

ACE LIMITED

GLOBAL LOSS TRIANGLES

SUPPLEMENT — 2014



insured.[®]

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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, 2014, 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.

ACE Limited 2014 Global Loss Triangles | Table of Contents

I. Overview	Page
Executive Summary	2
Reconciliation of Global Loss Triangles with GAAP December 31, 2014 Reserve Balances	3
GLT Reserves as % of GAAP Reserves – Historical Perspective	4
Reserve Evaluation Considerations	5
II. Insurance North American	
Overview – Insurance North American	6
Workers' Compensation	8
General Liability	9
Other Casualty	10
Non-Casualty	11
III. Insurance Overseas General	
Overview – Insurance Overseas General Segment	12
Casualty	14
Non-Casualty	15
Personal Accident	16
IV. Global Reinsurance (Global Re)	
Overview – Global Re Segment	17
Property	18
Non-Property	19
V. Selected Excerpts from ACE's 2014 Form 10-K, Pages 38-44	20
VI. Glossary	25

EXECUTIVE SUMMARY

This document presents ACE's Global Loss Triangles (GLT) as of December 31, 2014, the purpose of which is to provide readers with the opportunity to use their own judgment with respect to the adequacy of our Property & Casualty (P&C) reserves and also to provide greater insight into ACE's overall reserve balance and Insurance and Reinsurance business in general. As discussed later in this document, our reserving approach is a comprehensive 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 data presented in this release was prepared on a more aggregated basis than the data analyzed by our actuarial staff, and we note that data prepared on such an aggregated basis may not demonstrate the full spectrum of characteristics that are evident in the more detailed level studied by our actuaries.

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 readers with their analysis, we have provided guidance where possible in the document on key assumptions that should be considered when performing an analysis. Please read the 'Reserve Evaluation Considerations' section on page five and the respective segment highlights that precede the triangle exhibits.

As with prior GLT releases, we reviewed the content and segmentation of the triangles to ensure that they remain a useful representation of our evolving business profile. Treatment of data for recent acquisitions is discussed below in the Insurance Overseas General Overview and in the reconciliation with GAAP Reserves Balances. We provide a reconciliation to triangle data from the previous GLT release on the same exhibit as the corresponding triangles.

The triangle data are provided in broad line groupings included in four of ACE's five SEC reporting segments. The remaining segment is Life business, for which 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 Insurance North American P&C and Insurance North American Agriculture segments are combined and presented as Insurance North American in the remainder of this document, except in the "Selected Excerpts from ACE's 2014 Form 10-K" section.

Data is presented for the following broad line groupings:

- Insurance North American
 - Workers' Compensation (WC)

- General Liability (GL)
- Other Casualty
- Non-Casualty
- Insurance Overseas General
 - Casualty
 - Non-Casualty
 - Personal Accident
- Global Reinsurance Segment
 - Property
 - Non-Property

The GLT supplement includes the following data:

- 1) Accident year (for direct business) or treaty year (for reinsurance business) triangles that include, through December 31, 2014, the last 10 calendar years 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)).
- 2) Net earned premium for each of the last 10 accident/treaty years ending December 31, 2014.

The data presented are in thousands of U.S. dollars, converted at year-end system close currency exchange rates (unless otherwise stated).

We also provide the following:

- A reconciliation of the GLT reserve balances with ACE's published GAAP reserve balance ending December 31, 2014;
- A reconciliation of the current data to that contained in the previous GLT release;
- A discussion of factors to consider when analyzing loss reserve triangles;
- Commentary highlighting aspects of the GLT triangles and their interpretations; and
- Relevant discussion from our 2014 Form 10-K addressing ACE's reserving process.

Reconciliation of GLT with GAAP December 31, 2014 Reserve Balances

In US\$ millions

The net reserves (Case plus IBNR) associated with the GLT can be reconciled back to ACE Limited's December 31, 2014 closing GAAP P&C net reserve balance as follows:

GAAP Net P&C Reserve Balance at December 31, 2014	\$27,008
Less: Financial Solutions ¹	1,549
Unallocated Loss Adjustment Expense (ULAE) ²	795
Bad Debt	251
Other ³	736
Plus: Recoveries from retroactive reinsurance contracts ⁴	126
GLT Net Reserve Balance at December 31, 2014	\$23,803

The GLT Net Reserve Balance can be split as follows:	Case	IBNR	Reserves	% of GAAP Reserves
Accident Years 2005 through 2014	\$6,477	\$13,841	\$20,318	75%
Accident Years 2004 and prior	1,663	1,822	3,485	13%
	\$8,140	\$15,663	\$23,803	88%

As indicated above, certain blocks of loss and ALAE reserves were excluded for the following reasons:

1. The Financial Solutions book is made up of a relatively small number of large heterogeneous accounts, each account having its own unique terms. The analysis of reserves for this book generally requires data, considerations, and sometimes the use of non-traditional actuarial methods that are not entirely based on such triangles.
2. With respect to ULAE, triangular based actuarial methods are not generally suitable for evaluating reserves.
3. Includes other reserves for which triangular based loss development methods are not appropriate, those items such as settlements and commutations, and reserves for the following acquisitions for which data are not included in the 2014 Global Loss Triangles: Fianzas Monterrey (April 1, 2013), ABA Seguros (May 2, 2013), and Itaú Seguros, S.A. (October 31, 2014).
4. The Global Loss Triangles are presented gross of retroactive reinsurance, which is consistent with the U.S. Statutory Schedule P treatment. While not material, our practice is to exclude these treaties since they can 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.

GLT Reserves as % of GAAP Reserves – Historical Perspective

In US\$ millions

The table below shows a 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 2014 is 88% for all years combined and 75% for the latest 10 years, 2005-2014.

Reserve Type	Accident/Treaty Years	GLT Reserves as % of GAAP Reserves Data ending Dec. 31 of:				
		2014	2013	2012	2011	2010
1) GAAP Reserves	Total	\$27,008	\$26,831	\$26,547	\$25,875	\$25,242
2a) GLT Reserves	Latest 10 Yrs	\$20,318	\$20,466	\$20,494	\$20,083	\$19,422
	Prior Yrs	\$ 3,485	\$ 3,382	\$ 3,301	\$ 3,385	\$ 3,522
	All Yrs	\$23,803	\$23,848	\$23,795	\$23,468	\$22,944
2b) As % of GAAP Reserves	Latest 10 Yrs	75%	76%	77%	78%	77%
	Prior Yrs	13%	13%	12%	13%	14%
	All Yrs	88%	89%	90%	91%	91%

Reserve Evaluation Considerations

Each operating segment has an actuarial staff that tracks insurance claims reserves and regularly evaluates the levels of loss reserves, taking into consideration factors that may impact ultimate loss reserves. This is accomplished not only by relying on a variety of actuarial methods, but also by applying judgment to quantify the impact of such factors.

