ACE LIMITED
INDEX TO FORM 10-Q

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**PART I FINANCIAL INFORMATION<
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ITEM 1. Financial Statements

CONSOLIDATED BALANCE SHEETS (Unaudited)
ACE Limited and Subsidiaries

(in millions of U.S. dollars, except share and per share data)	March 31 2015	December 31 2014
Assets		
Investments		
Fixed maturities available for sale, at fair value (amortized cost - $48,384 and $47,826) (includes hybrid financial instruments of $284 and $274)	$ 50,410	$ 49,395
Fixed maturities held to maturity, at amortized cost (fair value - $7,307 and $7,589)	6,982	7,331
Equity securities, at fair value (cost - $447 and $440)	536	510
Short-term investments, at fair value and amortized cost	2,536	2,322
Other investments (cost - $3,096 and $2,999)	3,430	3,346
Total investments	63,894	62,904
Cash	948	655
Securities lending collateral	1,033	1,330
Accrued investment income	530	552
Insurance and reinsurance balances receivable	5,026	5,426
Reinsurance recoverable on losses and loss expenses	11,588	11,992
Reinsurance recoverable on policy benefits	215	217
Deferred policy acquisition costs	2,683	2,601
Value of business acquired	440	466
Goodwill and other intangible assets	5,516	5,724
Prepaid reinsurance premiums	1,981	2,026
Deferred tax assets	224	295
Investments in partially-owned insurance companies	590	504
Other assets	3,730	3,556
Total assets	$ 98,398	$ 98,248
Liabilities		
Unpaid losses and loss expenses	$ 37,326	$ 38,315
Unearned premiums	8,182	8,222
Future policy benefits	4,744	4,754
Insurance and reinsurance balances payable	4,198	4,095
Securities lending payable	1,034	1,331
Accounts payable, accrued expenses, and other liabilities	6,194	5,726
Short-term debt	2,552	2,552
Long-term debt	4,157	3,357
Trust preferred securities	309	309
Total liabilities	68,696	68,661
Commitments and contingencies		
Shareholders' equity		
Common Shares (CHF 24.15 and CHF 24.77 par value; 342,832,412 shares issued; 327,084,762 and 328,659,686 shares outstanding)	7,833	8,055
Common Shares in treasury (15,747,650 and 14,172,726 shares)	(1,645)	(1,448)
Additional paid-in capital	5,037	5,145
Retained earnings	17,325	16,644
Accumulated other comprehensive income (AOCI)	1,152	1,191
Total shareholders' equity	29,702	29,587
Total liabilities and shareholders' equity	$ 98,398	$ 98,248

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)
ACE Limited and Subsidiaries

(in millions of U.S. dollars, except per share data)	Three Months Ended March 31 2015	Three Months Ended March 31 2014
Revenues		
Net premiums written	**$ 4,076**	$ 4,185
Increase in unearned premiums	**(149)**	(215)
Net premiums earned	**3,927**	3,970
Net investment income	**551**	553
Net realized gains (losses):		
Other-than-temporary impairment (OTTI) losses gross	**(13)**	(12)
Portion of OTTI losses recognized in other comprehensive income (OCI)	**-**	1
Net OTTI losses recognized in income	**(13)**	(11)
Net realized gains (losses) excluding OTTI losses	**(76)**	(93)
Total net realized gains (losses) (includes $(3) and $6 reclassified from AOCI)	**(89)**	(104)
Total revenues	**4,389**	4,419
Expenses		
Losses and loss expenses	**2,122**	2,161
Policy benefits	**142**	114
Policy acquisition costs	**707**	728
Administrative expenses	**554**	535
Interest expense	**68**	71
Other (income) expense	**(5)**	(17)
Total expenses	**3,588**	3,592
Income before income tax	**801**	827
Income tax expense (benefit) (includes $4 and $(3) on reclassified unrealized gains and losses)	**120**	93
Net income	**$ 681**	$ 734
Other comprehensive income (loss)		
Unrealized appreciation	**$ 441**	$ 519
Reclassification adjustment for net realized (gains) losses included in net income	**3**	(6)
	444	513
Change in:		
Cumulative translation adjustment	**(421)**	(33)
Pension liability	**13**	(8)
Other comprehensive income, before income tax	**36**	472
Income tax expense related to OCI items	**(75)**	(98)
Other comprehensive income (loss)	**(39)**	374
Comprehensive income	**$ 642**	$ 1,108
Earnings per share		
Basic earnings per share	**$ 2.08**	$ 2.16
Diluted earnings per share	**$ 2.05**	$ 2.14

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)
ACE Limited and Subsidiaries

(in millions of U.S. dollars)	Three Months Ended March 31 2015	2014
Common Shares		
Balance - beginning of period	$ 8,055	$ 8,899
Dividends declared on Common Shares - par value reduction	(222)	(175)
Balance - end of period	7,833	8,724
Common Shares in treasury		
Balance - beginning of period	(1,448)	(255)
Common Shares repurchased	(340)	(332)
Net shares redeemed under employee share-based compensation plans	143	144
Balance - end of period	(1,645)	(443)
Additional paid-in capital		
Balance - beginning of period	5,145	5,238
Net shares redeemed under employee share-based compensation plans	(153)	(154)
Exercise of stock options	(18)	(18)
Share-based compensation expense and other	63	52
Funding of dividends declared to Retained earnings	-	(81)
Balance - end of period	5,037	5,037
Retained earnings		
Balance - beginning of period	16,644	13,791
Net income	681	734
Funding of dividends declared from Additional paid-in capital	-	81
Dividends declared on Common Shares	-	(81)
Balance - end of period	17,325	14,525
Accumulated other comprehensive income		
Net unrealized appreciation on investments		
Balance - beginning of period	1,851	1,174
Change in period, before reclassification from AOCI, net of income tax expense of $(87) and $(90)	354	429
Amounts reclassified from AOCI, net of income tax benefit (expense) of $4 and $(3)	7	(9)
Change in period, net of income tax expense of $(83) and $(93)	361	420
Balance - end of period	2,212	1,594
Cumulative translation adjustment		
Balance - beginning of period	(581)	63
Change in period, net of income tax benefit (expense) of $11 and $(8)	(410)	(41)
Balance - end of period	(991)	22
Pension liability adjustment		
Balance - beginning of period	(79)	(85)
Change in period, net of income tax benefit (expense) of $(3) and $3	10	(5)
Balance - end of period	(69)	(90)
Accumulated other comprehensive income	1,152	1,526
Total shareholders' equity	$ 29,702	$ 29,369

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
ACE Limited and Subsidiaries

(in millions of U.S. dollars)	Three Months Ended March 31 2015	2014
Cash flows from operating activities		
Net income	$ 681	$ 734
Adjustments to reconcile net income to net cash flows from operating activities		
Net realized (gains) losses	89	104
Amortization of premiums/discounts on fixed maturities	36	53
Deferred income taxes	7	-
Unpaid losses and loss expenses	(320)	(598)
Unearned premiums	212	270
Future policy benefits	48	56
Insurance and reinsurance balances payable	158	112
Accounts payable, accrued expenses, and other liabilities	(46)	(64)
Income taxes payable	20	15
Insurance and reinsurance balances receivable	240	264
Reinsurance recoverable on losses and loss expenses	185	478
Reinsurance recoverable on policy benefits	2	(2)
Deferred policy acquisition costs	(128)	(99)
Prepaid reinsurance premiums	(32)	(52)
Other	(77)	(21)
Net cash flows from operating activities	1,075	1,250
Cash flows from investing activities		
Purchases of fixed maturities available for sale	(4,305)	(3,522)
Purchases of to be announced mortgage-backed securities	(31)	-
Purchases of fixed maturities held to maturity	(21)	(30)
Purchases of equity securities	(39)	(37)
Sales of fixed maturities available for sale	2,002	2,208
Sales of equity securities	28	27
Maturities and redemptions of fixed maturities available for sale	1,481	1,550
Maturities and redemptions of fixed maturities held to maturity	324	212
Net change in short-term investments	(255)	(765)
Net derivative instruments settlements	(51)	(96)
Other	(153)	(50)
Net cash flows used for investing activities	(1,020)	(503)
Cash flows from financing activities		
Dividends paid on Common Shares	(214)	(214)
Common Shares repurchased	(347)	(335)
Proceeds from issuance of long-term debt	800	-
Proceeds from issuance of short-term debt	477	426
Repayment of short-term debt	(477)	(426)
Proceeds from share-based compensation plans, including windfall tax benefits	39	40
Policyholder contract deposits	101	51
Policyholder contract withdrawals	(40)	(14)
Other	(6)	-
Net cash flows from (used for) financing activities	333	(472)
Effect of foreign currency rate changes on cash and cash equivalents	(95)	(7)
Net increase in cash	293	268
Cash - beginning of period	655	579
Cash - end of period	$ 948	$ 847
Supplemental cash flow information		
Taxes paid	$ 96	$ 60

Interest paid	**$**	**48**	$	51

See accompanying notes to the consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
ACE Limited and Subsidiaries

1. General

a) Basis of presentation
ACE Limited is a holding company incorporated in Zurich, Switzerland. ACE Limited, through its subsidiaries, provides a broad range of insurance and reinsurance products to insureds worldwide. ACE operates through five business segments: Insurance - North American P&C, Insurance - North American Agriculture, Insurance - Overseas General, Global Reinsurance, and Life. Refer to Note 10 for additional information.

The interim unaudited consolidated financial statements, which include the accounts of ACE Limited and its subsidiaries (collectively, ACE, we, us, or our), have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and, in the opinion of management, reflect all adjustments (consisting of normally recurring accruals) necessary for a fair statement of the results and financial position for such periods. All significant intercompany accounts and transactions, including internal reinsurance transactions, have been eliminated.

The results of operations and cash flows for any interim period are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2014 Form 10-K.

b) Accounting guidance not yet adopted

Presentation of Debt Issuance Costs
In April 2015, the Financial Accounting Standards Board issued new guidance related to the accounting for debt issuance costs. The new guidance requires presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. The new guidance requires retrospective adoption and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance will not have any effect on our results of operations and financial condition.

2. Acquisitions

Large Corporate Account P&C Insurance Business of Itaú Seguros, S.A. (Itaú Seguros)
On October 31, 2014, we expanded our presence in Brazil with the acquisition of the large corporate account property and casualty (P&C) insurance business of Itaú Seguros, Brazil's leading carrier for that business, for $610 million in cash, subject to a working capital adjustment under the purchase agreement expected to be finalized in the second quarter of 2015. This acquisition generated $449 million of goodwill, attributable to expected growth and profitability, none of which is currently deductible for income tax purposes, and other intangible assets of $60 million, primarily related to renewal rights, based on ACE’s preliminary purchase price allocation. Goodwill may become deductible for income tax purposes under Brazilian tax law if this acquired entity is merged with certain ACE legal entities.

The Siam Commercial Samaggi Insurance PCL (Samaggi)
We and our local partner acquired 60.86 percent of Samaggi, a general insurance company in Thailand, from Siam Commercial Bank on April 28, 2014, and subsequently acquired an additional 32.17 percent ownership, through a mandatory tender offer, which expired on June 17, 2014. The purchase price for 93.03 percent of the company was $176 million in cash. This acquisition expands our presence in Thailand and Southeast Asia.

The acquisition generated $46 million of goodwill, attributable to expected growth and profitability, none of which is expected to be deductible for income tax purposes, and other intangible assets of $80 million based on ACE’s preliminary purchase price allocation. The other intangible assets primarily relate to a bancassurance agreement.

Goodwill and other intangible assets arising from the acquisitions described above are included in our Insurance - Overseas General segment. The consolidated financial statements include results of acquired businesses from the acquisition dates.

Fireman's Fund Insurance Company High Net Worth Personal Lines Insurance Business in the U.S. (Fireman's Fund)
On April 1, 2015, we acquired the Fireman's Fund Insurance Company high net worth personal lines insurance business in the U.S., which included the renewal rights for new and existing business and reinsurance of all existing reserves, from Allianz of America, Inc. for $365 million in cash. The acquisition expands our position as one of the largest high net worth personal lines insurers in the U.S. The Fireman's Fund business is being integrated into our existing high net worth personal lines business, ACE Private Risk Services, which offers a broad range of coverage including homeowners, automobile, umbrella and excess liability, collectibles and yachts.

3. Investments

a) Fixed maturities

March 31, 2015 (in millions of U.S. dollars)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
Available for sale					
U.S. Treasury and agency	$ 2,793	$ 98	$ (2)	$ 2,889	$ -
Foreign	14,262	761	(76)	14,947	-
Corporate securities	17,259	834	(94)	17,999	(6)
Mortgage-backed securities	10,459	362	(13)	10,808	(1)
States, municipalities, and political subdivisions	3,611	160	(4)	3,767	-
	$ 48,384	$ 2,215	$ (189)	$ 50,410	$ (7)
Held to maturity					
U.S. Treasury and agency	$ 756	$ 24	$ -	$ 780	$ -
Foreign	816	57	-	873	-
Corporate securities	2,249	122	-	2,371	-
Mortgage-backed securities	1,907	77	(1)	1,983	-
States, municipalities, and political subdivisions	1,254	47	(1)	1,300	-
	$ 6,982	$ 327	$ (2)	$ 7,307	$ -

December 31, 2014 (in millions of U.S. dollars)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
Available for sale					
U.S. Treasury and agency	$ 2,741	$ 87	$ (8)	$ 2,820	$ -
Foreign	14,703	629	(90)	15,242	-
Corporate securities	16,897	704	(170)	17,431	(7)
Mortgage-backed securities	10,011	304	(29)	10,286	(1)
States, municipalities, and political subdivisions	3,474	147	(5)	3,616	-
	$ 47,826	$ 1,871	$ (302)	$ 49,395	$ (8)
Held to maturity					
U.S. Treasury and agency	$ 832	$ 20	$ (2)	$ 850	$ -
Foreign	916	47	-	963	-
Corporate securities	2,323	102	(2)	2,423	-
Mortgage-backed securities	1,983	57	(1)	2,039	-
States, municipalities, and political subdivisions	1,277	40	(3)	1,314	-
	$ 7,331	$ 266	$ (8)	$ 7,589	$ -

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As discussed in Note 3 d), if a credit loss is incurred on an impaired fixed maturity, an OTTI is considered to have occurred and the portion of the impairment not related to credit losses (non-credit OTTI) is recognized in OCI. Included in the "OTTI Recognized in AOCI" columns above are the cumulative amounts of non-credit OTTI recognized in OCI adjusted for subsequent sales, maturities, and redemptions. OTTI recognized in AOCI does not include the impact of subsequent changes in fair value of the related securities. In periods subsequent to a recognition of OTTI in OCI, changes in the fair value of the related fixed maturities are reflected in Unrealized appreciation (depreciation) in the consolidated statement of shareholders' equity. For both the three months ended March 31, 2015 and 2014, $4 million of net unrealized appreciation related to such securities is included in OCI. At March 31, 2015 and December 31, 2014, AOCI included cumulative net unrealized depreciation of $2 million and $3 million, respectively, related to securities remaining in the investment portfolio for which ACE has recognized a non-credit OTTI.

Mortgage-backed securities (MBS) issued by U.S. government agencies are combined with all other to be announced mortgage derivatives held (refer to Note 7 a) (iv)) and are included in the category, "Mortgage-backed securities". Approximately 82 percent and 83 percent of the total mortgage-backed securities at March 31, 2015 and December 31, 2014, respectively, are represented by investments in U.S. government agency bonds. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government mortgage-backed securities, the majority of which provide a planned structure for principal and interest payments and carry a rating of AAA by the major credit rating agencies.

The following table presents fixed maturities by contractual maturity:

	March 31 2015		December 31 2014	
(in millions of U.S. dollars)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale				
Due in 1 year or less	$ 2,021	$ 2,042	$ 2,187	$ 2,206
Due after 1 year through 5 years	16,209	16,735	15,444	15,857
Due after 5 years through 10 years	15,047	15,649	15,663	16,089
Due after 10 years	4,648	5,176	4,521	4,957
	37,925	39,602	37,815	39,109
Mortgage-backed securities	10,459	10,808	10,011	10,286
	$ 48,384	$ 50,410	$ 47,826	$ 49,395
Held to maturity				
Due in 1 year or less	$ 318	$ 321	$ 353	$ 355
Due after 1 year through 5 years	2,594	2,706	2,603	2,693
Due after 5 years through 10 years	1,214	1,270	1,439	1,489
Due after 10 years	949	1,027	953	1,013
	5,075	5,324	5,348	5,550
Mortgage-backed securities	1,907	1,983	1,983	2,039
	$ 6,982	$ 7,307	$ 7,331	$ 7,589

Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

b) Equity securities

(in millions of U.S. dollars)	March 31 2015	December 31 2014
Cost	$ 447	$ 440
Gross unrealized appreciation	99	83
Gross unrealized depreciation	(10)	(13)
Fair value	$ 536	$ 510

c) Investments in partially-owned insurance companies

On March 27, 2015 and April 14, 2015, we paid approximately $70 million and $20 million, respectively, to acquire 11.3 percent of the common equity of ABR Reinsurance Capital Holdings Ltd. and warrants to acquire 0.5 percent of additional equity. ABR Reinsurance Capital Holdings Ltd., is the parent company of ABR Reinsurance Ltd. (ABR Re), an innovative, independent reinsurance company. Through long-term arrangements, ACE will be the sole source of reinsurance risks ceded to ABR Re, and BlackRock, Inc. will be ABR Re's exclusive investment management service provider. As an investor, ACE is expected to benefit from underwriting profit generated by ABR Re's reinsuring a wide range of ACE's primary insurance business and the income and capital appreciation BlackRock, Inc. seeks to deliver through its investment management services. Our minority ownership interest will be accounted for under the equity method of accounting.

d) Net realized gains (losses)

In accordance with guidance related to the recognition and presentation of OTTI, when an impairment related to a fixed maturity has occurred, OTTI is required to be recorded in Net income if management has the intent to sell the security or it is more likely than not that we will be required to sell the security before the recovery of its amortized cost. Further, in cases where we do not intend to sell the security and it is more likely than not that we will not be required to sell the security, ACE must evaluate the security to determine the portion of the impairment, if any, related to credit losses. If a credit loss is incurred, an OTTI is considered to have occurred and any portion of the OTTI related to credit losses must be reflected in Net income while the portion of OTTI related to all other factors is recognized in OCI. For fixed maturities held to maturity, OTTI recognized in OCI is accreted from AOCI to the amortized cost of the fixed maturity prospectively over the remaining term of the securities.

Each quarter, securities in an unrealized loss position (impaired securities), including fixed maturities, securities lending collateral, equity securities, and other investments, are reviewed to identify impaired securities to be specifically evaluated for a potential OTTI.

For all non-fixed maturities, OTTI is evaluated based on the following:

- the amount of time a security has been in a loss position and the magnitude of the loss position;
- the period in which cost is expected to be recovered, if at all, based on various criteria including economic conditions and other issuer-specific developments; and
- ACE's ability and intent to hold the security to the expected recovery period.

As a general rule, we also consider that equity securities in an unrealized loss position for twelve consecutive months are other than temporarily impaired. For mutual funds included in equity securities in our consolidated balance sheet, we employ analysis similar to fixed maturities, when applicable.

We review each fixed maturity in an unrealized loss position to assess whether the security is a candidate for credit loss. Specifically, we consider credit rating, market price, and issuer-specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. Securities for which we determine that credit loss is likely are subjected to further analysis to estimate the credit loss recognized in Net income, if any. In general, credit loss recognized in Net income equals the difference between the security's amortized cost and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security. All significant assumptions used in determining credit losses are subject to change as market conditions evolve.

Projected cash flows for corporate securities (principally senior unsecured bonds) are driven primarily by assumptions regarding probability of default and also the timing and amount of recoveries associated with defaults. ACE developed projected cash flows for corporate securities using market observable data, issuer-specific information, and credit ratings. We use historical default data by Moody's Investors Service (Moody's) rating category to calculate a 1-in-100 year probability of default, which results in a default assumption in excess of the historical mean default rate. Consistent with management's approach, ACE assumed a 32 percent recovery rate (the par value of a defaulted security that will be recovered) across all rating categories rather than using Moody's historical mean recovery rate of 42 percent. We believe that use of a default assumption in excess of the historical mean is conservative in light of current market conditions.

For both the three months ended March 31, 2015 and 2014, credit losses recognized in Net income for corporate securities were $4 million.

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For mortgage-backed securities, credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates, and loss severity rates (the par value of a defaulted security that will not be recovered) on foreclosed properties.

For the three months ended March 31, 2015 and 2014, there were no credit losses recognized in Net income for mortgage-backed securities.

The following table presents the Net realized gains (losses) and the losses included in Net realized gains (losses) and OCI as a result of conditions which caused us to conclude the decline in fair value of certain investments was "other-than-temporary":

	Three Months Ended March 31	
(in millions of U.S. dollars)	**2015**	2014
Fixed maturities:		
OTTI on fixed maturities, gross	**$ (13)**	$ (6)
OTTI on fixed maturities recognized in OCI (pre-tax)	**-**	1
OTTI on fixed maturities, net	**(13)**	(5)
Gross realized gains excluding OTTI	**44**	36
Gross realized losses excluding OTTI	**(35)**	(20)
Total fixed maturities	**(4)**	11
Equity securities:		
OTTI on equity securities	**-**	(6)
Gross realized gains excluding OTTI	**3**	2
Gross realized losses excluding OTTI	**(2)**	(1)
Total equity securities	**1**	(5)
OTTI on other investments	**-**	-
Foreign exchange losses	**(31)**	(9)
Investment and embedded derivative instruments	**1**	(25)
Fair value adjustments on insurance derivative	**(45)**	(48)
S&P put options and futures	**(12)**	(19)
Other derivative instruments	**-**	(2)
Other	**1**	(7)
Net realized gains (losses)	**$ (89)**	$ (104)

The following table presents a roll-forward of pre-tax credit losses related to fixed maturities for which a portion of OTTI was recognized in OCI:

	Three Months Ended March 31	
(in millions of U.S. dollars)	**2015**	2014
Balance of credit losses related to securities still held - beginning of period	**$ 28**	$ 37
Additions where no OTTI was previously recorded	**3**	2
Additions where an OTTI was previously recorded	**1**	2
Reductions for securities sold during the period	**(10)**	(6)
Balance of credit losses related to securities still held - end of period	**$ 22**	$ 35

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e) Gross unrealized loss

At March 31, 2015, there were 3,313 fixed maturities out of a total of 33,429 fixed maturities in an unrealized loss position. The largest single unrealized loss in the fixed maturities was $3 million. There were 78 equity securities out of a total of 306 equity securities in an unrealized loss position. The largest single unrealized loss in the equity securities was $1 million. Fixed maturities in an unrealized loss position at March 31, 2015, comprised both investment grade and below investment grade securities for which fair value declined primarily due to widening credit spreads since the date of purchase.

