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EXEL LIMITED

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands, except per share amounts)

| | May 31, 1997 ---- | November 30, 1996 ---- |
|----------------------------------------------------------------------------------------------------------|-------------------------|------------------------------|
| | (Unaudited) | |
| ASSETS | | |
| Investments: | | |
| Fixed maturities, at market value (amortized cost : 1997 - \$2,727,275; 1996 - \$2,812,415) | \$2,733,473 | \$2,844,877 |
| Equity securities, at market value (cost: 1997 - \$660,620; 1996 - \$595,149) | 832,212 | 812,050 |
| Short-term investments, at market value (amortized cost: 1997 - \$198,933; 1996 - \$115,791) | 198,736 | 115,999 |
| | ----- | ----- |

| | | |
|-----------------------------------------------------------------------------|-------------|-------------|
| Total Investments | 3,764,421 | 3,772,926 |
| Cash and cash equivalents | 580,289 | 252,734 |
| Investment in affiliates (cost: 1997 - \$281,867; 1996 - \$280,748)..... | 426,899 | 414,891 |
| Investment in partnerships..... | 26,435 | 23,803 |
| Accrued investment income..... | 47,413 | 55,729 |
| Deferred acquisition costs..... | 24,141 | 30,383 |
| Prepaid reinsurance premiums..... | 70,641 | 63,467 |
| Premiums receivable..... | 292,490 | 345,082 |
| Reinsurance balances receivable..... | 79,423 | 46,444 |
| Other assets..... | 35,203 | 26,079 |
| | ----- | ----- |
| Total Assets..... | \$5,347,355 | \$5,031,538 |
| | ===== | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

| | | |
|-----------------------------------------------|-------------|-------------|
| Unpaid losses and loss expenses..... | \$2,200,444 | \$2,099,096 |
| Unearned premium..... | 578,374 | 679,535 |
| Premium received in advance..... | 54,767 | 24,256 |
| Loans payable..... | 71,000 | 11,000 |
| Accounts payable and accrued liabilities..... | 21,536 | 28,171 |
| Reinsurance premiums payable..... | 32,882 | 31,347 |
| Payable for investments purchased..... | 217,944 | 42,095 |
| | ----- | ----- |
| Total Liabilities..... | \$3,176,947 | \$2,915,500 |
| | ----- | ----- |

May 31,
1997

(Unaudited)

November 30,
1996

Contingencies

Shareholders' Equity:

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Ordinary shares (par value \$0.01): authorized, 999,990,000 shares; issued and outstanding, 84,316,870 shares (excluding 27,574,800 shares held in treasury) at May 31, 1997 and 87,170,644 shares (excluding 24,205,100 shares held in treasury) at November 30, 1996..... | 843 | 872 |
| Contributed surplus..... | 287,789 | 282,980 |
| Net unrealized appreciation of investments..... | 179,011 | 256,430 |
| Deferred compensation..... | (12,962) | (4,169) |
| Retained earnings..... | 1,715,727 | 1,579,925 |
| | ----- | ----- |
| Total shareholders' equity..... | \$ 2,170,408 | \$ 2,116,038 |
| | ----- | ----- |
| Total liabilities and Shareholders' equity..... | \$ 5,347,355 | \$ 5,031,536 |
| | ===== | ===== |

See accompanying notes to Consolidated Financial Statements.

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EXEL LIMITED

CONSOLIDATED STATEMENTS OF INCOME
(U.S. dollars in thousands, except per share amounts)

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|-----------------------------------------------------------------------------------------------------|----------------------------------|--------------|--------------------------------|--------------|
| | 1997 ---- | 1996 ---- | 1997 ---- | 1996 ---- |
| | (Unaudited) | | | |
| Revenues: | | | | |
| Net premiums earned..... | \$129,817 | \$131,952 | \$249,654 | \$262,210 |
| Net investment income..... | 54,160 | 50,249 | 105,717 | 98,022 |
| Net realized gains on sale of investments..... | 126,313 | 16,202 | 158,926 | 152,261 |
| Equity in net earnings of affiliates..... | 15,739 | 14,282 | 28,894 | 30,395 |
| | ----- | | | |
| Total revenues | 326,029 | 212,685 | 543,191 | 542,888 |
| | ----- | | | |
| Expenses: | | | | |
| Losses and loss expenses..... | 91,317 | 103,556 | 176,277 | 207,762 |
| Acquisition costs..... | 10,792 | 9,012 | 20,699 | 17,584 |
| Administration expenses..... | 12,078 | 10,636 | 23,662 | 19,735 |
| | ----- | | | |
| Total expenses | 114,187 | 123,204 | 220,638 | 245,081 |
| | ----- | | | |
| Income before income tax expenses..... | 211,842 | 89,481 | 322,553 | 297,807 |
| Income tax expense..... | 262 | 495 | 2,855 | 1,732 |
| | ----- | | | |
| Net income..... | \$211,580 | \$ 88,986 | \$ 319,698 | \$ 296,075 |
| | ===== | | | |
| Weighted average number of ordinary shares and ordinary share equivalents outstanding..... | 85,859 | 93,545 | 86,820 | 94,522 |
| Net income per ordinary share and ordinary share equivalent..... | \$2.46 | \$0.95 | \$3.68 | \$3.13 |
| Dividends declared per share..... | \$0.32 | \$0.25 | \$0.64 | \$0.45 |

See accompanying notes to Consolidated Financial Statements.

