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ACE Limited

Global Loss Triangles Supplement
2010

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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 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, 2010, 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 2010 Global Loss Triangles | Global Loss Triangles Supplement

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Executive Summary

This document forms the supplement to ACE's release of its Global Loss Triangles (GLT) as of December 31, 2010. This year is our eighth GLT release with the purpose of providing the reader with the opportunity to use their own judgment with respect to the adequacy of certain areas of our Property & Casualty (P&C) reserves and also providing greater insight into ACE's overall reserve balance and business in general. As discussed later in this document, our reserving approach is a detailed ground-up process using data at a detailed level that reflects the specific type and coverage of the diverse products written by our various operations. The aggregated data presented in this release is therefore a consolidation of the numerous individual loss reserve triangles that are analyzed by our actuarial staff. In addition, the market continues to see changes in both rates and terms and conditions. It is therefore difficult to prepare an aggregate disclosure that captures all of these aspects.

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

To assist the reader with their analysis, we have provided guidance where possible in the document on key assumptions that should be considered when performing an analysis. Please see Pages 15, 16, 17, 22, 23 and 27.

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

The GLT supplement is comprised of the following information:

- For direct business – accident year (AY) triangles of a) net paid loss plus paid allocated loss adjustment expenses (ALAE) and b) net reported loss plus paid ALAE (i.e., excluding Incurred But Not Reported reserves (IBNR)) for the ten calendar years ending December 31, 2010.
- For reinsurance business — treaty year (TY) triangles of a) net paid loss plus paid ALAE and b) net reported loss plus paid ALAE (i.e., excluding IBNR) for the ten calendar years ending December 31, 2010.
- Net earned premium for each of the ten accident/treaty years ending December 31, 2010.

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

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

Furthermore, the GLT supplement also contains the following:

- A reconciliation of the GLT reserve balances with ACE's published GAAP reserve balance ending December 31, 2010.
- A reconciliation of the current data to that contained in the previous release.
- A discussion of some factors to consider when analyzing loss reserve triangles.
- Commentary highlighting aspects of the GLT triangles and their interpretations.
- Relevant discussion from our 2010 10-K addressing ACE's reserving process.

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation of GLT with GAAP December 31, 2010 Reserve Balances*

The net reserves (Case plus IBNR) associated with the GLT can be reconciled back to ACE Limited's December 31, 2010 closing GAAP P&C net reserve balance as follows:

	(\$millions)
GAAP Net P&C Reserve Balance at December 31, 2010	\$ 25,242
Less: Financial Solutions ¹	1,346
Unallocated Loss Adjustment Expense (ULAE)	726
Bad Debt	354
Other ²	515
Plus: Recoveries from retroactive reinsurance contracts ³	643
GLT Net Reserve Balance at December 31, 2010	\$ 22,944

The GLT Net Reserve Balance can be split as follows:	Case	IBNR	Reserves	% of GAAP Reserves
Accident Years 2001 through 2010	\$ 5,788	\$ 13,634	\$ 19,422	77%
Accident Years 2000 and prior	1,754	1,768	3,522	14%
	\$ 7,542	\$ 15,402	\$ 22,944	91%

The triangles are constructed to exclude the effects of shifting exchange rates. Loss and ALAE data denominated in foreign currencies are converted to U.S. dollars at December 2010 exchange rates.

*The triangles reflect the Rain & Hail acquisition on December 28, 2010

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

1. With respect to the Financial Solutions business, traditional actuarial methods such as loss development triangles are inappropriate for evaluating reserves. The book is made up of a relatively small number of large heterogeneous accounts, each account having its own unique terms. As a result, each account is reviewed and reserved for individually.
2. Includes other reserves for which loss development methods are not appropriate, or other items such as settlements and commutations.
3. The Global Loss Triangles are presented gross of retroactive reinsurance, which is consistent with the U.S. Statutory Schedule P treatment. In general, these treaties tend to distort the net loss history and prevent a useful analysis. ACE does not utilize this type of reinsurance with third parties in the normal course of business. The retroactive treaties we have on our books relate to acquisitions made by ACE, and the majority of the expected recoveries relate to accident years 1996 and prior. \$669 million of the total retroactive recoveries relate to the NICO Brandywine cover, which was purchased at the time of ACE's acquisition of the CIGNA P&C business. \$127 million relates to the ACE Westchester acquisition. The remaining amount is a reduction of \$153 million for two assumed retroactive reinsurance contracts.

ACE Limited 2010 Global Loss Triangles | Overview

GLT Reserves as % of GAAP Reserves – Historical Perspective

In \$US millions

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

The percentage of GLT reserves to GAAP reserves in 2010 is 91% for all years combined and 77% for the latest ten years. The latest ten years as shown in the 2010 GLT release are 2001-2010.

Reserve Type (\$millions)	Accident/Treaty Years	GLT Reserves as % of GAAP Reserves Data ending Dec. 31 of:				
		2010	2009	2008	2007	2006
1) GAAP Reserves	Total	\$ 25,242	\$ 25,038	\$ 24,241	\$ 23,592	\$ 22,008
2a) GLT Reserves	Latest 10 Yrs	\$ 19,422	\$ 18,936	\$ 18,405	\$ 17,845	\$ 16,105
	Prior Yrs	\$ 3,522	\$ 3,673	\$ 3,778	\$ 3,780	\$ 4,005
	All Yrs	\$ 22,944	\$ 22,609	\$ 22,183	\$ 21,625	\$ 20,110
2b) As % of GAAP Reserves	Latest 10 Yrs	77%	76%	76%	76%	73%
	Prior Yrs	14%	15%	16%	16%	18%
	All Yrs	91%	90%	92%	92%	91%

Reconciliation to Previous Release

On the following pages we summarize the historical data changes by segment and accident/treaty year (2001-2009) at December 31, 2009 for paid loss, reported loss, and earned premium. The changes in paid losses and reported losses are the differences between the next to the last diagonal in the triangles from this release and the last diagonal in the corresponding triangles from last year's release. The impact associated with currency fluctuation is separated from other "miscellaneous" enhancements. Please see discussion below for more details.

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

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

A number of other enhancements are also reflected in the 2010 GLTs. Although these enhancements are relatively minor in the context of the overall reserves, we believe their inclusion provides an improved data set for the reader.

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

Insurance North American

A comparison of this year's GLT with the previous release shows paid losses increased by 19%, reported losses increased by 17%, and premiums increased by 10% across accident years 2001-2009 combined.

