UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED AUGUST 31, 1998

Commission File Number 1-10804

EXEL LIMITED

(Exact name of registrant as specified in its charter)

Cayman Islands	98-0191089
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Cumberland House, 1 Victoria Street, Hamilton, Bermuda HM 11

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code (441) 292-8515

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] YES   [ ] NO

The number of registrant's Ordinary Shares ($0.01 par value) outstanding as of September 30, 1998 was 110,015,535 excluding 308,200 shares held in treasury.

EXEL LIMITED

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

EXEL LIMITED
CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	August 31, 1998 (Unaudited)	November 30, 1997
ASSETS		
Investments:		
Fixed maturities, at market value (amortized cost: 1998 - $4,713,217; 1997 - $3,144,642)	$4,660,383	$3,196,872
Equity securities, at market value (cost: 1998 - $1,097,686; 1997 - $729,888)	1,112,022	837,827
Short-term investments, at market value (amortized cost: 1998 - $321,410; 1997 - $220,138)	320,570	219,969
Total Investments	$6,092,975	$4,254,668
Cash and cash equivalents	550,084	394,599
Investment in affiliates (cost: 1998 - $149,106; 1997 - $336,680)	163,395	517,396
Other investments	47,310	27,244
Accrued investment income	62,823	48,576
Deferred acquisition costs	109,853	22,272
Prepaid reinsurance premiums	148,379	108,916
Premiums receivable	835,174	254,238
Reinsurance balances receivable	283,909	156,025
Intangible Assets	1,527,873	267,695
Other assets	123,705	36,833
Total Assets	$9,945,480	$6,088,462
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities and Minority Interest:		
Unpaid losses and loss expenses	$3,044,304	$2,342,254
Unearned premiums	1,120,119	566,911
Premium received in advance	47,117	40,706
Loans payable	371,324	141,000
Accounts payable and accrued liabilities	116,704	40,923
Reinsurance premiums payable	106,033	69,305
Payable for investments purchased	612,415	382,345
Minority interest	27,156	25,888
Total Liabilities and Minority Interest	$5,445,172	$3,609,332

	August 31, 1998	November 30, 1997
	(Unaudited)	
Contingencies		
Shareholders' Equity:		
Ordinary shares (par value $0.01): authorized, 999,990,000 shares; issued and outstanding, 110,009,400 shares at August 31, 1998 and 84,407,638 shares (excluding 27,594,800 shares held in treasury) at November 30, 1997	1,100	844
Contributed surplus	2,271,444	290,085
Net unrealized (depreciation) appreciation of investments	(15,432)	188,444
Deferred compensation	(15,225)	(11,362)
Retained earnings	2,258,421	2,011,119
Total shareholders' equity	$4,500,308	$2,479,130
Total liabilities and shareholders' equity	$9,945,480	$6,088,462

See accompanying notes to Consolidated Financial Statements.

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

	Three Months Ended August 31 1998	Three Months Ended August 31 1997	Nine Months Ended August 31 1998	Nine Months Ended August 31 1997
	(Unaudited)			
Revenues:				
Net premiums earned	$155,514	$138,034	$433,183	$387,688
Net investment income	70,983	56,109	188,963	161,826
Net realized gains (losses) on sale of investments	(2,837)	116,400	134,655	275,326
Equity in net earnings of affiliates	14,604	16,219	49,539	45,113
Fee and other income	2,132	-	6,277	-
Total revenues	$240,396	$326,762	$812,617	$869,953
Expenses:				
Losses and loss expenses	91,182	85,022	256,425	261,299
Acquisition costs	18,289	13,508	52,933	34,207
Administration expenses	35,680	13,706	68,664	36,998
Interest expense	2,495	4,414	6,145	4,784
Amortization of intangible assets	6,129	2,674	12,806	2,674
Total expenses	$153,775	$119,324	$396,973	$339,962
Income before income tax expenses and minority interest	86,621	207,438	415,644	529,991
Minority Interest	(273)	-	1,131	-
Income tax expense	1,064	878	2,711	3,733
Net income	$ 85,830	$206,560	$411,802	$526,258
Weighted average number of ordinary shares and ordinary share equivalents outstanding				
- Basic	91,337	84,378	86,868	85,356
- Diluted	94,191	85,583	88,491	86,436
Net income per ordinary share and ordinary share equivalent				
- Basic	$0.94	$2.45	$4.74	$6.17
- Diluted	$0.91	$2.41	$4.65	$6.09
Dividends declared per share	$0.40	$0.32	$1.20	$0.94

See accompanying notes to Consolidated Financial Statements.