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EXEL LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands)

| | Six Months Ended May 31, | |
|------------------------------------------------------------------------------------------------------|-----------------------------|------------|
| | 1997 | 1996 |
| | ---- | ---- |
| | (Unaudited) | |
| Cash flows from operating activities | | |
| Net income | \$ 319,698 | \$ 296,075 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Net realized gains on sale of investments | (158,926) | (152,261) |
| Amortization of premium on fixed maturities..... | 318 | 3,573 |
| Amortization of deferred compensation | 1,596 | 628 |
| Equity in earnings of affiliates net of dividends received and consolidation adjustments | (15,082) | (24,151) |
| Unpaid losses and loss expenses | 101,348 | 34,081 |
| Unearned premiums | (101,161) | 81,412 |
| Premiums received in advance | 30,511 | 22,478 |
| Deferred acquisition costs | 6,242 | 8,283 |
| Prepaid reinsurance premiums | (7,174) | (36,103) |
| Premiums receivable | 52,592 | (127,526) |
| Reinsurance balances receivable | (32,979) | (28,284) |
| Reinsurance premiums payable | 1,535 | 12,100 |
| Accrued investment income | 8,316 | 1,607 |
| Accounts payable and accrued liabilities | (6,635) | 6,631 |
| | ----- | ----- |
| Total adjustments | (119,499) | (197,532) |
| | ----- | ----- |
| Net cash provided by operating activities | 200,199 | 98,543 |
| | ----- | ----- |
| Cash flows provided by (used in) investing activities: | | |
| Proceeds from sale of fixed maturities and short-term investments | 5,725,579 | 2,872,664 |
| Proceeds from redemption of fixed maturities and short-term investments | 80,360 | 79,000 |

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| | Six Months Ended May 31, | |
|------------------------------------------------------------------|-----------------------------|-------------|
| | 1997 | 1996 |
| | ---- | ---- |
| | (Unaudited) | |
| Proceeds from sale of equity securities..... | 573,524 | 402,107 |
| Purchases of fixed maturities and short-term investments..... | (5,648,824) | (3,497,370) |
| Purchases of equity securities..... | (459,654) | (208,691) |
| Deferred gains (losses) on forward hedge contracts..... | (1,249) | 2,770 |
| Investment in affiliates..... | (1,119) | (1,620) |
| Investment in limited partnerships..... | (2,632) | - |
| Other assets..... | (9,124) | (9,089) |
| | ----- | ----- |
| Net cash provided by (used in) investing activities..... | 256,861 | (360,229) |
| | ----- | ----- |
| Cash flow (used in) provided by financing activities: | | |
| Dividends paid..... | (54,594) | (42,006) |

| | | |
|----------------------------------------------------------|------------|------------|
| Issuance of shares..... | 355 | 126 |
| Proceeds from exercise of options..... | 3,965 | 4,562 |
| Repurchase of treasury shares..... | (139,231) | (174,305) |
| Loans payable..... | 60,000 | - |
| | ----- | ----- |
| Net cash used in financing activities..... | (129,505) | (211,623) |
| | ----- | ----- |
| Increase (Decrease) in cash and cash equivalents..... | 327,555 | (473,309) |
| | ----- | ----- |
| Cash and cash equivalents - beginning of period..... | \$ 252,734 | \$ 673,433 |
| | ----- | ----- |
| Cash and cash equivalents - end of period..... | \$ 580,289 | \$ 200,124 |
| | ===== | ===== |
| | | |
| Taxes paid..... | \$ 1,799 | \$ 1,571 |
| | ===== | ===== |

See accompanying notes to Consolidated Financial Statements.

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EXEL LIMITED

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of EXEL Limited (together with its subsidiaries, the "Company") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, these unaudited financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and results of operations as of the end of and for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. The November 30, 1996 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For further information, refer to the consolidated financial statements for the fiscal year ended November 30, 1996, and footnotes thereto, included in the Company's Annual Report on Form 10-K (No. 1-10804).

All share amounts have been adjusted for the one-for-one stock dividend paid to shareholders of record on July 26, 1996.

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2. INVESTMENT IN AFFILIATE

Summarized condensed financial information of Mid Ocean Limited, a 25.6% owned affiliate, which is accounted for by the equity method, is as follows (U.S. dollars in thousands):

Three Months Ended

Six Months Ended

| Income Statement Data | April 30 | | April 30, | |
|-------------------------------------------------------|-------------|-----------|-----------|-----------|
| | 1997 | 1996 | 1997 | 1996 |
| | ---- | ---- | ---- | ---- |
| | (unaudited) | | | |
| Net premiums earned | \$130,772 | \$102,274 | \$238,849 | \$204,379 |
| Net investment income | 25,335 | 19,911 | 49,175 | 38,957 |
| Net realized (losses) gains on sale of investments | (3,387) | (1,986) | (729) | 7,196 |
| Net income | \$ 62,916 | \$ 50,972 | \$114,918 | \$108,787 |
| | ===== | ===== | ===== | ===== |
| Company's share of net income | \$ 16,606 | \$ 14,282 | \$ 29,302 | \$ 30,395 |
| | ===== | ===== | ===== | ===== |

| Balance Sheet Data | April 30, | October 31, |
|-----------------------------------------------|-------------|-------------|
| | 1997 | 1996 |
| | ----- | ----- |
| | (Unaudited) | |
| Cash, investments and accrued interest | \$1,645,031 | \$1,539,259 |
| Other assets | 614,292 | 483,440 |
| | ----- | ----- |
| Total assets | \$2,259,323 | \$2,022,699 |
| | ===== | ===== |
| Reserves for losses and loss expenses | \$ 476,366 | \$ 422,252 |
| Reserves for unearned premiums | 440,748 | 287,494 |
| Other liabilities and minority interest | 134,466 | 195,754 |
| Shareholders' equity | 1,207,743 | 1,117,199 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$2,259,323 | \$2,022,699 |
| | ===== | ===== |
| Company's share of shareholders' equity | \$ 309,122 | \$ 314,256 |
| | ===== | ===== |

During the six months ended April 30, 1997 and 1996 the Company received dividends from its affiliate of \$14.5 million, and \$5.1 million, respectively.

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3. ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued SFAS No. 128, "Earnings per Share", effective for fiscal years ending after December 15, 1997. Earlier application is not permitted. This statement simplifies the standards in APB-15 for computing earnings per share by replacing primary earnings per share and by altering the calculation of diluted earnings per share, which replaces fully diluted earnings per share.

FASB also issued SFAS No. 129, "Disclosure of Information about Capital Structure," effective for fiscal years ending after December 15, 1997. This statement consolidates existing disclosure requirements and eliminates the exemption for non public entities from certain disclosure.

Both new standards are expected to have a minimal impact on the Company.

4. SUBSEQUENT EVENTS

On June 11, 1997 23,071,143 shares of GCR Holdings Limited ("GCR") (or approximately 90 percent of the outstanding shares of GCR) were validly tendered

pursuant to the cash tender offer of \$27.00 per share (or \$622.9 million) made by the Company through its subsidiary Exel Acquisitions Ltd. This transaction was funded through the Company's line of credit facility with Mellon Bank and the balance from its fixed income portfolio. The amount of \$400 million was drawn from an available line of \$500 million, repayable over various periods over the next six months of which \$300 million will be repaid after one month through the liquidation of the GCR investment portfolio. GCR's operations will be supported by the Company's investment portfolio and the line of credit. Interest rates on these loans vary with their maturity, and are established at the US Libor rate plus 20 basis points.

