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ACE Tempest Life Reinsurance Overview

RIA 2008 Client Conference

May 13, 2008



Introduction to ACE Limited

- ▼ **Introduction to ACE Limited**
- ▼ **Introduction to ACE Tempest Life Re**
- ▼ **Variable Annuity Reinsurance**



Introduction to ACE Limited

- ▼ **Founded in 1985 to satisfy market need for excess liability and excess D&O insurance**
- ▼ **Leading global provider of insurance and reinsurance**
- ▼ **10,000 employees writing business in over 50 countries**
- ▼ **Acquisition of CIGNA corporation's global property and casualty business in 1999 for \$3.45 billion**



Introduction to ACE Limited

- ▼ **Initial Public Offering: March 1993**
- ▼ **Approximately \$20 billion market cap**
- ▼ **Standard and Poor's Rating: A+**
- ▼ **A.M. Best Rating: A+**
- ▼ **Each company in the ACE Group is fully capitalized and obtains its own rating**



Introduction to ACE Tempest Life Re

- ▼ **Tempest Re formed in 1993 to provide catastrophe reinsurance following Hurricane Andrew**
- ▼ **Purchased by ACE Limited in 1996**
- ▼ **CAT Limited purchased in 1998**
- ▼ **Combined company renamed ACE Tempest Re**
- ▼ **Positioned downstream and is wholly owned by ACE Tempest Life Re**