EXEL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)

	Nine Months Ended August 31, 1998	1997
	(Unaudited)	
Cash flows from operating activities		
Net income for the period before minority interest	$ 412,933	$ 526,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized gains on sale of investments	(134,655)	(275,326)
Amortization of premium on fixed maturities	(4,820)	(830)
Amortization of deferred compensation	3,382	2,392
Amortization of intangible assets	12,806	2,674
Equity in earnings of affiliates net of dividends received and consolidation adjustments	(24,143)	(24,691)
Unpaid losses and loss expenses	101,640	137,689
Unearned premiums	92,461	(122,275)
Premiums received in advance	6,411	24,651
Deferred acquisition costs	(15,720)	8,072
Prepaid reinsurance premiums	(4,021)	(14,672)
Premiums receivable	(124,283)	118,925
Reinsurance balances receivable	(39,865)	(46,910)
Reinsurance premiums payable	(14,497)	9,802
Accrued investment income	7,567	12,003
Accounts payable and accrued liabilities	(931)	(9,264)
Total adjustments	(138,668)	(177,760)
Net cash provided by operating activities	274,265	348,498
Cash flows provided by (used in) investing activities:		
Proceeds from sale of fixed maturities and short-term investments	8,744,147	7,961,487
Proceeds from redemption of fixed maturities and short-term investments	412,625	79,220
Proceeds from sale of equity securities	647,073	967,410
Purchases of fixed maturities and short-term investments	(9,082,789)	(7,543,708)
Purchases of equity securities	(705,063)	(836,513)
Deferred losses on forward hedge contracts	(3,656)	2,067
Investment in affiliates	(27,221)	(18,397)
Purchase of GCR Holdings Limited	-	(656,282)
Cash received in purchase of Mid Ocean Limited	137,483	-
Other investments	(4,105)	622
Other assets	(30,904)	(3,337)
Net cash provided by (used in) investing activities	87,590	(47,431)

	Nine Months Ended August 31, 1998	1997
	(Unaudited)	
Cash flow used in financing activities:		
Dividends paid	(101,469)	(81,587)
Issuance of shares	501	355
Proceeds from exercise of options	5,906	5,793
Repurchase of treasury shares	(331,308)	(139,231)
Proceeds from loans	570,000	460,000
Repayment of loans	(350,000)	(300,000)
Net cash used in financing activities	(206,370)	(54,670)
Increase in cash and cash equivalents	155,485	246,397
Cash and cash equivalents - beginning of period	$ 394,599	$ 252,734
Cash and cash equivalents - end of period	$ 550,084	$ 499,131
Taxes paid	$ 4,127	$ 2,589

See accompanying notes to Consolidated Financial Statements

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, 1997 consolidated 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, 1997, and footnotes thereto, included in the Company's Annual Report on Form 10-K (No. 1-10804) for the year ended November 30, 1997, as filed February 25, 1998, and amended by its Form 10-K/A filed on June 26, 1998.

All per share amounts are based on the weighted average number of shares calculated in accordance with SFAS No. 128. This statement replaces APB Opinion No. 15 for computing earnings per share by replacing primary earnings per share with basic earnings per share and by altering the calculation of diluted earnings per share which replaces fully diluted earnings per share. Prior period per share amounts have been restated to reflect this.

2. BUSINESS COMBINATION

At a class meeting held on August 3, 1998, the shareholders of the Company approved a Scheme of Arrangement (the "EXEL Arrangement") pursuant to section 85 of the Companies Law (1995 Revision) of the Cayman Islands under which EXEL became a wholly-owned subsidiary of EXEL Merger Company, which has since been renamed "EXEL Limited" ("New EXEL"), an exempted limited liability company incorporated under the laws of the Cayman Islands. At separate class meetings held on the same date, the shareholders of Mid Ocean Limited ("Mid Ocean") approved a similar Scheme of Arrangement (the "Mid Ocean Arrangement" and, together with the EXEL Arrangement, the "Arrangements") pursuant to section 85 of the Companies Law (1995 Revision) of the Cayman Islands under which Mid Ocean became a wholly-owned subsidiary of New EXEL. Under the terms of the EXEL Arrangement and, subject to the cash election rights described below, each outstanding share of the Company was allotted and issued one share in New EXEL. Under the terms of the Mid Ocean Arrangement and, subject to the cash election rights described below, each outstanding share of the Mid Ocean was allotted and issued 1.0215 shares in New EXEL. Under the Arrangements, shareholders of EXEL and Mid Ocean had the opportunity to elect to receive cash in lieu of shares in New EXEL up to a maximum of $300 million in the aggregate. As this election was oversubscribed, $204 million was made available to shareholders of EXEL and $96 million was allotted to shareholders of Mid Ocean.

The Arrangements have been accounted for as a purchase under U.S. generally accepted accounting principles and, as such, the consolidated financial statements include the financial statements of Mid Ocean effective August 1, 1998, which has been deemed the closing date of the transactions for accounting purposes. The purchase price amounted to $2.2 billion of which $0.9 billion represented the fair value of Mid Ocean's net assets not already owned by the Company with the balance of $1.3 billion representing goodwill which is being amortized over 40 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations for the Three Months Ended August 31, 1998 Compared to the Three Months Ended August 31, 1997

The following table presents an analysis of the Company's revenues for the periods indicated (U.S. dollars in thousands):

	For the Three Months Ended August 31, (unaudited) 1998	1997	% Change
Net earned premiums	$155,514	$138,034	12.7%
Net investment income	70,983	56,109	26.5%
Realized (losses) gains	(2,837)	116,400	N/M
Equity in net earnings of affiliates	14,604	16,219	(11.2%)
Fee and other income	2,132	-	N/M

The quarter ended 1998 includes Mid Ocean Limited's ("Mid Ocean") equitized earnings through July 31, and thereafter accounts for Mid Ocean's results on a consolidated basis. In addition, the comparative quarter for 1997 only includes two and a half months of the company formerly known as Global Capital Reinsurance Company Limited (which was amalgamated in June 1997 with X.L. Reinsurance Company, Ltd. to form X.L. Global Reinsurance Company, Ltd.).