The Company's \$200 million revolving line of credit with Mellon Bank was replaced on June 11, 1997, by two revolving lines of credit, each for \$250 million, one maturing in one year, the other in five years. These facilities are provided by a syndicate of banks, led by Mellon Bank.

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EXEL LIMITED

 MANAGEMENT'S DISCUSSION AND ANALYSIS OF

 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations for the Three Months Ended May 31, 1997

 Compared to the Three Months Ended May 31, 1996

Table I presents an analysis of the Company's underwriting revenues for the periods indicated (U.S. dollars in thousands):

Table I

| | Three Months Ended May 31, | | |
|------------------------|-------------------------------|-----------|----------|
| | 1997 | 1996 | % Change |
| | ---- | ---- | ----- |
| | (unaudited) | | |
| Gross premiums written | \$81,266 | \$160,169 | (49.3)% |
| Net premiums written | 64,350 | 143,810 | (55.3)% |
| Net premiums earned | 128,817 | 131,952 | (1.6)% |

The decrease in gross premiums written in the second quarter of 1997 was impacted by speciality reinsurance assumed ("SRA") contracts written in the second quarter of 1996, being rewritten, resulting in the return of \$33.1 million in premium of which \$26.7 million was unearned. Further discussion is provided on this matter following Table II.

Gross premiums written were also affected by the level of multi-year policies written or as in the above case, cancelled in any given year. If gross premiums were adjusted for this multi-year effect, adjusted premiums would be \$110.9 million and \$105.5 million for 1997 and 1996, respectively. If, in addition, the above mentioned SRA items were also excluded, gross premiums written would have been \$113.1 million and \$95.5 million respectively.

A discussion of the decrease in net premiums written and net premiums earned can be found following Table III.

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Table II presents the split of gross premiums written by X.L. Insurance Company, Ltd. (X.L.), X.L. Europe Insurance (X.L.E.) and X.L. Reinsurance Company, Ltd. (XLRe) and reflects the growth in SRA business for the periods indicated, adjusted for the effects of multi-year premiums (U.S. dollars in thousands):

Table II

| | Three Months Ended May 31, | | | | 1996 | | | |
|----------------------------------|----------------------------|----------|----------|----------|----------|----------|----------|-----------|
| | 1997 | | XLRe | Total | 1996 | | XLRe | Total |
| X.L. | X.L.E. | X.L. | | | X.L.E. | | | |
| | (Unaudited) | | | | | | | |
| General liability | \$41,072 | \$9,638 | - | \$50,710 | \$52,941 | \$12,535 | - | \$65,476 |
| Directors and officers liability | 3,024 | 919 | - | 3,943 | 5,368 | 1,069 | - | 6,437 |
| Professional liability | 8,290 | 2,263 | - | 10,553 | 7,354 | 2,417 | - | 9,771 |
| Employment practices liability | 480 | - | - | 480 | - | - | - | - |
| Property | 5,712 | 797 | - | 6,509 | 3,221 | (38) | - | 3,183 |
| X.L. Risk solutions | 3,316 | - | - | 3,316 | 1,900 | - | - | 1,900 |
| Specialty reinsurance assumed | 3,500 | 1,103 | 30,764 | 35,367 | - | 2,723 | 15,978 | 18,701 |
| Annualized premiums | 65,394 | 14,720 | 30,764 | 110,878 | 70,784 | 18,706 | 15,978 | 105,468 |
| Multi-year premiums | (2,052) | (1,443) | (26,117) | (29,612) | 14,062 | 9,703 | 30,936 | 54,701 |
| Gross premiums written | \$63,342 | \$13,277 | \$ 4,647 | \$81,266 | \$84,846 | \$28,409 | \$46,941 | \$160,169 |

The increase in gross written premiums on an annual basis is largely due to the SRA line. This growth has been offset by decreases in the general liability and directors and officers liability product lines. Professional liability and employment practices liability grew modestly. The other growth areas include the property and X.L. Risk Solutions product lines.

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As disclosed in previous filings, some SRA policies can have significant premiums due to the nature of the risks and the multi-year coverage. These policies are loss sensitive, providing large penalty premiums in the event of losses, and the return of significant levels of premiums where little or no losses are incurred by the end of the policy term. During the quarter, an XLRe reinsured entered into a new contract, resulting in the return of \$33.1 million in premium of which \$6.4 million had been earned. The net expense of the \$6.4 million was offset by the release of the same amount accrued in experience reserves. Because of the now apparent intent of this reinsured to cancel and rewrite its contract after one year when it is loss free, only the first year of the go forward contract net of experience contribution has been recorded, resulting in gross premiums written of \$3.0 million.

SRA premiums assumed by X.L.E. relate in part to reinsurance protection to

a Bermuda insurer which provides certificates of responsibility to ship owners for compliance with the U.S. Oil Pollution Act of 1990. Premiums from this program have decreased largely due to a restructuring of the facility to an excess of loss basis from a quota share basis.

X.L. Risk Solutions was introduced late in the second quarter of 1996. X.L. Risk Solutions is a coordinated initiative with CIGNA Risk Solutions, between a subsidiary of the Company and CIGNA Property and Casualty ("CIGNA"). It provides combined limits of capacity for two or more of the Company's stand alone product lines over three or more years. In addition, the Company is providing property coverage with CIGNA which is reflected in X.L.'s property line, together with the continuing growth of the Company's traditional property cover.

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General liability insurance results continue to reflect the impact of competitive pressures from the U.S. domestic market and Lloyds of London. Despite these pressures, this division retained 84% of its business. Average attachments on premiums written increased from \$88.7 million to \$107.3 million and limits increased from \$68.4 million to \$91.9 million for the quarters ended May 31, 1996 and 1997, respectively.

