



**25** years of  
insuring progress<sup>SM</sup>

## ACE Acquisition of New York Life's Operations in Hong Kong and Korea

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*October 27, 2010*



## Safe Harbor Disclosure

**Forward-looking statements, including references to the acquisition process, expected synergies and future operations, savings and efficiencies, EPS accretion, returns on investment and required capital, and financial forecasts (including pro forma forecasts and estimates), are being made in this presentation; actual results could differ materially from projected results.**

**Factors that could cause actual results to differ materially include, but are not limited to:**

- If the acquisition of New York Life's ("NYL's") Hong Kong and Korea operations were not to close, if NYL's Hong Kong and Korea operations were to perform differently than currently expected, if management departed unexpectedly or if anticipated expense-related efficiencies are not realized
- The competitive environment in which we and NYL's Hong Kong and Korea operations operate, including pricing and policy trends
- The regulatory oversight of that industry
- Developments in financial markets, including changes in interest rates, availability of credit or exchange rates
- The actual amount of new and renewal business, market acceptance of our products and risks associated with new products
- The occurrence of catastrophic events or other insured or reinsured events with a frequency or severity exceeding estimates and actual loss experience
- The amount and timing of reinsurance collections and credit developments among reinsurers
- The uncertainties in the loss reserving and claims settlement process
- Rating agency action
- Economic, legal, tax, regulatory, litigation, judicial, legislative and governmental developments or uncertainties and the resulting effects

**See our SEC filings and our latest earnings press release and financial supplement, which are available in the Investor Information section of our website, for more information on factors that could affect our forward looking statements.**



# Compelling Strategic Transaction

## Hong Kong and Korea Life Market Entry and Growth through Established NY Life Operations

- Relatively small but solid agency operations with conservative products, sound reputations, and conservative management
- Strong fit with ACE's young but successful track record of building and managing international life businesses
  - ACE's Asian life businesses include China, Vietnam, Thailand and Indonesia – all built de novo
  - More than triples new business sales in ACE Asian life business (excluding ACE's JV in China) and diversifies existing premium base
- Growth opportunity for ACE
  - New York Life is a highly reputable and sound company but not as internationally oriented as ACE; businesses provide a strong foundation to build upon existing agency channel and broaden distribution and product offering
  - Businesses are similar to a “later stage” greenfield investment
  - ACE recognizes both Hong Kong and Korea are not easy markets – we have assumed conservative growth to achieve sustainable returns; transaction meets our minimum mid-teens return hurdle – and we believe there is upside for the future
- Efficiencies with ACE's P&C and A&H operations in both countries relative to customers, distribution and operating infrastructure
  - ACE's current in-depth knowledge of Hong Kong and Korea and their respective insurance markets, strong regional management team, and existing infrastructure will support growth targets and operational efficiencies for the acquisition – limiting execution risk
  - Cost synergies (run rate \$5mm / 5.8% of 2010 base) very achievable and will likely prove conservative
- Very reasonable valuation for existing operations with significant potential for growth
  - Scarcity value associated with Korea – no new general life licenses have been issued in over 5 years



## Summary of Transaction Terms

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<b>Transaction</b>	<ul style="list-style-type: none"><li>▪ ACE to acquire 100% of the shares of New York Life's Hong Kong and Korea companies</li><li>▪ Purchase price of \$425 million</li><li>▪ Final purchase price to be adjusted based on shareholders' equity at time of closing</li></ul>
<b>Consideration</b>	<ul style="list-style-type: none"><li>▪ Acquisition to be funded 100% with available cash</li></ul>
<b>Financing</b>	<ul style="list-style-type: none"><li>▪ No financing contingency</li></ul>
<b>Valuation</b>	<ul style="list-style-type: none"><li>▪ 0.71x U.S. GAAP book value at June 30, 2010</li><li>▪ 0.66x 2009 embedded value, as calculated by New York Life</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>▪ Closing subject to regulatory approvals and other closing conditions</li><li>▪ Expected close in Q1 2011</li></ul>