Considerable caution should be taken when attempting to analyze reserve adequacy based on aggregated triangles. It is rare that the data is consistent, homogeneous, and static enough 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 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 market conditions are not properly taken into consideration, indicated reserves could be misstated, 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 website at the following address
<http://www.casact.org/pubs/proceed/proceed72/72181.pdf>

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

Overview | Insurance North American

Insurance North American

Insurance North American, the combination of the Insurance North American P&C and Insurance North American Agriculture segments, 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 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. Finally, this segment includes Brandywine Holdings (BWH), which contains the majority of our runoff Asbestos and Environmental exposures.

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 the Penn Millers business which, although acquired on November 30, 2011, includes the historical data for all accident years in the 2014 GLTs. ACE Private Risk Services is a writer of personal lines coverages with a target market of affluent and high net worth insureds. Effective April 1, 2015, the Private Risk Services operations includes the business acquired from Fireman's Fund. Since the acquisition occurred after the close of 2014, historical experience is not included in the 2014 GLTs. All of the Insurance North American operations, including BWH runoff, have been included in the loss triangles with the exception of AFS, 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 (the Westchester NICO treaty). 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 2004 and prior. Third, all of Insurance North American's BWH 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 WC line has experienced shifts in mix by business type during the ten year experience period included in the loss triangles. In 2004, approximately 65% of total net earned premium (NEP) was from high deductible products. In this year, 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, has been in the mid-20% range for the most recent years.

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

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.

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 two unrelated claims contributed to the high case incurred activity in the 2005 and 2007 accident 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. This product line includes the majority of the business written by our Private Risk Services operation. 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 ratios for the 2005, 2008, 2011, and 2012 years will be impacted by natural catastrophes.

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. The historical loss development experience of acquired Rain and Hail business has been added to our triangles. In recent years, our crop hail business and our accident and health business make up about 65% of NEP, up from about 50% in the 2004 year. This product line is also impacted by natural catastrophes in the same years as outlined above in Other Casualty.

Reconciliation to Previous Release

A comparison of this year's GLT with the previous release shows paid and reported losses plus paid ALAE decreased by less than 0.5% and premiums decreased by less than 0.5% across accident years 2005-2013 combined. Miscellaneous changes are due to activity in the period between fourth quarter close and December 31, 2013 across all accident years in one Insurance North American unit that were not captured in the 2013 GLT data. Currency changes reflect the impact of restating historical values at December 31, 2014 exchange rates.

Insurance North American | Workers' Compensation

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	169,845	354,325	532,579	663,961	771,709	905,245	1,038,089	1,168,657	1,277,386
2005	61,216	151,310	215,932	253,458	291,426	311,723	330,895	351,993	368,366	377,231
2006	74,152	171,108	232,527	286,458	330,307	357,997	381,417	397,469	427,158	
2007	67,616	147,311	213,201	252,530	288,078	325,990	342,546	362,249		
2008	65,090	140,524	190,239	232,649	277,851	306,555	327,862			
2009	49,909	121,871	166,591	202,020	238,963	268,458				
2010	63,302	156,420	220,969	274,669	309,721					
2011	45,663	114,808	170,228	200,695						
2012	32,935	78,243	106,504							
2013	30,833	90,505								
2014	34,762									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	1,334,813	1,386,782	1,557,747	1,702,986	1,833,980	1,892,820	1,996,272	2,060,542	2,123,045	2,174,575
2005	139,396	259,592	320,403	363,136	396,500	407,992	425,226	450,848	456,911	463,459
2006	172,229	302,001	362,232	415,022	440,363	462,533	489,539	502,614	516,026	
2007	159,197	271,786	336,800	364,341	393,417	422,370	432,317	450,868		
2008	155,136	262,258	315,061	361,294	394,287	411,472	429,901			
2009	135,591	228,416	270,442	305,721	338,624	356,311				
2010	154,761	258,683	330,588	377,667	401,380					
2011	115,577	206,960	259,502	290,966						
2012	80,098	138,348	175,800							
2013	83,438	199,129								
2014	115,893									

Earned Premium

Accident Year	NEP
2005	1,271,069
2006	1,339,390
2007	1,269,783
2008	1,077,731
2009	969,960
2010	1,013,680
2011	878,217
2012	799,008
2013	849,345
2014	956,710

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	368,834	0	(468)	368,366
2006	397,861	0	(392)	397,469
2007	342,977	0	(430)	342,546
2008	307,093	0	(537)	306,555
2009	239,335	0	(371)	238,963
2010	274,858	0	(189)	274,669
2011	170,336	0	(107)	170,228
2012	78,279	0	(36)	78,243
2013	30,836	0	(4)	30,833

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	457,409	0	(498)	456,911
2006	503,145	0	(531)	502,614
2007	432,821	0	(504)	432,317
2008	412,054	0	(582)	411,472
2009	339,097	0	(473)	338,624
2010	378,124	0	(456)	377,667
2011	259,726	0	(224)	259,502
2012	138,515	0	(167)	138,348
2013	83,519	0	(81)	83,438

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,272,623	0	(1,553)	1,271,069
2006	1,341,177	0	(1,787)	1,339,390
2007	1,270,722	0	(939)	1,269,783
2008	1,079,810	0	(2,078)	1,077,731
2009	972,173	0	(2,213)	969,960
2010	1,017,337	0	(3,657)	1,013,680
2011	879,442	0	(1,225)	878,217
2012	796,874	0	2,134	799,008
2013	847,322	0	2,023	849,345

Insurance North American | General Liability

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	487,225	949,983	1,335,719	1,822,710	2,216,060	2,527,455	2,855,589	2,990,955	3,472,134
2005	62,217	200,426	328,756	489,630	593,368	830,791	885,590	937,438	989,424	1,014,933
2006	45,745	150,864	290,728	428,107	557,113	665,300	727,536	765,426	795,046	
2007	46,285	164,104	320,199	588,382	846,536	994,965	1,099,820	1,137,400		
2008	41,962	159,395	346,574	531,438	675,834	865,643	991,694			
2009	32,525	148,106	291,067	460,348	576,691	744,050				
2010	47,274	185,544	329,975	456,754	580,416					
2011	59,662	213,946	350,157	609,739						
2012	41,280	182,075	339,426							
2013	49,747	178,119								
2014	54,524									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	1,027,739	1,351,102	1,705,138	1,903,481	2,378,552	2,704,871	2,942,411	3,223,212	3,292,265	3,743,450
2005	143,264	341,373	446,198	596,966	784,013	910,045	967,868	1,008,368	1,048,155	1,070,643
2006	139,031	282,495	422,990	596,420	677,802	766,578	814,411	840,075	864,343	
2007	136,562	321,828	531,797	820,921	1,052,405	1,112,497	1,175,880	1,197,972		
2008	142,323	347,692	554,192	704,351	817,208	1,036,550	1,105,611			
2009	140,984	315,128	448,668	598,235	724,887	850,984				
2010	128,025	297,182	514,848	627,378	775,903					
2011	135,622	336,092	527,474	788,176						
2012	105,340	295,784	605,978							
2013	113,582	333,835								
2014	131,503									