The following table reflects the business segmentation of the underwriting revenues for the periods indicated (U.S. dollars in thousands):

	For the Three Months Ended August 31,					
	Gross Premiums Written		Net Premiums Written		Net Premiums Earned	
	1998	1997	1998	1997	1998	1997
			(unaudited)			
Insurance Operations						
General liability	$ 55,589	$ 68,965	$ 45,131	$ 52,261	$ 47,098	$ 58,031
Other liability	96,729	37,950	94,146	33,466	25,531	23,185
Property	17,506	12,055	10,714	8,816	4,958	5,717
Specialty	5,432	-	4,889	-	1,145	-
Reinsurance Operations						
Property Catastrophe	13,138	170	6,150	(440)	29,907	18,332
Other Property	554	1,852	(132)	1,851	5,421	4,948
Marine & Energy	4,647	1,291	3,879	1,291	8,846	5,998
Aviation & Satellite	4,684	10,768	4,684	10,768	7,933	9,325
Specialty liability & other	33,957	1,409	33,957	1,410	23,858	12,498
Lloyds' Syndicates	11,573	-	5,106	-	817	-
	243,809	134,460	208,524	109,423	155,514	138,034
Multi-year premiums	(12,905)	44,157	(10,564)	45,423	-	2,168
Annualized premiums	$230,904	$178,617	$197,960	$154,846	$155,514	$140,202

In general liability, the Company continues to experience high levels of competition, particularly on a price basis, although business retention has remained in excess of 80%. The Company's response has been to move to higher attachment levels which results in lower premiums as the Company moves further away from the risk. As at August 31, 1998, the average limits for general liability was $83.4 million in excess of a $126.2 million attachment point as compared to an average limit of $83.2 million in excess of a $93.5 million attachment point for the comparable date in 1997.

Other liability, which primarily includes professional product lines, increased significantly primarily as a result of several tailored multi-year programs written in the quarter. These transactions tend to be complicated in nature and often take a significant period of time to structure, thus premiums written in any given quarter may not be representative of future quarters and/or may be irregular in nature.

Specialty liability premiums includes primarily political risk insurance underwritten by an affiliated company, Sovereign Risk Insurance Limited, which did not exist for the comparable quarter in 1997.

The reinsurance operations were impacted by the acquisition of Mid Ocean and GCR Holdings Limited ("GCR") and their wholly owned reinsurance subsidiaries in the third fiscal quarter of 1998 and 1997, respectively, thus making quarterly comparisons not particularly relevant. Property catastrophe premiums reflect business written primarily by X.L. Global Re prior to its amalgamation with Mid Ocean, while specialty liability reinsurance related primarily to tailored programs written by X.L. Insurance Company, Ltd.

Premiums written by the Lloyd's syndicates relate solely to the Company's interest in Venton Insurance Limited ("Venton"). The Company's interest in the Brockbank Group plc ("Brockbank"), which manages several Lloyd's syndicates and was acquired as part of the Mid Ocean transaction, is not reflected in these results. Brockbank reports on a calendar quarter basis, two months in arrears of the Company's reporting calendar. The sale of Venton is expected to be completed in the fourth quarter of 1998. Accordingly, future earnings from the Lloyd's segment will be totally attributable to Brockbank.

	For the Three Months Ended August 31, (unaudited)		
	1998	1997	% Change
Net investment income	$70,983	$ 56,109	26.5%
Realized (losses) gains	(2,837)	116,400	N/M

The growth in net investment income reflects the increase in the Company's investable assets over the previous year, due primarily to the acquisition of Mid Ocean during the third quarter of 1998 and the Company's positive operational cash flow.

The change in realized gains in the third quarter of 1998 primarily reflects the general decline of the stock market in August. Of the loss, $28 million was realized from the mark to market of the Company's synthetic equity index portfolio partially offset by $25 million in net gains realized from equity and fixed income securities. This portfolio is discussed further under "Financial Condition and Liquidity--Non Hedging Financial Instruments".

	For the Three Months Ended August 31, (unaudited)		
	1998	1997	% Change
Equity in net earnings of affiliates	$14,604	$16,219	(11.2%)
Fee and other income	2,132	--	N/M

Equity earnings in affiliates is represented largely by Mid Ocean. The third quarter of 1998 is the last reported quarter that the Company will be showing equitized earnings for Mid Ocean. Subsequent earnings will be wholly consolidated. Mid Ocean had higher comparative net earnings in the third quarter of 1997.