- **Miscellaneous**

Inclusion of the historical data for Agri General Insurance Company as a result of December 28, 2010 acquisition of Rain and Hail Insurance Service, Inc. Increased earned premiums by \$3.8 billion, paid losses by \$2.5 billion, and reported losses by \$2.7 billion. Impact was primarily in the North American Non-Casualty line, as well as some impact in the North American Other Casualty line.

- **Currency**

Effect of restating historical values at December 2010 exchange rates

Insurance Overseas General

A comparison of this year's GLT with the previous release shows paid losses decreased by less than 1%, reported losses decreased by less than 1%, and premiums decreased by less than 1% across accident years 2001-2009 combined.

- **Miscellaneous**

Continued improvements in the conversion of gross year-of-account data to net accident year data resulted in changes to paid and reported losses across all years for ACE Global Markets.

Inclusion of three new countries for ACE International. Increased earned premiums \$23 million, paid losses \$7 million, and reported losses \$9 million. Impact was primarily in the Overseas General Personal Accident line.

Correction of paid and reported losses in one ACE International country. Increased paid losses \$11 million and reported losses \$11 million. Impact was in the Overseas General Personal Accident line.

- **Currency**

Effect of restating historical values at December 2010 exchange rates

Global Re

A comparison of this year's GLT with the previous release shows paid losses increased by less than 1% and reported losses decreased by less than 1% over treaty years 2001-2009 combined. A comparison of the earned premium figures would show large increases as treaty years naturally advance towards being fully earned. Therefore we have not shown this comparison within the reconciliation schedules.

- **Miscellaneous**

None

- **Currency**

Effect of restating historical values at December 2010 exchange rates

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

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Workers' Compensation

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	125,643	0	(2,542)	123,100
2002	112,436	0	(2,149)	110,288
2003	140,976	0	(1,214)	139,763
2004	188,679	0	(343)	188,336
2005	286,482	0	(99)	286,382
2006	280,916	0	(245)	280,671
2007	207,162	0	(216)	206,946
2008	135,195	0	(96)	135,099
2009	47,677	0	4	47,681
Total	1,525,165	0	(6,899)	1,518,266

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	131,716	0	(2,339)	129,377
2002	144,843	0	(2,118)	142,725
2003	195,540	0	(1,231)	194,309
2004	261,263	0	(386)	260,877
2005	391,019	0	(207)	390,812
2006	407,641	0	(432)	407,209
2007	328,479	0	(451)	328,029
2008	253,437	0	(427)	253,009
2009	129,684	0	(114)	129,570
Total	2,243,622	0	(7,705)	2,235,917

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	271,918	0	(239)	271,679
2002	375,567	0	(263)	375,304
2003	615,346	0	(330)	615,016
2004	908,437	0	(458)	907,979
2005	1,263,724	0	(646)	1,263,078
2006	1,320,642	0	(802)	1,319,839
2007	1,251,100	0	(1,413)	1,249,688
2008	1,054,625	0	(5,102)	1,049,522
2009	964,679	0	(2,152)	962,527
Total	8,026,038	0	(11,405)	8,014,633

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American General Liability

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	426,311	0	4,941	431,252
2002	517,392	0	2,837	520,228
2003	509,632	(1,771)	1,785	509,646
2004	508,173	1,771	3,861	513,805
2005	592,883	0	95	592,977
2006	427,852	0	(395)	427,458
2007	319,923	0	14	319,936
2008	155,389	0	301	155,690
2009	31,849	0	56	31,905
Total	3,489,403	(0)	13,495	3,502,898

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	453,199	0	4,837	458,036
2002	565,932	0	2,927	568,859
2003	590,808	(1,771)	1,452	590,489
2004	607,612	1,771	5,366	614,748
2005	782,893	0	1,215	784,107
2006	595,265	0	188	595,453
2007	531,429	0	192	531,622
2008	344,784	0	148	344,932
2009	139,616	0	(442)	139,174
Total	4,611,537	(0)	15,883	4,627,420

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	312,083	0	953	313,035
2002	698,918	0	1,421	700,339
2003	1,283,208	0	2,592	1,285,800
2004	1,582,081	0	3,257	1,585,338
2005	2,047,638	0	3,235	2,050,873
2006	2,234,771	0	2,122	2,236,892
2007	2,210,065	0	2,998	2,213,063
2008	2,085,803	0	9,909	2,095,712
2009	2,064,660	53	(1,164)	2,063,549
Total	14,519,226	53	25,323	14,544,602

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Other Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	387,278	0	413	387,691
2002	274,591	2,638	762	277,991
2003	339,823	3,680	970	344,473
2004	337,946	7,070	926	345,942
2005	393,500	4,952	602	399,054
2006	341,614	4,892	504	347,010
2007	309,125	5,908	565	315,598
2008	459,074	4,995	357	464,426
2009	112,360	6,496	224	119,079
Total	2,955,311	40,631	5,323	3,001,265

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	398,655	0	395	399,049
2002	289,118	2,641	778	292,537
2003	340,742	3,764	1,041	345,547
2004	351,528	7,095	1,141	359,764
2005	409,834	5,300	699	415,833
2006	375,777	5,269	634	381,680
2007	372,186	6,439	453	379,078
2008	591,625	5,696	685	598,005
2009	237,425	8,486	665	246,576
Total	3,366,890	44,690	6,490	3,418,070

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	410,678	0	412	411,090
2002	552,015	4,315	649	556,979
2003	669,954	5,038	1,272	676,264
2004	578,808	10,151	1,862	590,821
2005	741,714	9,392	1,726	752,832
2006	810,061	8,448	1,819	820,328
2007	899,789	10,111	1,226	911,126
2008	954,973	8,692	5,683	969,348
2009	826,233	11,123	740	838,095
Total	6,444,225	67,270	15,388	6,526,883

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance North American Non-Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	410,342	55,620	1,099	467,061
2002	475,741	182,292	447	658,480
2003	580,813	245,735	(447)	826,102
2004	637,085	233,341	(2)	870,423
2005	886,985	171,999	4,473	1,063,457
2006	576,392	237,470	3,468	817,330
2007	525,479	273,855	829	800,163
2008	1,030,728	753,730	1,033	1,785,491
2009	430,871	330,880	1,458	763,209
Total	5,554,436	2,484,922	12,358	8,051,717

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	415,885	55,620	1,013	472,518
2002	476,624	182,294	500	659,418
2003	583,811	245,735	(533)	829,013
2004	635,998	233,340	(3)	869,335
2005	894,669	171,999	4,495	1,071,163
2006	583,245	237,907	3,485	824,637
2007	537,685	275,517	826	814,028
2008	1,097,342	757,327	1,230	1,855,899
2009	673,987	476,722	1,998	1,152,707
Total	5,899,246	2,636,461	13,011	8,548,718

