



ace insurance

A decorative graphic consisting of three overlapping rectangular blocks: a blue block on the left, a green block on top, and a yellow block on the right. The text 'Annual Review 2006' is centered within the yellow block.

Annual Review 2006

New Zealand

ACE Insurance Limited (New Zealand) is a member of the ACE Group of Companies, a global leader in insurance and reinsurance. With a history dating back to 1792, the members of the ACE Group of Companies have offices in more than 50 countries and a strong presence in Asia Pacific.

ACE in New Zealand offers broker-based corporate property and casualty business, group personal accident and corporate travel products. In each area of specialty, ACE leverages global expertise with local acumen to create specific solutions to mitigate client risks. With a focus on building strong relationships by offering responsive service, ACE New Zealand's clients range from large multinational companies to local corporates.

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## ACE New Zealand Board of Directors



Richard Parkinson  
Managing Director  
New Zealand



Roger Scholes  
Claims Manager



Steve Crouch  
Chief Executive Officer  
Australia and  
New Zealand



Damien Sullivan  
Executive Vice President  
& Chief Operating Officer  
Asia Pacific Region



Ashley Mullins  
General Counsel and  
Company Secretary



Daniel Vanderkemp  
Chief Financial Officer  
Australia and  
New Zealand



Jarrod Hill  
Head of Property  
& Casualty  
Asia Pacific Region

# Managing Director's Report

In a period of great uncertainty confronting the local and global general insurance markets, the company has delivered a profitable result as well as maintained an excellent capital position.

Although the company had a reduction in premium revenue as a result of a reduced global catastrophe exposure, ACE New Zealand has maintained a strong balance sheet and strong return on equity.

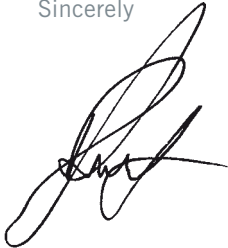
Standard and Poor's reaffirmed the company's A (Strong) rating and we maintain capital adequacy well in excess of the preferred capital requirement established by the Public Trustee.

We are committed to reinforcing our position as a leader in the global insurance and reinsurance market by always conducting our business in a consistent, disciplined and focused manner. This is achieved through:

- Superior client value by committing substantial capital resources and creativity to the assumption and management of risk;
- Superior shareholder value by managing capital and risks expertly, efficiently and profitably; and
- Superior employee value by creating a rewarding and ethical environment.

On behalf of the entire Board I would like to extend my gratitude to our loyal and dedicated staff for their efforts in contributing to the overall success of the company in 2006.

Sincerely



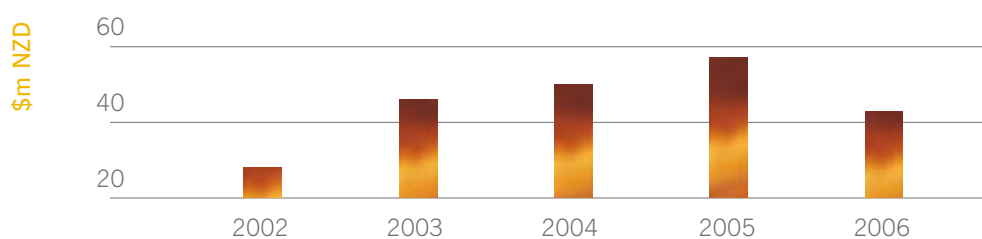
Richard Parkinson  
Managing Director

# Financial Information – New Zealand

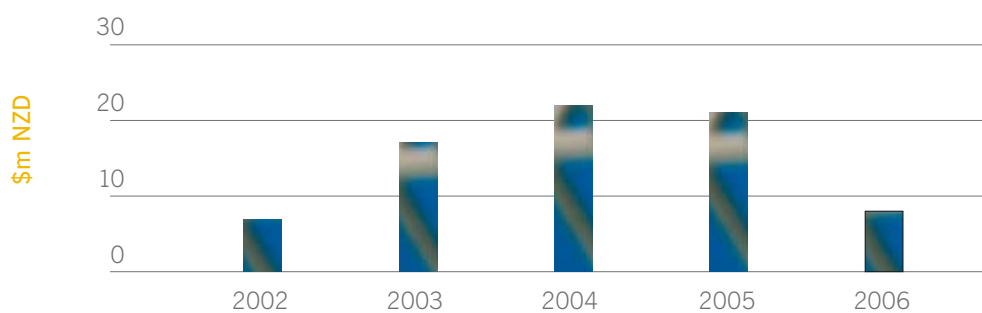
## Financial Performance Highlights

\$'000 NZD	2002	2003	2004	2005	2006
Gross written premium	80,318	112,008	116,685	116,037	104,617
Net earned premium	24,070	44,995	46,697	58,645	40,811
Underwriting result	3,747	14,827	28,642	25,638	6,262
Investment revenue	3,516	4,281	4,564	5,736	4,574
Profit after tax	7,193	16,777	22,190	20,707	7,602
Operating cashflows	14,214	31,908	16,764	20,893	(6,927)
<b>Return on Equity</b>	56.6%	67.6%	66.8%	57.5%	21.5%
<b>Combined ratio</b>	84.4%	67.1%	38.7%	56.3%	84.7%