Table III presents certain underwriting information with respect to the business written by the Company for the periods indicated (U.S. dollars in thousands):

Table III

| | Gross ----- Premiums written ----- | | Net --- Premiums Written ----- | | Net --- Premiums Earned ----- | |
|-----------------------------------------------------|---------------------------------------------|--------------|-----------------------------------------|--------------|----------------------------------------|--------------|
| | 1997 ---- | 1996 ---- | 1997 ---- | 1996 ---- | 1997 ---- | 1996 ---- |
| | Three Months Ended May 31 | | | | | |
| | (Unaudited) | | | | | |
| General liability | \$ 41,258 | \$82,498 | \$ 27,405 | \$ 69,242 | \$ 71,202 | \$ 81,038 |
| Directors and officers liability | 3,564 | 7,277 | 3,564 | 7,277 | 5,449 | 6,257 |
| Professional liability | 12,252 | 9,772 | 12,252 | 9,772 | 12,935 | 13,818 |
| Employment practices liability | 480 | - | 316 | - | 1,180 | - |
| Property | 9,598 | 5,285 | 7,042 | 3,757 | 5,022 | 5,084 |
| X. L. Risk solutions | 4,864 | 5,700 | 4,521 | 4,125 | 2,433 | 117 |
| Reinsurance assumed | 9,250 | 49,637 | 9,250 | 49,637 | 31,596 | 25,638 |
| | 81,266 | 160,169 | 64,350 | 143,810 | 129,817 | 131,952 |
| Multi year premiums | 29,612 | (54,701) | 35,508 | (51,588) | - | - |
| Annual adjustment for reinsurance assumed contracts | 2,197 | (10,000) | 2,197 | (10,000) | 1,762 | (4,453) |
| Adjusted premiums | \$113,075 | \$95,468 | \$ 102,055 | \$ 82,222 | \$131,579 | \$127,499 |

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Net premiums written in the second quarter were affected by the SRA

anomalies and multi-year adjustments. With effect from December 1, 1996, general liability premiums written under the managed alternate rating methodology are included in the general liability quota share treaty. In addition, the employment practices liability, X.L. Risk Solutions and property business lines are all subject to reinsurance.

Net earned premiums were also impacted by the SRA volatility. As disclosed above, if these SRA premiums had been excluded, net earned premiums would have been \$131.6 million and \$127.5 million for 1997 and 1996, respectively.

Table IV presents an analysis of the Company's revenues from its portfolio of investments and its investment in affiliates (U.S. dollars in thousands):

Table IV

| | Three Months Ended | | % Change |
|-----------------------------------------|--------------------|----------|----------|
| | May 31, | | |
| | 1997 | 1996 | |
| | ---- | ---- | ----- |
| | (Unaudited) | | |
| Net investment income | \$54,160 | \$50,249 | 7.8% |
| Net realized gains | 126,313 | 16,202 | N/M |
| Equity in net earnings of affiliates | 15,739 | 14,282 | 10.2% |

Net investment income has increased principally due to a larger asset base over the same quarter last year.

The increase in realized gains resulted from the restructuring of the Company's equity portfolio during the quarter.

Equity in net earnings of affiliates increased due to Mid Ocean Limited reporting a 23% increase in net income in their second quarter of 1997 compared to the same period in 1996. The Company's relative share however, was lower due to its reduced ownership declining from 28.0% to 25.6%.

Table V sets forth the Company's combined ratios and the components thereof for the periods indicated using U.S. generally accepted accounting principles (U.S. dollars in thousands):

Table V

| | Three Months Ended | |
|-----------------------------|--------------------|-------|
| | May 31, | |
| | 1997 | 1996 |
| | ---- | ---- |
| | (unaudited) | |
| Loss and loss expense ratio | 70.4% | 78.5% |
| Underwriting expense ratio | 17.6% | 14.9% |
| Combined ratio | 88.0% | 93.4% |

The decrease in the loss ratio is largely a result of the reserving methodology on the SRA business, which is established on a contract by contract basis. A significant component of this business has been short tail, and due to the level of attachments involved, no incurred but not reported reserve has been accrued on several contracts. While these contracts are currently lowering the loss ratio, any losses incurred on these contracts could have a negative effect on the Company's operating results due to the absence of reserves in respect thereof.

During the fourth quarter of 1996, X.L. acquired the assets of the American Excess Insurance Association ("AEIA"). X.L. is subject to a fee based upon the level of the AEIA book that binds with X.L. This fee will be expensed over five years. After adjusting for the aforementioned item, the expense ratio would have been 15.7%.

Net income was \$211.6 million or \$2.46 per share and \$89.0 million or \$0.95 per share for the quarters ended May 31, 1997 and 1996, respectively, representing an increase of 158.9% per share. The increase in per share amounts is primarily due to realized investment gains of \$126.3 million compared to \$16.2 million for the respective quarters.

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RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED MAY 31, 1997

 COMPARED TO THE SIX MONTHS ENDED MAY 31, 1996

Table I presents an analysis of the Company's underwriting revenues for the periods indicated (U.S. dollars in thousands):

Table I

| | Six Months Ended May 31, | | % Change |
|------------------------|-----------------------------|-----------|----------|
| | 1997 | 1996 | |
| | ---- | ---- | ----- |
| | (unaudited) | | |
| Gross premiums written | \$185,616 | \$379,299 | (51.1)% |
| Net premiums written | 141,319 | 307,523 | (54.0)% |
| Net premiums earned | 249,654 | 262,210 | (4.8)% |

The decrease in gross premiums written in the first six months of 1997 was impacted by three specialty reinsurance assumed ("SRA") contracts written in the first half of 1996 being rewritten, resulting in the return of \$89.1 million in premium. Of this amount \$73.5 million was unearned. In addition, in the first quarter of 1996, another SRA contract was written retroactively from June 1, 1995 resulting in a premium of \$22.5 million over three years.

Gross premiums written are also affected by the level of multi-year policies written or as in the above case, cancelled in any given year. If gross premiums were adjusted for this multi-year effect, adjusted premiums would be \$245.9 million and \$283.4 million for 1997 and 1996, respectively. If, in addition, the above mentioned SRA items were also excluded, gross premiums written would have been \$254.3 million and \$246.1 million, respectively.

A discussion of the decrease in net premiums written and net premiums earned can be found following Table III.