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	623,765	91,490	(19)	715,235
2002	816,663	179,902	306	996,871
2003	1,092,954	290,719	1,383	1,385,056
2004	1,605,248	318,620	1,593	1,925,461
2005	1,208,589	282,346	793	1,491,729
2006	1,192,166	315,845	2,045	1,510,056
2007	1,293,991	478,110	1,034	1,773,135
2008	1,397,543	938,436	2,643	2,338,622
2009	1,568,792	810,358	3,186	2,382,336
Total	10,799,711	3,705,826	12,965	14,518,502

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	934,103	3,626	(58)	937,671
2002	781,091	(9,784)	5,273	776,580
2003	661,353	(4,063)	2,547	659,837
2004	601,369	12,661	3,059	617,089
2005	647,924	(750)	4,639	651,813
2006	645,275	1,063	4,241	650,579
2007	642,370	(1,338)	6,478	647,511
2008	512,284	(9,399)	9,111	511,997
2009	256,191	3,132	8,219	267,542
Total	5,681,962	(4,853)	43,511	5,720,619

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	1,006,902	5,459	(2,325)	1,010,036
2002	866,479	(15,054)	4,638	856,064
2003	745,004	4,005	(1,394)	747,615
2004	673,699	1,218	1,002	675,919
2005	785,457	(1,855)	6,389	789,992
2006	803,456	2,194	783	806,433
2007	880,042	(4,568)	1,877	877,351
2008	767,896	4,070	3,583	775,549
2009	526,087	(4,348)	7,377	529,116
Total	7,055,022	(8,878)	21,930	7,068,074

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	1,313,719	0	6,333	1,320,052
2002	1,550,759	0	3,541	1,554,300
2003	1,737,704	0	(7,676)	1,730,028
2004	1,882,710	0	(13,748)	1,868,962
2005	1,966,613	0	(7,345)	1,959,267
2006	1,993,362	0	(9,762)	1,983,600
2007	1,867,052	(6)	(8,754)	1,858,292
2008	1,911,680	701	6,893	1,919,275
2009	1,864,486	2,729	7,393	1,874,608
Total	16,088,086	3,424	(23,124)	16,068,385

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Non-Casualty

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	518,959	(1,465)	(9,328)	508,165
2002	482,881	20	(12,066)	470,835
2003	525,946	1,365	(6,285)	521,026
2004	601,906	(3,676)	(5,736)	592,495
2005	717,338	8,676	(9,432)	716,582
2006	481,247	(5,206)	(9,924)	466,117
2007	543,448	(1,093)	(10,318)	532,037
2008	501,569	(6,436)	(8,794)	486,339
2009	195,819	(634)	(2,844)	192,340
Total	4,569,113	(8,449)	(74,726)	4,485,937

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	523,533	(1,810)	(9,099)	512,624
2002	486,539	244	(12,319)	474,464
2003	532,634	1,229	(6,443)	527,420
2004	617,546	(2,581)	(5,626)	609,339
2005	755,497	(1,899)	(9,827)	743,771
2006	520,732	(3,889)	(10,849)	505,993
2007	623,408	(1,646)	(12,745)	609,017
2008	693,535	(4,020)	(15,721)	673,793
2009	491,379	1,518	(10,308)	482,589
Total	5,244,803	(12,855)	(92,939)	5,139,010

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	692,102	0	(13,216)	678,886
2002	882,617	0	(12,601)	870,016
2003	1,258,541	0	(13,306)	1,245,235
2004	1,352,566	0	(7,145)	1,345,421
2005	1,285,008	0	(16,971)	1,268,038
2006	1,240,420	0	(23,421)	1,216,999
2007	1,226,445	(4)	(16,558)	1,209,883
2008	1,225,970	570	(780)	1,225,760
2009	1,234,541	7,264	(25,197)	1,216,608
Total	10,398,209	7,830	(129,194)	10,276,845

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Insurance Overseas General Personal Accident

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	473,202	(230)	(5,400)	467,572
2002	458,414	158	(4,780)	453,791
2003	481,262	(550)	(4,555)	476,157
2004	457,795	(396)	(510)	456,889
2005	482,364	(1,048)	2,358	483,674
2006	526,752	8,284	4,582	539,618
2007	575,706	3,604	4,534	583,844
2008	591,449	2,301	8,567	602,318
2009	376,505	3,780	7,139	387,424
Total	4,423,450	15,903	11,936	4,451,288

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	480,530	(265)	(5,476)	474,789
2002	465,854	229	(5,050)	461,033
2003	490,960	(324)	(5,101)	485,535
2004	468,063	(271)	(697)	467,095
2005	488,908	(687)	2,250	490,470
2006	539,275	7,010	4,121	550,405
2007	602,173	4,434	3,812	610,419
2008	651,352	3,597	7,160	662,110
2009	500,243	3,767	5,057	509,067
Total	4,687,358	17,491	6,075	4,710,924

Net Earned Premium

Accident Year	Previous Release	Miscellaneous	Currency	Current Release
2001	994,006	(9,140)	(3,095)	981,772
2002	1,148,171	0	(7,236)	1,140,935
2003	1,281,507	0	(8,286)	1,273,221
2004	1,416,316	(3)	(6,504)	1,409,809
2005	1,549,618	(4)	225	1,549,839
2006	1,750,746	20	4,344	1,755,110
2007	1,904,118	631	5,734	1,910,483
2008	1,976,844	8,400	8,183	1,993,427
2009	1,977,401	18,874	(77)	1,996,199
Total	13,998,727	18,780	(6,712)	14,010,796

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Global Re Property

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2001	69,285	0	84	69,369
2002	123,300	0	(1,896)	121,404
2003	119,331	0	(33)	119,298
2004	420,885	0	3,644	424,529
2005	568,266	0	(274)	567,992
2006	95,998	0	(336)	95,662
2007	91,227	0	1,428	92,654
2008	140,219	0	(754)	139,466
2009	29,422	0	(372)	29,050
Total	1,657,933	0	1,491	1,659,424

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2001	69,511	0	84	69,595
2002	124,385	0	(1,894)	122,492
2003	122,998	0	(48)	122,949
2004	429,966	0	3,557	433,523
2005	580,932	0	(262)	580,670
2006	102,980	0	(469)	102,511
2007	111,900	0	1,290	113,190
2008	181,463	0	(1,345)	180,118
2009	58,735	0	(724)	58,011
Total	1,782,871	0	189	1,783,059