Fee and other income reflects the Company's increased efforts to create innovative underwriting solutions with the Company being partially compensated for the deal origination and design.

The following table represents an analysis of the Company's loss and loss expense ratio, its underwriting expense ratio and combined ratio.

	Three Months Ended August 31, (unaudited)	
	1998	1997
Loss and loss expense ratio	58.6%	61.6%
Underwriting expense ratio	23.5%	19.7%
Combined ratio	82.1%	81.3%

The decrease in the loss ratio primarily reflects the diversification of the Company's business over the past year to include a lower proportion of liability business which tends to be long-tail in nature. Loss ratios for this longer tail business can be higher but usually pay out claims over several years. The Company experienced lower losses in shorter tail lines resulting in an overall lower loss ratio. The decrease in the proportion of longer tail business will cause overall Company loss ratios to decrease in periods of low catastrophic activity. It should also be noted that the converse may also occur.

The underwriting expense ratio excludes any interest charges associated with the Company's debt, the amortization of goodwill and one time charges incurred during the quarter associated with the realignment of the Company's reinsurance operations which are discussed further below.

The increase in the expense ratio is consistent with the Company's mix of business moving towards more reinsurance. This business typically has higher costs associated with the acquisition of the business as compared to insurance.

	Three Months Ended August 31, (unaudited) 1998	1997
Net income	$ 85,830	$206,560
Net income per share and share equivalent (diluted)	$ 0.91	$ 2.41
Net income excluding realized investment (losses) gains, the amortization of intangible assets and one time alignment charges	$112,256	$ 92,834
Net income per share on an adjusted basis	$ 1.19	$ 1.08

The decrease in net income is primarily due to the Company realizing investment losses of $2.8 million compared to gains of $116.4 million for the quarters ended August 31, 1998 and 1997, respectively, as well as amortization of intangible assets which amounted to $6.1 million in the 1998 quarter as compared to $2.7 million in the 1997 quarter. In addition, the Company incurred one time charges of $17.5 million during the quarter associated with the realignment of the Company's reinsurance operations. This included the conversion of the Company's reinsurance systems to that of Mid Ocean, the write off of leasehold improvements due to the closure of the Company's reinsurance offices and the severance of some of the Company's employees.

The Company and Mid Ocean had a one month difference in fiscal years and to bring the two in line, net income for the third quarter includes one month of the consolidated results of Mid Ocean excluding any contribution from Brockbank. In addition, a full quarter of equitized earnings of Mid Ocean was included. Although an additional month's results were included in the quarter, there was no impact on per share earnings due to the dilutive effect of the additional Company shares issued when Mid Ocean was acquired.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations for the Nine Months Ended August 31, 1998 Compared to the Nine Months Ended August 31, 1997

The following table presents an analysis of the Company's revenues for the periods indicated (U.S. dollars in thousands):

	For the Nine Months Ended August 31, (unaudited)		
	1998	1997	% Change
Net earned premiums	$433,183	$387,688	11.2%
Net investment income	188,963	161,826	16.8%
Realized (losses) gains	134,655	275,326	N/M
Equity in net earnings of affiliates	49,539	45,113	9.8%
Fee and other income	6,277	-	N/M

The nine months ended 1998 includes Mid Ocean's equitized earnings through July 31 and thereafter accounts for Mid Ocean's results on a consolidated basis (excluding Brockbank). In addition, the comparative period for 1997 only includes two and a half months of the company formerly known as Global Capital Reinsurance Company Limited (which was amalgamated in June 1997 with X.L. Reinsurance Company, Ltd. to form X.L. Global Reinsurance Company, Ltd.).

The following table reflects the business segmentation of the underwriting revenues for the periods indicated (U.S. Dollars in thousands):

	For the Nine Months Ended August 31					
	Gross Premiums Written		Net Premiums Written		Net Premiums Earned	
	1998	1997	1998	1997	1998	1997
			(unaudited)			
Insurance Operations						
General liability	$161,756	$204,962	$127,901	$151,086	$142,215	$204,658
Other liability	126,105	84,042	120,648	76,263	69,251	65,685
Property	29,217	31,133	20,799	24,064	18,182	16,060
Specialty	20,990	-	18,838	-	2,373	-
Reinsurance Operations						
Property Catastrophe	83,069	(77,948)	72,324	(78,558)	86,504	18,406
Other Property	34,850	17,106	28,108	17,106	13,078	9,520
Marine & Energy	17,641	15,683	16,912	15,683	12,345	14,805
Aviation & Satellite	41,449	24,499	41,449	24,499	28,839	23,462
Specialty liability & other	70,943	20,599	70,943	20,599	59,334	35,092
Lloyds' Syndicates	24,983	-	7,212	-	1,062	-
	611,003	320,076	525,134	250,742	433,183	387,688
Multi-year premiums	(30,695)	112,854	(29,521)	131,068	-	7,361
Annualized premiums	$580,308	$432,930	$495,613	$381,810	$433,183	$395,049

In general liability, the Company continues to experience high levels of competition, particularly on a price basis, although business retention has remained in excess of 80%. The Company's response has been to move to higher attachment levels which results in lower premiums as the Company moves further away from the risk. As at August 31, 1998, the average limits for general liability was $83.4 million in excess of $126.2 million attachment point as compared to an average limit of $83.2 million in excess of a $93.5 million attachment point for the comparable date in 1997.