# Financially Attractive Transaction

- Compelling valuation mitigates acquisition risk
  - Acquiring entities below book value and embedded value – limited downside with meaningful upside
  - Embedded value multiple of 0.66x well below that of 1.2x for publicly traded peers in Asian life insurance markets <sup>(1)</sup>
- Attractive transaction economics before the impact of ACE’s planned growth initiatives
  - Will achieve 15% return on cash deployed in the first full year of ownership and long-term shareholder value generation in excess of 15%
  - EPS and BVPS accretive in first year of ownership

	2011
EPS Accretion	\$0.14
BVPS (ex AOCI) Accretion	\$0.10
Change in ROE (ex AOCI)	+ 19 bps
Return on Deployed Equity <sup>(2)</sup>	15.2%

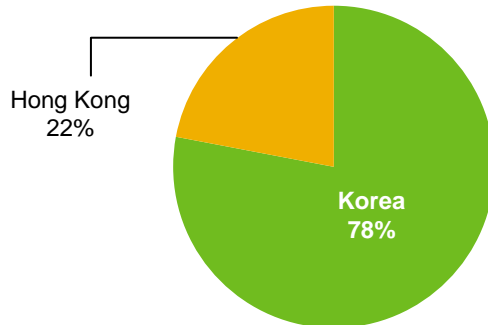
Note: Key Financial assumptions include: (a) ACE projections per IBES and NYL Hong Kong and Korea projections per ACE analysis; (b) internal opportunity cost of cash on hand; and (c) assumes transaction closes on December 31, 2010 for illustrative purposes

- (1) Median of Samsung Life, Korea Life, Tong Yang Life, China Taiping, Cathay FHC, Fubon FHC, Shin Kong FHC, Great Eastern, and Bangkok Life. Embedded value as of latest available.
- (2) Return on Deployed Equity is a non-GAAP measure and is defined as NYL Hong Kong and Korea US PGAAP earnings less illustrative debt cost divided by levered gross purchase price plus expected transaction fees and required growth capital. Assumes leverage on purchase price consistent with current ACE levels. ACE does not believe that there is a directly comparable GAAP financial measure to this metric.



# Overview of New York Life Hong Kong and Korea

## By Geography

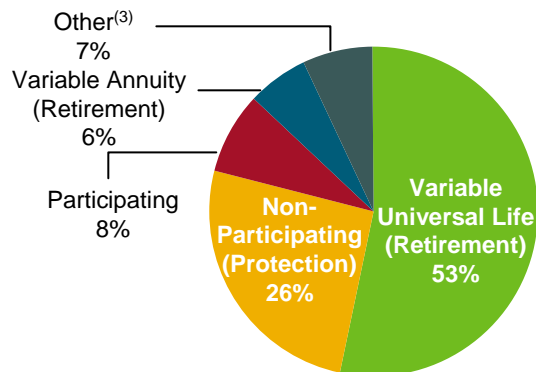


2009 APE<sup>(4)</sup> Sales: \$117mm

## Observations

- Each business is a complete, autonomous, stand-alone entity with its own central functions (e.g. accounting, actuarial, investment management, IT, HR)
- Since 2007, the businesses have been repositioned towards protection products
- Investments have been made in improving agent recruitment, productivity and retention
- Primarily captive agent distribution with over 2,400 agents

## By Product



2009 APE<sup>(4)</sup> Sales: \$117mm

## 2009 Key Metrics<sup>(1)</sup>

Total Revenues <sup>(2)</sup>	\$ 327mm
Policies in-force	234,505
# of Agents	2,448
# of Employees	448

Note: Converted to USD at US\$ = KRW\$1300

(1) As of year-end 2009 or for the year ending 2009

(2) Represents US GAAP income statement metrics.

(3) Other includes UL & Int. Sensitive Annuity and Other.

(4) Annual premium equivalent (APE) is calculated as 100% of regular premium and 10% of single premium.