ACE Limited 2010 Global Loss Triangles | Overview

Reconciliation to Previous Release – Global Re Non-Property

In \$US thousands

Cumulative Paid Loss + Paid ALAE at December 31, 2009

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2001	73,588	0	(91)	73,497
2002	187,866	0	(489)	187,377
2003	268,605	0	(34)	268,571
2004	291,675	0	(117)	291,557
2005	305,407	0	(16)	305,391
2006	207,468	0	(62)	207,406
2007	113,506	0	67	113,573
2008	58,002	0	(85)	57,917
2009	10,985	0	(60)	10,925
Total	1,517,101	0	(887)	1,516,214

Cumulative Reported Loss + Paid ALAE at December 31, 2009

Treaty Year	Previous Release	Miscellaneous	Currency	Current Release
2001	81,887	0	(105)	81,782
2002	235,563	0	(1,218)	234,345
2003	340,692	0	(427)	340,265
2004	388,426	0	(645)	387,782
2005	404,354	0	(560)	403,794
2006	330,536	0	(550)	329,986
2007	213,636	0	(324)	213,312
2008	141,552	0	(947)	140,605
2009	28,523	0	(63)	28,460
Total	2,165,169	0	(4,839)	2,160,330

Reserve Evaluation Considerations

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

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

Below is a non-exhaustive list of possible pitfalls:

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

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

- (1) Publicly available on the Casualty Actuarial Society's web site at the following address
<http://www.casact.org/pubs/proceed/proceed72/72181.pdf>
- (2) Publicly available on the Casualty Actuarial Society's web site at the following address
<http://www.casact.org/pubs/forum/02fforum/02ff353.pdf>

Highlights

Insurance North American Segment

The Insurance North American segment is comprised of business written by ACE USA, ACE Westchester, ACE Bermuda, and ACE Private Risk Services. ACE USA is our U.S. based retail operation writing primarily specialty commercial lines through national and regional brokers. Included in this unit are ACE Canada – a writer of commercial lines and accident & health (A&H) business throughout Canada, and ACE Financial Solutions (AFS) – a writer of large risk management transactions including loss portfolio transfers (LPTs). ACE Westchester is our U.S. based wholesale operation writing specialty commercial lines produced by wholesale and excess & surplus (E&S) distribution channels and program business, including crop hail. As a result of the December 28, 2010 acquisition of Rain and Hail Insurance Service, Inc., the historical data for Agri General Insurance Company business has been included in North American in the 2010 GLTs. Agri General Insurance Company data is included for all accident years.

ACE Bermuda writes high excess property and liability coverage including products liability and directors and officers (D&O), principally with Side A/CODA coverage for U.S. exposures, and political risk. Included in this unit is ACE Financial Solutions International (FSI) – now in runoff, which was a writer of large structured transactions including LPTs. ACE Commercial Risk Services is our US based operation targeting primarily small to middle market commercial lines risks through a variety of distribution channels including programs. ACE Agriculture is our US based farm and crop insurance operation which includes the Rain and Hail business. ACE Private Risk Services is a writer of personal lines coverages with a target market of affluent and high net worth insureds. All of these operations have been included in the loss triangles with the exception of AFS and FSI, where we have excluded these businesses since the accounting treatment of LPTs would distort the paid and incurred loss development patterns.

There are three important points with regards to the “Prior” line. First, the “Prior” line shown here is gross of retroactive reinsurance (NICO treaties). Second, it would be incorrect to apply a single loss development factor to the “Prior” line, as it does not represent a single accident year but the total activity in accident years 2000 and prior. Third, virtually all of ACE’s Asbestos and Environmental exposure is contained in the “Prior” line of the General Liability and Other Casualty triangles. Development factors derived from loss triangles are inappropriate for analysis of this exposure.

Insurance North American – Workers’ Compensation

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

The WC line has experienced shifts in mix by business type during the ten year experience period included in the loss triangles. In the earliest year, 2001, approximately 75% of total net earned premium (NEP) was from high deductible business. As the hard market took hold in 2002, premium volume increased significantly in our risk management operation largely due to significant rate increases. In 2004, we launched a small workers’ compensation initiative, offering only first dollar cost coverage in select states including California. As a result, the percentage of first dollar exposure business grew rapidly from 2004 to 2006, but then decreased in volume from 2007 onwards. The mix of premium with first dollar exposure, guaranteed cost and loss sensitive, is about 40% of the NEP in 2010.

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 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 industry experience (or prior year loss ratios) inappropriate.

Highlights

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 2010, where development on the Bermuda portfolio contributed to the high case incurred activity in the 2005 and 2007 years).

The U.S. exposure during 2001 was mostly primary standard lines coverage. Premium volume in specialty lines including D&O, professional liability (including hospital professional) and excess casualty started to become material from 2002 and 2003 as the volume of these products grew during a period of strong rate levels in the hard market. As rate adequacy began to decline in 2006 and 2007, the rate of growth had slowed and then declined. Claims made business in total has averaged a little more than 40% of our total General Liability NEP over the last ten years.

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

Insurance North American – Other Casualty

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

Insurance North American – Non-Casualty

This business represents first party product lines which are short-tailed in nature. The early years are predominantly lines such as property, inland marine, fidelity and surety. During this ten year period, our accident & health business grew substantially. In addition with the acquisition of the Rain & Hail business, the historical loss development experience of this business has been added to our triangles. This has dramatically increased the mixture of crop hail business within this triangle. By 2010, our crop hail business and our accident and health business made up 65% of NEP, up from 30% in 2001.

ACE Limited 2010 Global Loss Triangles | Insurance North American

Workers' Compensation

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	255,650	423,633	564,114	691,967	807,312	934,818	1,061,883	1,149,562	1,248,985
2001	15,645	41,405	58,759	74,713	100,601	102,068	104,876	116,280	123,100	119,700
2002	27,776	76,705	88,579	81,555	85,404	88,805	99,752	110,288	116,885	
2003	39,087	58,792	80,482	97,356	117,186	130,471	139,763	147,748		
2004	69,901	96,757	127,424	157,158	171,747	188,336	200,539			
2005	59,769	147,580	211,365	248,510	286,382	306,617				
2006	72,417	167,187	227,533	280,671	323,789					
2007	65,373	142,269	206,946	245,355						
2008	62,525	135,099	182,702							
2009	47,681	117,706								
2010	76,902									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	1,178,516	1,510,016	1,629,238	1,768,749	1,851,756	1,857,099	1,959,920	2,064,979	2,150,537	2,192,908
2001	29,038	60,961	69,694	84,021	111,112	115,866	120,111	128,540	129,377	143,986
2002	55,539	123,411	128,236	125,407	120,819	127,426	138,195	142,725	146,128	
2003	99,994	115,333	122,036	145,415	171,551	179,961	194,309	198,795		
2004	158,435	170,183	196,160	222,963	235,263	260,877	270,262			
2005	134,736	257,654	314,286	357,264	390,812	402,263				
2006	165,619	295,253	354,533	407,209	432,442					
2007	153,331	264,358	328,029	355,776						
2008	148,206	253,009	305,193							
2009	129,570	222,102								
2010	164,688									