Earned Premium

Accident Year	NEP
2005	2,043,234
2006	2,230,153
2007	2,202,589
2008	2,088,750
2009	2,056,169
2010	2,063,018
2011	1,910,530
2012	1,983,018
2013	2,199,195
2014	2,410,118

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	985,223	7,144	(2,943)	989,424
2006	769,046	0	(3,620)	765,426
2007	1,103,478	3	(3,661)	1,099,820
2008	868,872	6	(3,236)	865,643
2009	579,691	2	(3,002)	576,691
2010	459,261	65	(2,572)	456,754
2011	351,919	4	(1,766)	350,157
2012	183,577	8	(1,510)	182,075
2013	50,094	0	(347)	49,747

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,051,362	2	(3,208)	1,048,155
2006	843,830	0	(3,755)	840,075
2007	1,180,062	3	(4,185)	1,175,880
2008	1,041,445	6	(4,901)	1,036,550
2009	728,869	2	(3,984)	724,887
2010	631,074	65	(3,761)	627,378
2011	530,062	3	(2,591)	527,474
2012	298,084	8	(2,308)	295,784
2013	114,377	0	(795)	113,582

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	2,053,545	0	(10,311)	2,043,234
2006	2,241,543	0	(11,389)	2,230,153
2007	2,216,878	0	(14,288)	2,202,589
2008	2,100,120	0	(11,369)	2,088,750
2009	2,067,899	0	(11,729)	2,056,169
2010	2,074,564	0	(11,546)	2,063,018
2011	1,920,680	0	(10,150)	1,910,530
2012	1,994,735	0	(11,717)	1,983,018
2013	2,208,058	0	(8,862)	2,199,195

Insurance North American | Other Casualty

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	327,825	557,905	694,199	799,307	916,457	1,037,007	1,156,808	1,246,414	1,347,969
2005	141,505	248,504	313,570	369,134	410,120	438,664	442,067	446,622	446,536	445,711
2006	117,680	238,206	303,848	354,379	385,336	398,751	405,355	409,236	418,498	
2007	114,136	243,086	322,679	371,118	395,597	427,301	442,174	447,794		
2008	224,783	468,643	567,280	635,908	672,813	694,031	706,092			
2009	121,595	279,320	341,798	370,932	393,497	413,851				
2010	221,354	408,354	485,497	530,977	561,221					
2011	285,609	508,306	606,337	669,360						
2012	229,575	442,507	538,140							
2013	174,176	357,037								
2014	240,504									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	265,444	676,106	842,739	953,457	1,033,278	1,249,366	1,321,945	1,373,335	1,452,595	1,543,344
2005	338,003	358,236	390,229	409,750	428,594	440,806	435,230	435,063	445,399	444,648
2006	252,489	335,804	370,982	391,505	406,014	412,843	418,214	419,034	428,456	
2007	246,133	345,636	389,662	422,532	427,260	448,743	454,061	458,659		
2008	409,820	609,111	648,558	683,992	705,826	715,556	719,346			
2009	252,685	366,104	402,440	411,890	420,281	429,558				
2010	371,666	492,202	546,363	576,083	588,491					
2011	452,138	615,630	663,632	707,661						
2012	389,768	530,263	604,143							
2013	268,604	423,494								
2014	384,729									

Earned Premium

Accident Year	NEP
2005	769,629
2006	837,518
2007	928,449
2008	987,574
2009	854,796
2010	850,757
2011	905,735
2012	980,979
2013	1,059,620
2014	1,142,317

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	448,329	0	(1,793)	446,536
2006	411,057	0	(1,821)	409,236
2007	445,374	0	(3,201)	442,174
2008	697,227	0	(3,195)	694,031
2009	395,978	0	(2,480)	393,497
2010	530,719	1,958	(1,700)	530,977
2011	607,867	0	(1,531)	606,337
2012	443,586	0	(1,079)	442,507
2013	174,607	0	(431)	174,176

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	447,288	0	(1,889)	445,399
2006	420,908	0	(1,874)	419,034
2007	457,542	0	(3,481)	454,061
2008	719,094	0	(3,537)	715,556
2009	423,659	0	(3,378)	420,281
2010	578,542	0	(2,459)	576,083
2011	665,773	0	(2,141)	663,632
2012	532,338	0	(2,075)	530,263
2013	269,421	0	(817)	268,604

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	773,443	0	(3,814)	769,629
2006	841,183	0	(3,665)	837,518
2007	932,572	0	(4,123)	928,449
2008	991,545	0	(3,971)	987,574
2009	858,550	0	(3,754)	854,796
2010	855,180	0	(4,423)	850,757
2011	909,298	0	(3,563)	905,735
2012	984,573	0	(3,595)	980,979
2013	1,063,958	0	(4,338)	1,059,620

Insurance North American | Non-Casualty

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	50,265	50,775	119,435	128,952	137,376	177,457	248,228	275,588	273,659
2005	611,741	864,436	996,942	1,037,979	1,060,992	1,069,771	1,077,713	1,099,521	1,094,424	1,095,253
2006	541,596	760,877	805,608	816,636	823,735	810,311	810,470	811,440	811,795	
2007	614,112	782,338	809,208	819,860	826,266	828,227	829,741	828,820		
2008	921,834	1,799,961	1,839,515	1,869,991	1,875,699	1,872,698	1,875,742			
2009	770,697	1,108,645	1,154,274	1,171,517	1,174,643	1,174,461				
2010	869,861	1,163,857	1,206,009	1,211,702	1,216,339					
2011	1,602,598	2,090,846	2,155,411	2,183,395						
2012	1,921,465	2,426,071	2,501,528							
2013	1,390,292	1,996,198								
2014	1,072,797									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	131,935	159,125	173,720	163,464	160,074	147,519	167,848	257,585	284,071	286,045
2005	880,220	987,017	1,032,299	1,053,945	1,063,371	1,066,186	1,078,816	1,102,612	1,094,185	1,096,055
2006	746,886	797,059	826,042	823,924	826,489	822,180	822,144	823,227	823,401	
2007	838,389	820,372	822,723	824,437	827,652	829,213	829,844	828,516		
2008	1,601,929	1,870,153	1,869,955	1,880,990	1,886,595	1,881,252	1,880,489			
2009	1,160,758	1,175,231	1,170,328	1,175,086	1,178,393	1,177,983				
2010	1,080,330	1,205,089	1,219,814	1,219,426	1,218,991					
2011	2,061,078	2,185,190	2,193,484	2,197,121						
2012	2,226,168	2,516,499	2,546,186							
2013	1,899,377	2,058,696								
2014	1,658,049									

Earned Premium

Accident Year	NEP
2005	1,502,164
2006	1,520,591
2007	1,784,447
2008	2,353,587
2009	2,395,448
2010	2,251,368
2011	3,079,944
2012	3,080,080
2013	3,043,933
2014	2,795,304