The following tables present, for all securities in an unrealized loss position (including securities on loan), the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

March 31, 2015 (in millions of U.S. dollars)	0 - 12 Months Fair Value	0 - 12 Months Gross Unrealized Loss	Over 12 Months Fair Value	Over 12 Months Gross Unrealized Loss	Total Fair Value	Total Gross Unrealized Loss
U.S. Treasury and agency	$ 443	$ (1)	$ 141	$ (1)	$ 584	$ (2)
Foreign	1,747	(64)	317	(12)	2,064	(76)
Corporate securities	2,140	(79)	500	(15)	2,640	(94)
Mortgage-backed securities	1,301	(6)	560	(8)	1,861	(14)
States, municipalities, and political subdivisions	462	(3)	89	(2)	551	(5)
Total fixed maturities	6,093	(153)	1,607	(38)	7,700	(191)
Equity securities	68	(10)	-	-	68	(10)
Other investments	92	(6)	-	-	92	(6)
Total	$ 6,253	$ (169)	$ 1,607	$ (38)	$ 7,860	$ (207)

December 31, 2014 (in millions of U.S. dollars)	0 - 12 Months Fair Value	0 - 12 Months Gross Unrealized Loss	Over 12 Months Fair Value	Over 12 Months Gross Unrealized Loss	Total Fair Value	Total Gross Unrealized Loss
U.S. Treasury and agency	$ 350	$ (1)	$ 666	$ (9)	$ 1,016	$ (10)
Foreign	2,262	(75)	375	(15)	2,637	(90)
Corporate securities	4,684	(150)	738	(22)	5,422	(172)
Mortgage-backed securities	704	(2)	1,663	(28)	2,367	(30)
States, municipalities, and political subdivisions	458	(3)	490	(5)	948	(8)
Total fixed maturities	8,458	(231)	3,932	(79)	12,390	(310)
Equity securities	101	(13)	-	-	101	(13)
Total	$ 8,559	$ (244)	$ 3,932	$ (79)	$ 12,491	$ (323)

f) Restricted assets

ACE is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. ACE is also required to restrict assets pledged under repurchase agreements, which represent ACE's agreement to sell securities and repurchase them at a future date for a predetermined price. We also use trust funds in certain large reinsurance transactions where the trust funds are set up for the benefit of the ceding companies and generally take the place of letter of credit (LOC) requirements. We also have investments in segregated portfolios primarily to provide collateral or guarantees for LOC and derivative transactions. Included in restricted assets at March 31, 2015 and December 31, 2014, are investments, primarily fixed maturities, totaling $16.5 billion and $16.3 billion, respectively, and cash of $102 million and $117 million, respectively.

The following table presents the components of restricted assets:

(in millions of U.S. dollars)		March 31 2015		December 31 2014
Trust funds	$	11,132	$	10,838
Deposits with non-U.S. regulatory authorities		2,296		2,305
Assets pledged under repurchase agreements		1,459		1,431
Deposits with U.S. regulatory authorities		1,336		1,345
Other pledged assets		446		457
	$	16,669	$	16,376

g) Transfers of securities
During April 2015, we transferred securities, considered essential holdings in a diversified portfolio, with a total fair value of approximately $1.8 billion from Fixed maturities available for sale to Fixed maturities held to maturity. These securities, which we have the intent and ability to hold to maturity, will be transferred given the growth in ACE's investment portfolio over the last several years, as well as continued efforts to manage the diversification of our global portfolio. The net unrealized appreciation at the date of the transfer will be reported in the carrying value of the transferred investments and will be amortized through OCI over the remaining life of the securities using the effective interest method in a manner consistent with the amortization of any premium or discount. This transfer represents a non-cash transaction and will not impact the Consolidated Statements of Cash Flows.

4. Fair value measurements

a) Fair value hierarchy
Fair value of financial assets and financial liabilities is estimated based on the framework established in the fair value accounting guidance. The guidance defines fair value as the price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants and establishes a three-level valuation hierarchy based on the reliability of the inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data.

The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Includes, among other items, inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves, quoted prices for similar assets and liabilities in active markets, and quoted prices for identical or similar assets and liabilities in markets that are not active; and
- Level 3 - Inputs that are unobservable and reflect management's judgments about assumptions that market participants would use in pricing an asset or liability.

We categorize financial instruments within the valuation hierarchy at the balance sheet date based upon the lowest level of inputs that are significant to the fair value measurement. Accordingly, transfers between levels within the valuation hierarchy occur when there are significant changes to the inputs, such as increases or decreases in market activity, changes to the availability of current prices, changes to the transparency to underlying inputs, and whether there are significant variances in quoted prices. Transfers in and/or out of any level are assumed to occur at the end of the period.

We use pricing services to obtain fair value measurements for the majority of our investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair value estimate. Based on our understanding of the market inputs used by the pricing services, all applicable investments have been valued in accordance with GAAP. We do not adjust prices obtained from pricing services. The following is a description of the valuation techniques and inputs used to determine fair values for financial instruments carried at fair value, as well as the general classification of such financial instruments pursuant to the valuation hierarchy.

Fixed maturities

We use pricing services to estimate fair value measurements for the majority of our fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities other than U.S. Treasury securities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis, and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change, or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable. For a small number of fixed maturities, we obtain a single broker quote (typically from a market maker). Due to the disclaimers on the quotes that indicate that the price is indicative only, we include these fair value estimates in Level 3.

Equity securities

Equity securities with active markets are classified within Level 1 as fair values are based on quoted market prices. For equity securities in markets which are less active, fair values are based on market valuations and are classified within Level 2. Equity securities for which pricing is unobservable are classified within Level 3.

Short-term investments

Short-term investments, which comprise securities due to mature within one year of the date of purchase that are traded in active markets, are classified within Level 1 as fair values are based on quoted market prices. Securities such as commercial paper and discount notes are classified within Level 2 because these securities are typically not actively traded due to their approaching maturity and, as such, their cost approximates fair value. Short-term investments for which pricing is unobservable are classified within Level 3.

Other investments

Fair values for the majority of Other investments including investments in partially-owned investment companies, investment funds, and limited partnerships are based on their respective net asset values or equivalent (NAV). The majority of these investments, for which NAV was used as a practical expedient to measure fair value, are classified within Level 3 because either ACE will never have the contractual option to redeem the investments or will not have the contractual option to redeem the investments in the near term. The remainder of such investments is classified within Level 2. Certain of our long-duration contracts are supported by assets that do not qualify for separate account reporting under GAAP. These assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Other investments also includes equity securities and fixed maturities held in rabbi trusts maintained by ACE for deferred compensation plans, which are classified within the valuation hierarchy on the same basis as other equity securities and fixed maturities.

Securities lending collateral

The underlying assets included in Securities lending collateral in the consolidated balance sheets are fixed maturities which are classified in the valuation hierarchy on the same basis as other fixed maturities. Excluded from the valuation hierarchy is the corresponding liability related to ACE's obligation to return the collateral plus interest as it is reported at contract value and not fair value in the consolidated balance sheets.

Investment derivative instruments

Actively traded investment derivative instruments, including futures, options, and forward contracts are classified within Level 1 as fair values are based on quoted market prices. The fair value of cross-currency swaps are based on market valuations and are classified within Level 2. Investment derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the consolidated balance sheets.

Other derivative instruments
We maintain positions in other derivative instruments including exchange-traded equity futures contracts and option contracts designed to limit exposure to a severe equity market decline, which would cause an increase in expected claims and, therefore, an increase in reserves for our guaranteed minimum death benefits (GMDB) and guaranteed living benefits (GLB) reinsurance business. Our position in exchange-traded equity futures contracts is classified within Level 1. The fair value of the majority of the remaining positions in other derivative instruments is based on significant observable inputs including equity security and interest rate indices. Accordingly, these are classified within Level 2. Other derivative instruments based on unobservable inputs are classified within Level 3. Other derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the consolidated balance sheets.

Separate account assets
Separate account assets represent segregated funds where investment risks are borne by the customers, except to the extent of certain guarantees made by ACE. Separate account assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Separate account assets also include fixed maturities classified within Level 2 because the most significant inputs used in the pricing techniques are observable. Excluded from the valuation hierarchy are the corresponding liabilities as they are reported at contract value and not fair value in the consolidated balance sheets. Separate account assets are recorded in Other assets in the consolidated balance sheets.

Guaranteed living benefits
The GLB arises from life reinsurance programs covering living benefit guarantees whereby we assume the risk of guaranteed minimum income benefits (GMIB) and guaranteed minimum accumulation benefits (GMAB) associated with variable annuity contracts. GLB's are recorded in Accounts payable, accrued expenses, and other liabilities and Future policy benefits in the consolidated balance sheets. For GLB reinsurance, ACE estimates fair value using an internal valuation model which includes current market information and estimates of policyholder behavior. All of the treaties contain claim limits, which are factored into the valuation model. The fair value depends on a number of factors, including interest rates, equity markets, credit risk, current account value, market volatility, expected annuitization rates, and other policyholder behavior and changes in policyholder mortality.

The most significant policyholder behavior assumptions include lapse rates and the GMIB annuitization rates. Assumptions regarding lapse rates and GMIB annuitization rates differ by treaty, but the underlying methodologies to determine rates applied to each treaty are comparable.

A lapse rate is the percentage of in-force policies surrendered in a given calendar year. All else equal, as lapse rates increase, ultimate claim payments will decrease.

GMIB annuitization rate is the percentage of policies for which the policyholder will elect to annuitize using the guaranteed benefit provided under the GMIB. All else equal, as GMIB annuitization rates increase, ultimate claim payments will increase, subject to treaty claim limits.

The effect of changes in key market factors on assumed lapse and annuitization rates reflect emerging trends using data available from cedants. For treaties with limited experience, rates are established in line with data received from other ceding companies adjusted, as appropriate, with industry estimates. The model and related assumptions are regularly re-evaluated by management and enhanced, as appropriate, based upon additional experience obtained related to policyholder behavior and availability of updated information such as market conditions, market participant assumptions, and demographics of in-force annuities. Because of the significant use of unobservable inputs including policyholder behavior, GLB reinsurance is classified within Level 3. During the three months ended March 31, 2015, no material changes were made to actuarial or behavioral assumptions. We made minor technical refinements to the model with an unfavorable net income impact of approximately $400 thousand and $3 million for the three months ended March 31, 2015 and 2014, respectively. For detailed information on our lapse and annuitization rate assumptions, refer to Note 4 to the Consolidated Financial Statements of our 2014 Form 10-K.

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Financial instruments measured at fair value on a recurring basis, by valuation hierarchy

March 31, 2015 (in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities available for sale				
U.S. Treasury and agency	$ 1,747	$ 1,142	$ -	$ 2,889
Foreign	-	14,925	22	14,947
Corporate securities	-	17,832	167	17,999
Mortgage-backed securities	-	10,775	33	10,808
States, municipalities, and political subdivisions	-	3,767	-	3,767
	1,747	48,441	222	50,410
Equity securities	518	16	2	536
Short-term investments	1,469	1,067	-	2,536
Other investments	364	277	2,789	3,430
Securities lending collateral	-	1,033	-	1,033
Investment derivative instruments	21	-	-	21
Other derivative instruments	-	1	-	1
Separate account assets	1,488	86	-	1,574
Total assets measured at fair value	$ 5,607	$ 50,921	$ 3,013	$ 59,541
Liabilities:				
Investment derivative instruments	$ 25	$ -	$ -	$ 25
Other derivative instruments	3	-	4	7
GLB(1)	-	-	451	451
Total liabilities measured at fair value	$ 28	$ -	$ 455	$ 483

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

December 31, 2014 (in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities available for sale				
U.S. Treasury and agency	$ 1,680	$ 1,140	$ -	$ 2,820
Foreign	-	15,220	22	15,242
Corporate securities	-	17,244	187	17,431
Mortgage-backed securities	-	10,271	15	10,286
States, municipalities, and political subdivisions	-	3,616	-	3,616
	1,680	47,491	224	49,395
Equity securities	492	16	2	510
Short-term investments	1,183	1,139	-	2,322
Other investments	370	257	2,719	3,346
Securities lending collateral	-	1,330	-	1,330
Investment derivative instruments	18	-	-	18
Other derivative instruments	-	2	-	2
Separate account assets	1,400	90	-	1,490
Total assets measured at fair value	$ 5,143	$ 50,325	$ 2,945	$ 58,413
Liabilities:				
Investment derivative instruments	$ 36	$ -	$ -	$ 36
Other derivative instruments	21	-	4	25
GLB[1]	-	-	406	406
Total liabilities measured at fair value	$ 57	$ -	$ 410	$ 467

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2015 and 2014.

Fair value of alternative investments
Included in Other investments in the fair value hierarchy are investment funds, limited partnerships, and partially-owned investment companies measured at fair value using NAV as a practical expedient. At March 31, 2015 and December 31, 2014, there were no probable or pending sales related to any of the investments measured at fair value using NAV.

The following table presents, by investment category, the expected liquidation period, fair value, and maximum future funding commitments of alternative investments:

(in millions of U.S. dollars)	Expected Liquidation Period of Underlying Assets	March 31 2015 Fair Value	March 31 2015 Maximum Future Funding Commitments	December 31 2014 Fair Value	December 31 2014 Maximum Future Funding Commitments
Financial	5 to 9 Years	$ 298	$ 130	$ 282	$ 145
Real Assets	3 to 7 Years	478	193	464	214
Distressed	5 to 9 Years	251	249	232	175
Private Credit	3 to 7 Years	303	181	299	190
Traditional	3 to 9 Years	910	239	895	285
Vintage	1 to 2 Years	9	-	11	1
Investment funds	Not Applicable	383	-	378	-
		$ 2,632	$ 992	$ 2,561	$ 1,010

In the first quarter of 2015, we redefined and regrouped certain alternative investment categories to better align with our management approach. The prior year amounts have been reclassified to conform to the current year presentation. Included in all categories in the above table except for Investment funds are investments for which ACE will never have the contractual option to redeem but receives distributions based on the liquidation of the underlying assets. Further, for all categories except for Investment funds, ACE does not have the ability to sell or transfer the investments without the consent from the general partner of individual funds.

Investment Category	Consists of investments in private equity funds:
Financial	targeting financial services companies such as financial institutions and insurance services worldwide
Real Assets	targeting investments related to hard physical assets such as real estate, infrastructure and natural resources
Distressed	targeting distressed corporate debt/credit and equity opportunities in the U.S.
Private Credit	targeting privately originated corporate debt investments including senior secured loans and subordinated bonds
Traditional	employing traditional private equity investment strategies such as buyout and growth equity globally
Vintage	made before 2002 and where the funds' commitment periods had already expired

Investment funds

ACE's investment funds employ various investment strategies such as long/short equity and arbitrage/distressed. Included in this category are investments for which ACE has the option to redeem at agreed upon value as described in each investment fund's subscription agreement. Depending on the terms of the various subscription agreements, investment fund investments may be redeemed monthly, quarterly, semi-annually, or annually. If ACE wishes to redeem an investment fund investment, it must first determine if the investment fund is still in a lock-up period (a time when ACE cannot redeem its investment so that the investment fund manager has time to build the portfolio). If the investment fund is no longer in its lock-up period, ACE must then notify the investment fund manager of its intention to redeem by the notification date prescribed by the subscription agreement. Subsequent to notification, the investment fund can redeem ACE's investment within several months of the notification. Notice periods for redemption of the investment funds range between 5 and 120 days. ACE can redeem its investment funds without consent from the investment fund managers.

Level 3 financial instruments

The fair values of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) consist of various inputs and assumptions that management makes when determining fair value. Management analyzes changes in fair value measurements classified within Level 3 by comparing pricing and returns of our investments to benchmarks, including month-over-month movements, investment credit spreads, interest rate movements, and credit quality of securities.

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The following table presents the significant unobservable inputs used in the Level 3 liability valuations. Excluded from the table below are inputs used to determine the fair value of Level 3 assets which are based on single broker quotes or net asset value and contain no quantitative unobservable inputs developed by management.

(in millions of U.S. dollars, except for percentages)	Fair Value March 31, 2015	Fair Value December 31, 2014	Valuation Technique	Significant Unobservable Inputs	Ranges
GLB[(1)]	$ 451	$ 406	**Actuarial model**	**Lapse rate**	**1% - 30%**
				Annuitization rate	**0% - 55%**

(1) Discussion of the most significant inputs used in the fair value measurement of GLB and the sensitivity of those assumptions is included within Note 4 a) Guaranteed living benefits.

The following tables present a reconciliation of the beginning and ending balances of financial instruments measured at fair value using significant unobservable inputs (Level 3):

Three Months Ended March 31, 2015 (in millions of U.S. dollars)	Assets: Available-for-Sale Debt Securities: Foreign	Corporate securities	MBS	Equity securities	Other investments	Other derivative instruments	Liabilities: GLB[(1)]
Balance-Beginning of Period	$ 22	$ 187	$ 15	$ 2	$ 2,719	$ 4	$ 406
Transfers into Level 3	-	1	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Change in Net Unrealized Gains (Losses) included in OCI	-	3	-	-	(20)	-	-
Net Realized Gains/Losses	-	(3)	-	-	-	-	45
Purchases	1	8	18	-	147	-	-
Sales	(1)	(3)	-	-	-	-	-
Settlements	-	(26)	-	-	(57)	-	-
Balance-End of Period	$ 22	$ 167	$ 33	$ 2	$ 2,789	$ 4	$ 451
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ -	$ (2)	$ -	$ -	$ -	$ -	$ 45

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Three Months Ended March 31, 2014 (in millions of U.S. dollars)	Available-for-Sale Debt Securities: Foreign	Available-for-Sale Debt Securities: Corporate securities	Available-for-Sale Debt Securities: MBS	Assets: Equity securities	Assets: Short-term investments	Assets: Other investments	Liabilities: GLB(1)
Balance-Beginning of Period	$ 44	$ 166	$ 8	$ 4	$ 7	$ 2,440	$ 193
Transfers into Level 3	-	4	-	-	-	-	-
Transfers out of Level 3	(18)	(22)	-	(2)	(7)	-	-
Change in Net Unrealized Gains (Losses) included in OCI	(1)	-	-	1	-	41	-
Net Realized Gains/Losses	-	-	-	-	-	-	50
Purchases	2	15	-	1	-	200	-
Sales	(1)	(6)	-	(2)	-	(1)	-
Settlements	-	(6)	-	-	-	(69)	-
Balance-End of Period	$ 26	$ 151	$ 8	$ 2	$ -	$ 2,611	$ 243
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ -	$ -	$ -	$ -	$ -	$ -	$ 50

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB derivative liability classified as Future policy benefits in the consolidated balance sheets. The liability for GLB reinsurance was $483 million at March 31, 2014, and $427 million at December 31, 2013, which includes a fair value derivative adjustment of $243 million and $193 million, respectively.

b) Financial instruments disclosed, but not measured, at fair value
ACE uses various financial instruments in the normal course of its business. Our insurance contracts are excluded from fair value of financial instruments accounting guidance, and therefore, are not included in the amounts discussed below.

The carrying values of cash, other assets, other liabilities, and other financial instruments not included below approximated their fair values.

Investments in partially-owned insurance companies
Fair values for investments in partially-owned insurance companies are based on ACE's share of the net assets based on the financial statements provided by those companies.

Short- and long-term debt and trust preferred securities
Where practical, fair values for short-term debt, long-term debt, and trust preferred securities are estimated using discounted cash flow calculations based principally on observable inputs including incremental borrowing rates, which reflect ACE's credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

The following tables present fair value, by valuation hierarchy, and carrying value of the financial instruments not measured at fair value:

March 31, 2015				**Fair Value**	
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Assets:					
Fixed maturities held to maturity					
U.S. Treasury and agency	**$ 590**	**$ 190**	**$ -**	**$ 780**	**$ 756**
Foreign	**-**	**873**	**-**	**873**	**816**
Corporate securities	**-**	**2,357**	**14**	**2,371**	**2,249**
Mortgage-backed securities	**-**	**1,983**	**-**	**1,983**	**1,907**
States, municipalities, and political subdivisions	**-**	**1,300**	**-**	**1,300**	**1,254**
	590	**6,703**	**14**	**7,307**	**6,982**
Partially-owned insurance companies	**-**	**-**	**590**	**590**	**590**
Total assets	**$ 590**	**$ 6,703**	**$ 604**	**$ 7,897**	**$ 7,572**
Liabilities:					
Short-term debt	**$ -**	**$ 2,563**	**$ -**	**$ 2,563**	**$ 2,552**
Long-term debt	**-**	**4,575**	**-**	**4,575**	**4,157**
Trust preferred securities	**-**	**465**	**-**	**465**	**309**
Total liabilities	**$ -**	**$ 7,603**	**$ -**	**$ 7,603**	**$ 7,018**

December 31, 2014				Fair Value	
(in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total	Carrying Value
Assets:					
Fixed maturities held to maturity					
U.S. Treasury and agency	$ 659	$ 191	$ -	$ 850	$ 832
Foreign	-	963	-	963	916
Corporate securities	-	2,408	15	2,423	2,323
Mortgage-backed securities	-	2,039	-	2,039	1,983
States, municipalities, and political subdivisions	-	1,314	-	1,314	1,277
	659	6,915	15	7,589	7,331
Partially-owned insurance companies	-	-	504	504	504
Total assets	$ 659	$ 6,915	$ 519	$ 8,093	$ 7,835
Liabilities:					
Short-term debt	$ -	$ 2,571	$ -	$ 2,571	$ 2,552
Long-term debt	-	3,690	-	3,690	3,357
Trust preferred securities	-	462	-	462	309
Total liabilities	$ -	$ 6,723	$ -	$ 6,723	$ 6,218

5. Assumed life reinsurance programs involving minimum benefit guarantees under variable annuity contracts

The following table presents income and expenses relating to GMDB and GLB reinsurance. GLBs include GMIBs as well as some GMABs originating in Japan.