Net Earned Premium

Accident Year	NEP
2001	271,679
2002	375,304
2003	615,016
2004	907,979
2005	1,263,078
2006	1,319,839
2007	1,249,688
2008	1,049,522
2009	962,527
2010	998,607

ACE Limited 2010 Global Loss Triangles | Insurance North American

General Liability

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	(0)	386,789	931,068	1,271,699	1,784,416	2,029,874	2,209,530	2,368,476	2,649,501	2,812,213
2001	27,058	121,862	138,044	144,619	256,316	281,249	336,028	348,180	431,252	449,684
2002	32,000	111,954	151,072	282,832	373,818	461,428	508,952	520,228	568,532	
2003	42,082	205,341	294,245	324,989	371,311	474,100	509,646	595,333		
2004	67,171	175,020	272,752	367,907	436,220	513,805	578,431			
2005	62,020	199,896	328,387	489,327	592,977	830,404				
2006	45,187	150,332	290,253	427,458	556,171					
2007	45,590	163,580	319,936	587,012						
2008	41,283	155,690	342,974							
2009	31,905	145,748								
2010	37,958									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	872,972	1,154,403	1,524,670	1,865,173	2,289,670	2,467,541	2,552,118	2,599,006	2,950,523	3,106,896
2001	71,012	208,171	258,652	332,806	419,500	411,112	443,021	448,981	458,036	472,311
2002	85,739	144,657	328,189	415,345	453,994	554,642	562,065	568,859	597,350	
2003	76,766	295,171	468,703	484,102	508,883	567,175	590,489	660,446		
2004	173,026	231,322	323,133	446,678	529,027	614,748	657,817			
2005	141,655	340,454	445,541	596,920	784,107	910,426				
2006	138,405	281,028	421,294	595,453	676,297					
2007	134,556	321,006	531,622	820,120						
2008	138,193	344,932	551,197							
2009	139,174	312,848								
2010	140,682									

Net Earned Premium

Accident Year	NEP
2001	313,035
2002	700,339
2003	1,285,800
2004	1,585,338
2005	2,050,873
2006	2,236,892
2007	2,213,063
2008	2,095,712
2009	2,063,549
2010	2,072,456

ACE Limited 2010 Global Loss Triangles | Insurance North American

Other Casualty

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	245,623	412,352	493,148	611,770	774,611	894,088	985,522	1,064,387	1,162,730
2001	101,616	197,638	250,732	278,543	298,902	382,861	379,178	386,461	387,691	396,239
2002	109,618	181,827	223,190	267,236	260,026	271,087	272,870	277,991	277,700	
2003	124,490	185,592	224,048	264,594	329,089	338,381	344,473	347,554		
2004	139,719	230,018	273,301	309,096	332,778	345,942	352,689			
2005	138,940	242,461	304,656	358,996	399,054	426,586				
2006	115,768	234,427	298,640	347,010	377,313					
2007	110,385	237,513	315,598	362,083						
2008	221,955	464,426	561,556							
2009	119,079	275,160								
2010	217,192									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	505,395	700,008	779,112	653,506	746,834	967,046	1,084,497	1,167,191	1,256,413	1,436,558
2001	153,068	241,582	289,028	317,362	310,169	439,198	400,203	405,099	399,049	403,523
2002	189,102	247,224	263,402	297,424	279,213	295,194	290,923	292,537	293,763	
2003	193,886	228,462	253,613	289,225	334,282	350,774	345,547	348,549		
2004	232,973	278,853	330,689	346,986	358,952	359,764	368,587			
2005	329,919	347,427	377,727	397,135	415,833	428,169				
2006	245,546	326,810	361,187	381,680	396,964					
2007	238,776	336,228	379,078	413,431						
2008	400,326	598,005	635,397							
2009	246,576	359,493								
2010	363,953									

Net Earned Premium

Accident Year	NEP
2001	411,090
2002	556,979
2003	676,264
2004	590,821
2005	752,832
2006	820,328
2007	911,126
2008	969,348
2009	838,095
2010	790,127

ACE Limited 2010 Global Loss Triangles | Insurance North American

Non-Casualty

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	409,985	435,511	439,400	430,595	429,600	428,097	430,622	430,097	430,219
2001	245,281	333,178	327,556	352,669	377,313	385,926	414,826	464,410	467,061	467,775
2002	464,895	583,499	655,786	623,727	639,668	656,010	656,192	658,480	660,822	
2003	588,555	717,477	845,381	855,403	813,929	824,574	826,102	831,885		
2004	609,000	846,074	862,745	861,009	866,883	870,423	869,753			
2005	605,929	864,334	999,254	1,040,523	1,063,457	1,072,190				
2006	540,897	761,123	806,360	817,330	824,446					
2007	604,981	772,519	800,163	811,112						
2008	909,128	1,785,491	1,825,413							
2009	763,209	1,101,946								
2010	860,212									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	527,695	500,926	493,143	489,943	470,845	461,991	457,279	454,740	453,515	452,689
2001	271,867	366,738	355,980	383,419	393,214	438,429	496,106	472,854	472,518	474,150
2002	512,393	592,598	661,282	628,190	642,441	657,460	657,985	659,418	661,111	
2003	714,169	838,119	874,319	868,132	820,210	830,926	829,013	832,155		
2004	839,975	889,087	871,919	866,345	870,840	869,335	869,529			
2005	883,848	994,445	1,040,147	1,061,809	1,071,163	1,073,876				
2006	746,533	797,748	826,903	824,637	827,206					
2007	827,627	811,481	814,028	815,893						
2008	1,586,300	1,855,899	1,856,051							
2009	1,152,707	1,168,765								
2010	1,072,227									

Net Earned Premium

Accident Year	NEP
2001	715,235
2002	996,871
2003	1,385,056
2004	1,925,461
2005	1,491,729
2006	1,510,056
2007	1,773,135
2008	2,338,622
2009	2,382,336
2010	2,253,689

Highlights

Insurance Overseas General Segment

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

ACE International operates in over 40 countries across Europe, Asia, Latin America, Africa, and the Middle East. Roughly 50% of ACE International's net earned premium (excluding Combined Insurance) is generated by European accounts. Almost 80% of Combined Insurance's net earned premium 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.