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,103,801	0	(9,377)	1,094,424
2006	818,390	0	(6,950)	811,440
2007	834,262	0	(4,520)	829,741
2008	1,877,856	0	(5,158)	1,872,698
2009	1,180,653	0	(6,010)	1,174,643
2010	1,219,197	0	(7,495)	1,211,702
2011	2,160,417	0	(5,006)	2,155,411
2012	2,431,056	0	(4,985)	2,426,071
2013	1,394,918	0	(4,625)	1,390,292

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,103,568	0	(9,384)	1,094,185
2006	830,196	0	(6,969)	823,227
2007	834,405	0	(4,560)	829,844
2008	1,886,434	0	(5,182)	1,881,252
2009	1,184,551	0	(6,157)	1,178,393
2010	1,227,046	0	(7,620)	1,219,426
2011	2,198,914	0	(5,430)	2,193,484
2012	2,522,834	0	(6,335)	2,516,499
2013	1,906,931	0	(7,554)	1,899,377

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,507,353	0	(5,190)	1,502,164
2006	1,525,453	0	(4,862)	1,520,591
2007	1,789,635	0	(5,188)	1,784,447
2008	2,358,782	0	(5,195)	2,353,587
2009	2,402,024	0	(6,576)	2,395,448
2010	2,258,022	0	(6,654)	2,251,368
2011	3,085,891	0	(5,947)	3,079,944
2012	3,085,956	0	(5,875)	3,080,080
2013	3,051,823	0	(7,890)	3,043,933

Overview | Insurance Overseas General

Insurance Overseas General

The Insurance Overseas General segment is comprised of business written by ACE International, ACE Global Markets (AGM), and Combined Insurance. The GLTs include data related to the recent acquisitions of Jerneh Insurance Berhad, AsuransiJaya Proteksi, and Siam Commercial Samaggi which were acquired in 2010, 2012, and 2014, respectively. These acquisitions consist mainly of international Personal Automobile and Personal Accident business and to a lesser extent short-tailed property lines. Data is included for accident years 2006 and subsequent for Jerneh and Samaggi and 2008 and subsequent for Jaya Proteksi. The GLTs do not include data for the acquisitions of Fianzas Monterrey, ABA Seguros, and Itaú Seguros, S.A.

ACE International operates in over 50 countries across Europe, Asia, Latin America, the Middle East, and Africa. Roughly 40% of ACE International's NEP (excluding Combined Insurance) is generated by European accounts. 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, which have remained consistent with prior GLT disclosures.

Overseas General NEP is split approximately 65% non-casualty/personal accident and 35% casualty.

We have compiled the triangles in original currency and then converted to U.S. dollars at December 31, 2014 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, surety, 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 30% of the casualty NEP is general liability exposures (roughly split 75% primary and 25% excess). About 10% of the casualty NEP is for

D&O, while approximately 20% is for other professional liability exposures. Most of this business is primary and tends to be quicker developing than comparable exposures in the U.S.

Rates for general liability and professional liability gradually weakened between 2005 and 2007 and then leveled off toward the end of 2008. Overall, casualty rates remained largely flat from 2009 to 2013. More recently, rates in Asia and Latin America have declined while European rates have remained stable.

The remaining 40% of the casualty NEP 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 the 2014 GLTs is substantially personal lines business, with a large concentration in Japan and Southeast Asia, as well as smaller portions in Latin America. 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 and Japanese renter's insurance. With the exception of North American exposures for AGM, rates for these classes have generally declined from 2005 through 2008 and remained largely flat from 2009 through 2013. More recently, rates in Asia and Latin America have declined while European rates have remained stable. AGM has experienced periodic rate increases the year following the major catastrophe events in 2008, 2010, and 2011. Rates in the years following the increases have typically levelled off or declined.

Approximately 35% of the ACE International non-casualty 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 and Hurricane Ike in 2008 on the AGM portfolio of U.S. exposures will have some impact on the ultimate loss ratio. The 2010 and 2011 years were also materially impacted by major catastrophe events such as earthquakes in New Zealand, Chile, and Japan.

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 2005 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 2005 and should have little impact on expected loss ratios.

Comparison to Previous Release

A comparison of this year's GLT with the previous release shows that NEP across AYs 2005 to 2013 along with paid and reported losses plus paid ALAE decreased by roughly 8%, 3%, and 7% for the Casualty, Non-Casualty, and Personal Accident lines, respectively. Miscellaneous changes include the addition of data from three recent acquisitions, discussed above, a reclassification of Japan Auto and Chintai GL business from Casualty to Non-Casualty, and a NEP revision for one region primarily impacting the most recent few years in the Casualty data. Currency changes reflect the impact of restating historical values at December 31, 2014 exchange rates.

Insurance Overseas General | Casualty

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	375,286	740,372	926,954	1,087,844	1,223,535	1,324,791	1,394,962	1,435,329	1,459,062
2005	122,685	264,462	373,069	461,933	521,494	595,599	632,020	652,917	663,159	670,298
2006	161,036	333,527	458,640	533,674	602,699	629,518	656,294	676,561	702,833	
2007	169,988	393,605	541,286	658,311	738,158	783,083	815,003	841,555		
2008	206,821	433,279	552,183	681,642	788,714	844,991	908,846			
2009	209,204	434,228	562,068	633,822	689,214	722,742				
2010	210,629	408,288	537,140	615,260	688,460					
2011	164,401	366,995	471,779	557,275						
2012	191,558	405,182	557,563							
2013	195,795	421,129								
2014	199,167									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	1,173,413	1,357,771	1,461,787	1,538,421	1,549,656	1,570,360	1,593,911	1,637,904	1,636,509	1,628,168
2005	298,525	465,690	578,388	624,089	649,792	678,744	688,449	688,398	695,384	697,634
2006	359,527	530,528	639,699	691,362	710,980	723,691	722,595	735,361	745,970	
2007	423,230	668,188	766,369	791,795	866,127	879,308	895,668	896,617		
2008	471,884	687,247	807,138	894,775	963,833	1,004,773	1,022,769			
2009	450,755	681,134	760,682	828,630	877,711	897,516				
2010	487,023	622,369	704,331	779,647	809,262					
2011	395,954	568,965	643,864	704,989						
2012	435,511	675,153	786,749							
2013	434,516	637,743								
2014	450,065									

Earned Premium

Accident Year	NEP
2005	1,696,677
2006	1,753,489
2007	1,635,125
2008	1,713,858
2009	1,659,442
2010	1,694,517
2011	1,667,797
2012	1,698,455
2013	1,809,456
2014	1,833,394

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	766,887	(71,768)	(31,961)	663,159
2006	765,960	(51,954)	(37,444)	676,561
2007	897,675	(40,396)	(42,276)	815,003
2008	901,310	(10,479)	(45,840)	844,991
2009	744,710	(14,676)	(40,820)	689,214
2010	663,211	(6,635)	(41,316)	615,260
2011	500,521	3,829	(32,571)	471,779
2012	417,578	16,963	(29,358)	405,182
2013	189,722	19,442	(13,370)	195,795