## Net Earned Premium



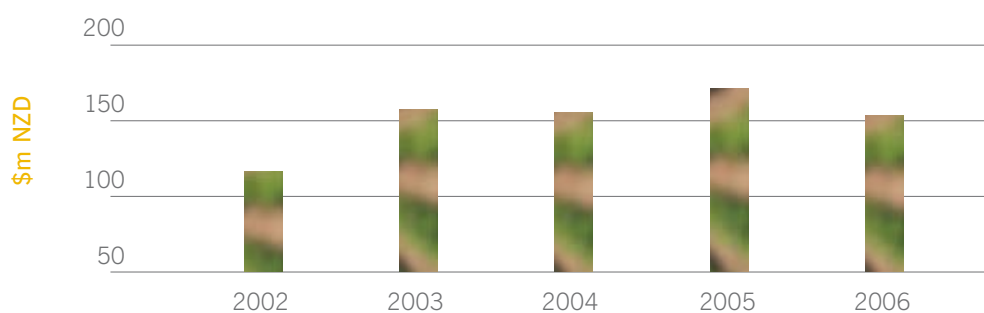
## Profit After Tax



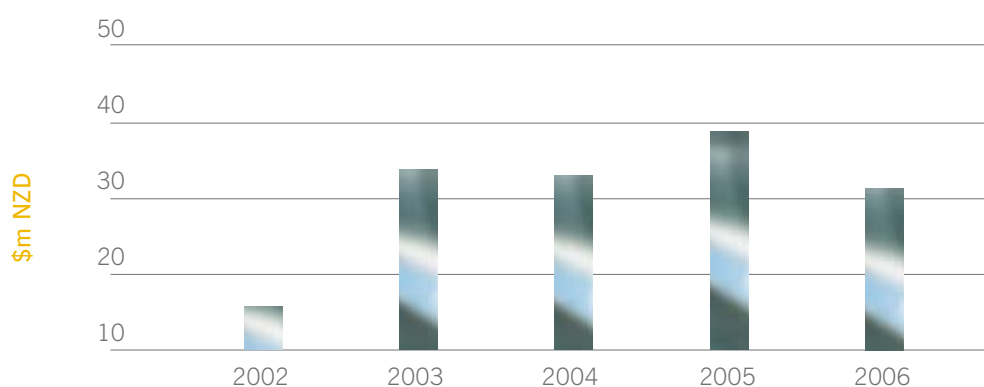
## Balance Sheet

\$'000 NZD	2002	2003	2004	2005	2006
Cash	11,637	21,862	11,984	3,076	865
Receivables	36,039	33,285	36,442	35,701	27,532
Reinsurance recoveries	15,804	27,031	28,812	36,599	50,194
Investments	45,039	66,271	69,132	83,719	66,425
Property, plant & equipment	2,913	3,413	3,588	3,979	3,454
Other assets	4,078	4,386	5,047	7,112	6,130
<b>Total Assets</b>	<b>115,510</b>	<b>156,248</b>	<b>155,005</b>	<b>170,186</b>	<b>154,600</b>
Creditors	16,021	15,201	21,412	15,063	14,589
Outstanding claims	41,652	58,140	53,780	67,639	82,058
Unearned premiums	41,538	47,298	45,449	45,179	23,810
Other liabilities	–	2,246	1,338	3,288	2,481
<b>Total Liabilities</b>	<b>99,211</b>	<b>122,885</b>	<b>121,979</b>	<b>131,169</b>	<b>122,938</b>
Share capital	16,900	16,900	16,900	16,900	16,900
Retained earnings & reserves	(601)	16,463	16,126	22,117	14,762
<b>Total Equity</b>	<b>16,299</b>	<b>33,363</b>	<b>33,026</b>	<b>39,017</b>	<b>31,662</b>

## Total Assets



## Total Equity



## Year in Review

2006 was a challenging but profitable year for ACE New Zealand.

In a restructure in 2006, ACE New Zealand closed its South Island branch and transformed its Wellington branch into a servicing office for its Accident & Health line of business, which is an area the company views as having growth opportunities. During this period the strong culture of the company ensured that we quickly gained momentum after we reviewed and realigned our strategic plan and objectives.