Table II present the split of gross premiums written by X.L, X.L.E and XLRe for the periods for the periods indicated, adjusted for the effects of multi-year premiums (U.S. dollars in thousands):

Table II

| | 1997 | | | | Six Months Ended May 31, | | | | 1996 | | | |
|----------------------------------|-------------|-----------|-------------|------------|--------------------------|-----------|---------|------------|------|-------|------|-------|
| | X.L | X.L.E | XLRe | Total | X.L | X.L.E | XLRe | Total | X.L | X.L.E | XLRe | Total |
| | (Unaudited) | | | | | | | | | | | |
| General liability | \$ 114,983 | \$ 26,401 | - | \$ 141,384 | \$ 136,242 | \$ 33,180 | - | \$ 169,432 | | | | |
| Directors and officers liability | 6,982 | 1,310 | - | 8,292 | 9,881 | 1,523 | - | 11,404 | | | | |
| Professional liability | 12,087 | 3,458 | - | 15,545 | 11,158 | 3,409 | - | 14,567 | | | | |
| Employment practices liability | 4,729 | - | - | 4,729 | - | - | - | - | | | | |
| Property | 10,044 | 1,778 | - | 11,822 | 7,008 | (38) | - | 6,970 | | | | |
| X. L. Risk solutions | 6,576 | - | - | 6,576 | 1,900 | - | - | 1,900 | | | | |
| Specialty reinsurance assumed | 8,968 | 5,798 | 42,822 | 57,588 | 10,150 | 12,446 | 56,540 | 79,136 | | | | |
| Annualized premiums | 164,369 | 38,745 | 42,822 | 245,936 | 176,339 | 50,520 | 56,540 | 283,399 | | | | |
| Multi-year premiums | 15,202 | (2,383) | (73,139) | (60,302) | (14,338) | 9,780 | 100,458 | 95,900 | | | | |
| Gross premiums written | \$ 179,571 | \$ 36,262 | \$ (30,317) | \$ 185,616 | \$ 162,001 | \$ 60,300 | 156,998 | \$ 379,299 | | | | |

The decrease in gross written premiums on an annual basis is largely due to anomalies in the SRA line and the continuing competitive pressures felt by the general liability and directors and officers liability product lines. Professional liability and employment Practices liability continue to grow. The other growth areas include the property and X.L. Risk Solutions product lines.

During the first six months three SRA contracts were rewritten resulting in the return of \$89.1 million in premium of which \$15.6 million had been earned. The net expense of the \$15.6 million was offset by the release of the same amount accrued in experience reserves. For reasons previously discussed, only the first year of the go forward contract net of experience contributions has been recorded, resulting in gross premiums written of \$6.1 million.

During the first quarter of 1996 X.L. wrote an SRA policy retroactively from June 1, 1995 resulting in an adjusted premium of \$15.3 million and a future year premium of \$7.3 million. There is no corresponding premium in the first six months of 1997. The latter amount will not be recognized in annual premium until the third quarter of 1997.

SRA premiums assumed by X.L.E. relate in part to reinsurance protection to a Bermuda insurer which provides certificates of responsibility to ship owners for compliance with the U.S. Oil Pollution Act of 1990. Premiums from this program have decreased largely due to a restructuring of the facility to an excess of loss basis from a quota share basis.

Employment practices liability represents the only other area of growth in the first six months.

General liability insurance results continue to reflect the impact of competitive pressures from the U.S. domestic market and Lloyds of London. Despite these pressures, this division retained 84% of its business. Average

attachments on premiums written increased from \$99.5 million to \$119.8 million and limits increased from \$77.1 million to \$89.7 million for the six months ended May 31, 1996 and 1997 respectively

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Table III presents certain underwriting information with respect to the business written by the Company for the periods indicated (U.S. dollars in thousands):

Table III

| | Gross | | Net | | Net | |
|---------------------------------------------------------------|------------------|-----------|-------------------------|-----------|-----------------|-----------|
| | Premiums Written | | Premiums Written | | Premiums Earned | |
| | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 |
| | | | Six Months Ended May 31 | | | |
| | | | | | | |
| | | | (Unaudited) | | | |
| General liability | \$135,997 | \$186,839 | \$ 98,825 | \$119,410 | \$146,627 | \$163,205 |
| Directors and officers liability | 8,848 | 12,244 | 8,848 | 12,244 | 10,953 | 12,532 |
| Professional liability | 19,096 | 15,327 | 19,096 | 15,327 | 25,442 | 27,189 |
| Employment practices liability | 4,729 | - | 2,919 | - | 2,001 | - |
| Property | 19,078 | 11,095 | 15,248 | 8,323 | 10,343 | 9,981 |
| X. L. Risk solutions | 13,419 | 5,700 | 11,934 | 4,125 | 4,104 | 117 |
| Reinsurance assumed | (15,551) | 148,094 | (15,551) | 148,094 | 50,184 | 49,186 |
| | 185,616 | 379,299 | 141,319 | 307,523 | 249,654 | 262,210 |
| Multi year premiums | 60,320 | (95,900) | 77,268 | (91,414) | - | - |
| Annual adjustment for reinsurance assumed contracts | 8,377 | (37,250) | 8,377 | (37,250) | 9,491 | (12,425) |
| Reinsurance general liability quota share of unearned premium | - | - | - | 35,544 | - | - |
| Adjusted premiums | \$254,313 | \$246,149 | \$266,964 | \$214,403 | \$259,145 | \$249,785 |

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Net premiums written were affected by the SRA anomalies and multi-year adjustments. In addition, the first six months of 1996 reflects the cession of part of the general liability unearned premium reserve of \$35.5 million on December 1, 1995, the commencement of the general liability quota share treaty. With effect from December 1, 1996 general liability premiums written under the managed alternate rating methodology are also included. Employment practices liability, X.L. Risk Solutions and property business lines are also subject to reinsurance.

Net earned premiums were also impacted by the SRA volatility. As disclosed above, if these SRA premiums had been excluded, net earned premiums would have been \$259.1 million and \$251.8 million for 1997 and 1996, respectively.

Table IV presents an analysis of The Company's revenues from its portfolio of investments and its investment in affiliates (U.S. dollars in thousands):

Table IV

| | Six Months Ended May 31, | | % Change |
|----------------------------------------|-----------------------------|----------|----------|
| | 1997 | 1996 | |
| | ---- | ---- | ----- |
| | (unaudited) | | |
| Net investment income | \$105,717 | \$98,022 | 7.9% |
| Net realized gains | 158,926 | 152,261 | N/M |
| Equity in net earnings of affiliate | 28,894 | 30,395 | (4.9)% |

Net investment income has increased principally due to a larger asset base over the same period last year.

