sufficient history and volume of claims experience. In the case of high attachment points typical of excess insurance or excess of loss reinsurance, the experience tends to be severity driven, as only a loss of significant size will enter the layer. For these product lines, it typically takes longer for loss experience to gain credibility, which adds uncertainty to the estimates derived from standard actuarial methods. For products such as our assumed reinsurance business, we typically supplement the standard actuarial methods with an analysis of each contract's terms, original pricing information, subsequent internal and external analyses of the ongoing contracts, market exposures and history, and qualitative input from claims managers. This approach is also used for structured or unique contracts.

Our recorded reserves represent management's best estimate of the provision for unpaid claims as of the balance sheet date. We perform an actuarial reserve review for each product line at least once a year. At the conclusion of each review, we establish an actuarial central estimate. The process to select the actuarial central estimate, when more than one estimate is available, may differ across product lines. For example, an actuary may base the central estimate on loss projections developed using an incurred loss development approach instead of a paid loss development approach when reported losses are viewed to be a more credible indication of the ultimate loss compared with paid losses. The availability of estimates for different projection techniques will depend upon the product line, the underwriting circumstances, and the maturity of the loss emergence.

For a well-established product line with sufficient volume and history, the actuarial central estimate may be drawn from a weighting of paid and reported loss development and/or Bornhuetter-Ferguson methods. However, for a new long-tail product line for which we have limited data and experience or a rapidly growing line, the emerging loss experience may not have sufficient credibility to allow selection of loss development or Bornhuetter-Ferguson methods and reliance may be placed upon the expected loss ratio method until the experience matures and becomes credible.

Management's best estimate is developed from the actuarial central estimate after collaboration with actuarial, underwriting, claims, legal, and finance departments and culminates with the input of reserve committees. Each business unit reserve committee includes the participation of the relevant parties from actuarial, finance, claims, and unit senior management and has the responsibility for finalizing and approving the estimate to be used as management's best estimate. Reserves are further reviewed by ACE's Chief Actuary and senior management. The objective of such a process is to determine a single estimate that we believe represents a better estimate than any other. Such an estimate is viewed by management to be the best estimate of ultimate loss settlements and is

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Selected Excerpts based upon ACE's 2011 10-K Disclosure (cont.)

determined based on consideration of a number of factors in addition to the actuarial central estimate, including but not limited to:

- segmentation of data to provide sufficient homogeneity and credibility for loss projection methods;
- extent of internal historical loss data, and industry information where required;
- historical variability of actual loss emergence compared with expected loss emergence;
- perceived credibility of emerged loss experience; and
- nature and extent of underlying assumptions.

Management does not build in any specific provision for uncertainty.

We do not calculate ranges of loss reserve estimates for our individual loss reserve studies. Such ranges are generally not a true reflection of the potential difference between loss reserves estimated at the balance sheet date and the ultimate settlement value of losses. This is due to the fact that an actuarial range is developed based on known events as of the valuation date whereas actual prior period development reported in subsequent consolidated financial statements relates in part to events and circumstances that were unknown as of the original valuation date. While we believe that our recorded reserves are reasonable and represent management's best estimate for each product line as of the current valuation date, future changes to our view of the ultimate liabilities are possible.

A five percent change in our net loss reserves equates to \$1.3 billion and represents five percent of shareholders' equity at December 31, 2011. Historically, including A&E reserve charges, our reserves, at times, have developed in excess of 10 percent of recorded amounts. Refer to "Analysis of Losses and Loss Expenses Development", under Item 1 [of the 2011 10-K], for a summary of historical volatility between estimated loss reserves and ultimate loss settlements.

We perform internal loss reserve studies for all product lines at least once a year; the timing of such studies varies throughout the year. Additionally, each quarter for most product lines, we review the emergence of actual losses relative to expectations. If warranted from findings in loss emergence tests, we may alter the timing of our product line reserve studies. Finally, loss reserve studies are performed annually by external third-parties and the findings are used to test the reasonability of our internal findings.

The time period between the date of loss occurrence and the final payment date of the ensuing claim(s) is referred to as the "claim-tail". The following is a discussion of specific reserving considerations for both short-tail and long-tail product lines.