Other liability, which primarily includes professional product lines, increased significantly primarily as a result of several tailored multi-year programs written in 1998. These transactions tend to be complicated in nature and often take a significant period of time to structure, thus premiums written in any given quarter may not be representative of future periods and/or may be irregular in nature.

Specialty liability premiums includes primary political risk insurance underwritten by an affiliated company, Sovereign Risk Insurance Limited, which did not exist for the comparable period in 1997.

The reinsurance operations were impacted by the acquisition of Mid Ocean and GCR and their wholly owned reinsurance subsidiaries in the third fiscal quarter of 1998 and 1997, respectively, thus making comparison not particularly relevant. Property catastrophe premiums reflect business written primarily by X.L. Global Re prior to its amalgamation with Mid Ocean, while specialty liability reinsurance related primarily to tailored programs written by X.L. Insurance Company, Ltd. Gross premiums written and net premiums earned for this line were negative in 1997 as a result of several multi-year loss sensitive policies with significant premiums which were reversed when it became apparent that the intent of reinsureds was to cancel and rewrite these contracts after one year when they are loss free.

Premiums written by the Lloyd's syndicates relate solely to the Company's interest in Venton. The Company's interest in Brockbank, which manages several Lloyd's syndicates and was acquired as part of the Mid Ocean transaction, is not reflected in these results. Brockbank reports on a calendar quarter basis, two months in arrears of the Company's reporting calendar. The sale of Venton is expected to be completed in the fourth quarter of 1998. Accordingly, future earnings from the Lloyd's segment will be totally attributable to Brockbank.

For the Nine Months Ended August 31, (unaudited)	1998	1997	% Change
Net investment income	$188,963	$161,826	16.8%
Realized (losses) gains	134,655	275,326	N/M

The growth in net investment income reflects the increase in the Company's investable assets over the previous year, due primarily to the acquisition of Mid Ocean during the third quarter of 1998 and the Company's positive operational cash flow.

The investment portfolio was significantly restructured during the nine month period ended August 31, 1997 resulting in the realization of investment gains. The nine month period ended August 31, 1998 saw the investment markets reach record highs and then decline during July and August. The consequence of these changes saw the Company's investment managers capture gains in the earlier part of the period offset to a limited degree by some losses realized in the latter part of the period.

For the Nine Months Ended August 31, (unaudited)	1998	1997	% Change
Equity in net earnings of affiliates	$49,539	$45,113	9.8%
Fee and other income	6,277	-	N/M

Equity earnings in affiliates is represented largely by Mid Ocean. The third quarter of 1998 is the last reported quarter that the Company will be showing equitized earnings for Mid Ocean. Subsequent earnings will be wholly consolidated.

Fee and other income reflects the Company's increased efforts to create innovative underwriting solutions with the Company being partially compensated for the deal origination and design. Also included in this item are some income distributions from the Company's other investments in limited partnerships.

The following table represents an analysis of the Company's loss and loss expense ratio, its underwriting expense ratio and combined ratio.

	Nine Months Ended August 31, (unaudited)	
	1998	1997
Loss and loss expense ratio	59.2%	67.4%
Underwriting expense ratio	24.0%	18.4%
Combined ratio	83.2%	85.8%

The decrease in the loss ratio primarily reflects the diversification of the Company's business over the past year to include a lower proportion of liability business which tends to be long-tail in nature. Loss ratios for this longer tail business can be higher but usually pay out claims over several years. The Company experienced lower losses in shorter tail lines resulting in an overall lower loss ratio. The decrease in the proportion of longer tail business will cause overall Company loss ratios to decrease in periods of low catastrophic activity. It should also be noted that the converse may also occur.

The underwriting expense ratio excludes any interest charges associated with the Company's debt, the amortization of goodwill and one time charges incurred during the period associated with the realignment of the Company's reinsurance operations which are discussed below.

The increase in the expense ratio is consistent with the Company's mix of business moving towards more reinsurance. This business typically has higher costs associated with the acquisition of the business as compared to insurance.

	Nine Months Ended August 31, (unaudited)	
	1998	1997
Net income	$411,802	$526,258
Net income per share and share equivalent (diluted)	$ 4.65	$ 6.09
Net income excluding realized investment (losses) gains, the amortization of intangible assets and one time alignment charges	$307,413	$253,606
Net income per share on an adjusted basis	$ 3.47	$ 2.93

The decrease in net income is primarily due to the Company realizing investment gains of $134.7 million compared to $275.3 million for the nine month periods ended August 31, 1998 and 1997, respectively, as well as amortization of intangible assets which amounted to $12.8 million in the 1998 period as compared to $2.7 million in the 1997 period. In addition, the Company incurred one time charges of $17.5 million during the period associated with the realignment of the Company's reinsurance operations. This included the conversion of the Company's reinsurance systems to that of Mid Ocean, the write off of leasehold improvements due to the closure of the Company's reinsurance offices and the severance of some of the Company's employees.