The significant gains realized in 1996 were the result of the liquidation of two fixed maturity portfolios and one equity portfolio due to similarities in strategies between managers. During the first quarter of 1997, the fixed maturity portfolio was extensively restructured, realizing losses of \$5.2 million. During the second quarter of 1997, the equity portfolio was restructured resulting in the portfolio of one manager being liquidated. Total gains realized by the equity managers during the six month period ended May 31, 1997 was \$170 million of which \$26.3 million were gains realized by a synthetic equity portfolio. A further discussion of these derivatives is included under "Financial Condition and Liquidity" section of the Management Discussion and Analysis.

The decrease in equity earnings in affiliates is attributable to the Company's ownership in Mid Ocean Limited ("MOCL") decreasing from approximately 28.0% in 1996 to 25.6% the first six months of 1997, due to the exercise of options by MOCL's founding shareholders.

Table V sets forth the Company's combined ratios and the components thereof for the periods indicated using U.S. generally accepted accounting principles:

Table V

| | Six Months Ended May 31, | |
|-----------------------------|-----------------------------|-------|
| | 1997 | 1996 |
| | ---- | ---- |
| | (unaudited) | |
| Loss and loss expense ratio | 70.6% | 79.3% |
| Underwriting expense ratio | 17.8% | 14.2% |
| Combined ratio | 88.4% | 93.5% |

The decrease in the loss and loss expense ratio is the result of several factors. There was a net release of short-tail reserves of \$5.0 million and a pull down effect caused by the release of SRA experience reserves, returned as premium in the amount of \$15.6 million, as previously mentioned. After adjusting for these items the loss ratio would have been 74.2%. The decrease in the adjusted ratio reflects the reserving methodology on the SRA business, which is established on a contract by contract basis. A significant component of this

business has been short tail, and due to the level of attachments involved, no incurred but not reported reserve has been accrued on several contracts. While these contracts are currently lowering the loss ratio, any losses incurred on these contracts could have a negative effect on the Company's operating results due to the absence of reserves in respect thereof.

The return of the SRA premiums also affected the expense ratio. In addition, during the fourth quarter of 1996, X.L. acquired the assets of the AEIA. X.L. is subject to a fee based upon the level of the AEIA book that binds with X.L. This fee will be expensed over five years. After adjusting for the aforementioned items, the expense ratio would have been 15.8%.

Net income was \$319.7 million or \$3.68 per share and \$296.1 million or \$3.13 per share for the six months ended May 31, 1997 and 1996, respectively, representing an increase of 17.6% per share. The increase in per share amounts is primarily due to a reduction in the weighted average shares outstanding from 94.5 million to 86.8 million.

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Financial Condition and Liquidity

As a holding company, the Company's assets consist primarily of its investments in the stock of its subsidiaries and the Company's future cash flows depend on the availability of dividends or other statutorily permissible payments from its subsidiaries. In order to pay dividends, the amount of which are limited to accumulated net realized profits, the Company's principal subsidiary, X.L., must maintain certain minimum levels of statutory capital and surplus, solvency and liquidity pursuant to Bermuda statutes and regulations. At May 31, 1997, X.L. could have paid dividends in the amount of approximately \$1.4 billion. Neither the Company nor any of its subsidiaries other than X.L. had any other restrictions preventing them from paying dividends. No assurance, however, can be given that the Company or its subsidiaries will not be prevented from paying dividends in the future. The Company's shareholders' equity at May 31, 1997 was \$2.2 billion, of which \$1.7 billion was retained earnings.

At May 31, 1997, total investments and cash net of the unsettled investments trades were \$4.1 billion, compared to \$4.0 billion at November 30, 1996. The Company's fixed income investments (including short-term investments and cash equivalents) at May 31, 1997 represented approximately 79% of invested assets and were managed by several outside investment management firms with different strategies. Substantially all fixed income securities are of investment grade, and approximately 60% of the portfolio is in U.S. and non-U.S. sovereign government obligations, corporate bonds and other securities rated Aa or AA or better by a nationally recognized rating agency. Cash and cash equivalents net of pending investment trades was \$362.3 million at May 31, 1997, compared to \$210.6 million at November 30, 1996.

In fiscal 1996 and in fiscal 1997 through May 31, the total amount of losses paid by the Company was \$302.6 million and \$105.1 million, respectively.

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Financial Condition and Liquidity (Continued)

Insurance practices and regulatory guidelines suggest that property and casualty insurance companies maintain a ratio of net premiums written to statutory capital and surplus of not greater than 3 to 1, with a lower ratio considered to be more prudent for a company that insures the types of exposures written by X.L. X.L. maintained a ratio of 0.5 to 1 (calculated on an annualized basis) for the six months ended May 31, 1997 and for the year ended November 30, 1996

The Company establishes reserves to provide for the estimated expenses of settling claims, the general expenses of administering the claims adjustment process and for losses incurred but not reported. These reserves are calculated by using actuarial and other reserving techniques to project the estimated ultimate net liability for losses and loss expenses. No assurance can be given that actual claims made and payments related thereto will not be in excess of the amounts reserved.

The Company commenced its initial share buy back program in September 1993 as authorized by the Board of Directors and obtained approval for subsequent programs as each program was completed. As at May 31, 1997 the Company had repurchased 27.6 million shares in total. During the six months then ended, the Company purchased 3.4 million shares at a cost of \$139.1 million, which was funded from operations. The Company has 2.4 million shares remaining in its authorized buy back program.

During the six month period ended May 31, 1997 there were two draw downs from the Company's revolving line of credit facility, with Mellon Bank, each for \$30 million. The first one was drawn on April 14, 1997, repayable on October 14, 1997 at a rate of 6.12% and other was drawn on May 5, 1997 repayable June 5, 1997 at a rate of 5.81%.