Short-tail business

Short-tail business generally describes product lines for which losses are typically known and paid shortly after the loss actually occurs. This would include, for example, most property, personal accident, aviation hull, and automobile physical damage policies that we write. There are some exceptions on certain product lines or events (e.g., major hurricanes or earthquakes) where the event has occurred, but the final settlement amount is highly uncertain and not known with certainty for a potentially lengthy period. Due to the short reporting and development pattern for these product lines, the uncertainty associated with our estimate of ultimate losses for any particular accident period diminishes relatively quickly as actual loss experience emerges. We typically assign credibility to methods that incorporate actual loss emergence, such as the paid and reported loss development and Bornhuetter-Ferguson methods, sooner than would be the case for long-tail lines at a similar stage of development for a given origin year.

The reserving process for short-tail losses arising from catastrophic events typically involves an assessment by the claims department, in conjunction with underwriters and actuaries, of our exposure and estimated losses immediately following an event and then subsequent revisions of the estimated losses as our insureds provide updated actual loss information.

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Selected Excerpts based upon ACE's 2011 10-K Disclosure (cont.)

Long-tail business

Long-tail business describes lines of business for which specific losses may not be known/reported for some period and for which claims can take significant time to settle/close. This includes most casualty lines such as general liability, D&O, and workers' compensation. There are many factors contributing to the uncertainty and volatility of long-tail business. Among these are:

- Our historical loss data and experience is sometimes too immature and lacking in credibility to rely upon for reserving purposes. Where this is the case, in our reserve analysis we rely on industry loss ratios or industry benchmark development patterns that we believe reflect the nature and coverage of the underwritten business and its future development, where available. For such product lines, actual loss experience may differ from industry loss statistics as well as loss experience for previous underwriting years;
- The inherent uncertainty around loss trends, claims inflation (e.g., medical and judicial) and underlying economic conditions;
- The inherent uncertainty of the estimated duration of the paid and reporting loss development patterns beyond the historical record requires that professional judgment be used in the determination of the length of the patterns based on the historical data and other information;
- The inherent uncertainty of assuming that historical paid and reported loss development patterns for older origin years will be representative of subsequent loss emergence on recent origin years. For example, changes over time in the processes and procedures for establishing case reserves can distort reported loss development patterns or changes in ceded reinsurance structures by origin year can alter the development of paid and reported losses;
- Loss reserve analyses typically require loss or other data be grouped by common characteristics in some manner. If data from two combined lines of business exhibit different characteristics, such as loss payment patterns, the credibility of the reserve estimate could be affected. Additionally, since casualty lines of business can have significant intricacies in the terms and conditions afforded to the insured, there is an inherent risk as to the homogeneity of the underlying data used in performing reserve analyses; and
- The applicability of the price change data used to estimate ultimate loss ratios for most recent origin years.

The interested reader is referred to ACE's 2011 Form 10-K for additional information on the reserving process.

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Glossary

Accident year (AY): Relates to all losses occurring within a given twelve-month period, regardless of when the loss was reported or booked.

Bornhuetter-Ferguson method: Estimates unpaid (unreported) losses for a given accident/treaty year based on an expected ultimate and the percentage of losses currently unpaid (unreported).

Chain Ladder method: Estimates unpaid (unreported) losses for a given accident/treaty year by a) estimating ultimate losses derived by multiplying the paid (or reported) losses for the given year by the reciprocal of the percentage of losses currently paid (or reported) for that year and, in the case of treaty year data, also by the percentage of earned premium to ultimate premium, and then b) subtracting the paid (or reported) losses for the given year from the ultimate losses calculated in (a).

Claims made basis: An insurance form where the date the loss is reported to the insurer is deemed to be the date of the loss event, regardless of when the loss occurred.

Expected Loss Ratio method: Estimates unpaid (unreported) loss for a given accident/treaty year by a) estimating ultimate losses derived by multiplying the earned premiums by a selected loss ratio, and then b) subtracting the paid (or reported) losses for the given year from the ultimate losses calculated in (a). The selected loss ratio may be based on the ACE's own data and/or Industry data or a combination of both.

Occurrence basis: An insurance form where the date the loss occurred is deemed to be the date of the loss event, regardless of when the claim is reported to the insurer.

Retroactive reinsurance: An arrangement whereby a reinsurer assumes liability incurred as a result of past events (i.e., a loss portfolio transfer).

Treaty year (TY): Relates to all losses associated with policies that inceptioned within a given twelve-month period.

Year-of-Account (YOA) : Terminology specific to Lloyd's business; the year to which an individual risk is allocated based on the calendar year in which it was first signed.