

ACE EUROPEAN HOLDINGS No 2 LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2016

COMPANY REGISTRATION NUMBER: 5548342

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ACE EUROPEAN HOLDINGS No 2 LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of ACE European Holdings No 2 Limited (the "company") has prepared this report in accordance with Section 414A of the Companies Act 2006.

PERFORMANCE OF THE BUSINESS

The profit on ordinary activities before taxation amounted to £69,093,000 (2015: £Nil).

In 2016 the company received dividends from its subsidiary, ACE Insurance SA NV, totalling £69,093,000 (2015: £Nil).

In 2016 the company paid dividends to the company's parent, ACE European Holdings Limited, totalling £69,093,000 (2015: £Nil).

ACE MERGER AND BUSINESS REORGANISATION

On 30 June 2015, ACE Limited, the ultimate parent of the company, entered into an Agreement and Plan of Merger ("the Merger") with The Chubb Corporation under which ACE would acquire Chubb. The Merger was completed on 14 January 2016.

During the year, as a result of the Merger and ensuing business reorganisation, a restructure took place within the company's group, moving Chubb Insurance Company of Europe SE, its holding company Chubb Insurance Investment Holdings Limited and Chubb Bermuda International Insurance Ireland DAC from their previous ownership structure to instead be sister companies of ACE European Group Limited under ACE European Holdings Limited and, indirectly, the company. The company received and made an in-specie contribution of the shareholding in these companies.

The purpose of the corporate re-organisation was to ensure that the three entities involved (AEGL, CICE and CBII) were in the same corporate ownership chain in order to allow a Cross-Border Merger ('CBM') to take place which occurred in 2017.

Notwithstanding the potential impact of the Merger, the directors do not envisage any change in the nature of the services provided in the following year.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties affecting the company are in relation to movements in the valuation of its investment in subsidiary undertakings.

KEY PERFORMANCE INDICATORS (KPIs)

Given the nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Approved by the board of directors on 29 June 2017 and signed on its behalf by:



A C Mullins
Director

29 June 2017

ACE EUROPEAN HOLDINGS No 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2016.

FUTURE DEVELOPMENTS

The company continues to act as an intermediate holding company for subsidiary undertakings of the Chubb Limited Group and is expected to do so for the foreseeable future.

CROSS BORDER MERGER

In January 2016, ACE Limited acquired The Chubb Corporation and the consolidated group now operates under the Chubb name. As a result of the acquisition, Chubb simplified its legal structure in Europe and consolidated its European non-life business into a single company, Chubb European Group Limited. This involved the transfer of business between, and cross border merger of, three legal entities, namely ACE European Group Limited, Chubb Insurance Company of Europe SE and Chubb Bermuda International Insurance Ireland Ltd DAC (the resulting entity subsequently renamed Chubb European Group Limited). This was effective on 1 May 2017. The company's direct shareholding in CBII has now become a shareholding in Chubb European Group Limited therefore.

PRINCIPAL ACTIVITIES

The principal activity of the company is that of an intermediate holding company within the Chubb Limited Group.

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2016 on ordinary activities before taxation amounted to £22,416,000 (2015: £Nil) and the total shareholders' funds of the company total £1,157,460 (2015: £288,257,000).

In 2016 the company received dividends from its subsidiary, ACE Insurance SA NV, totalling £69,093,000 (2015: £Nil).

In 2016 the company paid dividends to its parent, ACE European Holdings Limited, totalling £69,093,000 (2015: £Nil).

DIRECTORS

The following have been directors from 1 January 2016 to the date of this report unless otherwise indicated:

M K Hammond	
A J Kendrick	
A C Mullins	Appointed 5 February 2016
K L H Underhill	Resigned 21 January 2016

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) are put in place for the benefit of the directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The company also has the benefit of a group insurance company management activities policy effected by Chubb Limited. No charge was made to the company during the year for this policy.

ACE EUROPEAN HOLDINGS No 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION

Each of the persons who are a director at the date of this report confirms that:

1. So far as each of them is aware, there is no information relevant to the audit of the company financial statements for the year ended 31 December 2016 of which the auditors are unaware, and
2. The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company auditors are aware of that information.