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Derivative Financial Instruments

Foreign Currency Risk Management

As part of its current investment strategy, the Company invests in non U.S. Dollar denominated fixed maturities and equities. The Company hedges the majority of the foreign currency exposure of its non-U.S. Dollar fixed maturity investments using forward foreign exchange contracts that generally have maturities of three months or less, and which are rolled over to provide continuing coverage for as long as the investments are held. When an investment is sold, the related foreign exchange sale contract is closed by entering into an offsetting purchase. At May 31, 1997 the Company had, as hedges, foreign exchange contracts for the sale of \$203.1 million and the purchase of \$71.6 million of foreign currency at fixed rates, primarily Canadian Dollars (17% of net contract value), Finnish Markka (22%), Japanese yen (13%), Swedish Kroner (18%) and Swiss Francs (18%). No other currency was greater than 10%. The market value of non-U.S. Dollar fixed maturities held by the Company as at May 31, 1997 that were hedged by foreign exchange contracts was \$130.5 million.

Unrealized foreign exchange gains or losses on foreign exchange contracts hedging non-U.S. Dollar fixed maturity investments are deferred and included in shareholders' equity. As at May 31, 1997, unrealized deferred gains amounted to \$196,000, and were offset by corresponding decreases in the dollar value of the investments. Realized gains and losses on the maturity of these contracts are also deferred and included in shareholders' equity until the corresponding investment is sold. As of May 31, 1997, realized deferred losses amounted to \$2.0 million.

The Company uses foreign exchange contracts to manage the foreign exchange risk of fluctuating foreign currencies on the value of its non-U.S. Dollar equity investments. These contracts are not designated as specific hedges and, therefore realized and unrealized gains and losses recognized on them are recorded as a component of net realized gains and losses in the period in which they occur. At May 31, 1997, the Company had such forward contracts outstanding of \$925.5 million, with unrealized gains of \$11.7 million. Gains of \$14.3 million were realized during the six month period then ended. Based on the outstanding contracts' value, a 5% appreciation or devaluation of the U.S. Dollar as compared to the level of other currencies under contract at May 31, 1997 would have resulted in approximately \$23.7 million in unrealized gains or \$1.2 million

in unrealized losses, respectively.

Derivative Financial Instruments

Foreign Currency Risk Management (Continued)

The Company also manages exchange risk for a particular non-U.S. Dollar fixed maturity portfolio in a manner similar to that of its non-U.S. Dollar equity portfolio. The Company had outstanding forward contracts for sale of \$51.2 million and for purchase of \$37.3 million of foreign currencies at fixed rates. A 5% appreciation or devaluation of the U.S. Dollar as compared to the other currencies under contract at May 31, 1997 would have resulted in unrealized gains of approximately \$170,000 and \$167,000, respectively. The market value of the non-U.S. Dollar fixed maturities held was \$148.5 million.

In addition, the Company also enters into foreign exchange contracts to buy and sell foreign currencies in the course of trading its non-U.S. Dollar investments. These contracts are not designated as specific hedges, and generally have maturities of two weeks or less. As such, any realized or unrealized gains or losses are recorded in income in the period in which they occur. At May 31, 1997, the Company had \$4.2 million of such contracts outstanding, and had recognized a minimal amount in realized and unrealized losses for the six month period. Based on this value, a 5% appreciation or devaluation of the U.S. Dollar as compared to the level of other currencies under contract at May 31, 1997 would have had no material effect on income.

Speculative Financial Instruments

In accordance with its current investment guidelines, the Company may invest up to 30% of its investment portfolio in equity securities. During 1996 these guidelines were amended so that this exposure could be obtained by direct holdings of publicly traded equities and by investing in a synthetic portfolio. In this synthetic equity portfolio, S&P 500 Index futures are held with an exposure approximately equal in amount to the market value of underlying assets held in this portfolio. As at May 31, 1997, the portfolio held \$281.0 million in exposure to S&P 500 Index futures together with fixed maturities, short-term investments and cash amounting to \$281.3 million. Based on this value, a 5% increase or decrease in the price of these futures would have resulted in positions of \$295.1 million and \$267.0 million, respectively. The value of the futures is updated daily with the change recorded in income as a realized gain or loss. For the six months ended May 31, 1997, net realized gains from index futures totalled \$26.3 million.

Speculative Financial Instruments (Continued)

With the introduction of the new fixed maturity managers during February 1997, certain managers may utilize derivative instruments to add value to the investments they manage where they believe market inefficiencies exist. At May 31, 1997 bond futures outstanding were \$340.7 million with underlying investments having a market value of \$1.8 billion (All managers are restricted from leveraging their derivative positions). A 5% appreciation or devaluation of these bond futures at this time would have resulted in unrealized gains of approximately \$17.0 million and unrealized losses of \$17.1 million.

Another investment manager utilizes both stock and bond futures in the global market to take advantage of market inefficiencies between countries and

types of securities. All futures are collateralized by cash and cash equivalents securities. The total stock and bond futures' exposure at May 31, 1997 for this manager was \$48.0 million with underlying investments having a value of \$50.4 million. A 5% appreciation or devaluation of these futures would have resulted approximately in unrealized gains of \$2.4 million and unrealized losses of \$2.4 million.

One of the Company's investment managers applies a global asset allocation strategy, investing in both equity and fixed income securities as well as tactical currency positioning. This manager had outstanding foreign exchange contracts for sale of \$39.6 million and for purchase of \$35.4 million. A 5% appreciation or devaluation of the U.S. dollar would have resulted in approximately unrealized losses of \$338,000 and unrealized gains of \$58,000, respectively.

Accounting Standards

- - - - -

The Financial Accounting Standards Board ("FASB") issued SFAS No. 128, "Earnings per Share", effective for fiscal years ending after December 15, 1997. Earlier application is not permitted. This statement simplifies the standards in APB-15 for computing earnings per share by replacing primary earnings per share and by altering the calculation of diluted earnings per share, which replaces fully diluted earnings per share.

Accounting Standards (Continued)

- - - - -

FASB also issued SFAS No. 128, "Disclosure of Information about Capital Structure", effective for fiscal years ending after December 15, 1997. This statement consolidates existing disclosure requirements and eliminates the exemption for non public entities from certain disclosure.

Both new standards are expected to have a minimal impact on the Company.

Subsequent Events

- - - - -

On June 11, 1997 23,071,143 shares of GCR Holdings Limited ("GCR") (or approximately 90 percent of the outstanding shares of GCR) were validly tendered pursuant to the cash tender offer of \$27.00 per share (or \$622.9 million) made by the Company through its subsidiary Exel Acquisitions Ltd. This transaction was funded through the Company's line of credit facility with Mellon Bank and the balance from its fixed income portfolio. The amount of \$400 million was drawn from an available line of \$500 million, repayable over various periods over the next twelve months of which \$300 million will be repaid after one month through the liquidation of the GCR investment portfolio. GCR's operations will be supported by the Company's investment portfolio and the line of credit. Interest rates on these loans vary with its maturity, and are established at the US Libor rate plus 20 basis points.