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	802,389	(71,768)	(35,238)	695,384
2006	826,608	(53,030)	(38,216)	735,361
2007	982,870	(38,990)	(48,212)	895,668
2008	1,070,501	(11,107)	(54,621)	1,004,773
2009	945,847	(16,058)	(52,078)	877,711
2010	839,628	(8,559)	(51,423)	779,647
2011	687,775	1,481	(45,392)	643,864
2012	706,469	16,982	(48,298)	675,153
2013	430,058	35,699	(31,241)	434,516

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,911,745	(127,742)	(87,326)	1,696,677
2006	1,932,126	(85,014)	(93,623)	1,753,489
2007	1,802,965	(74,749)	(93,092)	1,635,125
2008	1,855,564	(40,872)	(100,834)	1,713,858
2009	1,800,945	(41,447)	(100,055)	1,659,442
2010	1,835,932	(26,812)	(114,603)	1,694,517
2011	1,786,216	(4,162)	(114,257)	1,667,797
2012	1,803,310	7,397	(112,252)	1,698,455
2013	1,927,728	6,541	(124,813)	1,809,456

Insurance Overseas General | Non-Casualty

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	174,319	241,890	281,494	302,795	314,795	322,887	327,972	345,568	344,863
2005	225,289	521,297	654,776	717,583	741,447	746,287	747,493	752,051	755,963	751,102
2006	185,409	390,814	469,916	495,568	507,256	515,606	514,710	520,435	525,334	
2007	212,620	449,900	546,399	579,582	593,419	600,899	604,432	606,640		
2008	236,603	504,005	586,549	639,175	657,992	661,642	665,255			
2009	209,970	438,165	512,518	560,300	568,697	572,948				
2010	269,296	558,885	686,746	731,369	755,385					
2011	385,637	776,860	903,770	929,773						
2012	278,993	565,110	655,377							
2013	289,298	570,037								
2014	348,841									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	355,214	385,890	369,315	378,603	375,425	369,621	370,706	362,615	371,999	366,018
2005	599,853	753,588	759,874	765,851	768,474	765,820	761,130	763,880	760,711	754,596
2006	418,876	525,770	540,023	536,021	531,735	530,447	525,431	527,918	529,480	
2007	497,892	627,680	626,592	625,139	621,495	620,329	616,481	615,052		
2008	584,555	690,346	691,590	693,852	690,271	682,617	679,947			
2009	495,577	603,462	587,348	588,932	587,754	584,491				
2010	570,565	762,769	787,542	781,381	787,151					
2011	771,956	1,009,520	998,530	1,003,355						
2012	572,655	714,496	728,543							
2013	591,473	741,596								
2014	688,327									

Earned Premium

Accident Year	NEP
2005	1,280,162
2006	1,242,398
2007	1,233,838
2008	1,230,685
2009	1,221,995
2010	1,301,375
2011	1,398,620
2012	1,483,369
2013	1,642,784
2014	1,772,367

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	727,230	62,369	(33,635)	755,963
2006	484,669	69,964	(34,198)	520,435
2007	579,188	67,300	(42,057)	604,432
2008	637,694	67,147	(43,199)	661,642
2009	550,043	65,601	(46,946)	568,697
2010	721,165	63,554	(53,350)	731,369
2011	906,926	61,381	(64,537)	903,770
2012	553,833	53,951	(42,674)	565,110
2013	282,299	31,832	(24,833)	289,298

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	732,930	62,369	(34,588)	760,711
2006	491,984	70,238	(34,304)	527,918
2007	591,268	67,637	(42,423)	616,481
2008	659,156	68,242	(44,782)	682,617
2009	568,287	67,951	(48,484)	587,754
2010	769,816	68,086	(56,520)	781,381
2011	1,001,527	67,545	(70,543)	998,530
2012	699,873	66,171	(51,549)	714,496
2013	583,118	57,995	(49,640)	591,473

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,250,406	111,056	(81,300)	1,280,162
2006	1,197,803	125,683	(81,088)	1,242,398
2007	1,184,422	130,033	(80,617)	1,233,838
2008	1,187,305	130,304	(86,924)	1,230,685
2009	1,180,532	129,820	(88,356)	1,221,995
2010	1,265,067	133,652	(97,344)	1,301,375
2011	1,374,690	127,661	(103,731)	1,398,620
2012	1,461,717	127,407	(105,755)	1,483,369
2013	1,646,465	138,036	(141,718)	1,642,784

Insurance Overseas General | Personal Accident

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	88,935	145,224	184,360	202,082	216,414	227,115	235,142	239,012	245,495
2005	214,786	374,756	412,977	426,172	432,277	436,371	439,011	440,339	441,214	441,660
2006	256,567	427,091	467,874	484,063	488,489	491,827	494,000	494,892	495,676	
2007	283,766	482,834	523,775	540,920	546,744	549,448	552,144	553,771		
2008	322,163	544,821	595,900	608,007	614,628	619,500	621,800			
2009	354,602	592,522	642,951	659,525	668,594	672,376				
2010	367,075	616,111	664,795	682,330	692,138					
2011	369,620	619,644	673,625	694,492						
2012	368,349	602,351	660,067							
2013	367,725	604,550								
2014	378,995									

Reported Loss + Paid ALAE

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	179,183	219,059	241,911	247,922	254,234	256,598	259,381	261,157	261,235	259,428
2005	287,879	417,747	433,897	435,408	438,051	438,902	440,383	440,545	441,272	441,232
2006	331,422	474,177	487,618	493,831	496,725	497,078	497,954	498,589	498,450	
2007	366,776	535,621	547,473	553,447	554,506	555,021	556,822	556,912		
2008	417,335	597,863	617,118	619,928	624,017	627,797	628,638			
2009	462,193	649,984	666,581	672,511	677,438	679,821				
2010	480,411	677,369	692,181	701,567	704,829					
2011	497,472	689,302	711,969	716,639						
2012	491,345	682,433	700,503							
2013	496,548	674,304								
2014	487,696									

Earned Premium

Accident Year	NEP
2005	1,385,168
2006	1,576,854
2007	1,710,185
2008	1,790,919
2009	1,800,198
2010	1,838,632
2011	1,977,855
2012	2,026,371
2013	2,107,828
2014	2,275,328

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	480,260	0	(39,046)	441,214
2006	536,083	2,722	(43,913)	494,892
2007	597,271	3,950	(49,077)	552,144
2008	663,711	11,358	(55,570)	619,500
2009	716,859	12,644	(60,908)	668,594
2010	728,709	14,815	(61,193)	682,330
2011	715,456	18,428	(60,259)	673,625
2012	636,730	18,716	(53,096)	602,351
2013	381,785	15,380	(29,440)	367,725

Reported Loss + Paid ALAE as of 12/31/2013

Accident Year	Previous Release	Other	Currency	Current Release
2005	480,422	0	(39,150)	441,272
2006	540,192	2,716	(44,319)	498,589
2007	602,477	3,957	(49,612)	556,822
2008	672,873	11,448	(56,524)	627,797
2009	726,578	12,697	(61,837)	677,438
2010	749,756	15,085	(63,274)	701,567
2011	757,585	18,800	(64,416)	711,969
2012	725,302	19,107	(61,976)	682,433
2013	520,440	18,425	(42,317)	496,548