The Company and Mid Ocean had a one month difference in fiscal years and to bring the two in line, net income for the nine months ended August 31, 1998 includes one month of the consolidated results of Mid Ocean excluding any contribution from Brockbank. In addition, three full quarters of equitized earnings of Mid Ocean have been included. Although an additional month's results were included in the period, there was no impact on per share earnings due to the dilutive effect of the additional Company shares issued when Mid Ocean was acquired.

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 subsidiaries, X.L. Insurance Company, Ltd. ("X.L.") and X.L. Mid Ocean Reinsurance Company, Ltd. ("X.L. Mid Ocean"), must maintain certain minimum levels of statutory capital and surplus, solvency and liquidity pursuant to Bermuda statutes and regulations. At August 31, 1998, X.L. and X.L. Mid Ocean could have paid dividends in the amount of approximately $3.2 billion. Neither the Company nor any of its material subsidiaries other than X.L. and X.L. Mid Ocean 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 August 31, 1998 was $4.5 billion, of which $2.3 billion was retained earnings.

At August 31, 1998, total investments and cash net of the unsettled investments trades were $6.0 billion, compared to $4.3 billion at November 30, 1997. The Company's fixed income investments (including short-term investments and cash equivalents) at August 31, 1998 represented approximately 82% of invested assets and were managed by several outside investment management firms with different strategies. Approximately 86% of fixed income securities are of investment grade, and approximately 63.1% 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 $(62.3) million at August 31, 1998, compared to $12.3 million at November 30, 1997.

In fiscal 1997 and in fiscal 1998 through August 31, the total amount of losses paid by the Company was $267.2 million and $199.3 million, respectively.

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. The Company's reserving practices and the establishment of any particular reserve reflect management's judgement concerning sound financial practice and does not represent any admission of liability with respect to any claims made against the Company's subsidiaries. No assurance can be given that actual claims made and payments related thereto will not be in excess of the amounts reserved.

Corporate

On June 11, 1997, the Company obtained two revolving lines of credit in the amount of $250 million each, one for 364 days and the other for 5 years. The one year facility has been extended for another year. These facilities are provided by a syndicate of banks to facilitate strategic acquisitions and to supplement operational cash flow. The weighted average interest rate on the funds borrowed during the period was 5.833%. The balance of the loans outstanding under the facilities as at August 31, 1998 was composed of predominantly three amounts: $250 million which was extended for an additional month at its due date on October 14, 1998 and two amounts of $50 million each which were extended for an additional month at their due dates on October 13, 1998. These borrowings were used to fund the cash elections made available to shareholders of EXEL and shareholders of Mid Ocean pursuant to the terms of the Arrangements, and to fund the Company's U.S. operations.

On March 13, 1998 the Board of Directors of the Company authorized the repurchase of $500 million of its shares. In addition to the $300 million cash election option related to the combination with Mid Ocean, the Company repurchased 423,636 shares during the first nine months of 1998 at a cost of $31.3 million.

On February 27, 1998 the Company obtained a $500 million letter of credit facility from a syndicate of banks, which is secured against the Company's investment portfolio. This facility is used to collateralize reinsureds' technical reserves with the Company. The Company has letters of credit outstanding at August 31, 1998 in the amounts of $191.0 million and (Pounds)11.2 million.

Year 2000 Considerations

In 1997, the Company initiated a project to address Year 2000 issues with respect to the Company's computer software and information technology systems as well as its non-information technology systems. The project has two distinct areas of focus assessment of the Year 2000 compliance of the Company's software, systems and technology platforms, and the evaluation of the Year 2000 preparedness of significant third parties with whom the Company conducts business, including vendors and customers.

The Company has substantially completed its assessment of Company software and systems and has adopted a plan to implement compliant components, targeted to be substantially complete by June 1999. The Company estimates that through August 31, 1998 the remediation and validation efforts are approximately 50% complete, with the costs through such date aggregating approximately $3 million. Future costs of remediation are not expected to have a material impact on the Company's financial position, results of operation or cash flows, although no assurance can be given in this regard.

The Company recognizes the potential impact of Year 2000 issues from its service providers and customers. The Company is currently communicating with its significant service providers to assess their readiness and will address compliance risks with each new significant vendor. In addition, the Company's potential exposure to its customers' Year 2000 issues is being reviewed. Formal contingency plans will not be formulated until the Company has identified specific areas where there is a substantial risk of Year 2000 problems occurring, and no such areas are identified as of this date.

Financial Risk Management

This risk management discussion and the estimated amounts generated from the sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The analysis used by the Company to assess and mitigate risk should not be considered projections of future events of losses.

The Company's investment portfolio consists of fixed income and equity securities, denominated in both U.S. and non-U.S. dollars. Accordingly, earnings will be affected by changes in interest rates, equity prices and foreign currency exchange rates.