	Three Months Ended March 31	
(in millions of U.S. dollars)	**2015**	2014
GMDB		
Net premiums earned	**$ 16**	$ 19
Policy benefits and other reserve adjustments	**$ 9**	$ 15
GLB		
Net premiums earned	**$ 32**	$ 36
Policy benefits and other reserve adjustments	**12**	9
Net realized gains (losses)	**(45)**	(50)
Loss recognized in Net income	**$ (25)**	$ (23)
Less: Net cash received	**28**	33
Net increase in liability	**$ (53)**	$ (56)

Net realized gains (losses) in the table above include gains (losses) related to foreign exchange and fair value adjustments on insurance derivatives and exclude gains (losses) on S&P put options and futures held to partially offset the risk in the GLB reinsurance portfolio. Refer to Note 7 for additional information.

At March 31, 2015 and December 31, 2014, the reported liability for GMDB reinsurance was $112 million and $111 million, respectively. At March 31, 2015 and December 31, 2014, the reported liability for GLB reinsurance was $716 million and $663 million, respectively, which includes a fair value derivative adjustment of $451 million and $406 million, respectively. Reported liabilities for both GMDB and GLB reinsurance are determined using internal valuation models. Such valuations require considerable judgment and are subject to significant uncertainty. The valuation of these products is subject to fluctuations arising from, among other factors, changes in interest rates, changes in equity markets, changes in credit markets, changes in the allocation of the investments underlying annuitants' account values, and assumptions regarding future policyholder behavior. These models and the related assumptions are regularly reviewed by management and enhanced, as appropriate, based upon improvements in modeling assumptions and availability of updated information, such as market conditions and demographics of in-force annuities.

6. Debt

In March 2015, ACE INA Holdings Inc. issued $800 million of 3.15 percent senior notes due March 2025. These senior notes are redeemable at any time at ACE INA Holdings Inc.'s option subject to a "make-whole" premium (the present value of the remaining principal and interest discounted at the applicable U.S. Treasury rate plus 0.15 percent). The notes are also redeemable at par plus accrued and unpaid interest in the event of certain changes in tax law. These notes do not have the benefit of any sinking fund. These senior unsecured notes are guaranteed on a senior basis by ACE Limited and they rank equally with all of ACE's other senior obligations. They also contain customary limitations on lien provisions as well as customary events of default provisions which, if breached, could result in the accelerated maturity of such senior debt.

7. Commitments, contingencies, and guarantees

a) Derivative instruments
Foreign currency management
As a global company, ACE entities transact business in multiple currencies. Our policy is to generally match assets, liabilities and required capital for each individual jurisdiction in local currency, which would include the use of derivatives discussed below. We do not hedge our net asset non-USD capital positions, however we do consider hedging for planned cross border transactions.

Derivative instruments employed
ACE maintains positions in derivative instruments such as futures, options, swaps, and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement, or to obtain an exposure to a particular financial market. ACE also maintains positions in convertible securities that contain embedded derivatives. Investment derivative instruments are recorded in either Other assets (OA) or Accounts payable, accrued expenses, and other liabilities (AP), convertible bonds are recorded in Fixed maturities available for sale (FM AFS) and convertible equity securities are recorded in Equity securities (ES) in the consolidated balance sheets. These are the most numerous and frequent derivative transactions.

In addition, ACE from time to time purchases to be announced mortgage-backed securities (TBAs) as part of its investing activities.

Under reinsurance programs covering GLBs, ACE assumes the risk of GLBs, including GMIB and GMAB, associated with variable annuity contracts. The GMIB risk is triggered if, at the time the contract holder elects to convert the accumulated account value to a periodic payment stream (annuitize), the accumulated account value is not sufficient to provide a guaranteed minimum level of monthly income. The GMAB risk is triggered if, at contract maturity, the contract holder's account value is less than a guaranteed minimum value. The GLB reinsurance product meets the definition of a derivative instrument. Benefit reserves in respect of GLBs are classified as Future policy benefits (FPB) while the fair value derivative adjustment is classified within AP. ACE also maintains positions in exchange-traded equity futures contracts and options on equity market indices to limit equity exposure in the GMDB and GLB blocks of business.

All derivative instruments are carried at fair value with changes in fair value recorded in Net realized gains (losses) in the consolidated statements of operations. None of the derivative instruments are designated as hedges for accounting purposes.

The following table presents the balance sheet locations, fair values of derivative instruments in an asset or (liability) position, and notional values/payment provisions of our derivative instruments:

(in millions of U.S. dollars)	Consolidated Balance Sheet Location	March 31, 2015 Fair Value Derivative Asset	March 31, 2015 Fair Value Derivative (Liability)	March 31, 2015 Notional Value/ Payment Provision	December 31, 2014 Fair Value Derivative Asset	December 31, 2014 Fair Value Derivative (Liability)	December 31, 2014 Notional Value/ Payment Provision
Investment and embedded derivative instruments							
Foreign currency forward contracts	OA / (AP)	$ 15	$ (8)	$ 1,160	$ 12	$ (7)	$ 1,329
Cross-currency swaps	OA / (AP)	-	-	95	-	-	95
Futures contracts on money market instruments	OA / (AP)	1	(1)	4,355	-	-	2,467
Options/Futures contracts on notes and bonds	OA / (AP)	5	(16)	1,276	6	(29)	1,636
Convertible securities(1)	FM AFS / ES	298	-	272	291	-	267
TBAs	FM AFS	31	-	30	-	-	-
		$ 350	$ (25)	$ 7,188	$ 309	$ (36)	$ 5,794
Other derivative instruments							
Futures contracts on equities (2)	OA / (AP)	$ -	$ (3)	$ 1,340	$ -	$ (21)	$ 1,384
Options on equity market indices (2)	OA / (AP)	1	-	250	2	-	250
Other	OA / (AP)	-	(4)	10	-	(4)	10
		$ 1	$ (7)	$ 1,600	$ 2	$ (25)	$ 1,644
GLB(3)	(AP) / (FPB)	$ -	$ (716)	$ 748	$ -	$ (663)	$ 675

(1) Includes fair value of embedded derivatives.
(2) Related to GMDB and GLB blocks of business.
(3) Includes both future policy benefits reserves and fair value derivative adjustment. Refer to Note 5 for additional information. Note that the payment provision related to GLB is the net amount at risk. The concept of a notional value does not apply to the GLB reinsurance contracts.

At March 31, 2015 and December 31, 2014, derivative liabilities of $4 million and $34 million, respectively, included in the table above were subject to a master netting agreement. The remaining derivatives included in the table above were not subject to a master netting agreement.

ACE participates in a securities lending program operated by a third-party banking institution whereby certain assets are loaned to qualified borrowers and from which we earn an incremental return. At March 31, 2015 and December 31, 2014, our securities lending payable was $1,034 million and $1,331 million, respectively, and our securities lending collateral was $1,033 million and $1,330 million, respectively. The securities lending collateral can only be accessed in the event that the institution borrowing the securities is in default under the lending agreement. An indemnification agreement with the lending agent protects us in the event a borrower becomes insolvent or fails to return any of the securities on loan. At both March 31, 2015 and December 31, 2014, our repurchase agreement obligations of $1,402 million were fully collateralized. In contrast to securities lending programs, the use of cash received is not restricted for the repurchase obligations.

The following table presents net realized gains (losses) related to derivative instrument activity in the consolidated statements of operations:

	Three Months Ended March 31			
(in millions of U.S. dollars)		2015		2014
Investment and embedded derivative instruments				
Foreign currency forward contracts	$	25	$	(3)
All other futures contracts and options		(29)		(22)
Convertible securities[1]		5		-
Total investment and embedded derivative instruments	$	1	$	(25)
GLB and other derivative instruments				
GLB[2]	$	(45)	$	(48)
Futures contracts on equities[3]		(11)		(17)
Options on equity market indices[3]		(1)		(2)
Other		-		(2)
Total GLB and other derivative instruments	$	(57)	$	(69)
	$	(56)	$	(94)

(1) Includes embedded derivatives.
(2) Excludes foreign exchange gains (losses) related to GLB.
(3) Related to GMDB and GLB blocks of business.

Derivative instrument objectives

(i) Foreign currency exposure management
A foreign currency forward contract (forward) is an agreement between participants to exchange specific foreign currencies at a future date. ACE uses forwards to minimize the effect of fluctuating foreign currencies as discussed above.

(ii) Duration management and market exposure
Futures
Futures contracts give the holder the right and obligation to participate in market movements, determined by the index or underlying security on which the futures contract is based. Settlement is made daily in cash by an amount equal to the change in value of the futures contract times a multiplier that scales the size of the contract. Exchange-traded futures contracts on money market instruments, notes and bonds are used in fixed maturity portfolios to more efficiently manage duration, as substitutes for ownership of the money market instruments, bonds and notes without significantly increasing the risk in the portfolio. Investments in futures contracts may be made only to the extent that there are assets under management not otherwise committed.

Exchange-traded equity futures contracts are used to limit exposure to a severe equity market decline, which would cause an increase in expected claims and therefore, an increase in reserves for GMDB and GLB reinsurance business.

Options
An option contract conveys to the holder the right, but not the obligation, to purchase or sell a specified amount or value of an underlying security at a fixed price. Option contracts are used in the investment portfolio as protection against unexpected shifts in interest rates, which would affect the duration of the fixed maturity portfolio. By using options in the portfolio, the overall interest rate sensitivity of the portfolio can be reduced. Option contracts may also be used as an alternative to futures contracts in the synthetic strategy as described above.

Another use for option contracts is to limit exposure to a severe equity market decline, which would cause an increase in expected claims and therefore, an increase in reserves for GMDB and GLB reinsurance business.

The price of an option is influenced by the underlying security, expected volatility, time to expiration, and supply and demand.

The credit risk associated with the above derivative financial instruments relates to the potential for non-performance by counterparties. Although non-performance is not anticipated, in order to minimize the risk of loss, management monitors the creditworthiness of its counterparties and obtains collateral. The performance of exchange-traded instruments is guaranteed by the exchange on which they trade. For non-exchange-traded instruments, the counterparties are principally banks which must meet certain criteria according to our investment guidelines.

Cross-currency swaps
Cross-currency swaps are agreements under which two counterparties exchange interest payments and principal denominated in different currencies at a future date. We use cross-currency swaps to reduce the foreign currency and interest rate risk by converting cash flows back into local currency. We invest in foreign currency denominated investments to improve credit diversification and also to obtain better duration matching to our liabilities that is limited in the local currency market.

Other
Included within Other are derivatives intended to reduce potential losses which may arise from certain exposures in our insurance business. The economic benefit provided by these derivatives is similar to purchased reinsurance. For example, ACE may enter into crop derivative contracts to protect underwriting results in the event of a significant decline in commodity prices. Also included within Other are certain life insurance products that meet the definition of a derivative instrument for accounting purposes.

(iii) Convertible security investments
A convertible security is a debt instrument or preferred stock that can be converted into a predetermined amount of the issuer's equity. The convertible option is an embedded derivative within the host instruments which are classified in the investment portfolio as either available for sale or as an equity security. ACE purchases convertible securities for their total return and not specifically for the conversion feature.

(iv) TBA
By acquiring TBAs, we make a commitment to purchase a future issuance of mortgage-backed securities. For the period between purchase of the TBAs and issuance of the underlying security, we account for our position as a derivative in the consolidated financial statements. ACE purchases TBAs both for their total return and for the flexibility they provide related to our mortgage-backed security strategy.

(v) GLB
Under the GLB program, as the assuming entity, ACE is obligated to provide coverage until the expiration or maturity of the underlying deferred annuity contracts or the expiry of the reinsurance treaty. Premiums received under the reinsurance treaties are classified as premium. Expected losses allocated to premiums received are classified as Future policy benefits and valued similar to GMDB reinsurance. Other changes in fair value, principally arising from changes in expected losses allocated to expected future premiums, are classified as Net realized gains (losses). Fair value represents management's estimate of an exit price and thus, includes a risk margin. We may recognize a realized loss for other changes in fair value due to adverse changes in the capital markets (e.g., declining interest rates and/or declining equity markets) and changes in actual or estimated future policyholder behavior (e.g., increased annuitization or decreased lapse rates) although we expect the business to be profitable. We believe this presentation provides the most meaningful disclosure of changes in the underlying risk within the GLB reinsurance programs for a given reporting period.

b) Other investments
At March 31, 2015, included in Other investments in the consolidated balance sheet are investments in limited partnerships and partially-owned investment companies with a carrying value of $2.2 billion. In connection with these investments, we have commitments that may require funding of up to $992 million over the next several years.

c) Taxation
At March 31, 2015, $23 million of unrecognized tax benefits remains outstanding. It is reasonably possible that over the next twelve months, the amount of unrecognized tax benefits may change resulting from the re-evaluation of unrecognized tax benefits arising from examinations of taxing authorities. With few exceptions, ACE is no longer subject to state and local or non-U.S. income tax examinations for years before 2005.

d) Legal proceedings
Our insurance subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages and, in some jurisdictions, direct actions by allegedly-injured persons seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in our loss and loss expense reserves. In addition to claims litigation, we are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This category of business litigation typically involves, among other things, allegations of underwriting errors or misconduct, employment claims, regulatory activity, or disputes arising from our business ventures. In the opinion of management, our ultimate liability for these matters could be, but we believe is not likely to be, material to our consolidated financial condition and results of operations.

8. Shareholders’ equity

All of ACE’s Common Shares are authorized under Swiss corporate law. Though the par value of Common Shares is stated in Swiss francs, ACE continues to use U.S. dollars as its reporting currency for preparing consolidated financial statements. Under Swiss corporate law, dividends, including distributions through a reduction in par value (par value reduction) or from legal reserves, must be stated in Swiss francs though dividend payments are made by ACE in U.S. dollars.

At our May 2013 annual general meeting, our shareholders approved an annual dividend for the following year of $2.04 per share, payable in four quarterly installments of $0.51 per share after the annual general meeting in the form of a distribution by way of a par value reduction. At the January 10, 2014 extraordinary general meeting, our shareholders approved a resolution to increase our quarterly dividend from $0.51 per share to $0.63 per share for the final two quarterly installments (made on January 31, 2014 and April 17, 2014) that had been earlier approved at our 2013 annual general meeting. The $0.12 per share increase for each installment was distributed from capital contribution reserves (Additional paid-in capital), a subaccount of legal reserves, and transferred to free reserves (Retained earnings) for payment, while the existing $0.51 per share was distributed by way of a par value reduction.

At our May 2014 annual general meeting, our shareholders approved an annual dividend for the following year of $2.60 per share, payable in four quarterly installments of $0.65 per share after the annual general meeting in the form of a distribution by way of a par value reduction.

The following table presents dividend distributions per Common Share in Swiss francs (CHF) and U.S. dollars (USD):

	Three Months Ended March 31			
	2015		2014	
	CHF	USD	CHF	USD
Dividends - par value reduction	0.62	$ 0.65	0.45	$ 0.51
Dividends - distributed from capital contribution reserves	-	-	0.20	0.24
Total dividend distributions per common share	0.62	$ 0.65	0.65	$ 0.75

Par value reductions have been reflected as such through Common Shares in the consolidated statements of shareholders' equity and had the effect of reducing par value per Common Share to CHF 24.15 at March 31, 2015.

Common Shares in treasury are used principally for issuance upon the exercise of employee stock options, grants of restricted stock, and purchases under the Employee Stock Purchase Plan (ESPP). At March 31, 2015, 15,747,650 Common Shares remain in treasury after net shares redeemed under employee share-based compensation plans.

ACE Limited securities repurchase authorization
On November 21, 2013, the Board of Directors (Board) announced authorization of a share repurchase program of up to $2.0 billion of ACE's Common Shares through December 31, 2014.

On November 24, 2014, the Board announced authorization of a share repurchase program of $1.5 billion of ACE's Common Shares for the period January 1, 2015 through December 31, 2015 to replace the November 2013 authorization when it expired on December 31, 2014.

The following table presents repurchases of ACE's Common Shares conducted in a series of open market transactions under the Board authorizations:

	Three Months Ended March 31		
(in millions of U.S. dollars, except share data)	**2015**	2014	April 1, 2015 through April 28, 2015
Number of shares repurchased	**3,027,463**	3,487,882	1,351,820
Dollar value of shares repurchased	**$ 340**	$ 332	$ 149
Repurchase authorization remaining at end of period	**$ 1,160**	$ 1,612	$ 1,011

9. Share-based compensation

The ACE Limited 2004 Long-Term Incentive Plan (the 2004 LTIP) permits grants of both incentive and non-qualified stock options principally at an option price per share equal to the grant date fair value of ACE’s Common Shares. Stock options are generally granted with a 3-year vesting period and a 10-year term. Stock options typically vest in equal annual installments over the vesting period, which is also the requisite service period. On February 26, 2015, ACE granted 1,891,195 stock options with a weighted-average grant date fair value of $18.49 each. The fair value of the options issued is estimated on the grant date using the Black-Scholes option pricing model.

The 2004 LTIP also permits grants of restricted stock and restricted stock units. ACE generally grants restricted stock and restricted stock units with a 4-year vesting period, based on a graded vesting schedule. The restricted stock is granted at market close price on the grant date. On February 26, 2015, ACE granted 1,278,250 restricted stock awards and 290,475 restricted stock units to employees and officers with a grant date fair value of $114.78 each. Each restricted stock unit represents our obligation to deliver to the holder one Common Share upon vesting.

10. Segment information

ACE operates through five business segments: Insurance - North American P&C, Insurance - North American Agriculture, Insurance - Overseas General, Global Reinsurance, and Life. These segments distribute their products through various forms of brokers, agencies, and direct marketing programs. All business segments have established relationships with reinsurance intermediaries.

Corporate includes the results of ACE’s non-insurance subsidiaries, including ACE Limited, ACE Group Management and Holdings Ltd., and ACE INA Holdings, Inc. Corporate results consist primarily of interest expense, corporate staff expenses and other expenses not attributable to specific reportable segments, and intersegment eliminations.

For segment reporting purposes, certain items have been presented in a different manner below than in the consolidated financial statements. Management uses underwriting income as the main measure of segment performance. ACE calculates underwriting income by subtracting Losses and loss expenses, Policy benefits, Policy acquisition costs, and Administrative expenses from Net premiums earned. For the Insurance - North American Agriculture segment, management includes gains and losses on crop derivatives as a component of underwriting income. For example, for the three months ended March 31, 2014, underwriting loss in our Insurance - North American Agriculture segment was $31 million. This amount includes $2 million of realized losses related to crop derivatives which are included in Net realized gains (losses) below. For the Life segment, management includes Net investment income and (Gains) losses from fair value changes in separate account assets that do not

qualify for separate account reporting under GAAP as components of Life underwriting income. For example, for the three months ended March 31, 2015, Life underwriting income of $77 million includes Net investment income of $66 million and gains from fair value changes in separate account assets of $11 million.

The following tables present the Statement of Operations by segment:

For the Three Months Ended March 31, 2015 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 1,430	$ 88	$ 1,794	$ 273	$ 491	$ -	$ 4,076
Net premiums earned	1,526	64	1,637	226	474	-	3,927
Losses and loss expenses	1,035	22	814	99	152	-	2,122
Policy benefits	-	-	-	-	142	-	142
Policy acquisition costs	161	(4)	389	54	107	-	707
Administrative expenses	171	(1)	256	12	73	43	554
Underwriting income (loss)	159	47	178	61	-	(43)	402
Net investment income	263	6	138	75	66	3	551
Net realized gains (losses) including OTTI	(6)	-	(10)	(11)	(59)	(3)	(89)
Interest expense	2	-	1	1	1	63	68
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	(11)	-	(11)
Other	(7)	8	17	(5)	(12)	5	6
Income tax expense (benefit)	80	10	52	8	9	(39)	120
Net income (loss)	$ 341	$ 35	$ 236	$ 121	$ 20	$ (72)	$ 681

For the Three Months Ended March 31, 2014 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 1,418	$ 194	$ 1,771	$ 308	$ 494	$ -	$ 4,185
Net premiums earned	1,487	103	1,612	284	484	-	3,970
Losses and loss expenses	940	126	817	126	151	1	2,161
Policy benefits	-	-	-	-	114	-	114
Policy acquisition costs	159	5	386	67	111	-	728
Administrative expenses	161	1	250	14	68	41	535
Underwriting income (loss)	227	(29)	159	77	40	(42)	432
Net investment income	270	7	132	77	64	3	553
Net realized gains (losses) including OTTI	(9)	(2)	(10)	(8)	(76)	1	(104)
Interest expense	3	-	1	1	3	63	71
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	6	-	6
Other	(20)	8	(6)	(19)	7	7	(23)
Income tax expense (benefit)	83	(7)	37	10	10	(40)	93
Net income (loss)	$ 422	$ (25)	$ 249	$ 154	$ 2	$ (68)	$ 734

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Underwriting assets are reviewed in total by management for purposes of decision-making. Other than goodwill and other intangible assets, ACE does not allocate assets to its segments.