Earned Premium

Accident Year	Previous Release	Other	Currency	Current Release
2005	1,508,807	0	(123,639)	1,385,168
2006	1,704,106	14,700	(141,952)	1,576,854
2007	1,847,284	18,769	(155,868)	1,710,185
2008	1,928,131	24,923	(162,135)	1,790,919
2009	1,940,985	26,723	(167,510)	1,800,198
2010	1,977,565	33,739	(172,672)	1,838,632
2011	2,109,227	48,761	(180,134)	1,977,855
2012	2,157,379	62,018	(193,025)	2,026,371
2013	2,222,517	81,876	(196,565)	2,107,828

Overview | Global Re

Global Re

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 predominantly U.S. treaty reinsurance book. Tempest Bermuda was founded in 1993 and writes catastrophe reinsurance, primarily property coverages. Tempest International writes a worldwide portfolio of treaty reinsurance, emphasizing non-U.S. and non-Canadian risks, covering nearly all classes. Tempest Canada was formed in 2007 and writes predominately Canadian property and casualty business.

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 the treaty year basis 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

This portfolio consists of property catastrophe, property proportional, and property per risk books, with US exposure representing approximately 70% of the overall earned premium. Although the mixture of business varies by year, property catastrophe represents approximately 60%-70% of earned premium in Treaty Years 2005 and after. Of the non-catastrophe premium, approximately 60% of the premium is on proportional treaties. This percentage has increased over time with the proportion being approximately 50% from 2005-2008, 70% from 2009-2011, and 85% from 2012-2014, with the remainder being written on an excess of loss basis. As proportional business and excess of loss business have different earning and loss reporting and payment patterns, this change in mix will affect the loss emergence patterns across the treaty years

Global Re Non-Property

This portfolio consists of a wide range of business which has included the following lines of business: general casualty, automobile liability, professional liability, medical malpractice, 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. Approximately 75% of the Non-Property business is written on U.S. exposed risks. There has been a shift in the amount of business written on proportional treaties, with approximately 40% in treaty years 2005-2008, 60% from 2009-2011, and 75% from 2012 onwards written on a proportional basis, with the remainder being written on an excess of loss basis. The predominance of the business has been written on a treaty basis, with an immaterial amount of facultative contracts written

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. In addition, the shift from excess to proportional business over time will make the development patterns of older and more recent years difficult to compare. In general, the proportional business will develop more quickly than the excess of loss business, meaning that using older years development patterns may overstate the ultimate loss estimates in more recent years.

Comparison to Previous Release

A comparison of this year's GLT with the previous release shows paid and reported losses including paid ALAE decreased by less than 3% and approximately 1% for Property and Non-Property lines, respectively, over treaty years 2005-2013 combined. Miscellaneous changes for Property lines are due to a data correction. Currency changes reflect the impact of restating historical values at December 31, 2014 exchange rates. We do not show a comparison of the earned premium figures within the reconciliation because these show large increases over prior since they include exposures that have been earned since the prior release for recent treaty years.

Global Re | Property

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	74,968	104,902	119,944	130,246	135,502	137,001	136,063	130,786	141,622
2005	89,596	404,516	515,917	554,779	567,459	574,707	584,162	587,051	586,393	576,395
2006	12,854	56,225	83,616	94,198	97,764	98,374	98,739	99,159	99,268	
2007	10,906	57,953	87,031	95,986	99,849	102,866	104,201	105,163		
2008	53,110	138,360	175,408	203,158	213,439	214,819	216,082			
2009	24,257	73,695	93,175	100,967	104,896	106,441				
2010	31,507	176,593	225,688	247,729	259,362					
2011	5,449	71,466	98,369	124,113						
2012	20,429	93,851	119,789							
2013	21,352	99,210								
2014	19,309									

Reported Loss + Paid ALAE

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	102,551	140,950	145,813	146,523	148,337	148,320	144,554	143,650	138,003	144,602
2005	393,931	541,664	568,179	583,155	579,870	583,158	590,981	592,900	591,269	579,252
2006	31,838	83,420	97,405	100,873	100,775	100,432	100,287	100,773	100,082	
2007	29,247	92,364	106,852	105,282	106,025	107,262	107,670	108,868		
2008	154,640	178,318	204,600	213,675	216,079	216,630	217,073			
2009	49,381	96,109	104,766	106,855	107,766	108,545				
2010	107,014	237,200	253,164	263,351	271,405					
2011	58,454	127,375	141,554	144,469						
2012	39,290	126,056	141,066							
2013	55,910	148,067								
2014	36,891									

Earned Premium

Treaty Year	NEP
2005	567,432
2006	560,618
2007	475,807
2008	428,859
2009	468,470
2010	451,550
2011	425,682
2012	514,957
2013	595,612
2014	266,869

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Treaty Year	Previous Release	Other	Currency	Current Release
2005	587,380	0	(987)	586,393
2006	100,404	0	(1,245)	99,159
2007	108,368	0	(4,168)	104,201
2008	216,945	0	(2,126)	214,819
2009	107,440	0	(2,544)	104,896
2010	263,078	0	(15,349)	247,729
2011	103,301	0	(4,932)	98,369
2012	94,619	0	(768)	93,851
2013	22,122	0	(769)	21,352

Reported Loss + Paid ALAE as of 12/31/2013

Treaty Year	Previous Release	Other	Currency	Current Release
2005	592,359	0	(1,090)	591,269
2006	102,058	0	(1,285)	100,773
2007	111,983	0	(4,313)	107,670
2008	218,829	0	(2,199)	216,630
2009	110,406	0	(2,640)	107,766
2010	280,029	0	(16,678)	263,351
2011	148,917	(362)	(7,001)	141,554
2012	134,694	(7,460)	(1,177)	126,056
2013	58,884	0	(2,973)	55,910

Global Re | Non-Property

As of 12/31/14 In US\$ thousands

Paid Loss + Paid ALAE

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	147,749	305,847	448,783	547,309	625,296	668,529	700,035	723,060	746,969
2005	13,832	92,571	169,903	238,252	298,984	342,160	380,485	401,037	420,536	430,847
2006	10,540	63,213	134,250	202,388	258,819	301,866	336,279	357,669	374,052	
2007	8,476	49,945	109,749	161,252	207,603	252,923	282,225	303,173		
2008	12,339	56,439	119,324	163,844	201,770	232,507	255,174			
2009	10,249	61,553	115,292	162,024	204,714	234,580				
2010	14,625	98,011	181,814	228,388	264,008					
2011	12,484	94,930	172,577	219,635						
2012	20,099	114,607	197,346							
2013	10,984	99,476								
2014	33,435									