Foreign Currency Risk Management

The Company attempts to hedge directly the foreign currency exposure of a portion 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. Where an investment is sold, the related foreign exchange sale contract is closed by entering into an offsetting purchase contract. At August 31, 1998, the Company had, as hedges, foreign contracts for the sale of $20.9 million and the purchase of $10.3 million of foreign currencies at fixed rates, primarily Japanese Yen (93% of net contract value) and French Francs (7%). The market value of non-U.S. dollar fixed maturities held by the Company as at August 31, 1998 was $10.1 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 August 31, 1998, unrealized deferred gains amounted to $0.2 million, and were offset by corresponding decreases in the U.S. 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 at August 31, 1998, realized deferred gains amounted to $6.6 million.

The Company uses foreign exchange contracts to manage the foreign exchange risk of fluctuating foreign currencies on the value of its remaining non-U.S. dollar fixed maturities and its non-U.S. dollar equity investments on an overlay basis. 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. In addition, where the Company's investment managers are of the opinion that potential gains exist in a particular currency, then a forward contract will not be entered into. At August 31, 1998, the Company had forward contracts outstanding of $258.6 million with unrealized gains of $6.4 million. Gains of $24.5 million were realized during the nine month period. Based on the value of forward contracts outstanding, a 10% appreciation or devaluation of the U.S. dollar as compared to the level of other currencies under contract at August 31, 1998 would have resulted in approximately $26.7 million in unrealized gains and $19.0 million in losses, respectively.

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 August 31, 1998, the Company had an immaterial amount of such contracts outstanding, and had recognized a total of $0.3 million in realized and unrealized losses for the nine-month period. Based on this value, a 10% appreciation or devaluation of the U.S. dollar as compared to the level of other currencies under contract at August 31, 1998 would have had no material effect on income.

Non Hedging Financial Instruments

The Company also invests in a synthetic equity portfolio of S&P Index futures with an exposure approximately equal in amount to the market value of underlying assets held in this fund. As at August 31, 1998, the portfolio held $160.0 million in exposure to S&P 500 Index futures together with fixed maturities, short-term investments and cash amounting to $158.9 million. Based on this value, by definition a 10% increase or decrease in the price of these futures would have resulted in exposure of $176.0 million and $144.0 million respectively. The value of the futures is updated daily with the change recorded in income as a realized gain or loss. For the nine months ended August 31, 1998, net realized losses from index futures totaled $1.2 million.

Derivative investments are also utilized to add value to the portfolio where market inefficiencies are believed to exist. At August 31, 1998, bond and stock index futures outstanding were $101.7 million, with underlying investments having a market value of $2.1 billion (all managers are prohibited by the Company's investment guidelines from leveraging their positions). A 10% appreciation or depreciation of these derivative instruments at this time would have resulted in unrealized gains and losses of $10.2 million, respectively.

Current Outlook

The Company believes competition in the property casualty insurance and reinsurance industry will continue to be strong and may intensify in 1998, exerting pressure on rates in general and particularly in the Company's traditional casualty product lines. Although the Company believes some opportunities will exist in 1998 for growth in certain product lines, no assurances can be made that growth in such other product lines will be sufficient to offset the competitive pressures affecting the Company's traditional product lines.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains statements that may be considered to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Such statements may include, without limitation, insofar as they may be considered to be forward-looking statements, certain statements in (i) "Management's Discussion and Analysis-Results of Operations for the Three Months Ended August 31, 1998 Compared to the Three Months Ended August 31, 1997" and "-Results of Operations for the Nine Months Ended August 31, 1998 Compared to the Nine Months Ended August 31, 1997" concerning (A) certain relationships among gross premiums written, net premiums written and net premiums earned and (B) the potential material adverse affect on the Company's operating results and financial condition stemming from the absence of reserves in respect of all or a portion of its property reinsurance business assumed; (ii) "Management's Discussion and Analysis Financial Risk Management", "- Foreign Currency Risk Management" and "- Non Hedging Financial Instruments" concerning the potential effects of certain events on the Company's portfolios of fixed income and equity instruments, foreign currency exposure, derivatives positions and certain other types of instruments (iii) Management's Discussion and Analysis-Current Outlook" concerning the current outlook for rates and particular product lines; (iv) such other statements contained in this Quarterly Report that may be considered to be forward-looking statements; and (v) variations of the foregoing statements wherever they appear in this Quarterly Report.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. The Company believes that these include the following non-exclusive factors:

(i) the impact of changing market conditions on the Company's business strategy;

(ii) the effects of increased competition on pricing, coverage terms, retention of customers and ability to attract new customers;

(iii) greater severity or frequency of the types of large or catastrophic losses which the Company's subsidiaries insure or reinsure;

(iv) faster loss development experience than that on which the Company's underwriting, reserving and investment practices are based;

(v) developments in global financial markets which could adversely affect the performance of the Company's investment portfolio;

(vi) regulatory or tax developments which could adversely affect the Company's business;

(vii) risks associated with the introduction of new products and services; and

(viii) the impact of mergers and acquisitions.