The following table presents net premiums earned for each segment by product:

(in millions of U.S. dollars) For the Three Months Ended March 31, 2015	Property & All Other	Casualty	Life, Accident & Health	ACE Consolidated
Insurance - North American P&C	**$ 410**	**$ 1,015**	**$ 101**	**$ 1,526**
Insurance - North American Agriculture	**64**	**-**	**-**	**64**
Insurance - Overseas General	**728**	**382**	**527**	**1,637**
Global Reinsurance	**117**	**109**	**-**	**226**
Life	**-**	**-**	**474**	**474**
	$ 1,319	**$ 1,506**	**$ 1,102**	**$ 3,927**
For the Three Months Ended March 31, 2014				
Insurance - North American P&C	$ 405	$ 981	$ 101	$ 1,487
Insurance - North American Agriculture	103	-	-	103
Insurance - Overseas General	693	369	550	1,612
Global Reinsurance	154	130	-	284
Life	-	-	484	484
	$ 1,355	$ 1,480	$ 1,135	$ 3,970

11. Earnings per share

(in millions of U.S. dollars, except share and per share data)	Three Months Ended March 31 **2015**	 2014
Numerator:		
Net income	**$ 681**	$ 734
Denominator:		
Denominator for basic earnings per share:		
Weighted-average shares outstanding	**328,212,376**	338,869,562
Denominator for diluted earnings per share:		
Share-based compensation plans	**3,480,344**	3,171,174
Weighted-average shares outstanding and assumed conversions	**331,692,720**	342,040,736
Basic earnings per share	**$ 2.08**	$ 2.16
Diluted earnings per share	**$ 2.05**	$ 2.14
Potential anti-dilutive share conversions	**715,148**	657,182

Excluded from weighted-average shares outstanding and assumed conversions is the impact of securities that would have been anti-dilutive during the respective periods.

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12. Information provided in connection with outstanding debt of subsidiaries

The following tables present condensed consolidating financial information at March 31, 2015 and December 31, 2014, and for the three months ended March 31, 2015 and 2014 for ACE Limited (Parent Guarantor) and ACE INA Holdings Inc. (Subsidiary Issuer). The Subsidiary Issuer is an indirect 100 percent-owned subsidiary of the Parent Guarantor. The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuer. Condensed consolidating financial information of the Parent Guarantor and Subsidiary Issuer are presented on the equity method of accounting. The revenues and expenses and cash flows of the subsidiaries of the Subsidiary Issuer are presented in the Other ACE Limited Subsidiaries column on a combined basis.

Condensed Consolidating Balance Sheet at March 31, 2015

(in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Assets					
Investments	$ 31	$ 10	$ 63,853	$ -	$ 63,894
Cash[1]	2	366	658	(78)	948
Insurance and reinsurance balances receivable	-	-	5,746	(720)	5,026
Reinsurance recoverable on losses and loss expenses	-	-	20,292	(8,704)	11,588
Reinsurance recoverable on policy benefits	-	-	1,171	(956)	215
Value of business acquired	-	-	440	-	440
Goodwill and other intangible assets	-	-	5,516	-	5,516
Investments in subsidiaries	29,798	18,767	-	(48,565)	-
Due from subsidiaries and affiliates, net	233	-	-	(233)	-
Other assets	4	291	14,088	(3,612)	10,771
Total assets	$ 30,068	$ 19,434	$ 111,764	$ (62,868)	$ 98,398
Liabilities					
Unpaid losses and loss expenses	$ -	$ -	$ 45,518	$ (8,192)	$ 37,326
Unearned premiums	-	-	9,912	(1,730)	8,182
Future policy benefits	-	-	5,700	(956)	4,744
Due to subsidiaries and affiliates, net	-	103	130	(233)	-
Affiliated notional cash pooling programs[1]	78	-	-	(78)	-
Short-term debt	-	1,150	1,402	-	2,552
Long-term debt	-	4,145	12	-	4,157
Trust preferred securities	-	309	-	-	309
Other liabilities	288	1,434	12,818	(3,114)	11,426
Total liabilities	366	7,141	75,492	(14,303)	68,696
Total shareholders' equity	29,702	12,293	36,272	(48,565)	29,702
Total liabilities and shareholders' equity	$ 30,068	$ 19,434	$ 111,764	$ (62,868)	$ 98,398

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At March 31, 2015, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Balance Sheet at December 31, 2014

(in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Assets					
Investments	$ 30	$ 225	$ 62,649	$ -	$ 62,904
Cash[1]	-	1	1,209	(555)	655
Insurance and reinsurance balances receivable	-	-	6,178	(752)	5,426
Reinsurance recoverable on losses and loss expenses	-	-	20,992	(9,000)	11,992
Reinsurance recoverable on policy benefits	-	-	1,194	(977)	217
Value of business acquired	-	-	466	-	466
Goodwill and other intangible assets	-	-	5,724	-	5,724
Investments in subsidiaries	29,497	18,762	-	(48,259)	-
Due from subsidiaries and affiliates, net	583	-	-	(583)	-
Other assets	4	295	14,196	(3,631)	10,864
Total assets	$ 30,114	$ 19,283	$ 112,608	$ (63,757)	$ 98,248
Liabilities					
Unpaid losses and loss expenses	$ -	$ -	$ 46,770	$ (8,455)	$ 38,315
Unearned premiums	-	-	9,958	(1,736)	8,222
Future policy benefits	-	-	5,731	(977)	4,754
Due to subsidiaries and affiliates, net	-	422	161	(583)	-
Affiliated notional cash pooling programs[1]	246	309	-	(555)	-
Short-term debt	-	1,150	1,402	-	2,552
Long-term debt	-	3,345	12	-	3,357
Trust preferred securities	-	309	-	-	309
Other liabilities	281	1,404	12,659	(3,192)	11,152
Total liabilities	527	6,939	76,693	(15,498)	68,661
Total shareholders' equity	29,587	12,344	35,915	(48,259)	29,587
Total liabilities and shareholders' equity	$ 30,114	$ 19,283	$ 112,608	$ (63,757)	$ 98,248

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At December 31, 2014, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Statements of Operations and Comprehensive Income

For the Three Months Ended March 31, 2015 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 4,076	$ -	$ 4,076
Net premiums earned	-	-	3,927	-	3,927
Net investment income	1	1	549	-	551
Equity in earnings of subsidiaries	648	204	-	(852)	-
Net realized gains (losses) including OTTI	-	-	(89)	-	(89)
Losses and loss expenses	-	-	2,122	-	2,122
Policy benefits	-	-	142	-	142
Policy acquisition costs and administrative expenses	14	6	1,241	-	1,261
Interest (income) expense	(8)	69	7	-	68
Other (income) expense	(41)	(3)	39	-	(5)
Income tax expense (benefit)	3	(26)	143	-	120
Net income	$ 681	$ 159	$ 693	$ (852)	$ 681
Comprehensive income	$ 642	$ 24	$ 654	$ (678)	$ 642

Condensed Consolidating Statements of Operations and Comprehensive Income

For the Three Months Ended March 31, 2014 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 4,185	$ -	$ 4,185
Net premiums earned	-	-	3,970	-	3,970
Net investment income	-	-	553	-	553
Equity in earnings of subsidiaries	702	180	-	(882)	-
Net realized gains (losses) including OTTI	-	(1)	(103)	-	(104)
Losses and loss expenses	-	-	2,161	-	2,161
Policy benefits	-	-	114	-	114
Policy acquisition costs and administrative expenses	17	6	1,240	-	1,263
Interest (income) expense	(10)	71	10	-	71
Other (income) expense	(42)	14	11	-	(17)
Income tax expense (benefit)	3	(30)	120	-	93
Net income	$ 734	$ 118	$ 764	$ (882)	$ 734
Comprehensive income	$ 1,108	$ 266	$ 1,138	$ (1,404)	$ 1,108

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Statement of Cash Flows

Three Months Ended March 31, 2015 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net cash flows from operating activities	$ 48	$ 4	$ 1,023	$ -	$ 1,075
Cash flows from investing activities					
Purchases of fixed maturities available for sale	-	-	(4,336)	-	(4,336)
Purchases of fixed maturities held to maturity	-	-	(21)	-	(21)
Purchases of equity securities	-	-	(39)	-	(39)
Sales of fixed maturities available for sale	-	-	2,002	-	2,002
Sales of equity securities	-	-	28	-	28
Maturities and redemptions of fixed maturities available for sale	-	-	1,481	-	1,481
Maturities and redemptions of fixed maturities held to maturity	-	-	324	-	324
Net change in short-term investments	-	216	(471)	-	(255)
Net derivative instruments settlements	-	-	(51)	-	(51)
Other	-	-	(153)	-	(153)
Net cash flows from (used for) investing activities	-	216	(1,236)	-	(1,020)
Cash flows from financing activities					
Dividends paid on Common Shares	(214)	-	-	-	(214)
Common Shares repurchased	-	-	(347)	-	(347)
Proceeds from issuance of long-term debt	-	800	-	-	800
Proceeds from issuance of short-term debt	-	-	477	-	477
Repayment of short-term debt	-	-	(477)	-	(477)
Proceeds from share-based compensation plans, including windfall tax benefits	-	-	39	-	39
Advances (to) from affiliates	336	(340)	4	-	-
Net payments to affiliated notional cash pooling programs(1)	(168)	(309)	-	477	-
Policyholder contract deposits	-	-	101	-	101
Policyholder contract withdrawals	-	-	(40)	-	(40)
Other	-	(6)	-	-	(6)
Net cash flows (used for) from financing activities	(46)	145	(243)	477	333
Effect of foreign currency rate changes on cash and cash equivalents	-	-	(95)	-	(95)
Net increase (decrease) in cash	2	365	(551)	477	293
Cash - beginning of period(1)	-	1	1,209	(555)	655
Cash - end of period(1)	$ 2	$ 366	$ 658	$ (78)	$ 948

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At March 31, 2015 and December 31, 2014, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

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Condensed Consolidating Statement of Cash Flows

Three Months Ended March 31, 2014 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net cash flows from (used for) operating activities	$ 57	$ (13)	$ 1,206	$ -	$ 1,250
Cash flows from investing activities					
Purchases of fixed maturities available for sale	-	-	(3,522)	-	(3,522)
Purchases of fixed maturities held to maturity	-	-	(30)	-	(30)
Purchases of equity securities	-	-	(37)	-	(37)
Sales of fixed maturities available for sale	-	-	2,208	-	2,208
Sales of equity securities	-	-	27	-	27
Maturities and redemptions of fixed maturities available for sale	-	-	1,550	-	1,550
Maturities and redemptions of fixed maturities held to maturity	-	-	212	-	212
Net change in short-term investments	-	(8)	(757)	-	(765)
Net derivative instruments settlements	-	(9)	(87)	-	(96)
Other	-	(3)	(47)	-	(50)
Net cash flows used for investing activities	-	(20)	(483)	-	(503)
Cash flows from financing activities					
Dividends paid on Common Shares	(214)	-	-	-	(214)
Common Shares repurchased	-	-	(335)	-	(335)
Proceeds from issuance of short-term debt	-	-	426	-	426
Repayment of short-term debt	-	-	(426)	-	(426)
Proceeds from share-based compensation plans, including windfall tax benefits	-	-	40	-	40
Advances (to) from affiliates	367	(367)	-	-	-
Net proceeds from (payments to) affiliated notional cash pooling programs[1]	(185)	385	-	(200)	-
Policyholder contract deposits	-	-	51	-	51
Policyholder contract withdrawals	-	-	(14)	-	(14)
Net cash flows (used for) from financing activities	(32)	18	(258)	(200)	(472)
Effect of foreign currency rate changes on cash and cash equivalents	-	-	(7)	-	(7)
Net increase (decrease) in cash	25	(15)	458	(200)	268
Cash - beginning of period[1]	-	16	748	(185)	579
Cash - end of period[1]	$ 25	$ 1	$ 1,206	$ (385)	$ 847

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At March 31, 2014 and December 31, 2013, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

ACE LIMITED
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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONSOLIDATED BALANCE SHEETS (Unaudited)

ACE Limited and Subsidiaries

(in millions of U.S. dollars, except share and per share data)		June 30 2015		December 31 2014
Assets				
Investments				
Fixed maturities available for sale, at fair value (amortized cost - $47,599 and $47,826) (includes hybrid financial instruments of $282 and $274)	$	48,701	$	49,395
Fixed maturities held to maturity, at amortized cost (fair value - $8,805 and $7,589)		8,676		7,331
Equity securities, at fair value (cost - $433 and $440)		498		510
Short-term investments, at fair value and amortized cost		2,062		2,322
Other investments (cost - $2,989 and $2,999)		3,328		3,346
Total investments		63,265		62,904
Cash		790		655
Securities lending collateral		1,080		1,330
Accrued investment income		534		552
Insurance and reinsurance balances receivable		5,757		5,426
Reinsurance recoverable on losses and loss expenses		11,775		11,992
Reinsurance recoverable on policy benefits		203		217
Deferred policy acquisition costs		2,806		2,601
Value of business acquired		434		466
Goodwill and other intangible assets		5,969		5,724
Prepaid reinsurance premiums		2,238		2,026
Deferred tax assets		285		295
Investments in partially-owned insurance companies		638		504
Other assets		4,066		3,556
Total assets	$	99,840	$	98,248
Liabilities				
Unpaid losses and loss expenses	$	38,230	$	38,315
Unearned premiums		8,879		8,222
Future policy benefits		4,835		4,754
Insurance and reinsurance balances payable		4,602		4,095
Securities lending payable		1,081		1,331
Accounts payable, accrued expenses, and other liabilities		6,090		5,726
Short-term debt		2,102		2,552
Long-term debt		4,157		3,357
Trust preferred securities		309		309
Total liabilities		70,285		68,661
Commitments and contingencies				
Shareholders' equity				
Common Shares (CHF 24.15 and CHF 24.77 par value; 342,832,412 shares issued; 323,814,281 and 328,659,686 shares outstanding)		7,833		8,055
Common Shares in treasury (19,018,131 and 14,172,726 shares)		(1,999)		(1,448)
Additional paid-in capital		4,847		5,145
Retained earnings		18,267		16,644
Accumulated other comprehensive income (AOCI)		607		1,191
Total shareholders' equity		29,555		29,587
Total liabilities and shareholders' equity	$	99,840	$	98,248

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (Unaudited)

ACE Limited and Subsidiaries

(in millions of U.S. dollars, except per share data)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Revenues				
Net premiums written	**$ 4,784**	$ 4,559	**$ 8,860**	$ 8,744
Increase in unearned premiums	**(424)**	(227)	**(573)**	(442)
Net premiums earned	**4,360**	4,332	**8,287**	8,302
Net investment income	**562**	556	**1,113**	1,109
Net realized gains (losses):				
Other-than-temporary impairment (OTTI) losses gross	**(14)**	(13)	**(27)**	(25)
Portion of OTTI losses recognized in other comprehensive income (OCI)	**6**	1	**6**	2
Net OTTI losses recognized in income	**(8)**	(12)	**(21)**	(23)
Net realized gains (losses) excluding OTTI losses	**134**	(61)	**58**	(154)
Total net realized gains (losses) (includes $34, $21, $31, and $27 reclassified from AOCI)	**126**	(73)	**37**	(177)
Total revenues	**5,048**	4,815	**9,437**	9,234
Expenses				
Losses and loss expenses	**2,417**	2,388	**4,539**	4,549
Policy benefits	**153**	144	**295**	258
Policy acquisition costs	**727**	758	**1,434**	1,486
Administrative expenses	**578**	566	**1,132**	1,101
Interest expense	**71**	72	**139**	143
Other (income) expense	**17**	(25)	**12**	(42)
Total expenses	**3,963**	3,903	**7,551**	7,495
Income before income tax	**1,085**	912	**1,886**	1,739
Income tax expense (includes $10, $5, $14, and $2 on reclassified unrealized gains)	**143**	133	**263**	226
Net income	**$ 942**	$ 779	**$ 1,623**	$ 1,513
Other comprehensive income (loss)				
Unrealized appreciation (depreciation)	**$ (816)**	$ 589	**$ (375)**	$ 1,108
Reclassification adjustment for net realized gains included in net income	**(34)**	(21)	**(31)**	(27)
	(850)	568	**(406)**	1,081
Change in:				
Cumulative translation adjustment	**136**	153	**(285)**	120
Pension liability	**(6)**	(5)	**7**	(13)
Other comprehensive income (loss), before income tax	**(720)**	716	**(684)**	1,188
Income tax (expense) benefit related to OCI items	**175**	(147)	**100**	(245)
Other comprehensive income (loss)	**(545)**	569	**(584)**	943
Comprehensive income	**$ 397**	$ 1,348	**$ 1,039**	$ 2,456
Earnings per share				
Basic earnings per share	**$ 2.89**	$ 2.30	**$ 4.97**	$ 4.47
Diluted earnings per share	**$ 2.86**	$ 2.28	**$ 4.91**	$ 4.43

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

ACE Limited and Subsidiaries

	Six Months Ended June 30	
(in millions of U.S. dollars)	**2015**	2014
Common Shares		
Balance - beginning of period	**$ 8,055**	$ 8,899
Dividends declared on Common Shares - par value reduction	**(222)**	(398)
Balance - end of period	**7,833**	8,501
Common Shares in treasury		
Balance - beginning of period	**(1,448)**	(255)
Common Shares repurchased	**(734)**	(569)
Net shares redeemed under employee share-based compensation plans	**183**	194
Balance - end of period	**(1,999)**	(630)
Additional paid-in capital		
Balance - beginning of period	**5,145**	5,238
Net shares redeemed under employee share-based compensation plans	**(163)**	(169)
Exercise of stock options	**(29)**	(33)
Share-based compensation expense and other	**111**	100
Funding of dividends declared to Retained earnings	**(217)**	(81)
Balance - end of period	**4,847**	5,055
Retained earnings		
Balance - beginning of period	**16,644**	13,791
Net income	**1,623**	1,513
Funding of dividends declared from Additional paid-in capital	**217**	81
Dividends declared on Common Shares	**(217)**	(81)
Balance - end of period	**18,267**	15,304
Accumulated other comprehensive income		
Net unrealized appreciation on investments		
Balance - beginning of period	**1,851**	1,174
Change in period, before reclassification from AOCI, net of income tax benefit (expense) of $81 and $(210)	**(294)**	898
Amounts reclassified from AOCI, net of income tax benefit of $14 and $2	**(17)**	(25)
Change in period, net of income tax benefit (expense) of $95 and $(208)	**(311)**	873
Balance - end of period	**1,540**	2,047
Cumulative translation adjustment		
Balance - beginning of period	**(581)**	63
Change in period, net of income tax benefit (expense) of $7 and $(42)	**(278)**	78
Balance - end of period	**(859)**	141
Pension liability adjustment		
Balance - beginning of period	**(79)**	(85)
Change in period, net of income tax benefit (expense) of $(2) and $5	**5**	(8)
Balance - end of period	**(74)**	(93)
Accumulated other comprehensive income	**607**	2,095
Total shareholders' equity	**$ 29,555**	$ 30,325

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

ACE Limited and Subsidiaries

	Six Months Ended June 30	
(in millions of U.S. dollars)	**2015**	2014
Cash flows from operating activities		
Net income	**$ 1,623**	$ 1,513
Adjustments to reconcile net income to net cash flows from operating activities		
Net realized (gains) losses	**(37)**	177
Amortization of premiums/discounts on fixed maturities	**71**	115
Deferred income taxes	**108**	117
Unpaid losses and loss expenses	**(87)**	(493)
Unearned premiums	**420**	594
Future policy benefits	**114**	139
Insurance and reinsurance balances payable	**532**	142
Accounts payable, accrued expenses, and other liabilities	**48**	37
Income taxes payable	**(120)**	(56)
Insurance and reinsurance balances receivable	**(332)**	(244)
Reinsurance recoverable on losses and loss expenses	**55**	546
Reinsurance recoverable on policy benefits	**16**	(14)
Deferred policy acquisition costs	**(236)**	(228)
Prepaid reinsurance premiums	**(261)**	(171)
Other	**(23)**	(78)
Net cash flows from operating activities	**1,891**	2,096
Cash flows from investing activities		
Purchases of fixed maturities available for sale	**(9,179)**	(7,960)
Purchases of to be announced mortgage-backed securities	**(31)**	-
Purchases of fixed maturities held to maturity	**(24)**	(129)
Purchases of equity securities	**(70)**	(64)
Sales of fixed maturities available for sale	**3,611**	3,842
Sales of to be announced mortgage-backed securities	**31**	-
Sales of equity securities	**102**	45
Maturities and redemptions of fixed maturities available for sale	**3,691**	3,163
Maturities and redemptions of fixed maturities held to maturity	**470**	414
Net change in short-term investments	**228**	(295)
Net derivative instruments settlements	**(33)**	(185)
Acquisition of subsidiaries (net of cash acquired of $620 and $4)	**255**	(172)
Other	**(71)**	(118)
Net cash flows used for investing activities	**(1,020)**	(1,459)
Cash flows from financing activities		
Dividends paid on Common Shares	**(427)**	(428)
Common Shares repurchased	**(750)**	(557)
Proceeds from issuance of long-term debt	**800**	699
Proceeds from issuance of short-term debt	**1,327**	977
Repayment of long-term debt	**(450)**	(500)
Repayment of short-term debt	**(1,327)**	(977)
Proceeds from share-based compensation plans, including windfall tax benefits	**46**	75
Policyholder contract deposits	**235**	125
Policyholder contract withdrawals	**(107)**	(33)
Other	**(6)**	(6)
Net cash flows used for financing activities	**(659)**	(625)
Effect of foreign currency rate changes on cash and cash equivalents	**(77)**	3
Net increase in cash	**135**	15
Cash - beginning of period	**655**	579
Cash - end of period	**$ 790**	$ 594

Supplemental cash flow information				
Taxes paid	**$**	**263**	$	148
Interest paid	**$**	**127**	$	134

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
ACE Limited and Subsidiaries

1. General

a) Basis of presentation
ACE Limited is a holding company incorporated in Zurich, Switzerland. ACE Limited, through its subsidiaries, provides a broad range of insurance and reinsurance products to insureds worldwide. ACE operates through five business segments: Insurance - North American P&C, Insurance - North American Agriculture, Insurance - Overseas General, Global Reinsurance, and Life. Refer to Note 10 for additional information.