Reported Loss + Paid ALAE

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	291,726	518,049	634,200	717,122	774,211	798,348	801,255	810,343	819,814	826,980
2005	68,929	203,073	301,350	360,835	397,655	426,752	448,472	454,247	461,661	467,796
2006	40,289	147,931	253,620	323,983	366,526	390,325	412,306	415,689	416,868	
2007	28,829	136,666	209,890	261,285	305,272	328,962	344,282	355,132		
2008	39,380	138,552	218,816	261,735	292,509	314,814	321,187			
2009	26,337	116,433	201,057	260,979	288,583	301,005				
2010	49,533	194,134	286,288	331,853	359,069					
2011	50,030	189,796	280,113	317,097						
2012	81,492	213,447	295,754							
2013	42,817	179,561								
2014	64,960									

Earned Premium

Treaty Year	NEP
2005	868,773
2006	801,322
2007	618,194
2008	495,882
2009	605,928
2010	584,540
2011	541,839
2012	495,946
2013	455,584
2014	189,533

Reconciliation to 2013 GLT Supplement

Paid Loss + Paid ALAE as of 12/31/2013

Treaty Year	Previous Release	Other	Currency	Current Release
2005	422,394	0	(1,859)	420,536
2006	359,977	0	(2,309)	357,669
2007	284,237	0	(2,011)	282,225
2008	233,961	0	(1,454)	232,507
2009	206,157	0	(1,443)	204,714
2010	229,489	0	(1,101)	228,388
2011	174,054	0	(1,477)	172,577
2012	115,633	0	(1,026)	114,607
2013	11,235	0	(251)	10,984

Reported Loss + Paid ALAE as of 12/31/2013

Treaty Year	Previous Release	Other	Currency	Current Release
2005	464,581	0	(2,920)	461,661
2006	421,964	0	(6,274)	415,689
2007	347,475	0	(3,193)	344,282
2008	318,641	0	(3,828)	314,814
2009	292,399	0	(3,816)	288,583
2010	335,240	0	(3,387)	331,853
2011	283,950	0	(3,837)	280,113
2012	215,609	0	(2,162)	213,447
2013	43,941	0	(1,124)	42,817

Selected Excerpts from ACE's 2014 Form 10-K, Pages 38-44

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. At December 31, 2014, our gross unpaid loss and loss expense reserves were \$38.3 billion and our net unpaid loss and loss expense reserves were \$27.0 billion. With the exception of certain structured settlements, for which the timing and amount of future claim payments are reliably determinable, and certain reserves for unsettled claims that are discounted in statutory filings, our loss reserves are not discounted for the time value of money. In connection with such structured settlements and certain reserves for unsettled claims, we carried net discounted reserves of \$111 million and \$106 million at December 31, 2014 and 2013, respectively.

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).

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 underlying the insured loss known at the date of accrual. For example, the reserves established for high excess casualty claims, asbestos and environmental claims, claims from major catastrophic events or 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 reserve estimates is impacted by numerous factors, which we discuss below. In particular, these considerations differ markedly depending upon whether case or IBNR reserves are being established. Reserve estimates for casualty lines are particularly uncertain given the lengthy reporting patterns and corresponding need for IBNR.

Case reserves for those claims reported by insureds or ceding companies to us prior to the balance sheet date, and where we have sufficient information, are determined by our claims personnel as appropriate based on the circumstances of the claim(s), standard claim handling practices, and professional judgment. Furthermore, for our Brandywine run-off operations and our assumed reinsurance operation, Global Reinsurance, we may adjust the ceded case reserves as notified by the ceding company via use of an additional case reserve if the judgment of our respective claims department differs from that of the cedant.

With respect to IBNR reserves, and 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 estimate the ultimate loss obligations and the corresponding amount of IBNR. IBNR reserve estimates are generally calculated by first projecting the ultimate amount of losses for a product line and subtracting paid losses and case reserves for reported claims. The judgments involved in projecting the ultimate losses may pertain to 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, and other benchmarks 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 factors that might be considered are changes in business mix or volume, changes in ceded reinsurance structures, changes in claims handling practices, reported and projected loss trends, inflation, the legal environment, and the terms and conditions of the contracts sold to our insured parties.

Determining management's best estimate

Our recorded reserves represent management's best estimate of the provision for unpaid claims as of the balance sheet date. Management's best estimate is developed 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 and which is viewed by management to be the best estimate of ultimate loss settlements.

This estimate is generally based on a combination of exposure and experience based actuarial methods (described below) and other considerations such as claims reviews, reinsurance recovery assumptions and/or input from other subject matter experts such as underwriting. Exposure-based methods are most commonly used on relatively immature origin years while experience-based methods provide a view based on the projection of loss experience that has emerged as of the valuation date. Greater reliance is placed upon experience-based methods as the pool of emerging loss experience grows and where it is deemed sufficiently credible and reliable as the basis for the estimate. In comparing the held reserve for any given origin year to the actuarial projections, judgment is required as to the credibility, uncertainty and inherent limitations of applying actuarial techniques to historical data to project future loss experience. Examples of factors that impact such judgments include, but are not limited to, the following:

- nature and complexity of underlying coverage provided and net limits of exposure provided;
- segmentation of data to provide sufficient homogeneity and credibility for loss projection methods;
- extent of credible internal historical loss data and reliance upon industry information as required;
- historical variability of actual loss emergence compared with expected loss emergence;
- extent of emerged loss experience relative to the remaining expected period of loss emergence;
- rate monitor information for new and renewal business;
- facts and circumstances of large claims;
- impact of applicable reinsurance recoveries; 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, given the lack of robust statistical approaches and the limited usefulness for such information in decision making. Determining such ranges is a complex and uncertain process, and such ranges generally do not capture the potential changes in external and internal circumstances between the balance sheet date and the final settlement date that may impact the ultimate value of loss. 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 \$1.4 billion and represents five percent of shareholders' equity at December 31, 2014. Historically our reserves, at times, have developed in excess of 10 percent of recorded amounts.

We have actuarial staff within each of our business units 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. 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 and low volatility, the actuarial central estimate may be drawn from a weighting of paid and reported loss development and/or Bornhuetter-Ferguson methods (described below). However, for a new long-tail product line for which we have limited data and experience, a rapidly growing line, or an established line with volatile experience, 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 (described below) until the experience matures and becomes credible.

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/professional lines 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.

In addition to the annual loss reserve studies performed for each product line, we review the emergence of actual losses relative to expectations for most product lines each quarter. 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 provide management an independent assessment of our internal findings.

Standard actuarial reserving methods

Standard actuarial reserving methods 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-tail and long-tail business, reference is also made, where appropriate, to how consideration in method selection impacted 2014 results. In addition to these standard methods, depending upon the product line characteristics and available data we may use other recognized actuarial methods and approaches. To ensure that the projections of future loss emergence based on historical loss development patterns are representative of the underlying business, 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 elements of program structure such as attachments or limits), project ultimate losses for these homogeneous 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”) and annual or quarterly development periods, and data at all valuations is converted at the same foreign exchange rates in order to avoid distortions from exchange rate movements over time. 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.

The expected loss ratio for any particular origin year is selected after consideration of a number of factors, including historical loss ratios adjusted for rate changes, premium and loss trends, industry benchmarks, the results of policy level loss modeling at the time of underwriting, and/or other more subjective considerations for the product line (e.g., terms and conditions) 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 differ from the original assumptions (for example, the assessment of prior year loss ratios, loss trend, rate changes, actual claims, or other information).