Our Property business, both Corporate and Commercial, continued to be profitable and provide excellent returns. This was as a result of excellent risk assessment and superior underwriting integrity. Risk Management continues to be a real market differentiator and assists with risk appetite.

In Casualty and Financial Lines, we continue to be a preferred provider for both Corporate and Commercial clients. Our global reach gives clients the security and expertise in claims management if and when an event occurs. Our Exporters Liability Package was an excellent example of a product that showed a difference and value to our producers and their clients.

In Accident & Health, both our Brokerage and Direct Marketing distribution channels maintained their leading market position, in what was a very competitive and aggressive market. We provide both a customer service and claims service which is second to none, with a dedicated claims team.

In 2007, we are committed to communicating to our producers, and taking advantage of the excellent relationships we have, to ensure we continue to offer superior insurance products and services which will secure growth across all lines of business.

## About ACE New Zealand

In New Zealand, ACE offers broker-based Corporate and Commercial Property and Casualty business, Group Personal Accident and Corporate Travel products, Financial products and Risk Management services tailored to client's needs. ACE New Zealand's clients range from small businesses through to large corporates and multinational organisations.

We aim to develop tailored products that meet the unique needs of our customers, to issue quotes and policies in a timely fashion, and to pay all genuine claims as quickly as possible. Our focus is on doing things more efficiently and effectively than our competitors. We see our key differentiators as being:

- Passionate, progressive, professional, responsive and decisive people
- Proactive claims service, which looks for ways to pay rather than ways not to pay
- Client service excellence by talking to our brokers and insureds, meeting their needs and exceeding their expectations
- Risk Management services including dedicated in-house risk management professionals providing advice and input to brokers, insureds and our own underwriting teams
- Access to the ACE global network and leveraging our international capabilities for the benefit of the local market

We regularly review our progress through a formal process of client reviews at all levels of the organisation. We aim to respond to our client's feedback as quickly as possible as continuous improvement is key to our ongoing success. We welcome ideas about how to enhance all aspects of our business from our brokers and clients.

## Contact Details – New Zealand

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WELLINGTON 6011

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# Products

## Casualty



Mark Downes – Casualty Manager

With a strong capital base and an international network of claims centres and risk control professionals, ACE offers risk managers and brokers a wide variety of innovative Casualty products and services on a primary, excess or umbrella basis.

## Financial Lines



Christopher Newing – Financial Lines Manager

ACE is an internationally acknowledged provider of Professional Liability, Directors and Officers Liability, and other financial lines. We offer a range of products designed for over 100 classes of professionals throughout New Zealand.

## Property



Paul Martin – Property Manager

With our international network offering local service and global capacity, staffed by experienced property professionals who know and apply the industry's best practices, ACE can customise a broad range of property insurance solutions regardless of your company's size. These can include tailored engineering and risk management programs, as well as benchmarking programs, that allow you to compare risk performances across different facilities and locations within your organisation.

## Accident & Health



Andrew Nisbet – Accident and Health Manager

Committed to help insured groups and individuals withstand the serious impact of sudden injury or catastrophic sickness, ACE Accident & Health's team tailors coverage with non-traditional benefits and features, enabling insureds to receive the coverage they most need.

# About the ACE Group

The ACE Group of Companies is a global leader in insurance and reinsurance serving a diverse group of clients. Headed by ACE Limited (NYSE: ACE), a component of the Standard & Poor's 500 stock index, the ACE Group conducts its business on a worldwide basis with operating subsidiaries in more than 50 countries and a strong presence in Asia Pacific.

## ACE Group

- Established in 1985
- Headquartered in Bermuda
- Global breadth: over 10,000 employees in over 50 countries
- Leading provider of insurance and reinsurance, including financial services
- Diverse product portfolio: Marine, Aviation, Property, Energy, Directors & Officers, Construction, Mortgage Disaster Liability, Casualty, Accident & Health, Personal Lines and Life Products
- Financial strength: assets exceeding US\$67 billion as at 31 December 2006
- Diversified earnings stream with approximately 50% of revenue and earnings derived from outside the U.S.
- Strong balance sheet: A+ rated by Standard & Poor's and A.M. Best, on a track record of performance – underwriting profit and investment returns

## ACE in Asia Pacific

- Key marketplace in the ACE Group
- Extensive network – Australia, Hong Kong, India, Indonesia, Korea, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam.
- Largest shareholder in strategic partnership in China with Huatai Insurance Company
- Product flexibility and development led by underwriters with deep industry knowledge
- Well-known reputation for Direct Marketing expertise using creative distribution channels
- Disciplined culture of underwriting
- Tailor-made coverages backed by customer-centric service
- Enterprise wide risk-management approach