ACE EUROPEAN HOLDINGS No 2 LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 - continued

INDEPENDENT AUDITORS

The company's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

By Order of the Board



M L Mellor
for and on behalf of
Chubb London Services Limited
Secretary

29 June 2017

100 Leadenhall Street
London
EC3A 3BP

Independent auditors' report to the members of ACE European Holdings No 2 Limited

Report on the financial statements

Our opinion

In our opinion, ACE European Holdings No 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of ACE European Holdings No 2 Limited – continued

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

James Pearson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 June 2017

ACE EUROPEAN HOLDINGS No 2 LIMITED

**PROFIT AND LOSS ACCOUNT
FOR YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £'000	2015 £'000
TURNOVER	2	69,093	-
Administrative expenses	4	-	-
OPERATING RESULT / PROFIT		69,093	-
Impairment on investment	5	(46,677)	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		22,416	-
Tax on profit / (loss) on ordinary activities	6	-	-
PROFIT / (LOSS) FOR THE FINANCIAL YEAR		22,416	-

All of the above results derive from continuing operations.

The company has no other income in the current or prior year than that presented and hence no separate Statement of Comprehensive Income is presented.

There is no difference between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the financial year stated above and their historical cost equivalents.

ACE EUROPEAN HOLDINGS No 2 LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2016**

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Investments	7	<u>1,157,178</u>	<u>287,975</u>
CURRENT ASSETS			
Debtors	8	<u>282</u>	<u>282</u>
NET CURRENT ASSETS		<u>282</u>	<u>282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,157,460</u>	<u>288,257</u>
CAPITAL AND RESERVES			
Called up share capital	9	152,983	152,983
Profit and loss account		<u>1,004,477</u>	<u>135,274</u>
TOTAL SHAREHOLDERS' FUNDS		<u>1,157,460</u>	<u>288,257</u>

The notes on pages 10 to 14 are an integral part of these financial statements.

The financial statements on pages 7 to 14 were approved by the board of directors on 29 June 2017 and were signed on its behalf by:



M K Hammond
Director

COMPANY REGISTRATION NUMBER: 5548342

ACE EUROPEAN HOLDINGS No 2 LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called-up share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
AT 1 JANUARY 2015	152,983	135,274	288,257
Profit for the financial year	-	-	-
Dividends paid	-	-	-
AT 31 DECEMBER 2015	152,983	135,274	288,257
Result for the financial year	-	22,416	22,416
Dividends paid	-	(69,093)	(69,093)
In-specie contribution	-	915,880	915,880
AT 31 DECEMBER 2016	152,983	1,004,477	1,157,460

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

Basis of preparation

ACE European Holdings No 2 Limited is a limited liability company incorporated in the United Kingdom. The financial statements have been prepared under the provision of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies' individual financial statements and applicable accounting standards in the United Kingdom, including Financial Reporting Standard FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"). The company is a wholly owned subsidiary within the Chubb Limited Group and is included in the consolidated financial statements of Chubb Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a Cash Flow Statement and disclosing details of key management personnel and related party transactions under the terms of FRS102.

The company has taken advantage of the exemption under Section 401 of the Companies Act 2006 from the requirement to prepare and deliver consolidated financial statements as it and its subsidiary undertakings are wholly-owned subsidiaries within the Chubb Limited group and are included within the consolidated financial statements of Chubb Limited.

The principal accounting policies, which have been applied consistently throughout the year, are set out below:

Dividends

Dividends receivable are recognised when they are approved by the Board of Directors.

Interest receivable

Interest receivable is accounted for on an accruals basis.

Interest payable

Interest payable is accounted for on an accruals basis.

Foreign currencies

Foreign currency transactions are accounted for, in functional currency, at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, from translating such transactions into the functional currency of the entity, and from the revaluation to year end exchange rates of monetary assets and liabilities, are recognised in the profit and loss account.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 - CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

Investments

Investments in group undertakings and participating interests are stated at the lower of cost and net realisable value.

2. TURNOVER

Turnover consists of dividends received from subsidiary companies.

3. DIRECTORS AND EMPLOYEES

The company has no employees (2015: None). The directors received no emoluments for their services to the company (2015: £Nil).

Three executive directors are entitled to shares in Chubb Limited under long-term incentive plans. During the year, three directors received shares in Chubb Limited under long-term incentive plans; two directors exercised options over the shares of Chubb Limited.