The Company's \$200 million revolving line of credit with Mellon Bank was replaced on June 11, 1997, by two revolving lines of credit, each for \$250 million, one maturing in one year, the other in five years. These facilities are provided by a syndicate of banks, lead by Mellon Bank.

Current Outlook
 - - - - -

The Company believes competitive pressures will continue throughout fiscal 1997 and constrain growth in the Company's traditional product lines. However, the Company believes specific opportunities will exist in 1997 for growth in the Company's property, X.L. Risk Solutions and employment practices liability product lines, XLRe's specialty reinsurance lines, further developments in non-U.S. business and selected types of political risk insurance.

The Company undertakes no obligation to update publicly changes in its beliefs expressed herein.

EXEL LIMITED
 - - - - -

PART II - OTHER INFORMATION
 - - - - -

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS
 - - - - -

At the Annual General Meeting of Shareholders held on April 11, 1997 at the Executive Offices of the Company, Cumberland House, One Victoria Street, 9th Floor, Hamilton HM11, Bermuda, the shareholders approved the following:

- 1. To elect Class I Directors to hold office until 2000:

| | Votes For* | Votes Against* |
|------------------|---------------|-------------------|
| | --- | ----- |
| Gilbert Gould | 70,969,978 | 87,376 |
| Ian R. Heap | 70,592,944 | 464,410 |
| John Loudon | 70,654,386 | 402,986 |
| Robert S. Parker | 70,967,283 | 87,846 |
| Alan Z. Senter | 70,967,283 | 90,071 |

Messrs. O'Hara, Thornton, Weiser, Clements, Esposito, Rance and Dr. Thrower continue in office.

Votes*

- 2. To amend the 1991 Performance Incentive Program;

For - 58,669,065 Against - 12,227,570 Abstaining - 160,719

- 3. To appoint Coopers & Lybrand, Bermuda as independent Auditors for the fiscal year ending November 30, 1997;

Votes*

For - 70,999,945 Against - 26,567 - Abstaining - 30,842

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* Before giving effect to the applicable provisions in the Company's Articles of Association which limit the voting rights with respect to the shares of any person or "group" of persons beneficially owning (within the meaning of Section 13(d) (3) of the Securities Exchange Act of 1934) 10% or more of the issued Ordinary Shares of the Company to a voting power of one share less than 10% pursuant to a formula specified in the Articles of Association.

According to filings made with the Securities and Exchange Commission, two separate "groups" of persons may each beneficially own in excess of 10% of the issued Ordinary Shares of the Company. If the voting power of such groups were limited pursuant to the formula specified in the Articles of Association, the matters voted on by shareholders as set forth above would still have been approved by the required vote of the shareholders.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXEL LIMITED

(Registrant)

/s/ Brian M. O'Hara

June 27, 1997

Brian M. O'Hara
President and
Chief Executive Officer

/s/ Brian G. Walford

June 27, 1997

Brian G. Walford
Executive Vice President and
Chief Financial Officer

EXEL LIMITED

COMPUTATION OF EARNINGS PER ORDINARY SHARE AND
ORDINARY SHARE EQUIVALENT(U.S. dollars in thousands except
per share amounts)

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------|-----------------------------|------------|
| | 1997 | 1996 | 1997 | 1996 |
| | (Unaudited) | | (Unaudited) | |
| | (U.S. Dollars in thousands except per share amounts) | | | |
| (A) Earnings per ordinary share and ordinary share equivalent -- primary: | | | | |
| Weighted average shares outstanding | 84,883 | 92,354 | 85,850 | 93,362 |
| Average stock options outstanding (net of repurchased shares under the treasury stock method | 976 | 1,191 | 970 | 1,160 |
| | ----- | ----- | ----- | ----- |
| Weighted average ordinary shares and ordinary shares equivalents outstanding | 85,859 | 93,545 | 86,820 | 94,522 |
| | ----- | ----- | ----- | ----- |
| Net income: | | | | |
| Actual net income ... | \$ 211,580 | \$ 88,986 | \$ 319,698 | \$ 296,075 |
| Assumed earnings on excess option proceeds | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Adjusted net income ... | \$ 211,580 | \$ 88,986 | \$ 319,698 | \$ 296,075 |
| | ===== | ===== | ===== | ===== |
| Earnings per ordinary share and ordinary share equivalent | \$ 2.46 | \$ 0.95 | \$ 3.68 | \$ 3.13 |
| | ===== | ===== | ===== | ===== |

| | Three Months Ended May 31, | | Six Months Ended May 31, | |
|---------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------|-----------------------------|--------|
| | 1997 | 1996 | 1997 | 1996 |
| | (Unaudited) | | (Unaudited) | |
| | (U.S. Dollars in thousands except per share amounts) | | | |
| (B) Earnings per ordinary share and ordinary share equivalent -- assuming full dilution: | | | | |
| Weighted average shares outstanding | 84,884 | 92,354 | 85,850 | 93,362 |
| Average stock options outstanding (net of repurchased shares under the treasury | | | | |

| | | | | |
|---------------------------------------------------------------------------------------------|------------|-----------|------------|------------|
| stock method | 1,070 | 1,191 | 1,123 | 1,200 |
| | ----- | ----- | ----- | ----- |
| Weighted average ordinary shares and ordinary shares equivalents outstanding | 85,954 | 93,545 | 86,973 | 94,562 |
| | ----- | ----- | ----- | ----- |
| Net income: | | | | |
| Actual net income ... | \$ 211,580 | \$ 88,986 | \$ 319,698 | \$ 296,075 |
| Assumed earnings on excess option proceeds | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Adjusted net income ... | \$ 211,580 | \$ 88,986 | \$ 319,698 | \$ 296,075 |
| | ===== | ===== | ===== | ===== |
| Earnings per ordinary share and ordinary share equivalent | \$ 2.46 | \$ 0.95 | \$ 3.68 | \$ 3.13 |
| | ===== | ===== | ===== | ===== |

<ARTICLE> 7

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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