The interim unaudited consolidated financial statements, which include the accounts of ACE Limited and its subsidiaries (collectively, ACE, we, us, or our), have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and, in the opinion of management, reflect all adjustments (consisting of normally recurring accruals) necessary for a fair statement of the results and financial position for such periods. All significant intercompany accounts and transactions, including internal reinsurance transactions, have been eliminated.

The results of operations and cash flows for any interim period are not necessarily indicative of the results for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2014 Form 10-K.

b) Accounting guidance not yet adopted

Presentation of Debt Issuance Costs
In April 2015, the Financial Accounting Standards Board issued new guidance related to the accounting for debt issuance costs. The new guidance requires presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. The new guidance requires retrospective adoption and is effective for interim and annual reporting periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance will not have any effect on our results of operations and financial condition.

2. Acquisitions

Fireman's Fund Insurance Company High Net Worth Personal Lines Insurance Business in the U.S. (Fireman's Fund)
On April 1, 2015, we acquired the Fireman's Fund Insurance Company high net worth personal lines insurance business in the U.S., which included the renewal rights for new and existing business and reinsurance of all existing reserves for $365 million in cash. We acquired assets with a fair value of $749 million, consisting primarily of cash of $620 million and insurance and reinsurance balances receivable of $128 million. We assumed liabilities with a fair value of $858 million, consisting primarily of unpaid losses and loss expenses of $402 million and unearned premiums of $428 million. This acquisition generated $208 million of goodwill, attributable to expected growth and profitability, all of which is expected to be deductible for income tax purposes, and other intangible assets of $266 million, primarily related to renewal rights, based on ACE’s preliminary purchase price allocation. The acquisition expands our position in the high net worth personal lines insurers in the U.S. The Fireman’s Fund business integrates into our existing high net worth personal lines business, ACE Private Risk Services, which offers a broad range of coverage including homeowners, automobile, umbrella and excess liability, collectibles and yachts. Goodwill and other intangible assets arising from this acquisition are included in our Insurance - North American P&C segment.

Large Corporate Account P&C Insurance Business of Itaú Seguros, S.A. (Itaú Seguros)
On October 31, 2014, we expanded our presence in Brazil with the acquisition of the large corporate account property and casualty (P&C) insurance business of Itaú Seguros, Brazil's leading carrier for that business, for $610 million in cash, subject to a working capital adjustment under the purchase agreement expected to be finalized in the third quarter of 2015. This acquisition generated $449 million of goodwill, attributable to expected growth and profitability, none of which is currently deductible for income tax purposes, and other intangible assets of $60 million, primarily related to renewal rights, based on ACE’s preliminary purchase price allocation. Goodwill may become deductible for income tax purposes under Brazilian tax law if this acquired entity is merged with certain ACE legal entities.

The Siam Commercial Samaggi Insurance PCL (Samaggi)
We and our local partner acquired 60.86 percent of Samaggi, a general insurance company in Thailand, from Siam Commercial Bank on April 28, 2014, and subsequently acquired an additional 32.17 percent ownership, through a mandatory tender offer, which expired on June 17, 2014. The purchase price for 93.03 percent of the company was $176 million in cash. This acquisition expands our presence in Thailand and Southeast Asia.

The acquisition generated $46 million of goodwill, attributable to expected growth and profitability, none of which is expected to be deductible for income tax purposes, and other intangible assets of $80 million based on ACE's purchase price allocation. The other intangible assets primarily relate to a bancassurance agreement.

Goodwill and other intangible assets arising from the acquisitions of Itaú Seguros and Samaggi are included in our Insurance - Overseas General segment.

The consolidated financial statements include results of acquired businesses from the acquisition dates.

To be acquired
The Chubb Corporation (Chubb)
On June 30, 2015, we entered into a definitive agreement to acquire Chubb, a leading provider of middle-market commercial, specialty, surety, and personal insurance. Under the terms of the merger agreement, when the transaction closes Chubb will be merged with a newly-formed subsidiary of ACE and Chubb shareholders will receive for each share of Chubb stock an aggregate $62.93 in cash and 0.6019 shares of ACE stock. Based on the closing price of ACE stock on June 30, 2015 of $101.68 per share, the purchase price would be approximately $28.3 billion in cash and newly issued stock, and the former Chubb shareholders would own approximately 137 million shares, or 30 percent, of the combined company's outstanding shares.

The merger agreement provides that following the close of the transaction (i) the acquired businesses will continue to operate under the Chubb names as they do now; (ii) we will change the name of ACE Limited to assume the Chubb name at our parent company level, and (iii) the combined company will transition to operate under the Chubb name globally.

We intend to finance the cash portion of the transaction through a combination of $9 billion sourced from various ACE and Chubb companies plus $5.3 billion of senior notes with a range of maturities to be determined. The transaction is expected to close during the first quarter of 2016, subject to approval by ACE and Chubb shareholders, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and insurance and other antitrust regulatory approvals.

3. Investments

a) Transfers of securities
During April 2015, we transferred securities, considered essential holdings in a diversified portfolio, with a total fair value of $1.9 billion from Fixed maturities available for sale to Fixed maturities held to maturity. These securities, which we have the intent and ability to hold to maturity, were transferred given the growth in ACE's investment portfolio over the last several years, as well as continued efforts to manage the diversification of our global portfolio. The net unrealized appreciation at the date of the transfer continues to be reported in the carrying value of the transferred investments and is amortized through OCI over the remaining life of the securities using the effective interest method in a manner consistent with the amortization of any premium or discount. This transfer represents a non-cash transaction and does not impact the consolidated statements of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

b) Fixed maturities

June 30, 2015 (in millions of U.S. dollars)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
Available for sale					
U.S. Treasury and agency	$ 2,743	$ 67	$ (5)	$ 2,805	$ -
Foreign	14,739	529	(112)	15,156	(5)
Corporate securities	16,515	534	(171)	16,878	(6)
Mortgage-backed securities	10,607	237	(60)	10,784	(1)
States, municipalities, and political subdivisions	2,995	97	(14)	3,078	-
	$ 47,599	$ 1,464	$ (362)	$ 48,701	$ (12)
Held to maturity					
U.S. Treasury and agency	$ 743	$ 16	$ (1)	$ 758	$ -
Foreign	808	39	(4)	843	-
Corporate securities	3,113	72	(56)	3,129	-
Mortgage-backed securities	1,828	50	(1)	1,877	-
States, municipalities, and political subdivisions	2,184	32	(18)	2,198	-
	$ 8,676	$ 209	$ (80)	$ 8,805	$ -

December 31, 2014 (in millions of U.S. dollars)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value	OTTI Recognized in AOCI
Available for sale					
U.S. Treasury and agency	$ 2,741	$ 87	$ (8)	$ 2,820	$ -
Foreign	14,703	629	(90)	15,242	-
Corporate securities	16,897	704	(170)	17,431	(7)
Mortgage-backed securities	10,011	304	(29)	10,286	(1)
States, municipalities, and political subdivisions	3,474	147	(5)	3,616	-
	$ 47,826	$ 1,871	$ (302)	$ 49,395	$ (8)
Held to maturity					
U.S. Treasury and agency	$ 832	$ 20	$ (2)	$ 850	$ -
Foreign	916	47	-	963	-
Corporate securities	2,323	102	(2)	2,423	-
Mortgage-backed securities	1,983	57	(1)	2,039	-
States, municipalities, and political subdivisions	1,277	40	(3)	1,314	-
	$ 7,331	$ 266	$ (8)	$ 7,589	$ -

As discussed in Note 3 e), if a credit loss is incurred on an impaired fixed maturity, an OTTI is considered to have occurred and the portion of the impairment not related to credit losses (non-credit OTTI) is recognized in OCI. Included in the “OTTI Recognized in AOCI” columns above are the cumulative amounts of non-credit OTTI recognized in OCI adjusted for subsequent sales, maturities, and redemptions. OTTI recognized in AOCI does not include the impact of subsequent changes in fair value of the related securities. In periods subsequent to a recognition of OTTI in OCI, changes in the fair value of the related fixed maturities are reflected in Unrealized appreciation (depreciation) in the consolidated statement of shareholders’ equity. For the three and six months ended June 30, 2015, nil and $4 million, respectively, of net unrealized appreciation related to such securities is included in OCI. For the three and six months ended June 30, 2014, $1 million and $5 million, respectively, of net unrealized appreciation related to such securities is included in OCI. At June 30, 2015 and December 31, 2014, AOCI included cumulative net unrealized depreciation of $7 million and $3 million, respectively, related to securities remaining in the investment portfolio for which ACE has recognized a non-credit OTTI.

Mortgage-backed securities (MBS) issued by U.S. government agencies are combined with all other to be announced mortgage derivatives held (refer to Note 7 c) (iv)) and are included in the category, "Mortgage-backed securities". Approximately 80 percent and 83 percent of the total mortgage-backed securities at June 30, 2015 and December 31, 2014, respectively, are represented by investments in U.S. government agency bonds. The remainder of the mortgage exposure consists of collateralized mortgage obligations and non-government mortgage-backed securities, the majority of which provide a planned structure for principal and interest payments and carry a rating of AAA by the major credit rating agencies.

The following table presents fixed maturities by contractual maturity:

(in millions of U.S. dollars)	June 30 2015 Amortized Cost	June 30 2015 Fair Value	December 31 2014 Amortized Cost	December 31 2014 Fair Value
Available for sale				
Due in 1 year or less	$ 1,906	$ 1,925	$ 2,187	$ 2,206
Due after 1 year through 5 years	16,377	16,808	15,444	15,857
Due after 5 years through 10 years	14,321	14,549	15,663	16,089
Due after 10 years	4,388	4,635	4,521	4,957
	36,992	37,917	37,815	39,109
Mortgage-backed securities	10,607	10,784	10,011	10,286
	$ 47,599	$ 48,701	$ 47,826	$ 49,395
Held to maturity				
Due in 1 year or less	$ 377	$ 381	$ 353	$ 355
Due after 1 year through 5 years	2,589	2,685	2,603	2,693
Due after 5 years through 10 years	2,351	2,351	1,439	1,489
Due after 10 years	1,531	1,511	953	1,013
	6,848	6,928	5,348	5,550
Mortgage-backed securities	1,828	1,877	1,983	2,039
	$ 8,676	$ 8,805	$ 7,331	$ 7,589

Expected maturities could differ from contractual maturities because borrowers may have the right to call or prepay obligations, with or without call or prepayment penalties.

c) Equity securities

(in millions of U.S. dollars)	June 30 2015	December 31 2014
Cost	$ 433	$ 440
Gross unrealized appreciation	77	83
Gross unrealized depreciation	(12)	(13)
Fair value	$ 498	$ 510

d) Investments in partially-owned insurance companies

On March 27, 2015 and April 14, 2015, we paid $70 million and $20 million, respectively, to acquire 11.3 percent of the common equity of ABR Reinsurance Capital Holdings Ltd. and warrants to acquire 0.5 percent of additional equity. ABR Reinsurance Capital Holdings Ltd., is the parent company of ABR Reinsurance Ltd. (ABR Re), an independent reinsurance company. Through long-term arrangements, ACE will be the sole source of reinsurance risks ceded to ABR Re, and BlackRock, Inc. will be ABR Re's exclusive investment management service provider. As an investor, ACE is expected to benefit from underwriting profit generated by ABR Re's reinsuring a wide range of ACE's primary insurance business and the income and capital appreciation BlackRock, Inc. seeks to deliver through its investment management services. In addition, ACE's long-term arrangements with BlackRock, Inc. include a fee sharing arrangement in which ACE and BlackRock, Inc. will be entitled to an equal share of the aggregate amount of certain fees, including underwriting and investment management performance related fees.

ABR Re is a variable interest entity; however, ACE is not the primary beneficiary and does not consolidate ABR Re because ACE does not have the power to control and direct ABR Re's most significant activities, including investing and underwriting. Our minority ownership interest is accounted for under the equity method of accounting. ACE cedes premiums to ABR Re and recognizes the associated commissions. For both the three and six months ended June 30, 2015, ACE ceded reinsurance premiums of $35 million and recognized ceded commissions of $11 million. At June 30, 2015, the amount of Reinsurance recoverable on losses and loss expenses was $5 million and the amount of ceded reinsurance premium payable included in Insurance and reinsurance balances payable in the consolidated balance sheet was $18 million.

e) Net realized gains (losses)

In accordance with guidance related to the recognition and presentation of OTTI, when an impairment related to a fixed maturity has occurred, OTTI is required to be recorded in Net income if management has the intent to sell the security or it is more likely than not that we will be required to sell the security before the recovery of its amortized cost. Further, in cases where we do not intend to sell the security and it is more likely than not that we will not be required to sell the security, ACE must evaluate the security to determine the portion of the impairment, if any, related to credit losses. If a credit loss is incurred, an OTTI is considered to have occurred and any portion of the OTTI related to credit losses must be reflected in Net income while the portion of OTTI related to all other factors is recognized in OCI. For fixed maturities held to maturity, OTTI recognized in OCI is accreted from AOCI to the amortized cost of the fixed maturity prospectively over the remaining term of the securities.

Each quarter, securities in an unrealized loss position (impaired securities), including fixed maturities, securities lending collateral, equity securities, and other investments, are reviewed to identify impaired securities to be specifically evaluated for a potential OTTI.

For all non-fixed maturities, OTTI is evaluated based on the following:

- the amount of time a security has been in a loss position and the magnitude of the loss position;
- the period in which cost is expected to be recovered, if at all, based on various criteria including economic conditions and other issuer-specific developments; and
- ACE's ability and intent to hold the security to the expected recovery period.

As a general rule, we also consider that equity securities in an unrealized loss position for twelve consecutive months are other than temporarily impaired. For mutual funds included in equity securities in our consolidated balance sheet, we employ analysis similar to fixed maturities, when applicable.

We review each fixed maturity in an unrealized loss position to assess whether the security is a candidate for credit loss. Specifically, we consider credit rating, market price, and issuer-specific financial information, among other factors, to assess the likelihood of collection of all principal and interest as contractually due. Securities for which we determine that credit loss is likely are subjected to further analysis to estimate the credit loss recognized in Net income, if any. In general, credit loss recognized in Net income equals the difference between the security's amortized cost and the net present value of its projected future cash flows discounted at the effective interest rate implicit in the debt security. All significant assumptions used in determining credit losses are subject to change as market conditions evolve.

Projected cash flows for corporate securities (principally senior unsecured bonds) are driven primarily by assumptions regarding probability of default and also the timing and amount of recoveries associated with defaults. ACE developed projected cash flows for corporate securities using market observable data, issuer-specific information, and credit ratings. We use historical default data by Moody's Investors Service (Moody's) rating category to calculate a 1-in-100 year probability of default, which results in a default assumption in excess of the historical mean default rate. Consistent with management's approach, ACE assumed a 32 percent recovery rate (the par value of a defaulted security that will be recovered) across all rating categories rather than using Moody's historical mean recovery rate of 42 percent. We believe that use of a default assumption in excess of the historical mean is conservative in light of current market conditions.

For the three and six months ended June 30, 2015, credit losses recognized in Net income for corporate securities were $5 million and $9 million, respectively. For the three and six months ended June 30, 2014 credit losses recognized in Net income for corporate securities were $6 million and $10 million, respectively.

For mortgage-backed securities, credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements that exist in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including default rates, prepayment rates, and loss severity rates (the par value of a defaulted security that will not be recovered) on foreclosed properties.

For the three and six months ended June 30, 2015 and 2014, there were no credit losses recognized in Net income for mortgage-backed securities.

The following table presents the Net realized gains (losses) and the losses included in Net realized gains (losses) and OCI as a result of conditions which caused us to conclude the decline in fair value of certain investments was “other-than-temporary”:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions of U.S. dollars)	**2015**	2014	**2015**	2014
Fixed maturities:				
OTTI on fixed maturities, gross	**$ (13)**	$ (9)	**$ (26)**	$ (15)
OTTI on fixed maturities recognized in OCI (pre-tax)	**6**	1	**6**	2
OTTI on fixed maturities, net	**(7)**	(8)	**(20)**	(13)
Gross realized gains excluding OTTI	**28**	54	**72**	90
Gross realized losses excluding OTTI	**(16)**	(26)	**(51)**	(46)
Total fixed maturities	**5**	20	**1**	31
Equity securities:				
OTTI on equity securities	**(1)**	(1)	**(1)**	(7)
Gross realized gains excluding OTTI	**30**	2	**33**	4
Gross realized losses excluding OTTI	**-**	-	**(2)**	(1)
Total equity securities	**29**	1	**30**	(4)
OTTI on other investments	**-**	(3)	**-**	(3)
Foreign exchange losses	**(40)**	(14)	**(71)**	(23)
Investment and embedded derivative instruments	**27**	(15)	**28**	(40)
Fair value adjustments on insurance derivative	**104**	2	**59**	(46)
S&P put options and futures	**(2)**	(72)	**(14)**	(91)
Other derivative instruments	**(1)**	9	**(1)**	7
Other	**4**	(1)	**5**	(8)
Net realized gains (losses)	**$ 126**	$ (73)	**$ 37**	$ (177)

The following table presents a roll-forward of pre-tax credit losses related to fixed maturities for which a portion of OTTI was recognized in OCI:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions of U.S. dollars)	**2015**	2014	**2015**	2014
Balance of credit losses related to securities still held - beginning of period	**$ 22**	$ 35	**$ 28**	$ 37
Additions where no OTTI was previously recorded	**4**	5	**7**	7
Additions where an OTTI was previously recorded	**1**	1	**2**	3
Reductions for securities sold during the period	**(4)**	(17)	**(14)**	(23)
Balance of credit losses related to securities still held - end of period	**$ 23**	$ 24	**$ 23**	$ 24

f) Gross unrealized loss

At June 30, 2015, there were 7,253 fixed maturities out of a total of 26,933 fixed maturities in an unrealized loss position. The largest single unrealized loss in the fixed maturities was $5 million. There were 99 equity securities out of a total of 271 equity securities in an unrealized loss position. The largest single unrealized loss in the equity securities was $1 million. Fixed maturities in an unrealized loss position at June 30, 2015, comprised both investment grade and below investment grade securities for which fair value declined primarily due to widening credit spreads since the date of purchase.

The following tables present, for all securities in an unrealized loss position (including securities on loan), the aggregate fair value and gross unrealized loss by length of time the security has continuously been in an unrealized loss position:

June 30, 2015 (in millions of U.S. dollars)	**0 - 12 Months** Fair Value	**0 - 12 Months** Gross Unrealized Loss	**Over 12 Months** Fair Value	**Over 12 Months** Gross Unrealized Loss	**Total** Fair Value	**Total** Gross Unrealized Loss
U.S. Treasury and agency	**$ 693**	**$ (5)**	**$ 137**	**$ (1)**	**$ 830**	**$ (6)**
Foreign	**3,867**	**(104)**	**273**	**(12)**	**4,140**	**(116)**
Corporate securities	**6,361**	**(195)**	**520**	**(32)**	**6,881**	**(227)**
Mortgage-backed securities	**3,430**	**(46)**	**495**	**(15)**	**3,925**	**(61)**
States, municipalities, and political subdivisions	**2,215**	**(30)**	**87**	**(2)**	**2,302**	**(32)**
Total fixed maturities	**16,566**	**(380)**	**1,512**	**(62)**	**18,078**	**(442)**
Equity securities	**80**	**(12)**	**-**	**-**	**80**	**(12)**
Other investments	**33**	**(2)**	**-**	**-**	**33**	**(2)**
Total	**$ 16,679**	**$ (394)**	**$ 1,512**	**$ (62)**	**$ 18,191**	**$ (456)**

December 31, 2014 (in millions of U.S. dollars)	0 - 12 Months Fair Value	0 - 12 Months Gross Unrealized Loss	Over 12 Months Fair Value	Over 12 Months Gross Unrealized Loss	Total Fair Value	Total Gross Unrealized Loss
U.S. Treasury and agency	$ 350	$ (1)	$ 666	$ (9)	$ 1,016	$ (10)
Foreign	2,262	(75)	375	(15)	2,637	(90)
Corporate securities	4,684	(150)	738	(22)	5,422	(172)
Mortgage-backed securities	704	(2)	1,663	(28)	2,367	(30)
States, municipalities, and political subdivisions	458	(3)	490	(5)	948	(8)
Total fixed maturities	8,458	(231)	3,932	(79)	12,390	(310)
Equity securities	101	(13)	-	-	101	(13)
Total	$ 8,559	$ (244)	$ 3,932	$ (79)	$ 12,491	$ (323)

g) Restricted assets
ACE is required to maintain assets on deposit with various regulatory authorities to support its insurance and reinsurance operations. These requirements are generally promulgated in the statutory regulations of the individual jurisdictions. The assets on deposit are available to settle insurance and reinsurance liabilities. ACE is also required to restrict assets pledged under repurchase agreements, which represent ACE's agreement to sell securities and repurchase them at a future date for a predetermined price. We also use trust funds in certain large reinsurance transactions where the trust funds are set up for the benefit of the ceding companies and generally take the place of letter of credit (LOC) requirements. We also have investments in segregated portfolios primarily to provide collateral or guarantees for LOC and derivative transactions. Included in restricted assets at June 30, 2015 and December 31, 2014, are investments, primarily fixed maturities, totaling $16.5 billion and $16.3 billion, respectively, and cash of $80 million and $117 million, respectively.