Premiums are split approximately 67% non-casualty/personal accident and 33% casualty.

As stated previously, reliance on any purely mechanical reserving methods may produce artificially high or low estimates, and some degree of judgment should be used in the selection of reserving methods and assumptions. We have compiled the triangles in original currency and then converted to US\$ at December 2010 exchange rates for all historical data. This approach removes the impact of currency fluctuations from historical development trends.

Insurance Overseas General – Casualty

The Casualty Class is comprised of non-U.S. general liability, employers liability, and professional liability exposures as well as shorter-tailed casualty exposures such as automobile liability, marine, aviation, and political risk. Exposures are predominately located in Europe with secondary exposures in Latin America and Asia. Also, there is some U.S. exposure in the Casualty Class from multinational accounts. Approximately 60% of the casualty premiums are general and professional liability exposures (split 53% general/47% professional) that are predominately primary and tend to be quicker developing than comparable exposures in the U.S. Excess casualty exposures represent approximately 25% of total general liability. D&O represents approximately 33% of the total professional liability exposures.

Rates for general liability and professional liability were particularly strong between 2002 and 2004 followed by a gradual weakening between 2005 and 2007 and leveling off toward the end of 2008. Overall, casualty rates remained largely flat in 2009 and 2010.

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

Insurance Overseas General – Non-Casualty

The Non-Casualty Class is comprised of fire, construction, and energy exposures, as well as a growing personal lines book, which includes specialty exposures such as cell phones, laptops, and Japanese renter's insurance. Generally, rates for these classes have declined from 2003 through 2008 with the exception of North American exposures with the AGM book which experienced significant rate increases following the 2005 hurricanes. Rates on these lines have remained largely flat through 2009 and 2010, again with the exception of some lines within AGM where rates increased in 2009. Approximately 60% of the ACE International non-casualty book originates

Highlights (cont.)

from Europe. In general, the property lines have relatively stable paid and reporting patterns although losses from Hurricanes Katrina, Rita, and Wilma in 2005 on the AGM portfolio of U.S. exposures will have some impact on the ultimate loss ratio. The same is true for the 2008 year where losses will be impacted by catastrophes, primarily Hurricane Ike, and the 2010 year where losses will be impacted by catastrophes, primarily the Chilean earthquake.

Insurance Overseas General – Personal Accident

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

ACE Limited 2010 Global Loss Triangles | Insurance Overseas General

Casualty

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	320,254	527,597	671,374	803,216	933,082	1,058,122	1,116,323	1,154,605	1,183,490
2001	312,468	520,515	623,891	735,898	786,882	828,961	897,239	914,550	937,671	973,172
2002	202,220	408,759	511,941	600,788	666,335	728,633	759,066	776,580	794,690	
2003	192,592	347,444	428,073	499,018	570,967	622,428	659,837	695,045		
2004	178,009	373,649	464,140	532,318	576,888	617,089	638,917			
2005	199,120	377,395	495,887	589,613	651,813	731,038				
2006	233,847	436,369	570,448	650,579	721,273					
2007	245,190	492,533	647,511	772,320						
2008	256,884	511,997	634,021							
2009	267,542	523,624								
2010	275,492									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	771,850	948,935	1,079,184	1,165,520	1,198,203	1,275,533	1,310,873	1,346,417	1,333,830	1,337,552
2001	515,659	738,954	859,783	966,425	996,597	1,000,769	1,003,327	1,006,849	1,010,036	1,027,695
2002	395,706	629,816	772,362	856,274	864,258	857,388	859,123	856,064	851,067	
2003	375,451	523,140	604,483	657,729	717,258	730,433	747,615	751,307		
2004	372,214	578,879	634,042	655,087	672,728	675,919	674,855			
2005	410,163	595,635	714,372	763,011	789,992	818,873				
2006	456,257	645,641	758,961	806,433	821,148					
2007	522,780	777,013	877,351	920,427						
2008	536,326	775,549	892,694							
2009	529,116	781,087								
2010	576,170									

Net Earned Premium

Accident Year	NEP
2001	1,320,052
2002	1,554,300
2003	1,730,028
2004	1,868,962
2005	1,959,267
2006	1,983,600
2007	1,858,292
2008	1,919,275
2009	1,874,608
2010	1,910,465

ACE Limited 2010 Global Loss Triangles | Insurance Overseas General

Non-Casualty

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	178,029	221,692	239,774	246,411	299,412	320,009	330,997	336,899	338,315
2001	159,590	388,132	460,403	484,230	497,474	503,937	500,677	507,405	508,165	507,360
2002	179,876	368,027	445,214	464,507	467,794	471,237	473,023	470,835	473,697	
2003	152,773	378,355	463,226	493,805	510,797	513,077	521,026	522,431		
2004	203,510	459,195	539,382	568,683	585,062	592,495	599,220			
2005	203,764	496,211	629,659	692,069	716,582	721,361				
2006	164,180	365,707	441,698	466,117	477,927					
2007	195,857	434,248	532,037	563,247						
2008	219,925	486,339	568,033							
2009	192,340	425,464								
2010	257,103									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	365,472	365,973	360,583	360,491	342,079	370,650	375,460	378,497	378,464	375,233
2001	473,295	529,031	516,042	514,842	518,490	515,116	509,118	513,467	512,624	511,022
2002	403,515	499,296	501,388	498,891	490,724	479,373	478,155	474,464	476,184	
2003	412,533	509,338	530,765	533,163	528,173	526,209	527,420	526,648		
2004	499,967	598,520	607,512	605,367	609,637	609,339	607,174			
2005	575,777	728,071	734,524	740,721	743,771	740,954				
2006	392,754	495,803	509,769	505,993	501,824					
2007	486,951	612,036	609,017	606,140						
2008	569,401	673,793	675,214							
2009	482,589	590,355								
2010	577,175									

Net Earned Premium

Accident Year	NEP
2001	678,886
2002	870,016
2003	1,245,235
2004	1,345,421
2005	1,268,038
2006	1,216,999
2007	1,209,883
2008	1,225,760
2009	1,216,608
2010	1,297,551