4. ADMINISTRATIVE EXPENSES

The following fees are payable to the company's auditors and are borne by Chubb Services UK Limited (formerly ACE INA Services U.K. Limited):

	2016 £'000	2015 £'000
Audit fees:		
Fees payable to the Company's auditors for the audit of the Company's financial statements	4	4
Fees payable to the Company's auditors for other services:		
Audit related assurance services	-	786
Tax compliance services	331	336
Tax advisory services	22	158
Other non-audit services	1,140	540
	<u>1,497</u>	<u>1,824</u>

5. IMPAIRMENT ON INVESTMENT

During 2016 a provision of £46,677,000 (2015: £Nil) was made against the value of the company's investment in Chubb Insurance Investment Holdings Limited.

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 - CONTINUED

6. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge in year

	2016 £'000	2015 £'000
Current tax:		
UK Corporation tax on profit of the year	-	-
Amounts receivable from other Chubb group companies in respect of group relief	-	-
Total current tax (note 6(b))	-	-

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than (2015: equal to) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit / (loss) on ordinary activities before taxation	22,416	-
Profit / (loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20% (2015: 20.25%)	4,483	-
Dividends not chargeable to corporation tax	(13,819)	-
Amounts written off investments	9,336	-
Total tax charge for year (note 6(a))	-	-

7. SHARES IN GROUP UNDERTAKINGS

	% holding	Country of incorporation	2016 £'000	2015 £'000
Unlisted undertakings				
Investment in Chubb Insurance S.A.-N.V.	99.95%	Belgium	287,975	287,975
Chubb Bermuda International Insurance Ireland DAC	100%	Ireland	109,533	-
Chubb Insurance Investment Holdings Ltd	100%	UK	759,670	-
			1,157,178	287,975

During the year the company received in-specie contributions of Chubb Bermuda International Insurance Ireland DAC and Chubb Insurance Investment Holdings Ltd.

Additional information relating to the company's investments in unlisted undertakings is set out in Note 10.

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 - CONTINUED

7. SHARES IN GROUP UNDERTAKINGS - CONTINUED

	Shares in group undertakings £000
Cost:	
At 1 January 2016	287,975
In-specie contribution*	915,880
Disposal	-
At 31 December 2016	1,203,855
Provision for impairment:	
At 1 January 2016	-
Impairment**	(46,677)
At 31 December 2016	(46,677)
Net book value:	
At 31 December 2016	1,157,178
At 31 December 2015	287,975

* Chubb Bermuda International Insurance Ireland DAC and Chubb Insurance Investment Holdings Ltd

** Chubb Insurance Investment Holdings Ltd

8. DEBTORS

	2016 £'000	2015 £'000
Amounts owed by group undertakings	282	282
	<u>282</u>	<u>282</u>

9. CALLED UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, issued and fully paid 152,983,215 (2014:152,983,215) Ordinary £1 shares	152,983	152,983
	<u>152,983</u>	<u>152,983</u>

ACE EUROPEAN HOLDINGS No 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 - CONTINUED

10. ADDITIONAL INFORMATION IN RELATION TO NOTE 7 TO THE FINANCIAL STATEMENTS

Subsidiary undertakings as at 31 December 2016 were as follows:

Subsidiaries		Country of Incorporation	Percentage of nominal value held by the company
Chubb Insurance S.A.-N.V	Intermediate holding company	Belgium	99.95% Direct
Chubb European Group Limited	Insurance company	England and Wales	69.13% Indirect
Chubb Bermuda International Insurance Ireland DAC	Insurance company	Ireland	100% Indirect
Chubb Insurance Investment Holdings Ltd	Intermediate holding company	England and Wales	100% Direct
Chubb Insurance Company of Europe SE	Insurance company	England and Wales	100% Indirect

The Chubb Limited Group is the beneficial owner of all of the share capital and voting rights of all of the above undertakings.

11. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 102 from disclosing details of transactions with Chubb Limited and its subsidiary undertakings.

12. POST BALANCE SHEET EVENTS

On 1 May 2017, the ACE European Holdings Group (which AEHL2 is a part of) underwent significant restructuring in order to optimise operational efficiency, governance and capital. Chubb consolidated Chubb Insurance Company of Europe SE and Chubb Bermuda International Insurance Ireland DAC into one entity, Chubb European Group Limited, through the operation of an insurance business transfer and cross-border merger on 1 May 2017.

13. ULTIMATE HOLDING COMPANY

The immediate holding company is ACE European Holdings Limited. The ultimate holding company is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated financial statements can be obtained from Investor Relations at Chubb's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.