The following table presents the components of restricted assets:

(in millions of U.S. dollars)		**June 30 2015**		December 31 2014
Trust funds	**$**	**11,085**	$	10,838
Deposits with non-U.S. regulatory authorities		**2,263**		2,305
Assets pledged under repurchase agreements		**1,458**		1,431
Deposits with U.S. regulatory authorities		**1,327**		1,345
Other pledged assets		**398**		457
	$	**16,531**	$	16,376

4. Fair value measurements

a) Fair value hierarchy
Fair value of financial assets and financial liabilities is estimated based on the framework established in the fair value accounting guidance. The guidance defines fair value as the price to sell an asset or transfer a liability (an exit price) in an orderly transaction between market participants and establishes a three-level valuation hierarchy based on the reliability of the inputs. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data.

The three levels of the hierarchy are as follows:

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Includes, among other items, inputs other than quoted prices that are observable for the asset or liability such as interest rates and yield curves, quoted prices for similar assets and liabilities in active markets, and quoted prices for identical or similar assets and liabilities in markets that are not active; and
- Level 3 - Inputs that are unobservable and reflect management's judgments about assumptions that market participants would use in pricing an asset or liability.

We categorize financial instruments within the valuation hierarchy at the balance sheet date based upon the lowest level of inputs that are significant to the fair value measurement. Accordingly, transfers between levels within the valuation hierarchy occur when there are significant changes to the inputs, such as increases or decreases in market activity, changes to the availability of current prices, changes to the transparency to underlying inputs, and whether there are significant variances in quoted prices. Transfers in and/or out of any level are assumed to occur at the end of the period.

We use pricing services to obtain fair value measurements for the majority of our investment securities. Based on management's understanding of the methodologies used, these pricing services only produce an estimate of fair value if there is observable market information that would allow them to make a fair value estimate. Based on our understanding of the market inputs used by the pricing services, all applicable investments have been valued in accordance with GAAP. We do not adjust prices obtained from pricing services. The following is a description of the valuation techniques and inputs used to determine fair values for financial instruments carried at fair value, as well as the general classification of such financial instruments pursuant to the valuation hierarchy.

Fixed maturities
We use pricing services to estimate fair value measurements for the majority of our fixed maturities. The pricing services use market quotations for fixed maturities that have quoted prices in active markets; such securities are classified within Level 1. For fixed maturities other than U.S. Treasury securities that generally do not trade on a daily basis, the pricing services prepare estimates of fair value measurements using their pricing applications, which include available relevant market information, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Additional valuation factors that can be taken into account are nominal spreads, dollar basis, and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news. The market inputs used in the pricing evaluation, listed in the approximate order of priority include: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. The extent of the use of each input is dependent on the asset class and the market conditions. Given the asset class, the priority of the use of inputs may change, or some market inputs may not be relevant. Additionally, fixed maturities valuation is more subjective when markets are less liquid due to the lack of market based inputs (i.e., stale pricing), which may increase the potential that an investment's estimated fair value is not reflective of the price at which an actual transaction would occur. The overwhelming majority of fixed maturities are classified within Level 2 because the most significant inputs used in the pricing techniques are observable. For a small number of fixed maturities, we obtain a single broker quote (typically from a market maker). Due to the disclaimers on the quotes that indicate that the price is indicative only, we include these fair value estimates in Level 3.

Equity securities
Equity securities with active markets are classified within Level 1 as fair values are based on quoted market prices. For equity securities in markets which are less active, fair values are based on market valuations and are classified within Level 2. Equity securities for which pricing is unobservable are classified within Level 3.

Short-term investments
Short-term investments, which comprise securities due to mature within one year of the date of purchase that are traded in active markets, are classified within Level 1 as fair values are based on quoted market prices. Securities such as commercial paper and discount notes are classified within Level 2 because these securities are typically not actively traded due to their approaching maturity and, as such, their cost approximates fair value. Short-term investments for which pricing is unobservable are classified within Level 3.

Other investments
Fair values for the majority of Other investments including investments in partially-owned investment companies, investment funds, and limited partnerships are based on their respective net asset values or equivalent (NAV). The majority of these investments, for which NAV was used as a practical expedient to measure fair value, are classified within Level 3 because either ACE will never have the contractual option to redeem the investments or will not have the contractual option to redeem the investments in the near term. The remainder of such investments is classified within Level 2. Certain of our long-duration contracts are supported by assets that do not qualify for separate account reporting under GAAP. These assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Other investments also include equity securities and fixed maturities held in rabbi trusts maintained by ACE for deferred compensation plans, which are classified within the valuation hierarchy on the same basis as other equity securities and fixed maturities.

Securities lending collateral
The underlying assets included in Securities lending collateral in the consolidated balance sheets are fixed maturities which are classified in the valuation hierarchy on the same basis as other fixed maturities. Excluded from the valuation hierarchy is the corresponding liability related to ACE’s obligation to return the collateral plus interest as it is reported at contract value and not fair value in the consolidated balance sheets.

Investment derivative instruments
Actively traded investment derivative instruments, including futures, options, and forward contracts are classified within Level 1 as fair values are based on quoted market prices. The fair value of cross-currency swaps are based on market valuations and are classified within Level 2. Investment derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the consolidated balance sheets.

Other derivative instruments
We maintain positions in other derivative instruments including exchange-traded equity futures contracts and option contracts designed to limit exposure to a severe equity market decline, which would cause an increase in expected claims and, therefore, an increase in reserves for our guaranteed minimum death benefits (GMDB) and guaranteed living benefits (GLB) reinsurance business. Our position in exchange-traded equity futures contracts is classified within Level 1. The fair value of the majority of the remaining positions in other derivative instruments is based on significant observable inputs including equity security and interest rate indices. Accordingly, these are classified within Level 2. Other derivative instruments based on unobservable inputs are classified within Level 3. Other derivative instruments are recorded in either Other assets or Accounts payable, accrued expenses, and other liabilities in the consolidated balance sheets.

Separate account assets
Separate account assets represent segregated funds where investment risks are borne by the customers, except to the extent of certain guarantees made by ACE. Separate account assets comprise mutual funds classified within Level 1 in the valuation hierarchy on the same basis as other equity securities traded in active markets. Separate account assets also include fixed maturities classified within Level 2 because the most significant inputs used in the pricing techniques are observable. Excluded from the valuation hierarchy are the corresponding liabilities as they are reported at contract value and not fair value in the consolidated balance sheets. Separate account assets are recorded in Other assets in the consolidated balance sheets.

Guaranteed living benefits
The GLB arises from life reinsurance programs covering living benefit guarantees whereby we assume the risk of guaranteed minimum income benefits (GMIB) and guaranteed minimum accumulation benefits (GMAB) associated with variable annuity contracts. GLB's are recorded in Accounts payable, accrued expenses, and other liabilities and Future policy benefits in the consolidated balance sheets. For GLB reinsurance, ACE estimates fair value using an internal valuation model which includes current market information and estimates of policyholder behavior. All of the treaties contain claim limits, which are factored into the valuation model. The fair value depends on a number of factors, including interest rates, equity markets, credit risk, current account value, market volatility, expected annuitization rates, and other policyholder behavior and changes in policyholder mortality.

The most significant policyholder behavior assumptions include lapse rates and the GMIB annuitization rates. Assumptions regarding lapse rates and GMIB annuitization rates differ by treaty, but the underlying methodologies to determine rates applied to each treaty are comparable.

A lapse rate is the percentage of in-force policies surrendered in a given calendar year. All else equal, as lapse rates increase, ultimate claim payments will decrease.

GMIB annuitization rate is the percentage of policies for which the policyholder will elect to annuitize using the guaranteed benefit provided under the GMIB. All else equal, as GMIB annuitization rates increase, ultimate claim payments will increase, subject to treaty claim limits.

The effect of changes in key market factors on assumed lapse and annuitization rates reflect emerging trends using data available from cedants. For treaties with limited experience, rates are established in line with data received from other ceding companies adjusted, as appropriate, with industry estimates. The model and related assumptions are regularly re-evaluated by management and enhanced, as appropriate, based upon additional experience obtained related to policyholder behavior and availability of updated information such as market conditions, market participant assumptions, and demographics of in-force annuities. Because of the significant use of unobservable inputs including policyholder behavior, GLB reinsurance is classified within Level 3. For the three and six months ended June 30, 2015 and 2014, no material technical refinements were made to the model. For detailed information on our lapse and annuitization rate assumptions, refer to Note 4 to the Consolidated Financial Statements of our 2014 Form 10-K.

Financial instruments measured at fair value on a recurring basis, by valuation hierarchy

June 30, 2015 (in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities available for sale				
U.S. Treasury and agency	$ 1,741	$ 1,064	$ -	$ 2,805
Foreign	-	15,100	56	15,156
Corporate securities	-	16,711	167	16,878
Mortgage-backed securities	-	10,729	55	10,784
States, municipalities, and political subdivisions	-	3,078	-	3,078
	1,741	46,682	278	48,701
Equity securities	483	13	2	498
Short-term investments	1,108	954	-	2,062
Other investments	370	279	2,679	3,328
Securities lending collateral	-	1,080	-	1,080
Investment derivative instruments	16	-	-	16
Other derivative instruments	23	-	-	23
Separate account assets	1,567	84	-	1,651
Total assets measured at fair value	$ 5,308	$ 49,092	$ 2,959	$ 57,359
Liabilities:				
Investment derivative instruments	$ 15	$ -	$ -	$ 15
Other derivative instruments	-	-	3	3
GLB(1)	-	-	347	347
Total liabilities measured at fair value	$ 15	$ -	$ 350	$ 365

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

December 31, 2014 (in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total
Assets:				
Fixed maturities available for sale				
U.S. Treasury and agency	$ 1,680	$ 1,140	$ -	$ 2,820
Foreign	-	15,220	22	15,242
Corporate securities	-	17,244	187	17,431
Mortgage-backed securities	-	10,271	15	10,286
States, municipalities, and political subdivisions	-	3,616	-	3,616
	1,680	47,491	224	49,395
Equity securities	492	16	2	510
Short-term investments	1,183	1,139	-	2,322
Other investments	370	257	2,719	3,346
Securities lending collateral	-	1,330	-	1,330
Investment derivative instruments	18	-	-	18
Other derivative instruments	-	2	-	2
Separate account assets	1,400	90	-	1,490
Total assets measured at fair value	$ 5,143	$ 50,325	$ 2,945	$ 58,413
Liabilities:				
Investment derivative instruments	$ 36	$ -	$ -	$ 36
Other derivative instruments	21	-	4	25
GLB(1)	-	-	406	406
Total liabilities measured at fair value	$ 57	$ -	$ 410	$ 467

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

There were no transfers between Level 1 and Level 2 for the three and six months ended June 30, 2015 and 2014.

Fair value of alternative investments
Included in Other investments in the fair value hierarchy are investment funds, limited partnerships, and partially-owned investment companies measured at fair value using NAV as a practical expedient.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

The following table presents, by investment category, the expected liquidation period, fair value, and maximum future funding commitments of alternative investments:

(in millions of U.S. dollars)	Expected Liquidation Period of Underlying Assets	June 30 2015 Fair Value	June 30 2015 Maximum Future Funding Commitments	December 31 2014 Fair Value	December 31 2014 Maximum Future Funding Commitments
Financial	5 to 9 Years	$ 306	$ 124	$ 282	$ 145
Real Assets	3 to 7 Years	460	177	451	210
Distressed	5 to 9 Years	242	252	232	175
Private Credit	3 to 7 Years	291	234	299	190
Traditional	3 to 9 Years	897	224	908	289
Vintage	1 to 2 Years	16	-	11	1
Investment funds	Not Applicable	306	-	378	-
		$ 2,518	$ 1,011	$ 2,561	$ 1,010

In 2015, we redefined and regrouped certain alternative investment categories to better align with our management approach. The prior year amounts have been reclassified to conform to the current year presentation. Included in all categories in the above table except for Investment funds are investments for which ACE will never have the contractual option to redeem but receives distributions based on the liquidation of the underlying assets. Further, for all categories except for Investment funds, ACE does not have the ability to sell or transfer the investments without the consent from the general partner of individual funds.

Investment Category	Consists of investments in private equity funds:
Financial	targeting financial services companies such as financial institutions and insurance services worldwide
Real Assets	targeting investments related to hard physical assets such as real estate, infrastructure and natural resources
Distressed	targeting distressed corporate debt/credit and equity opportunities in the U.S.
Private Credit	targeting privately originated corporate debt investments including senior secured loans and subordinated bonds
Traditional	employing traditional private equity investment strategies such as buyout and growth equity globally
Vintage	made before 2002 and where the funds' commitment periods had already expired

Investment funds
ACE's investment funds employ various investment strategies such as long/short equity and arbitrage/distressed. Included in this category are investments for which ACE has the option to redeem at agreed upon value as described in each investment fund's subscription agreement. Depending on the terms of the various subscription agreements, investment fund investments may be redeemed monthly, quarterly, semi-annually, or annually. If ACE wishes to redeem an investment fund investment, it must first determine if the investment fund is still in a lock-up period (a time when ACE cannot redeem its investment so that the investment fund manager has time to build the portfolio). If the investment fund is no longer in its lock-up period, ACE must then notify the investment fund manager of its intention to redeem by the notification date prescribed by the subscription agreement. Subsequent to notification, the investment fund can redeem ACE's investment within several months of the notification. Notice periods for redemption of the investment funds range between 5 and 120 days. ACE can redeem its investment funds without consent from the investment fund managers.

Level 3 financial instruments
The fair values of assets and liabilities measured at fair value using significant unobservable inputs (Level 3) consist of various inputs and assumptions that management makes when determining fair value. Management analyzes changes in fair value measurements classified within Level 3 by comparing pricing and returns of our investments to benchmarks, including month-over-month movements, investment credit spreads, interest rate movements, and credit quality of securities.

The following table presents the significant unobservable inputs used in the Level 3 liability valuations. Excluded from the table below are inputs used to determine the fair value of Level 3 assets which are based on single broker quotes or net asset value and contain no quantitative unobservable inputs developed by management.

(in millions of U.S. dollars, except for percentages)	Fair Value June 30, 2015	Fair Value December 31, 2014	Valuation Technique	Significant Unobservable Inputs	Ranges
GLB(1)	$ 347	$ 406	**Actuarial model**	**Lapse rate**	**1% - 30%**
				Annuitization rate	**0% - 55%**

(1) Discussion of the most significant inputs used in the fair value measurement of GLB and the sensitivity of those assumptions is included within Note 4 a) Guaranteed living benefits.

The following tables present a reconciliation of the beginning and ending balances of financial instruments measured at fair value using significant unobservable inputs (Level 3):

Three Months Ended June 30, 2015 (in millions of U.S. dollars)	Assets: Available-for-Sale Debt Securities: Foreign	Corporate securities	MBS	Equity securities	Other investments	Liabilities: Other derivative instruments	GLB(1)
Balance-Beginning of Period	$ 22	$ 167	$ 33	$ 2	$ 2,789	$ 4	$ 451
Transfers into Level 3	28	12	-	-	-	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Change in Net Unrealized Gains (Losses) included in OCI	(2)	(3)	-	-	6	-	-
Included in earnings:							
Net Realized Gains/Losses	-	-	-	(1)	11	(1)	(104)
Other income (expense)	-	-	-	-	18	-	-
Purchases	8	8	23	1	52	-	-
Sales	-	(2)	-	-	(25)	-	-
Settlements	-	(15)	(1)	-	(172)	-	-
Balance-End of Period	$ 56	$ 167	$ 55	$ 2	$ 2,679	$ 3	$ 347
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ -	$ -	$ -	$ (1)	$ -	$ (1)	$ (104)

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
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Three Months Ended June 30, 2014 (in millions of U.S. dollars)	Assets: Available-for-Sale Debt Securities: Foreign	Corporate securities	MBS	Equity securities	Other investments	Liabilities: GLB(1)
Balance-Beginning of Period	$ 26	$ 151	$ 8	$ 2	$ 2,611	$ 243
Transfers into Level 3	2	26	-	-	-	-
Transfers out of Level 3	(16)	-	-	-	-	-
Change in Net Unrealized Gains (Losses) included in OCI	-	2	-	-	7	-
Included in earnings:						
Net Realized Gains/Losses	1	-	-	-	(3)	(2)
Other income (expense)	-	-	-	-	43	-
Purchases	-	30	-	-	109	-
Sales	(1)	(2)	-	-	(2)	-
Settlements	-	(3)	(1)	-	(125)	-
Balance-End of Period	$ 12	$ 204	$ 7	$ 2	$ 2,640	$ 241
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ -	$ -	$ -	$ -	$ (3)	$ (2)

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. The liability for GLB reinsurance was $486 million at June 30, 2014, and $483 million at March 31, 2014, which includes a fair value derivative adjustment of $241 million and $243 million, respectively.

Six Months Ended June 30, 2015 (in millions of U.S. dollars)	Assets: Available-for-Sale Debt Securities: Foreign	Corporate securities	MBS	Equity securities	Other investments	Other derivative instruments	Liabilities: GLB(1)
Balance-Beginning of Period	**$ 22**	**$ 187**	**$ 15**	**$ 2**	**$ 2,719**	4	**$ 406**
Transfers into Level 3	**28**	**13**	**-**	**-**	**-**	**-**	**-**
Transfers out of Level 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Change in Net Unrealized Gains (Losses) included in OCI	**(2)**	**-**	**-**	**-**	**(14)**	**-**	**-**
Included in earnings:							
Net Realized Gains/Losses	**-**	**(3)**	**-**	**(1)**	**11**	**(1)**	**(59)**
Other income (expense)	**-**	**-**	**-**	**-**	**40**	**-**	**-**
Purchases	**9**	**16**	**41**	**1**	**177**	**-**	**-**
Sales	**(1)**	**(5)**	**-**	**-**	**(25)**	**-**	**-**
Settlements	**-**	**(41)**	**(1)**	**-**	**(229)**	**-**	**-**
Balance-End of Period	**$ 56**	**$ 167**	**$ 55**	**$ 2**	**$ 2,679**	**$ 3**	**$ 347**
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	**$ -**	**$ (2)**	**$ -**	**$ (1)**	**$ -**	**$ (1)**	**$ (59)**

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. Refer to Note 5 for additional information.

	Assets						Liabilities
Six Months Ended	Available-for-Sale Debt Securities						
June 30, 2014 (in millions of U.S. dollars)	Foreign	Corporate securities	MBS	Equity securities	Short-term investments	Other investments	GLB(1)
Balance-Beginning of Period	$ 44	$ 166	$ 8	$ 4	$ 7	$ 2,440	$ 193
Transfers into Level 3	2	30	-	-	-	-	-
Transfers out of Level 3	(34)	(22)	-	(2)	(7)	-	-
Change in Net Unrealized Gains (Losses) included in OCI	(1)	2	- &sbsp;	1	-	48	-
Included in earnings:							
Net Realized Gains/Losses	1	-	-	-	-	(3)	48
Other income (expense)	-	-	-	-	-	104	-
Purchases	2	45	-	1	-	248	-
Sales	(2)	(8)	-	(2)	-	(3)	-
Settlements	-	(9)	(1)	-	-	(194)	-
Balance-End of Period	$ 12	$ 204	$ 7	$ 2	$ -	$ 2,640	$ 241
Net Realized Gains/Losses Attributable to Changes in Fair Value at the Balance Sheet Date	$ -	$ -	$ -	$ -	$ -	$ (3)	$ 48

(1) Our GLB reinsurance product meets the definition of a derivative instrument for accounting purposes and is accordingly carried at fair value. Excluded from the table above is the portion of the GLB liability classified as Future policy benefits in the consolidated balance sheets. The liability for GLB reinsurance was $486 million at June 30, 2014 and $427 million at December 31, 2013, which includes a fair value derivative adjustment of $241 million and $193 million, respectively.

b) Financial instruments disclosed, but not measured, at fair value
ACE uses various financial instruments in the normal course of its business. Our insurance contracts are excluded from fair value of financial instruments accounting guidance, and therefore, are not included in the amounts discussed below.

The carrying values of cash, other assets, other liabilities, and other financial instruments not included below approximated their fair values.

Investments in partially-owned insurance companies
Fair values for investments in partially-owned insurance companies are based on ACE's share of the net assets based on the financial statements provided by those companies.

Short- and long-term debt and trust preferred securities
Where practical, fair values for short-term debt, long-term debt, and trust preferred securities are estimated using discounted cash flow calculations based principally on observable inputs including incremental borrowing rates, which reflect ACE's credit rating, for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

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The following tables present fair value, by valuation hierarchy, and carrying value of the financial instruments not measured at fair value:

June 30, 2015				Fair Value	
(in millions of U.S. dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Value**
Assets:					
Fixed maturities held to maturity					
U.S. Treasury and agency	**$ 583**	**$ 175**	**$ -**	**$ 758**	&bbsp; **$ 743**
Foreign	**-**	**843**	**-**	**843**	**808**
Corporate securities	**-**	**3,115**	**14**	**3,129**	**3,113**
Mortgage-backed securities	**-**	**1,877**	**-**	**1,877**	**1,828**
States, municipalities, and political subdivisions	**-**	**2,198**	**-**	**2,198**	**2,184**
	583	**8,208**	**14**	**8,805**	**8,676**
Partially-owned insurance companies	**-**	**-**	**638**	**638**	**638**
Total assets	**$ 583**	**$ 8,208**	**$ 652**	**$ 9,443**	**$ 9,314**
Liabilities:					
Short-term debt	**$ -**	**$ 2,107**	**$ -**	**$ 2,107**	**$ 2,102**
Long-term debt	**-**	**4,383**	**-**	**4,383**	**4,157**
Trust preferred securities	**-**	**457**	**-**	**457**	**309**
Total liabilities	**$ -**	**$ 6,947**	**$ -**	**$ 6,947**	**$ 6,568**

December 31, 2014				Fair Value	
(in millions of U.S. dollars)	Level 1	Level 2	Level 3	Total	Carrying Value
Assets:					
Fixed maturities held to maturity					
U.S. Treasury and agency	$ 659	$ 191	$ -	$ 850	$ 832
Foreign	-	963	-	963	916
Corporate securities	-	2,408	15	2,423	2,323
Mortgage-backed securities	-	2,039	-	2,039	1,983
States, municipalities, and political subdivisions	-	1,314	-	1,314	1,277
	659	6,915	15	7,589	7,331
Partially-owned insurance companies	-	-	504	504	504
Total assets	$ 659	$ 6,915	$ 519	$ 8,093	$ 7,835
Liabilities:					
Short-term debt	$ -	$ 2,571	$ -	$ 2,571	$ 2,552
Long-term debt	-	3,690	-	3,690	3,357
Trust preferred securities	-	462	-	462	309
Total liabilities	$ -	$ 6,723	$ -	$ 6,723	$ 6,218

5. Assumed life reinsurance programs involving minimum benefit guarantees under variable annuity contracts

The following table presents income and expenses relating to GMDB and GLB reinsurance. GLBs include GMIBs as well as some GMABs originating in Japan.