ACE Limited 2010 Global Loss Triangles | Insurance Overseas General

Personal Accident

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	71,921	106,555	127,676	161,565	185,205	196,899	206,974	213,510	218,305
2001	184,415	347,796	397,298	423,886	437,914	444,147	451,733	465,119	467,572	469,868
2002	196,329	352,319	406,989	427,582	438,645	447,523	451,666	453,791	456,477	
2003	211,813	383,605	433,331	453,342	466,219	471,875	476,157	478,434		
2004	221,795	387,551	423,014	443,569	452,681	456,889	460,479			
2005	241,042	420,107	462,412	476,915	483,674	488,404				
2006	285,470	476,555	521,289	539,618	544,975					
2007	316,254	538,474	583,844	602,895						
2008	352,775	602,318	659,666							
2009	387,424	655,415								
2010	397,842									

Reported Loss + Paid ALAE Triangle

Accident Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	115,998	153,912	175,268	188,095	211,572	225,400	230,327	233,126	235,819	237,404
2001	260,275	396,673	436,492	455,624	465,315	470,053	474,578	474,072	474,789	475,980
2002	270,522	426,316	450,747	455,829	460,052	460,267	461,568	461,033	460,832	
2003	303,865	446,297	473,778	480,117	484,617	484,164	485,535	484,347		
2004	299,610	437,379	451,090	460,562	464,157	467,095	467,968			
2005	323,341	468,654	486,043	487,546	490,470	491,395				
2006	370,611	529,924	543,680	550,405	553,798					
2007	409,612	597,923	610,419	616,681						
2008	460,768	662,110	683,208							
2009	509,067	719,109								
2010	525,921									

Net Earned Premium

Accident Year	NEP
2001	981,772
2002	1,140,935
2003	1,273,221
2004	1,409,809
2005	1,549,839
2006	1,755,110
2007	1,910,483
2008	1,993,427
2009	1,996,199
2010	2,057,241

Highlights

Global Re Segment

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

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

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

Global Re Property

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

Global Re Non-Property

This portfolio consists of a wide range of business which more recently includes general casualty (22%), automobile (30%), professional liability (22%), medical malpractice (10%), workers' compensation, marine and aviation. The mix of business has changed over time as the rate of growth and reduction varied by market conditions and line of business. For example, from 2001 to 2005, general casualty business comprised approximately 40% of the portfolio but in more recent years this line of business has reduced to approximately 25% of the portfolio. Approximately 75% of the Non-Property business is written on U.S. exposed risks. This ratio has historically varied between 50% and 85%. Approximately 60% of the premium volume is on non-proportional business and a small portion of the premium is coming from Facultative treaties (less than 5%).

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

ACE Limited 2010 Global Loss Triangles | Global Re

Property

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	15,860	19,737	19,856	21,642	22,368	24,100	23,619	23,647	26,836
2001	31,874	48,108	64,584	67,358	67,963	68,436	69,102	69,164	69,369	69,512
2002	28,249	72,249	106,297	117,637	120,654	121,900	122,729	121,404	121,454	
2003	31,172	68,112	102,843	112,823	116,383	118,650	119,298	119,951		
2004	169,074	322,512	383,957	408,507	419,188	424,529	427,531			
2005	89,543	405,110	516,364	555,300	567,992	575,358				
2006	12,923	57,652	86,520	95,662	99,252					
2007	12,903	62,474	92,654	101,762						
2008	53,309	139,466	176,824							
2009	29,050	75,062								
2010	33,961									

Reported Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	28,120	25,029	26,670	25,254	25,617	28,515	29,487	29,402	28,769	31,117
2001	53,444	60,754	69,838	69,363	69,366	70,190	69,644	69,542	69,595	69,685
2002	76,418	120,699	128,033	128,875	128,751	127,429	127,458	122,492	122,388	
2003	58,240	102,264	123,315	121,819	123,347	122,968	122,949	122,309		
2004	250,648	389,666	426,245	430,621	432,054	433,523	433,584			
2005	394,386	542,729	569,099	584,001	580,670	583,951				
2006	33,590	86,770	100,718	102,511	102,390					
2007	36,147	98,693	113,190	111,571						
2008	155,203	180,118	206,385							
2009	58,011	98,483								
2010	113,709									

Net Earned Premium

Treaty Year	NEP
2001	350,699
2002	546,479
2003	610,383
2004	502,076
2005	567,113
2006	569,574
2007	476,568
2008	434,582
2009	468,143
2010	326,251

ACE Limited 2010 Global Loss Triangles | Global Re

Non-Property

As of 12/31/10 in \$US thousands

Paid Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	0	7,032	10,823	14,554	19,092	25,070	25,650	26,450	26,992	30,502
2001	1,500	10,932	24,587	33,919	45,953	58,386	65,622	70,459	73,497	75,557
2002	1,943	23,435	48,907	83,860	115,783	147,489	174,116	187,377	196,921	
2003	4,251	38,496	84,753	135,823	198,440	240,251	268,571	294,480		
2004	10,230	56,589	103,996	167,155	238,078	291,557	328,596			
2005	13,889	93,109	174,553	244,027	305,391	348,187				
2006	10,568	66,764	141,000	207,406	264,265					
2007	8,487	52,854	113,573	166,209						
2008	12,538	57,917	121,197							
2009	10,925	61,997								
2010	14,632									

Reported Loss + Paid ALAE Triangle

Treaty Year	Age in months									
	12	24	36	48	60	72	84	96	108	120
Prior	7,658	16,042	19,531	24,210	31,447	34,867	32,765	32,234	32,502	35,417
2001	7,576	23,948	41,379	58,200	68,292	75,502	77,297	80,425	81,782	81,450
2002	13,488	50,615	112,724	149,343	181,909	203,039	219,617	234,345	228,599	
2003	21,154	109,687	195,202	263,459	304,442	321,615	340,265	353,190		
2004	35,994	139,374	255,111	316,635	365,350	387,782	402,382			
2005	69,050	203,860	306,352	366,734	403,794	432,930				
2006	40,480	152,555	260,275	329,986	372,655					
2007	29,103	139,739	213,312	264,779						
2008	40,804	140,605	221,875							
2009	28,460	117,440								
2010	49,745									

Net Earned Premium

Treaty Year	NEP
2001	148,774
2002	443,814
2003	760,725
2004	915,224
2005	893,657
2006	820,105
2007	636,416
2008	506,314
2009	556,504
2010	257,259

ACE Limited 2010 Global Loss Triangles

Selected Excerpts based upon ACE's 2010 10-K Disclosure

As an insurance and reinsurance company, we are required by applicable laws and regulations and GAAP to establish loss and loss expense reserves for the estimated unpaid portion of the ultimate liability for losses and loss expenses under the terms of our policies and agreements with our insured and reinsured customers. The estimate of the liabilities includes provisions for claims that have been reported but are unpaid at the balance sheet date (case reserves) and for obligations on claims that have been incurred but not reported (IBNR) at the balance sheet date (IBNR may also include a provision for additional development on reported claims in instances where the case reserve is viewed to be potentially insufficient). Loss reserves also include an estimate of expenses associated with processing and settling unpaid claims (loss expenses).

