

ACE Ltd. And Most Related Entities Upgraded By One Notch; Outlook Stable

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In the last two years, the performance of ACE Ltd. and related companies has met or exceeded our expectations.

- As a result, we have raised our ratings on ACE Ltd. and most of its subsidiaries by one notch.
- In addition, we raised the ratings on ACE subsidiaries Combined Insurance Co. of America and Combined Life Insurance Co of NY by two notches to 'AA-' because we now consider these companies to be core to the group.
- The stable outlook reflects the limited further upside potential to the ratings in the near term, though we believe ACE will maintain a very strong global competitive position and very strong operating performance.

NEW YORK (Standard & Poor's) Dec. 10, 2010—Standard & Poor's Ratings Services said today that it raised its counterparty credit rating on Switzerland-based insurance and reinsurance holding company ACE Ltd. (ACE) to 'A' from 'A-'. At the same time, Standard & Poor's raised its counterparty credit and financial strength ratings on ACE's core operating subsidiaries to 'AA-' from 'A+'. Standard & Poor's also raised its counterparty credit and financial strength ratings on some of ACE's strategically important subsidiaries by one notch (see ratings list). The outlook on all of these companies is stable.

In addition, Standard & Poor's raised its counterparty credit and financial strength on ACE subsidiaries Combined Insurance Co. of America and Combined Life Insurance Co. of NY to 'AA-' from 'A'. The outlook on these two companies is also stable.

"We raised the ratings on ACE and related subsidiaries to reflect our view that ACE has substantially met or exceeded all of our expectations since we revised the outlook to positive on Dec. 19, 2008," explained Standard & Poor's credit analyst laline Carvalho. Key

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factors supporting the upgrade are the group's very strong and consistent operating performance, very strong competitive position, positive management and corporate strategy, very strong and improved capital adequacy, very strong investments and liquidity, and improved financial flexibility. The group also benefits from strong enterprise risk management practices, which also support the ratings.

We raised the ratings on the Combined Insurance Co. of America and Combined Life Insurance Co. of NY because we now consider these entities to be core to the ACE Group. (Previously, we had considered them only strategically important.) As a result, in accordance with our group methodology criteria, we now assign the same ratings to these companies as we do to ACE's other core operating companies.

ACE's profits have been very strong in the past five years. "These results are better than those of many global insurance and reinsurance peers during the same period," Ms. Carvalho noted. "In addition, ACE's diversified platform has contributed to the group's lower earnings volatility than many of its peers' in recent years."

The outlook is stable. Assuming a normal level of catastrophe losses, we expect operating performance to remain very strong 2011, reflecting our expectation that the group will maintain underwriting discipline and that pricing conditions in ACE's lines will be flat or slightly deteriorate next year. Furthermore, we expect ACE's diversified business mix to reduce the group's exposure to any one line of business and for the group to continue to exhibit among the least volatile earnings among its peers.

We expect ACE's capital adequacy to remain very strong over the next two years, supported by the expectation of continued very strong operating results. We do not expect management to engage in meaningful share repurchases or other forms of capital return to shareholders, reflecting ACE's conservative capital-management strategy.

Standard & Poor's believes that ACE will maintain a very strong global competitive position that is diversified by segment, location, and product. We also expect ACE to continue to exercise significant underwriting prudence, with consolidated premium writings flat to modestly up in 2011, reflecting management's continued pruning in competitive lines of business and the expected incremental impact on premium volume of recently announced acquisitions. We believe that ACE could grow more significantly, particularly in property/casualty lines, if its lines of business were to experience significant premium rate increases in coming years.

Factors that could place negative pressure on the ratings include significantly worse-than-expected operating performance, significant impairment charges in its investment portfolio, material adverse loss reserve development, or a sizable change in its competitive position or capitalization. We do not see further upside potential to the ratings in the near future, reflecting our view that softening pricing conditions on property/casualty lines will place some pressure on ACE's returns in these segments of their business over the next one to two years and our view that ACE's competitive position is unlikely to improve substantially beyond our current favorable view in the near term.

RELATED CRITERIA AND RESEARCH

- Interactive Ratings Methodology, April 22, 2009.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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