(in millions of U.S. dollars)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
GMDB				
Net premiums earned	**$ 16**	$ 18	**$ 32**	$ 37
Policy benefits and other reserve adjustments	**$ 11**	$ 13	**$ 20**	$ 28
GLB				
Net premiums earned	**$ 30**	$ 34	**$ 62**	$ 70
Policy benefits and other reserve adjustments	**7**	10	**19**	19
Net realized gains (losses)	**104**	2	**59**	(48)
Gain recognized in Net income	**$ 127**	$ 26	**$ 102**	$ 3
Less: Net cash received	**26**	29	**54**	62
Net (increase) decrease in liability	**$ 101**	$ (3)	**$ 48**	$ (59)

Net realized gains (losses) in the table above include gains (losses) related to foreign exchange and fair value adjustments on insurance derivatives and exclude gains (losses) on S&P put options and futures held to partially offset the risk in the GLB reinsurance portfolio. Refer to Note 7 for additional information.

At June 30, 2015 and December 31, 2014, the reported liability for GMDB reinsurance was $114 million and $111 million, respectively. At June 30, 2015 and December 31, 2014, the reported liability for GLB reinsurance was $615 million and $663 million, respectively, which includes a fair value derivative adjustment of $347 million and $406 million, respectively. Reported liabilities for both GMDB and GLB reinsurance are determined using internal valuation models. Such valuations require considerable judgment and are subject to significant uncertainty. The valuation of these products is subject to fluctuations arising from, among other factors, changes in interest rates, changes in equity markets, changes in credit markets, changes in the allocation of the investments underlying annuitants' account values, and assumptions regarding future policyholder behavior. These models and the related assumptions are regularly reviewed by management and enhanced, as appropriate, based upon improvements in modeling assumptions and availability of updated information, such as market conditions and demographics of in-force annuities.

6. Debt

In March 2015, ACE INA Holdings Inc. issued $800 million of 3.15 percent senior notes due March 2025. These senior notes are redeemable at any time at ACE INA Holdings Inc.'s option subject to a “make-whole” premium (the present value of the remaining principal and interest discounted at the applicable U.S. Treasury rate plus 0.15 percent). The notes are also redeemable at par plus accrued and unpaid interest in the event of certain changes in tax law. These notes do not have the benefit of any sinking fund. These senior unsecured notes are guaranteed on a senior basis by ACE Limited and they rank equally with all of ACE's other senior obligations. They also contain customary limitations on lien provisions as well as customary events of default provisions which, if breached, could result in the accelerated maturity of such senior debt.

In May 2015, ACE INA Holdings Inc.'s $450 million of 5.6 percent senior notes matured and were fully paid.

7. Commitments, contingencies, and guarantees

a) Derivative instruments
Foreign currency management
As a global company, ACE entities transact business in multiple currencies. Our policy is to generally match assets, liabilities and required capital for each individual jurisdiction in local currency, which would include the use of derivatives discussed below. We do not hedge our net asset non-USD capital positions, however we do consider hedging for planned cross border transactions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
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Derivative instruments employed
ACE maintains positions in derivative instruments such as futures, options, swaps, and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement, or to obtain an exposure to a particular financial market. ACE also maintains positions in convertible securities that contain embedded derivatives. Investment derivative instruments are recorded in either Other assets (OA) or Accounts payable, accrued expenses, and other liabilities (AP), convertible bonds are recorded in Fixed maturities available for sale (FM AFS) and convertible equity securities are recorded in Equity securities (ES) in the consolidated balance sheets. These are the most numerous and frequent derivative transactions.

In addition, ACE from time to time purchases to be announced mortgage-backed securities (TBAs) as part of its investing activities.

Under reinsurance programs covering GLBs, ACE assumes the risk of GLBs, including GMIB and GMAB, associated with variable annuity contracts. The GMIB risk is triggered if, at the time the contract holder elects to convert the accumulated account value to a periodic payment stream (annuitize), the accumulated account value is not sufficient to provide a guaranteed minimum level of monthly income. The GMAB risk is triggered if, at contract maturity, the contract holder's account value is less than a guaranteed minimum value. The GLB reinsurance product meets the definition of a derivative instrument. Benefit reserves in respect of GLBs are classified as Future policy benefits (FPB) while the fair value derivative adjustment is classified within AP. ACE also maintains positions in exchange-traded equity futures contracts and options on equity market indices to limit equity exposure in the GMDB and GLB blocks of business.

All derivative instruments are carried at fair value with changes in fair value recorded in Net realized gains (losses) in the consolidated statements of operations. None of the derivative instruments are designated as hedges for accounting purposes.

The following table presents the balance sheet locations, fair values of derivative instruments in an asset or (liability) position, and notional values/payment provisions of our derivative instruments:

		June 30, 2015			December 31, 2014		
	Consolidated Balance Sheet	Fair Value		Notional Value/ Payment	Fair Value		Notional Value/ Payment
(in millions of U.S. dollars)	Location	Derivative Asset	Derivative (Liability)	Provision	Derivative Asset	Derivative (Liability)	Provision
Investment and embedded derivative instruments							
Foreign currency forward contracts	OA / (AP)	$ 6	$ (13)	$ 1,309	$ 12	$ (7)	$ 1,329
Cross-currency swaps	OA / (AP)	-	-	95	-	-	95
Futures contracts on money market instruments	OA / (AP)	1	(1)	4,355	-	-	2,467
Options/Futures contracts on notes and bonds	OA / (AP)	9	(1)	920	6	(29)	1,636
Convertible securities[1]	FM AFS / ES	292	-	277	291	-	267
		$ 308	$ (15)	$ 6,956	$ 309	$ (36)	$ 5,794
Other derivative instruments							
Futures contracts on equities [2]	OA / (AP)	$ 16	$ -	$ 1,286	$ -	$ (21)	$ 1,384
Options on equity market indices [2]	OA / (AP)	-	-	250	2	-	250
Other	OA / (AP)	7	(3)	401	-	(4)	10
		$ 23	$ (3)	$ 1,937	$ 2	$ (25)	$ 1,644
GLB[3]	(AP) / (FPB)	$ -	$ (615)	$ 786	$ -	$ (663)	$ 675

(1) Includes fair value of embedded derivatives.
(2) Related to GMDB and GLB blocks of business.
(3) Includes both future policy benefits reserves and fair value derivative adjustment. Refer to Note 5 for additional information. Note that the payment provision related to GLB is the net amount at risk. The concept of a notional value does not apply to the GLB reinsurance contracts.

At June 30, 2015 and December 31, 2014, derivative liabilities of $19 million and $34 million, respectively, included in the table above were subject to a master netting agreement. The remaining derivatives included in the table above were not subject to a master netting agreement.

b) Secured borrowings
ACE participates in a securities lending program operated by a third-party banking institution whereby certain assets are loaned to qualified borrowers and from which we earn an incremental return. At June 30, 2015 and December 31, 2014, our securities lending collateral was $1,080 million and $1,330 million, respectively, and our securities lending payable, reflecting our obligation to return the collateral plus interest, was $1,081 million and $1,331 million, respectively. At June 30, 2015 the securities lending collateral held by ACE on overnight and continuous securities lending contracts comprised $526 million of Cash, $477 million of Foreign securities, $74 million of U.S. Treasury and agency securities and $3 million of Corporate securities. The carrying value of the securities lending collateral held is $1 million lower than the securities lending payable due to accrued interest recorded in the securities lending payable. The securities lending collateral can only be drawn down by ACE in the event that the institution borrowing the securities is in default under the lending agreement. An indemnification agreement with the lending agent protects us in the event a borrower becomes insolvent or fails to return any of the securities on loan. The collateral is recorded in Securities lending collateral and the liability is recorded in Securities lending payable in the consolidated balance sheets.

At both June 30, 2015 and December 31, 2014, our repurchase agreement obligations of $1,402 million were fully collateralized. In contrast to securities lending programs, the use of cash received is not restricted for the repurchase obligations. The fair value of the underlying securities sold remains in Fixed maturities available for sale and Equity securities and the repurchase agreement obligation is recorded in Short-term debt in the consolidated balance sheets.

The following table presents the carrying value of collateral pledged under repurchase agreements by investment category and maturity date of the underlying agreements:

June 30, 2015 (in millions of U.S. dollars)	Remaining contractual maturity 30 - 90 Days	Greater than 90 Days	Total
Collateral pledged under repurchase agreements:			
Cash	$ -	$ 5	$ 5
U.S. Treasury and agency	62	176	238
Mortgage-backed securities	86	1,129	1,215
	$ 148	$ 1,310	$ 1,458
Gross amount of recognized liabilities for repurchase agreements			$ 1,402
Difference(1)			$ 56

(1) Per the repurchase agreements, the amount of collateral posted is required to exceed the amount of gross liability.

Potential risks exist in our secured borrowing transactions due to market conditions and counterparty exposure. With collateral that we pledge, there is a risk that the collateral may not be returned at the expiration of the agreement. If the counterparty fails to return the collateral, ACE will have free use of the borrowed funds until our collateral is returned. In addition, we may encounter the risk that ACE may not be able to renew outstanding borrowings with a new term or with an existing counterparty due to market conditions including a decrease in demand as well as more restrictive terms from banks due to increased regulatory and capital constraints. Should this condition occur, ACE may seek alternative borrowing sources or reduce borrowings. Additionally, increased margins and collateral requirements due to market conditions would increase our restricted assets as we are required to provide additional collateral to support the transaction.

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The following table presents net realized gains (losses) related to derivative instrument activity in the consolidated statements of operations:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions of U.S. dollars)	**2015**	2014	**2015**	2014
Investment and embedded derivative instruments				
Foreign currency forward contracts	**$ (10)**	$ (1)	**$ 15**	$ (4)
All other futures contracts and options	**42**	(18)	**13**	(40)
Convertible securities[1]	**(5)**	4	**-**	4
Total investment and embedded derivative instruments	**$ 27**	$ (15)	**$ 28**	$ (40)
GLB and other derivative instruments				
GLB[2]	**$ 104**	$ 2	**$ 59**	$ (46)
Futures contracts on equities[3]	**(2)**	(71)	**(13)**	(88)
Options on equity market indices[3]	**-**	(1)	**(1)**	(3)
Other	**(1)**	9	**(1)**	7
Total GLB and other derivative instruments	**$ 101**	$ (61)	**$ 44**	$ (130)
	$ 128	$ (76)	**$ 72**	$ (170)

(1) Includes embedded derivatives.
(2) Excludes foreign exchange gains (losses) related to GLB.
(3) Related to GMDB and GLB blocks of business.

c) Derivative instrument objectives
(i) Foreign currency exposure management
A foreign currency forward contract (forward) is an agreement between participants to exchange specific foreign currencies at a future date. ACE uses forwards to minimize the effect of fluctuating foreign currencies as discussed above.

(ii) Duration management and market exposure
Futures
Futures contracts give the holder the right and obligation to participate in market movements, determined by the index or underlying security on which the futures contract is based. Settlement is made daily in cash by an amount equal to the change in value of the futures contract times a multiplier that scales the size of the contract. Exchange-traded futures contracts on money market instruments, notes and bonds are used in fixed maturity portfolios to more efficiently manage duration, as substitutes for ownership of the money market instruments, bonds and notes without significantly increasing the risk in the portfolio. Investments in futures contracts may be made only to the extent that there are assets under management not otherwise committed.

Exchange-traded equity futures contracts are used to limit exposure to a severe equity market decline, which would cause an increase in expected claims and therefore, an increase in reserves for GMDB and GLB reinsurance business.

Options
An option contract conveys to the holder the right, but not the obligation, to purchase or sell a specified amount or value of an underlying security at a fixed price. Option contracts are used in the investment portfolio as protection against unexpected shifts in interest rates, which would affect the duration of the fixed maturity portfolio. By using options in the portfolio, the overall interest rate sensitivity of the portfolio can be reduced. Option contracts may also be used as an alternative to futures contracts in the synthetic strategy as described above.

Another use for option contracts is to limit exposure to a severe equity market decline, which would cause an increase in expected claims and therefore, an increase in reserves for GMDB and GLB reinsurance business.

The price of an option is influenced by the underlying security, expected volatility, time to expiration, and supply and demand.

The credit risk associated with the above derivative financial instruments relates to the potential for non-performance by counterparties. Although non-performance is not anticipated, in order to minimize the risk of loss, management monitors the creditworthiness of its counterparties and obtains collateral. The performance of exchange-traded instruments is guaranteed by the exchange on which they trade. For non-exchange-traded instruments, the counterparties are principally banks which must meet certain criteria according to our investment guidelines.

Cross-currency swaps
Cross-currency swaps are agreements under which two counterparties exchange interest payments and principal denominated in different currencies at a future date. We use cross-currency swaps to reduce the foreign currency and interest rate risk by converting cash flows back into local currency. We invest in foreign currency denominated investments to improve credit diversification and also to obtain better duration matching to our liabilities that is limited in the local currency market.

Other
Included within Other are derivatives intended to reduce potential losses which may arise from certain exposures in our insurance business. The economic benefit provided by these derivatives is similar to purchased reinsurance. For example, ACE may enter into crop derivative contracts to protect underwriting results in the event of a significant decline in commodity prices. Also included within Other are certain life insurance products that meet the definition of a derivative instrument for accounting purposes.

(iii) Convertible security investments
A convertible security is a debt instrument or preferred stock that can be converted into a predetermined amount of the issuer's equity. The convertible option is an embedded derivative within the host instruments which are classified in the investment portfolio as either available for sale or as an equity security. ACE purchases convertible securities for their total return and not specifically for the conversion feature.

(iv) TBA
By acquiring TBAs, we make a commitment to purchase a future issuance of mortgage-backed securities. For the period between purchase of the TBAs and issuance of the underlying security, we account for our position as a derivative in the consolidated financial statements. ACE purchases TBAs both for their total return and for the flexibility they provide related to our mortgage-backed security strategy.

(v) GLB
Under the GLB program, as the assuming entity, ACE is obligated to provide coverage until the expiration or maturity of the underlying deferred annuity contracts or the expiry of the reinsurance treaty. Premiums received under the reinsurance treaties are classified as premium. Expected losses allocated to premiums received are classified as Future policy benefits and valued similar to GMDB reinsurance. Other changes in fair value, principally arising from changes in expected losses allocated to expected future premiums, are classified as Net realized gains (losses). Fair value represents management's estimate of an exit price and thus, includes a risk margin. We may recognize a realized loss for other changes in fair value due to adverse changes in the capital markets (e.g., declining interest rates and/or declining equity markets) and changes in actual or estimated future policyholder behavior (e.g., increased annuitization or decreased lapse rates) although we expect the business to be profitable. We believe this presentation provides the most meaningful disclosure of changes in the underlying risk within the GLB reinsurance programs for a given reporting period.

d) Other investments
At June 30, 2015, included in Other investments in the consolidated balance sheet are investments in limited partnerships and partially-owned investment companies with a carrying value of $2.2 billion. In connection with these investments, we have commitments that may require funding of up to $1.0 billion over the next several years.

e) Taxation
At June 30, 2015, $23 million of unrecognized tax benefits remains outstanding. It is reasonably possible that over the next twelve months, the amount of unrecognized tax benefits may change resulting from the re-evaluation of unrecognized tax benefits arising from examinations of taxing authorities. With few exceptions, ACE is no longer subject to state and local or non-U.S. income tax examinations for years before 2005.

f) Legal proceedings
Our insurance subsidiaries are subject to claims litigation involving disputed interpretations of policy coverages and, in some jurisdictions, direct actions by allegedly-injured persons seeking damages from policyholders. These lawsuits, involving claims on policies issued by our subsidiaries which are typical to the insurance industry in general and in the normal course of business, are considered in our loss and loss expense reserves. In addition to claims litigation, we are subject to lawsuits and regulatory actions in the normal course of business that do not arise from or directly relate to claims on insurance policies. This

category of business litigation typically involves, among other things, allegations of underwriting errors or misconduct, employment claims, regulatory activity, or disputes arising from our business ventures. In the opinion of management, our ultimate liability for these matters could be, but we believe is not likely to be, material to our consolidated financial condition and results of operations.

8. Shareholders' equity

All of ACE's Common Shares are authorized under Swiss corporate law. Though the par value of Common Shares is stated in Swiss francs, ACE continues to use U.S. dollars as its reporting currency for preparing consolidated financial statements. Under Swiss corporate law, dividends, including distributions through a reduction in par value (par value reduction) or from legal reserves, must be stated in Swiss francs though dividend payments are made by ACE in U.S. dollars.

At our May 2013 annual general meeting, our shareholders approved an annual dividend for the following year of $2.04 per share, payable in four quarterly installments of $0.51 per share after the annual general meeting in the form of a distribution by way of a par value reduction. At the January 10, 2014 extraordinary general meeting, our shareholders approved a resolution to increase our quarterly dividend from $0.51 per share to $0.63 per share for the final two quarterly installments (made on January 31, 2014 and April 17, 2014) that had been earlier approved at our 2013 annual general meeting. The $0.12 per share increase for each installment was distributed from capital contribution reserves (Additional paid-in capital), a subaccount of legal reserves, and transferred to free reserves (Retained earnings) for payment, while the existing $0.51 per share was distributed by way of a par value reduction.

At our May 2014 annual general meeting, our shareholders approved an annual dividend for the following year of $2.60 per share, payable in four quarterly installments of $0.65 per share after the annual general meeting in the form of a distribution by way of a par value reduction.

At our May 2015 annual general meeting, our shareholders approved an annual dividend for the following year of up to $2.68 per share, expected to be paid in four quarterly installments of $0.67 per share after the annual general meeting. This dividend will be distributed from capital contribution reserves and transferred to free reserves for payment. The Board of Directors (Board) will determine the record and payment dates at which the annual dividend may be paid, and is authorized to abstain (in whole or in part) from distributing a dividend in its discretion, until the date of the 2016 annual general meeting.

The following table presents dividend distributions per Common Share in Swiss francs (CHF) and U.S. dollars (USD):

	Three Months Ended June 30				Six Months Ended June 30			
	2015		2014		**2015**		2014	
	CHF	**USD**	CHF	USD	**CHF**	**USD**	CHF	USD
Dividends - par value reduction	**-**	**$**	0.58	$ 0.65	**0.62**	**$ 0.65**	1.03	$ 1.16
Dividends - distributed from capital contribution reserves	**0.62**	**0.67**	-	-	**0.62**	**0.67**	0.20	0.24
Total dividend distributions per common share	**0.62**	**$ 0.67**	0.58	$ 0.65	**1.24**	**$ 1.32**	1.23	$ 1.40

Par value reductions have been reflected as such through Common Shares in the consolidated statements of shareholders' equity and had the effect of reducing par value per Common Share to CHF 24.15 at June 30, 2015.

Common Shares in treasury are used principally for issuance upon the exercise of employee stock options, grants of restricted stock, and purchases under the Employee Stock Purchase Plan (ESPP). At June 30, 2015, 19,018,131 Common Shares remain in treasury after net shares redeemed under employee share-based compensation plans.

ACE Limited securities repurchase authorization
In November 2014, the Board announced authorization of a share repurchase program of $1.5 billion of ACE's Common Shares for the period January 1, 2015 through December 31, 2015 to replace the November 2013 authorization when it expired on December 31, 2014.

In November 2013, the Board announced authorization of a share repurchase program of up to $2.0 billion of ACE's Common Shares through December 31, 2014.

The following table presents repurchases of ACE's Common Shares conducted in a series of open market transactions under the Board authorizations:

	Three Months Ended June 30		Six Months Ended June 30	
(in millions of U.S. dollars, except share data)	**2015**	2014	**2015**	2014
Number of shares repurchased	**3,650,200**	2,306,000	**6,677,663**	5,793,882
Cost of shares repurchased	**$ 394**	$ 237	**$ 734**	$ 569
Repurchase authorization remaining at end of period	**$ 766**	$ 1,374	**$ 766**	$ 1,374

9. Share-based compensation

The ACE Limited 2004 Long-Term Incentive Plan (the 2004 LTIP) permits grants of both incentive and non-qualified stock options principally at an option price per share equal to the grant date fair value of ACE's Common Shares. Stock options are generally granted with a 3-year vesting period and a 10-year term. Stock options typically vest in equal annual installments over the vesting period, which is also the requisite service period. On February 26, 2015, ACE granted 1,891,195 stock options with a weighted-average grant date fair value of $18.49 each. The fair value of the options issued is estimated on the grant date using the Black-Scholes option pricing model.

The 2004 LTIP also permits grants of restricted stock and restricted stock units. ACE generally grants restricted stock and restricted stock units with a 4-year vesting period, based on a graded vesting schedule. The restricted stock is granted at market close price on the grant date. On February 26, 2015, ACE granted 1,278,250 restricted stock awards and 290,475 restricted stock units to employees and officers with a grant date fair value of $114.78 each. Each restricted stock unit represents our obligation to deliver to the holder one Common Share upon vesting.