At December 31, 2010, our gross unpaid loss and loss expense reserves were \$37.4 billion and our net unpaid loss and loss expense reserves were \$25.2 billion. With the exception of certain structured settlements, for which the timing and amount of future claim payments are reliably determinable, our loss reserves are not discounted for the time value of money. In connection with such structured settlements, we carry net discounted reserves of \$69 million.

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

Hence, ultimate loss payments may differ from the estimate of the ultimate liabilities made at the balance sheet date. Changes to our previous estimates of prior period loss reserves impact the reported calendar year underwriting results by worsening our reported results if the prior year reserves prove to be deficient, or improving our reported results if the prior year reserves prove to be redundant.

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

We establish loss and loss expense reserves for our liabilities from claims for all of the insurance and reinsurance business that we write. For those claims reported by insureds or ceding companies to us prior to the balance sheet date, and where we have sufficient information, our claims personnel establish case reserves as appropriate based on the circumstances of the claim(s), standard claim handling practices, and professional judgment. In respect of those claims that have been incurred but not reported prior to the balance sheet date, there is, by definition, limited actual information to form the case reserve estimate and reliance is placed upon historical loss experience and actuarial methods to project the ultimate loss obligations and the corresponding amount of IBNR. Furthermore, for our assumed reinsurance operation, Global Reinsurance, an additional case reserve may be established above the amount notified by the ceding company if the notified case reserve is judged to be insufficient by Global Reinsurance's claims department (refer to "Assumed reinsurance" below) [in Item 7 of the 2010 10-K].

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

The estimate of the 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, reported and projected loss trends, inflation, the legal environment, and the terms and conditions of the contracts sold to our insured parties.

ACE Limited 2010 Global Loss Triangles

Selected Excerpts based upon ACE's 2010 10-K Disclosure (cont.)

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

The standard actuarial reserving methods may include, but are not limited to, paid and reported loss development, expected loss ratio, and Bornhuetter-Ferguson methods. A general description of these methods is provided below. In the subsequent discussion on short- and long-tail business, reference is also made, where appropriate, to how consideration in method selection impacted 2010 results. In addition to these standard methods, we may use other recognized actuarial methods and approaches depending upon the product line characteristics and available data. To ensure that the projections of future loss emergence based on historical loss development patterns are representative of the underlying business, the historical loss and premium data is required to be of sufficient homogeneity and credibility. For example, to improve data homogeneity, we may subdivide product line data further by similar risk attribute (e.g., geography, coverage such as property versus liability exposure, or origin year), project losses for these homogenous groups and then combine these results to provide the overall product line estimate.

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

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

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

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

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

ACE Limited 2010 Global Loss Triangles

Selected Excerpts based upon ACE's 2010 10-K Disclosure (cont.)

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

The applicability of actuarial methods will also be impacted by the attachment point of the policy or contract with the insured or ceding company. In the case of low attachment points typical of primary or working layer reinsurance, the experience tends to be more frequency driven. For these product types, standard actuarial methods generally work well in determining loss reserve levels, as the loss experience is often credible, given a sufficient history and volume of claims experience. In the case of high attachment points typical of excess insurance or excess of loss reinsurance, the experience tends to be severity driven, as only a loss of significant size will enter the layer. For structured or unique contracts, most common to the financial solutions business (which we have considerably curtailed) and, to a lesser extent, our 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.

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

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

Management's best estimate is developed from the actuarial central estimate after collaboration with actuarial, underwriting, claims, legal, and finance departments and culminates with the input of reserve committees. Each business unit reserve committee includes the participation of the relevant parties from actuarial, finance, claims, and unit senior management and has the responsibility for finalizing and approving the estimate to be used as management's best estimate. Reserves are further reviewed by ACE Limited's Chief Actuary and senior management. The objective of such a process is to determine a single estimate that we believe represents a better estimate than any other. Such an estimate is viewed by management to be the best estimate of ultimate loss settlements and is determined based on several factors including, but not limited to:

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

ACE Limited 2010 Global Loss Triangles

Selected Excerpts based upon ACE's 2010 10-K Disclosure (cont.)

- nature and extent of underlying assumptions.

Management does not build in any specific provision for uncertainty.

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

A five percent change in our net loss reserves equates to \$1.3 billion and represents six percent of shareholders' equity at December 31, 2010. Historically, including A&E reserve charges, our reserves, at times, have developed in excess of 10 percent of recorded amounts. Refer to "Analysis of Losses and Loss Expense Development", under Item 1 [of the 2010 10-K], for a summary of historical volatility between estimated loss reserves and ultimate loss settlements.

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

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

Short-tail business

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

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

Long-tail business

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

- Our historical loss data and experience is sometimes too immature and lacking in credibility to rely upon for reserving purposes. Where this is the case, in our reserve analysis we rely on industry loss ratios or

ACE Limited 2010 Global Loss Triangles

Selected Excerpts based upon ACE's 2010 10-K Disclosure (cont.)

industry benchmark development patterns that we believe reflect the nature and coverage of the underwritten business and its future development, where available. For such product lines, actual loss experience may differ from industry loss statistics as well as loss experience for previous underwriting years;

- The inherent uncertainty around loss trends, claims inflation (e.g., medical and judicial) and underlying economic conditions;
- The inherent uncertainty of the estimated duration of the paid and reporting loss development patterns beyond the historical record requires that professional judgment be used in the determination of the length of the patterns based on the historical data and other information;
- The inherent uncertainty of assuming that historical paid and reported loss development patterns for older origin years will be representative of subsequent loss emergence on recent origin years. For example, changes over time in the processes and procedures for establishing case reserves can distort reported loss development patterns or changes in ceded reinsurance structures by origin year can alter the development of paid and reported losses;
- Loss reserve analyses typically require loss or other data be grouped by common characteristics in some manner. If data from two combined lines of business exhibit different characteristics, such as loss payment patterns, the credibility of the reserve estimate could be affected. Additionally, since casualty lines of business can have significant intricacies in the terms and conditions afforded to the insured, there is an inherent risk as to the homogeneity of the underlying data used in performing reserve analyses; and
- The applicability of the price change data used to estimate ultimate loss ratios for most recent origin years.

The interested reader is referred to ACE's 2010 Form 10-K for additional information on the reserving process.

Glossary

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

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

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

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

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

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

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

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

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