



ace limited

ACE Limited
Bärengasse 32
CH-8001 Zürich
Switzerland

+41 (0)43 456 76 00 main
+41 (0)43 456 76 01 fax
www.ancelimited.com

**News
Release**

FOR IMMEDIATE RELEASE

Investor Contact: Helen M. Wilson
(441) 299-9283
helen.wilson@ace.bm

Media Contact: Stephen M. Wasdick
(212) 827-4444
stephen.wasdick@ace-ina.com

ACE ISSUES CLARIFICATION CONCERNING VARIABLE ANNUITY REINSURANCE BUSINESS

ZURICH, Switzerland -- November 19, 2008 -- ACE Limited announced today that the company is providing further detail to help clarify ACE's total exposures to potential loss related to its variable annuity reinsurance business. The clarification supplements a Form 10-Q that the company filed with the SEC on November 7, 2008.

In the 10-Q, the company said its Net Amount at Risk (NAR) associated with its variable annuity death benefit reinsurance was \$6.5 billion at September 30, 2008. It is important to note that NAR is not a measurement of risk but rather a metric used in the life insurance industry to indicate total exposure if all covered individuals were to die immediately with account values fixed at current market levels. Such a scenario is obviously extremely unlikely and no company assumes this event will ever happen. In addition, this metric does not include any offset for current reserves held or for future premiums or for discounting – again, because the assumption is the simultaneous deaths of all lives covered in the program. While this metric has value in undertaking relative comparisons, as well as other technical applications, it is not relevant to a real world understanding of ACE's variable annuity reinsurance business.

"Using the NAR as a measure of risk is like deciding that the world is literally ending tomorrow," said Evan G. Greenberg, Chairman and Chief Executive Officer of ACE Limited. "It is essentially measuring insurance risk solely by adding together all of the limits of all policies issued and then assuming that every one must be paid at once. It is, frankly, completely incompatible with the nature of the insurance business and with reality as we know it."

The more appropriate way of evaluating the risk associated with the company's variable annuity reinsurance business is to understand the reserves that have been posted as well as the sensitivities of those reserves to changes in market conditions. The company recorded the level of those reserves and sensitivities in the 10-Q.

The company also disclosed expected premiums and claims payments for this line of business for the next 12 months. This disclosure clearly indicates that the variable annuity reinsurance business has no cash flow or liquidity concerns. Based on market conditions as of September 30, 2008, the company expects to earn between \$150 million and \$200 million in operating income on this line of business in 2009. Even under current market conditions, the company would expect to generate reasonable operating income on this line of business for 2009. As a reminder, substantial premiums will continue into the future and reserves are established to offset future losses. As a result, an increase in claims paid does not translate directly into a reduction in income.

There are distinct differences between the company's position as a reinsurer and that of a direct writer of variable annuities:

- § ACE does not reinsure the "base contract" for any of its variable annuity guarantee reinsurance clients. ACE does not have any deferred acquisition cost (DAC) exposure to falling equity markets or account values nor does it have DAC exposure to increasing policyholder lapses.
- § ACE's premiums for almost all variable annuity guarantee reinsurance treaties do not fall as equity markets and account values fall. For these treaties the run rate of premiums will only be reduced for policyholder lapses and deaths.
- § ACE includes claim limits on all variable annuity guarantee reinsurance contracts. The exact limits vary by contract and examples of typical contract provisions were provided in the 10-Q. With some minor exceptions, claims in excess of annual limits do not carry over to future years.

As a final point, the company did not stop writing this business in 2007 because of a concern that it was under-priced. The decision was based on the company's risk management judgment that it had sufficient aggregate exposure to this long-tail catastrophe line of business.

The ACE Group of Companies is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by ACE Limited, the ACE Group of Companies conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries. Additional information can be found at: www.ancelimited.com.

Cautionary Statement Regarding Forward-Looking Statements:

Forward-looking statements made in this press release, such as those related to ACE's variable annuity reinsurance business, as well as economic conditions, company performance, reserves and valuations, 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 described above could be affected by continued adverse economic and insurance industry developments such as those of recent months, as well as competition, pricing and policy term trends, the levels of new and renewal business achieved, market acceptance, changes in demand, the frequency of unpredictable catastrophic events, actual loss experience, uncertainties in the reserving or settlement process, investment portfolio performance, integration activities and unexpected financial or operational performance with respect to acquired companies, unexpected effects or difficulties relating to the Company's recent re-domestication to Switzerland, new theories of liability, judicial, legislative, regulatory and other governmental developments, litigation tactics and developments, investigation developments and actual settlement terms, the amount and timing of reinsurance recoverable, credit developments among reinsurers, actual market developments, rating agency action, possible terrorism or the outbreak and effects of war and economic, political, regulatory, insurance and reinsurance business conditions, as well as management's response to these factors, and other factors identified in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

###