10. Segment information

ACE operates through five business segments: Insurance - North American P&C, Insurance - North American Agriculture, Insurance - Overseas General, Global Reinsurance, and Life. These segments distribute their products through various forms of brokers, agencies, and direct marketing programs. All business segments have established relationships with reinsurance intermediaries.

Corporate includes the results of ACE's non-insurance subsidiaries, including ACE Limited, ACE Group Management and Holdings Ltd., and ACE INA Holdings, Inc. Corporate results consist primarily of interest expense, corporate staff expenses and other expenses not attributable to specific reportable segments, and intersegment eliminations.

For segment reporting purposes, certain items have been presented in a different manner below than in the consolidated financial statements. Management uses underwriting income as the main measure of segment performance. ACE calculates underwriting income by subtracting Losses and loss expenses, Policy benefits, Policy acquisition costs, and Administrative expenses from Net premiums earned. For the Insurance - North American Agriculture segment, management includes gains and losses on crop derivatives as a component of underwriting income. For example, for the three months ended June 30, 2015, underwriting income in our Insurance - North American Agriculture segment was $21 million. This amount includes $2 million of realized losses related to crop derivatives which are included in Net realized gains (losses) below. For the Life segment, management includes Net investment income and (Gains) losses from fair value changes in separate account assets that do not qualify for separate account reporting under GAAP as components of Life underwriting income. For example, for the three months ended June 30, 2015, Life underwriting income of $77 million includes Net investment income of $66 million and gains from fair value changes in separate account assets of $6 million.

The following tables present the Statement of Operations by segment:

For the Three Months Ended June 30, 2015 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 1,975	$ 379	$ 1,669	$ 261	$ 500	$ -	$ 4,784
Net premiums earned	1,688	321	1,644	220	487	-	4,360
Losses and loss expenses	1,120	271	816	72	137	1	2,417
Policy benefits	-	-	-	-	153	-	153
Policy acquisition costs	130	23	396	60	118	-	727
Administrative expenses	189	4	254	13	74	44	578
Underwriting income (loss)	249	23	178	75	5	(45)	485
Net investment income	269	6	139	79	66	3	562
Net realized gains (losses) including OTTI	-	(2)	13	5	103	7	126
Interest expense	2	-	1	1	2	65	71
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	(6)	-	(6)
Other	23	8	8	(3)	(17)	4	23
Income tax expense (benefit)	89	4	69	7	10	(36)	143
Net income (loss)	$ 404	$ 15	$ 252	$ 154	$ 185	$ (68)	$ 942

For the Three Months Ended June 30, 2014 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 1,635	$ 388	$ 1,760	$ 278	$ 498	$ -	$ 4,559
Net premiums earned	1,542	330	1,709	261	490	-	4,332
Losses and loss expenses	1,016	287	830	109	146	-	2,388
Policy benefits	-	-	-	-	144	-	144
Policy acquisition costs	152	23	402	60	121	-	758
Administrative expenses	175	1	256	14	73	47	566
Underwriting income (loss)	199	19	221	78	6	(47)	476
Net investment income	265	6	136	80	66	3	556
Net realized gains (losses) including OTTI	(11)	8	14	(15)	(72)	3	(73)
Interest expense	2	-	1	2	3	64	72
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	(17)	-	(17)
Other	(24)	9	8	(10)	4	5	(8)
Income tax expense (benefit)	91	5	55	10	12	(40)	133
Net income (loss)	$ 384	$ 19	$ 307	$ 141	$ (2)	$ (70)	$ 779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

For the Six Months Ended June 30, 2015 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 3,405	$ 467	$ 3,463	$ 534	$ 991	$ -	$ 8,860
Net premiums earned	3,214	385	3,281	446	961	-	8,287
Losses and loss expenses	2,155	293	1,630	171	289	1	4,539
Policy benefits	-	-	-	-	295	-	295
Policy acquisition costs	291	19	785	114	225	-	1,434
Administrative expenses	360	3	510	25	147	87	1,132
Underwriting income (loss)	408	70	356	136	5	(88)	887
Net investment income	532	12	277	154	132	6	1,113
Net realized gains (losses) including OTTI	(6)	(2)	3	(6)	44	4	37
Interest expense	4	-	2	2	3	128	139
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	(17)	-	(17)
Other	16	16	25	(8)	(29)	9	29
Income tax expense (benefit)	169	14	121	15	19	(75)	263
Net income (loss)	$ 745	$ 50	$ 488	$ 275	$ 205	$ (140)	$ 1,623

For the Six Months Ended June 30, 2014 (in millions of U.S. dollars)	Insurance - North American P&C	Insurance - North American Agriculture	Insurance - Overseas General	Global Reinsurance	Life	Corporate	ACE Consolidated
Net premiums written	$ 3,053	$ 582	$ 3,531	$ 586	$ 992	$ -	$ 8,744
Net premiums earned	3,029	433	3,321	545	974	-	8,302
Losses and loss expenses	1,956	413	1,647	235	297	1	4,549
Policy benefits	-	-	-	-	258	-	258
Policy acquisition costs	311	28	788	127	232	-	1,486
Administrative expenses	336	2	506	28	141	88	1,101
Underwriting income (loss)	426	(10)	380	155	46	(89)	908
Net investment income	535	13	268	157	130	6	1,109
Net realized gains (losses) including OTTI	(20)	6	4	(23)	(148)	4	(177)
Interest expense	5	-	2	3	6	127	143
Other (income) expense:							
(Gains) losses from fair value changes in separate account assets	-	-	-	-	(11)	-	(11)
Other	(44)	17	2	(29)	11	12	(31)
Income tax expense (benefit)	174	(2)	92	20	22	(80)	226
Net income (loss)	$ 806	$ (6)	$ 556	$ 295	$ -	$ (138)	$ 1,513

Underwriting assets are reviewed in total by management for purposes of decision-making. Other than goodwill and other intangible assets, ACE does not allocate assets to its segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

The following table presents net premiums earned for each segment by product:

(in millions of U.S. dollars) For the Three Months Ended June 30, 2015	Property & All Other	Casualty	Life, Accident & Health	ACE Consolidated
Insurance - North American P&C	**$ 507**	**$ 1,079**	**$ 102**	**$ 1,688**
Insurance - North American Agriculture	**321**	**-**	**-**	**321**
Insurance - Overseas General	**729**	**391**	**524**	**1,644**
Global Reinsurance	**102**	**118**	**-**	**220**
Life	**-**	**-**	**487**	**487**
	$ 1,659	**$ 1,588**	**$ 1,113**	**$ 4,360**
For the Three Months Ended June 30, 2014				
Insurance - North American P&C	$ 423	$ 1,018	$ 101	$ 1,542
Insurance - North American Agriculture	330	-	-	330
Insurance - Overseas General	727	395	587	1,709
Global Reinsurance	132	129	-	261
Life	-	-	490	490
	$ 1,612	$ 1,542	$ 1,178	$ 4,332

(in millions of U.S. dollars) For the Six Months Ended June 30, 2015	Property & All Other	Casualty	Life, Accident & Health	ACE Consolidated
Insurance - North American P&C	**$ 917**	**$ 2,094**	**$ 203**	**$ 3,214**
Insurance - North American Agriculture	**385**	**-**	**-**	**385**
Insurance - Overseas General	**1,457**	**773**	**1,051**	**3,281**
Global Reinsurance	**219**	**227**	**-**	**446**
Life	**-**	**-**	**961**	**961**
	$ 2,978	**$ 3,094**	**$ 2,215**	**$ 8,287**
For the Six Months Ended June 30, 2014				
Insurance - North American P&C	$ 828	$ 1,999	$ 202	$ 3,029
Insurance - North American Agriculture	433	-	-	433
Insurance - Overseas General	1,420	764	1,137	3,321
Global Reinsurance	286	259	-	545
Life	-	-	974	974
	$ 2,967	$ 3,022	$ 2,313	$ 8,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

11. Earnings per share

	Three Months Ended June 30		Six Months Ended June 30	
(in millions of U.S. dollars, except share and per share data)	**2015**	2014	**2015**	2014
Numerator:				
Net income	**$ 942**	$ 779	**$ 1,623**	$ 1,513
Denominator:				
Denominator for basic earnings per share:				
Weighted-average shares outstanding	**325,463,196**	337,846,228	**326,795,838**	338,353,260
Denominator for diluted earnings per share:				
Share-based compensation plans	**3,222,562**	3,286,359	**3,373,809**	3,267,499
Weighted-average shares outstanding and assumed conversions	**328,685,758**	341,132,587	**330,169,647**	341,620,759
Basic earnings per share	**$ 2.89**	$ 2.30	**$ 4.97**	$ 4.47
Diluted earnings per share	**$ 2.86**	$ 2.28	**$ 4.91**	$ 4.43
Potential anti-dilutive share conversions	**1,934,454**	1,778,040	**1,306,817**	1,220,731

Excluded from weighted-average shares outstanding and assumed conversions is the impact of securities that would have been anti-dilutive during the respective periods.

12. Information provided in connection with outstanding debt of subsidiaries

The following tables present condensed consolidating financial information at June 30, 2015 and December 31, 2014, and for the three and six months ended June 30, 2015 and 2014 for ACE Limited (Parent Guarantor) and ACE INA Holdings Inc. (Subsidiary Issuer). The Subsidiary Issuer is an indirect 100 percent-owned subsidiary of the Parent Guarantor. The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuer. Condensed consolidating financial information of the Parent Guarantor and Subsidiary Issuer are presented on the equity method of accounting. The revenues and expenses and cash flows of the subsidiaries of the Subsidiary Issuer are presented in the Other ACE Limited Subsidiaries column on a combined basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Balance Sheet at June 30, 2015

(in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Assets					
Investments	$ 32	$ 35	$ 63,198	$ -	$ 63,265
Cash(1)	1	3	1,209	(423)	790
Insurance and reinsurance balances receivable	-	-	6,726	(969)	5,757
Reinsurance recoverable on losses and loss expenses	-	-	20,619	(8,844)	11,775
Reinsurance recoverable on policy benefits	-	-	1,192	(989)	203
Value of business acquired	-	-	434	-	434
Goodwill and other intangible assets	-	-	5,969	-	5,969
Investments in subsidiaries	29,806	18,747	-	(48,553)	-
Due from subsidiaries and affiliates, net	370	-	-	(370)	-
Other assets	5	381	15,026	(3,765)	11,647
Total assets	$ 30,214	$ 19,166	$ 114,373	$ (63,913)	$ 99,840
Liabilities					
Unpaid losses and loss expenses	$ -	$ -	$ 46,596	$ (8,366)	$ 38,230
Unearned premiums	-	-	10,718	(1,839)	8,879
Future policy benefits	-	-	5,824	(989)	4,835
Due to subsidiaries and affiliates, net	-	245	125	(370)	-
Affiliated notional cash pooling programs(1)	386	37	-	(423)	-
Short-term debt	-	700	1,402	-	2,102
Long-term debt	-	4,145	12	-	4,157
Trust preferred securities	-	309	-	-	309
Other liabilities	273	1,499	13,374	(3,373)	11,773
Total liabilities	659	6,935	78,051	(15,360)	70,285
Total shareholders' equity	29,555	12,231	36,322	(48,553)	29,555
Total liabilities and shareholders' equity	$ 30,214	$ 19,166	$ 114,373	$ (63,913)	$ 99,840

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At June 30, 2015, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Balance Sheet at December 31, 2014

(in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Assets					
Investments	$ 30	$ 225	$ 62,649	$ -	$ 62,904
Cash(1)	-	1	1,209	(555)	655
Insurance and reinsurance balances receivable	-	-	6,178	(752)	5,426
Reinsurance recoverable on losses and loss expenses	-	-	20,992	(9,000)	11,992
Reinsurance recoverable on policy benefits	-	-	1,194	(977)	217
Value of business acquired	-	-	466	-	466
Goodwill and other intangible assets	-	-	5,724	-	5,724
Investments in subsidiaries	29,497	18,762	-	(48,259)	-
Due from subsidiaries and affiliates, net	583	-	-	(583)	-
Other assets	4	295	14,196	(3,631)	10,864
Total assets	$ 30,114	$ 19,283	$ 112,608	$ (63,757)	$ 98,248
Liabilities					
Unpaid losses and loss expenses	$ -	$ -	$ 46,770	$ (8,455)	$ 38,315
Unearned premiums	-	-	9,958	(1,736)	8,222
Future policy benefits	-	-	5,731	(977)	4,754
Due to subsidiaries and affiliates, net	-	422	161	(583)	-
Affiliated notional cash pooling programs(1)	246	309	-	(555)	-
Short-term debt	-	1,150	1,402	-	2,552
Long-term debt	-	3,345	12	-	3,357
Trust preferred securities	-	309	-	-	309
Other liabilities	281	1,404	12,659	(3,192)	11,152
Total liabilities	527	6,939	76,693	(15,498)	68,661
Total shareholders' equity	29,587	12,344	35,915	(48,259)	29,587
Total liabilities and shareholders' equity	$ 30,114	$ 19,283	$ 112,608	$ (63,757)	$ 98,248

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At December 31, 2014, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

Condensed Consolidating Statements of Operations and Comprehensive Income

For the Three Months Ended June 30, 2015 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 4,784	$ -	$ 4,784
Net premiums earned	-	-	4,360	-	4,360
Net investment income	-	-	562	-	562
Equity in earnings of subsidiaries	901	296	-	(1,197)	-
Net realized gains (losses) including OTTI	-	(2)	128	-	126
Losses and loss expenses	-	-	2,417	-	2,417
Policy benefits	-	-	153	-	153
Policy acquisition costs and administrative expenses	18	7	1,280	-	1,305
Interest (income) expense	(7)	69	9	-	71
Other (income) expense	(57)	(4)	78	-	17
Income tax expense (benefit)	5	(27)	165	-	143
Net income	$ 942	$ 249	$ 948	$ (1,197)	$ 942
Comprehensive income (loss)	$ 397	$ (91)	$ 403	$ (312)	$ 397

Condensed Consolidating Statements of Operations and Comprehensive Income

For the Three Months Ended June 30, 2014 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 4,559	$ -	$ 4,559
Net premiums earned	-	-	4,332	-	4,332
Net investment income	1	1	554	-	556
Equity in earnings of subsidiaries	745	231	-	(976)	-
Net realized gains (losses) including OTTI	-	8	(81)	-	(73)
Losses and loss expenses	-	-	2,388	-	2,388
Policy benefits	-	-	144	-	144
Policy acquisition costs and administrative expenses	22	8	1,294	-	1,324
Interest (income) expense	(9)	70	11	-	72
Other (income) expense	(50)	6	19	-	(25)
Income tax expense (benefit)	4	(25)	154	-	133
Net income	$ 779	$ 181	$ 795	$ (976)	$ 779
Comprehensive income	$ 1,348	$ 511	$ 1,364	$ (1,875)	$ 1,348

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Condensed Consolidating Statements of Operations and Comprehensive Income

For the Six Months Ended June 30, 2015 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 8,860	$ -	$ 8,860
Net premiums earned	-	-	8,287	-	8,287
Net investment income	1	1	1,111	-	1,113
Equity in earnings of subsidiaries	1,549	500	-	(2,049)	-
Net realized gains (losses) including OTTI	-	(2)	39	-	37
Losses and loss expenses	-	-	4,539	-	4,539
Policy benefits	-	-	295	-	295
Policy acquisition costs and administrative expenses	32	13	2,521	-	2,566
Interest (income) expense	(15)	138	16	-	139
Other (income) expense	(98)	(7)	117	-	12
Income tax expense (benefit)	8	(53)	308	-	263
Net income	$ 1,623	$ 408	$ 1,641	$ (2,049)	$ 1,623
Comprehensive income (loss)	$ 1,039	$ (67)	$ 1,057	$ (990)	$ 1,039

Condensed Consolidating Statements of Operations and Comprehensive Income

For the Six Months Ended June 30, 2014 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net premiums written	$ -	$ -	$ 8,744	$ -	$ 8,744
Net premiums earned	-	-	8,302	-	8,302
Net investment income	1	1	1,107	-	1,109
Equity in earnings of subsidiaries	1,447	411	-	(1,858)	-
Net realized gains (losses) including OTTI	-	7	(184)	-	(177)
Losses and loss expenses	-	-	4,549	-	4,549
Policy benefits	-	-	258	-	258
Policy acquisition costs and administrative expenses	39	14	2,534	-	2,587
Interest (income) expense	(19)	141	21	-	143
Other (income) expense	(92)	20	30	-	(42)
Income tax expense (benefit)	7	(55)	274	-	226
Net income	$ 1,513	$ 299	$ 1,559	$ (1,858)	$ 1,513
Comprehensive income	$ 2,456	$ 777	$ 2,502	$ (3,279)	$ 2,456

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Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2015 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net cash flows from (used for) operating activities	$ 65	$ (35)	$ 1,861	$ -	$ 1,891
Cash flows from investing activities					
Purchases of fixed maturities available for sale	-	-	(9,210)	-	(9,210)
Purchases of fixed maturities held to maturity	-	-	(24)	-	(24)
Purchases of equity securities	-	-	(70)	-	(70)
Sales of fixed maturities available for sale	-	-	3,642	-	3,642
Sales of equity securities	-	-	102	-	102
Maturities and redemptions of fixed maturities available for sale	-	-	3,691	-	3,691
Maturities and redemptions of fixed maturities held to maturity	-	-	470	-	470
Net change in short-term investments	-	190	38	-	228
Net derivative instruments settlements	-	(9)	(24)	-	(33)
Acquisition of subsidiaries (net of cash acquired of $620)	-	-	255	-	255
Other	-	(2)	(69)	-	(71)
Net cash flows from (used for) investing activities	-	179	(1,199)	-	(1,020)
Cash flows from financing activities					
Dividends paid on Common Shares	(427)	-	-	-	(427)
Common Shares repurchased	-	-	(750)	-	(750)
Proceeds from issuance of long-term debt	-	800	-	-	800
Proceeds from issuance of short-term debt	-	-	1,327	-	1,327
Repayment of long-term debt	-	(450)	-	-	(450)
Repayment of short-term debt	-	-	(1,327)	-	(1,327)
Proceeds from share-based compensation plans, including windfall tax benefits	-	-	46	-	46
Advances (to) from affiliates	223	(214)	(9)	-	-
Net payments to affiliated notional cash pooling programs(1)	140	(272)	-	132	-
Policyholder contract deposits	-	-	235	-	235
Policyholder contract withdrawals	-	-	(107)	-	(107)
Other	-	(6)	-	-	(6)
Net cash flows used for financing activities	(64)	(142)	(585)	132	(659)
Effect of foreign currency rate changes on cash and cash equivalents	-	-	(77)	-	(77)
Net increase in cash	1	2	-	132	135
Cash - beginning of period(1)	-	1	1,209	(555)	655
Cash - end of period(1)	$ 1	$ 3	$ 1,209	$ (423)	$ 790

(1) ACE maintains two notional multicurrency cash pools (Pools) with a third-party bank. Various ACE entities participate in one or the other of the Pools, pursuant to which credit and debit balances in individual ACE accounts are translated daily into a single currency and pooled on a notional basis. Individual ACE entities are permitted to overdraw on their individual accounts provided the overall Pool balances do not fall below zero. At June 30, 2015 and December 31, 2014, the cash balance of one or more entities was negative; however, the overall Pool balances were positive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued (Unaudited)
ACE Limited and Subsidiaries

Condensed Consolidating Statement of Cash Flows

For the Six Months Ended June 30, 2014 (in millions of U.S. dollars)	ACE Limited (Parent Guarantor)	ACE INA Holdings Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries	Consolidating Adjustments and Eliminations	ACE Limited Consolidated
Net cash flows from (used for) operating activities	$ 83	$ (7)	$ 2,020	$ -	$ 2,096
Cash flows from investing activities					
Purchases of fixed maturities available for sale	-	-	(7,963)	3	(7,960)
Purchases of fixed maturities held to maturity	-	-	(129)	-	(129)
Purchases of equity securities	-	-	(64)	-	(64)
Sales of fixed maturities available for sale	-	-	3,845	(3)	3,842
Sales of equity securities	-	-	45	-	45
Maturities and redemptions of fixed maturities available for sale	-	-	3,163	-	3,163
Maturities and redemptions of fixed maturities held to maturity	-	-	414	-	414
Net change in short-term investments	(1)	(1)	(293)	-	(295)
Net derivative instruments settlements	-	(7)	(178)	-	(185)
Acquisition of subsidiaries (net of cash acquired of $4)	-	-	(172)	-	(172)
Other	-	(3)	(115)	-	(118)
Net cash flows used for investing activities	(1)	(11)	(1,447)	-	(1,459)
Cash flows from financing activities					
Dividends paid on Common Shares	(428)	-	-	-	(428)
Common Shares repurchased	-	-	(557)	-	(557)
Proceeds from issuance of long-term debt	-	699	-	-	699
Proceeds from issuance of short-term debt	-	-	977	-	977
Repayment of long-term debt	-	(500)	-	-	(500)
Repayment of short-term debt	-	-	(977)	-	(977)
Proceeds from share-based compensation plans, including windfall tax benefits	-	-	75	-	75
Advances (to) from affiliates	575	(667)	92	-	-
Net proceeds from (payments to) affiliated notional cash pooling programs[1]	(185)	477	-	(292)	-
Policyholder contract deposits	-	-	125	-	125
Policyholder contract withdrawals	-	-	(33)	-	(33)
Other	-	(6)	-	-	(6)
Net cash flows (used for) from financing activities	(38)	3	(298)	(292)	(625)
Effect of foreign currency rate changes on cash and cash equivalents	-	-	3	-	3
Net increase (decrease) in cash	44	(15)	278	(292)	15
Cash - beginning of period[1]	-	16	748	(185)	579
Cash - end of period[1]	$ 44	$ 1	$ 1,026	$ (477)	$ 594

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