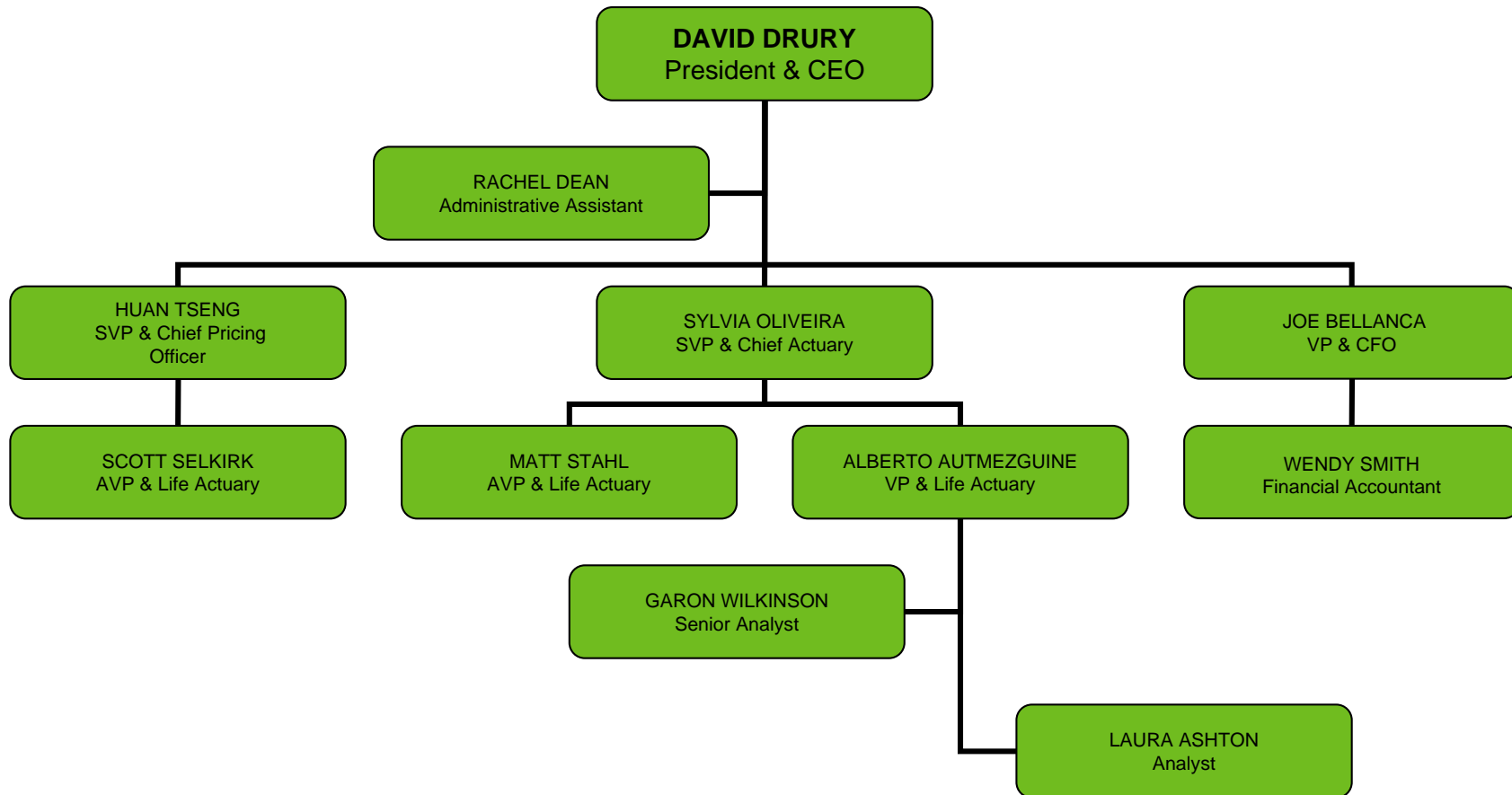


Introduction to ACE Tempest Life Re

- ▼ **Formed in 2000 to allow the ACE Group to expand into life, annuity, and health reinsurance**
- ▼ **Reorganized in July 2002 to focus on core strengths**
- ▼ **Currently 11 employees in Bermuda, 7 are actuaries**
- ▼ **A+ rated by S&P, A.M. Best**
- ▼ **Equity approx \$6.1 billion (U.S. GAAP) as of 12/31/07**



Bermuda Org Chart





Introduction to ACE Tempest Life Re

- ▼ **Primary business - variable annuity reinsurance**
 - In the US, we reinsure 8 of the largest VA writers
 - In Japan, we reinsure 4 of the largest VA writers
 - Pursuing other international markets in Europe and Asia
- ▼ **Entered traditional US life reinsurance market in 2005**
 - Written both in ATLR as well as ATLR USA
 - ATLR USA based in Stamford with 12 employees
 - Co-Insurance/ YRT/ Stop Loss/ Credit Life/ Critical Illness
 - Facultative Services available from ATLR USA
- ▼ **We do not participate in:**
 - Health / Long-Term Care / Long-Term Disability (in run-off)
 - Transactions solely for reserve / capital relief



VA Reinsurance with ATLR

- ▼ **Comprehensive reinsurance solutions specifically designed for VA guarantee risks**
- ▼ **Coverage protects against policyholder behavior and is not a “capital markets reinsurance” solution**
- ▼ **Hedging cannot eliminate VA guarantee risk**
 - **Lapse, mortality, annuitization, withdrawal, asset allocation, basis, model, market discontinuity...**
 - **Potential accounting issues**



VA Reinsurance with ATLR

▼ Reinsurance Structure

- Highly Customized
- First Dollar or Deductible
- Aggregate Claim Limits
- New Business Facility
- Premium Rate Basis

▼ Inforce or New Business



ATLR Risk Management

▼ Risk controlled through:

- **Strict underwriting of direct writer, product, and risk definition**
- **Reinsurance structure – including claim limits and deductibles**
 - **All structures will include some form of annual/aggregate limit**
- **Diversification across products, risk types, time, countries, etc.**
- **Other capital markets tools**



Conclusions

- ▼ **High quality counterparty**
- ▼ **Underwriting expertise**
- ▼ **Long term commitment to market**
- ▼ **Flexible reinsurance structure**
- ▼ **Agreements that are “Win-Win”**