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, and/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. 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 later maturities. We usually apply this method using reported loss data although paid data may also 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 are generally applicable in determining loss reserve levels given sufficient history and credible loss experience (although still subject to the same limitations and uncertainties described elsewhere in this section, for example, changing inflationary or legal environments). 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.

Short-tail and long-tail business

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. In this section, we reference the nature of recent prior period development to give a high-level understanding of how these considerations translate through the reserving process into financial decisions. Refer to Note 7 to the Consolidated Financial Statements for additional information on prior period development.

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 aviation crashes) where the event has occurred, but the final settlement amount is highly uncertain (e.g., coverage disputes or liability-related claims) 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.

For origin year 2014, loss reserves for short-tail lines were typically established for the non-catastrophe exposures using a combination of the initial expected loss ratio method (see above) and loss development methods that incorporate actual loss emergence. As the year progressed, we also adjusted these reserves for non-catastrophe large loss activity that we considered to be greater or less than the assumptions used to establish the initial expected loss ratio. Catastrophe activity was relatively low in 2014 and accordingly the judgments and uncertainties used to establish reserves for incurred catastrophe events were correspondingly less complex. For our short-tail businesses taken as a whole, overall loss trend assumptions did not differ significantly relative to prior years.

In terms of prior accident years, the bulk of the changes made in the 2014 calendar year arose from origin years 2010 through 2012. Specifically, the Insurance — North American P&C, Insurance — Overseas General, and Global Reinsurance segments experienced \$56 million, \$210

million, and \$11 million of favorable prior period development, respectively, primarily due to lower than anticipated loss emergence rather than any significant changes to underlying actuarial assumptions such as loss development patterns. This favorable prior period development was primarily the result of changes to the ultimate loss estimates for origin years 2011 and 2012 for Insurance – North American P&C, origin years 2010 through 2013 for Insurance — Overseas General, and origin year 2012 for Global Reinsurance. Insurance — North American Agriculture experienced \$34 million of adverse prior period development primarily due to higher than expected claim development for the 2013 crop year in our Multiple Peril Crop Insurance business.

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 various factors contributing to the uncertainty and volatility of long-tail business. Among these are:

- The nature and complexity of underlying coverage provided and net limits of exposure provided;
- 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 may utilize 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 considerable 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 reported 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.

As can be seen from the above, various factors are considered when determining appropriate data, assumptions, and methods used to establish the loss reserve estimates for long-tail product lines. These factors may also vary by origin year for given product lines. The derivation of loss development patterns from data and the selection of a tail factor to project ultimate losses from actual loss emergence require considerable judgment, particularly with respect to the extent to which historical loss experience is relied upon to support changes in key reserving assumptions. Examples of the relationship between changes in historical loss experience and key reserving assumptions are provided below.

For those long-tail product lines that are less claim frequency and more claim severity oriented, such as high excess professional and casualty lines, we placed more reliance upon expert legal and claims review of the specific circumstances underlying reported cases rather than loss development patterns. Where appropriate, we then supplemented this with loss development and Bornhuetter-Ferguson approaches to provide for claims that have been reported but are too immature to develop individual claims estimates and also to provide for claims that have occurred but have not been reported. The assumptions used for these lines of business are updated over time to reflect new claim and legal advice judged to be of significance.

For origin year 2014, loss reserves were typically established through the application of individual product line expected loss ratios, as discussed earlier. Our assumptions on loss trend and development patterns reflect reliance on our historical loss data provided the length and volume of history and homogeneity afford credibility. For those lines where our internal historical experience lacks credibility, we may place reliance upon the latest benchmark patterns (where available) from external industry bodies such as Insurance Services Office (ISO) or the National Council on Compensation Insurance, Inc. (NCCI). In such cases, the assumptions used to project ultimate loss estimates will not fully reflect our own actual loss experience until our data is deemed sufficiently credible. We note that industry patterns are not always available to match the nature of the business being written; this issue is particularly problematic for non-U.S. exposed lines. Given the underlying volatility of the long-tail product lines and the lengthy period required for full paid and reported loss emergence, we typically assign little to no credibility to actual loss emergence that is lower than expected in the early development periods. Accordingly, we generally used the expected loss ratio method for the 2014 and immediately preceding origin years to establish reserves by product line. We monitor actual paid and reported loss emergence relative to expected loss emergence for most individual product lines.

As described earlier, the process to develop origin year 2014 reserves for our long-tail casualty business relies on estimates of ultimate and historical loss ratios for prior origin years adjusted to current levels through the use of key assumptions like expected rate change and loss trend. When estimating the ultimate loss levels for these prior origin years for the major long-tail lines in Insurance — North American P&C, Insurance — Overseas General, and Global Reinsurance no changes of significance were made to the loss development patterns. While we generally use trends observed in internal and/or industry data to adjust prior year losses to current levels, we have made no material changes to the prospective loss trends used to develop ultimate loss ratios for origin year 2014.

For long-tail portfolios where actual loss emergence in calendar year 2014 was lower than expected for the more recent origin years, the deviation was not typically seen as sufficiently credible, particularly given the volatility and lengthy period for full loss emergence, to fully reflect in our booked ultimate loss selections or the actuarial assumptions underlying the reserve reviews. However, for certain product lines with early loss emergence on more recent origin years that was greater than expected, we did respond where we believed that such adverse emergence was generally significant relative to the loss emergence assumptions (e.g., origin years 2012 and 2013 for casualty and financial lines in Insurance — Overseas General). Such judgments were made with due consideration to the factors impacting reserve uncertainty as discussed above. The reserve actions that we took in 2014 are discussed further below and in Note 7 to the Consolidated Financial Statements.

For more mature origin years, typically 2010 and prior, we gave meaningful weight to indicated ultimates derived from methods that rely on the paid and reported loss development patterns based on our own historical experience where sufficient credibility was deemed to exist. As noted previously, this is consistent with our practice of allowing favorable loss emergence sufficient time to be reliably established before assigning partial or full credibility.

The prior period development in 2014 for long-tail lines of business comprised several main components. First, we experienced favorable prior period development on a number of product lines where actual loss emergence was lower than expected and/or increased weighting was given to experience-based methods as relevant origin years mature (typically 2010 and prior). In particular, this included D&O, medical risk operations, and financial solutions business in Insurance — North American P&C (\$179 million favorable) principally in origin years 2009 and 2010, casualty and financial lines in Insurance — Overseas General for origin years 2010 and prior (\$246 million favorable), and origin years 2009 and prior for long-tail product lines in Global Reinsurance (\$63 million favorable). Second, we recorded both favorable and adverse reserve actions in response to development on specific large claims. Third, we experienced adverse development from Insurance — North American P&C run-off operations including Westchester and Brandywine run-off operations (\$247 million).

Glossary

Accident year (AY): Relates to all losses occurring within a given 12-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 incepted within a given 12-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.