The facts set forth above should be considered in connection with any forward-looking statement contained in this Quarterly Report. The important factors that could affect such forward-looking statements are subject to change, and the Company does not intend to update any forward-looking statement or the foregoing list of important factors. By this cautionary note, the Company intends to avail of the safe harbor from liability with respect of forward-looking statements provided by Section 27A and Section 21E referred to above.

EXEL LIMITED

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

The Company, through its subsidiaries, in common with the insurance and reinsurance industry in general, is subject to litigation in the normal course of its business. Although most of its policies provide for resolution of disputes by arbitration in London, X.L. has been sued several times in United States courts and is defending each suit vigorously, both on procedural grounds and the merits. As of August 31, 1998, the Company was not a party to any material litigation other than as routinely encountered in claims activity.

EXEL, Mid Ocean and the directors of Mid Ocean have been named as defendants in a purported class action lawsuit (the "Shareholder Action") filed in connection with the proposed Arrangements in the Supreme Court, County of New York, State of New York. Harbor Finance Partners v. Newhouse, et al., C.A. No. 1998/601266. The Shareholder Action alleges that the defendants breached their fiduciary duties to the Mid Ocean shareholders by failing to exercise independent business judgment (due to their alleged conflict of interest) and by agreeing to sell Mid Ocean at an unfair and inadequate price.

The Shareholder Action is brought on behalf of a purported class of persons consisting of Mid Ocean shareholders other than the defendants. As relief, the Shareholder Action seeks, among other things, a rescission of the Arrangements and an award of compensatory damages in an unspecified amount, as well as costs including fees for plaintiff's counsel and experts' fees and expenses. On June 18, 1998, the defendants filed a motion to dismiss the Shareholder action on the grounds that the Shareholder Action (i) failed to state a claim upon which relief may be granted under Cayman Islands law and (ii) was not brought in an appropriate forum (forum non conveniens).

ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

At a Class Meeting of Shareholders held on August 31, 1998 at the Princess Hotel, Hamilton, Bermuda, the shareholders approved the following:

1. To approve the proposed Scheme of Arrangement pursuant to section 85 of the Companies Law (1995 Revision) of the Cayman Islands between EXEL and its shareholders under which EXEL will become a wholly owned subsidiary of EXEL Merger Company Ltd., an exempted limited liability company incorporated under the laws of the Cayman Islands.

Votes For	Votes Against
70,268,729	150,809

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

Exhibit 11 - Statement regarding Computation Per Share Earnings.

Reports on Form 8-K

Current Report on Form 8-K filed on July 29,1998, under Item 5 thereof. Current Report on Form 8-K filed on August 3, 1998, under Item 5 thereof. Current Report on Form 8-K filed on August 7, 1998, under Item 5 thereof. Current Report on Form 8-K filed on August 19, 1998, under Item 5 thereof.

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)

October 15, 1998

/s/ Brian M. O'Hara

Brian M. O'Hara
President and Chief Executive Officer

October 15, 1998

/s/ Robert R. Lusardi

Robert R. Lusardi
Executive Vice President
and Chief Financial Officer

Exhibit 11

COMPUTATION OF EARNINGS PER ORDINARY SHARE

AND ORDINARY SHARE EQUIVALENT

		Three Months Ended August 31, 1998	Three Months Ended August 31, 1997	Nine Months Ended August 31, 1998	Nine Months Ended August 31, 1997
		(Unaudited)		(Unaudited)	
		(U.S. dollars in thousands except per share amounts)			
(A)	Earnings per ordinary share and ordinary share equivalent--basic:				
	Weighted average ordinary shares and ordinary share equivalents outstanding	91,337	84,378	86,868	85,356
	Net income	$85,830	$206,560	$411,802	$526,258
	Earnings per ordinary share and ordinary share equivalent	$ 0.94	$ 2.45	$ 4.74	$ 6.17
(B)	Earnings per ordinary share and ordinary share equivalent--assuming full dilution:				
	Weighted average ordinary shares outstanding	92,287	84,085	86,714	85,177
	Average stock options outstanding (net of repurchased shares under the treasury stock method)	1,904	1,498	1,777	1,259
	Weighted average ordinary shares and ordinary share equivalents outstanding	94,191	85,583	88,491	86,436
	Net income	$85,830	$206,560	$411,802	$526,258
	Earnings per ordinary share and ordinary share equivalent	$ 0.91	$ 2.41	$ 4.65	$ 6.09

7
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.

1,000

9-MOS
NOV-30-1998
DEC-01-1997
AUG-31-1998
4,980,953
0
0
1,112,022
0
0
6,092,975
550,084
0
109,853
9,945,480
3,044,304
1,120,119
47,117
0
371,324
1,100
0
0
4,499,208
9,945,480
433,183
188,963
134,655
55,816
256,425
52,933
87,615
415,644
2,711
411,802
0
0
0
411,802
4.74
4.65
0
0
0
0
0
0
0