

EXEL LIMITED

-----  
NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Be Held on March 29, 1996

-----  
Hamilton, Bermuda  
February 16, 1996

TO THE SHAREHOLDERS OF EXEL LIMITED:

Notice is Hereby Given that the Annual General Meeting of Shareholders of EXEL LIMITED (the "Company") will be held at the Hyatt Regency Hotel, West Bay Road, Georgetown, Grand Cayman, Cayman Islands, British West Indies, on Friday, March 29, 1996, at 8:30 a.m. local time for the following purposes:

1. To elect four Class III Directors to hold office until 1999;
2. To appoint Coopers & Lybrand, Bermuda, to act as the independent Auditors of the Company for the fiscal year ending November 30, 1996;
3. Ratification of the Company's Stock Plan for Non-Employee Directors;
4. Ratification of Amendment to EXEL Limited Directors Stock & Option Plan; and to transact such other business as may properly come before the meeting or any adjournments thereof.

Only Shareholders of record, as shown by the transfer books of the Company at the close of business on February 16, 1996, are entitled to notice of and to vote at the Annual General Meeting.

PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. A PROXY NEED NOT BE A SHAREHOLDER OF THE COMPANY.

As ordered,

BRIAN M. O'HARA,  
President and Chief Executive Officer

EXEL LIMITED  
CUMBERLAND HOUSE, HAMILTON, BERMUDA

PROXY STATEMENT  
FOR  
THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Be Held on March 29, 1996

February 16, 1996

The accompanying proxy is solicited by the Board of Directors of EXEL Limited (the "Company") to be voted at the Annual General Meeting of Shareholders of the Company to be held on March 29, 1996, and any adjournments thereof.

When such proxy is properly executed and returned, the Ordinary Shares it represents will be voted at the meeting on: (1) the election of the four nominees listed below for Director; (2) the appointment of Coopers & Lybrand, Bermuda ("Auditors"), as auditors of the Company; (3) the ratification of the Company's Stock Plan for Non-Employee Directors; and (4) the ratification of the Amendment to the EXEL Limited Directors Stock & Option Plan.

Any Shareholder giving a proxy has the power to revoke it prior to its exercise by notice of revocation to the Secretary of the Company in writing, by voting in person at the Annual General Meeting or by execution of a subsequent proxy, provided that such action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

Shareholders of record as of the close of business on February 16, 1996 will be entitled to vote at the meeting. As of February 16, 1996, there were outstanding 47,028,635 Ordinary Shares, par value US \$0.01 per share ("Ordinary Shares" or "Shares"), of the Company entitled to vote at the meeting, with each Share entitling the holder of record on such date to one vote.

This Proxy Statement, the attached Notice of Annual Meeting and the accompanying proxy card are first being mailed to Shareholders on or about February 20, 1996.

Other than the approval of the minutes of the 1995 Annual General Meeting, the Company knows of no specific matter to be brought before the Annual General Meeting which is not referred to in this Notice of Meeting. If any such matter comes before the meeting, including any Shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

Directors will be elected at the Annual General Meeting by a majority of the votes cast at the meeting by the holders of Shares represented in person or by proxy at the meeting, provided there is a quorum (consisting of holders of at least fifty percent of the outstanding Shares being present in person or by proxy). The appointment of the Auditors and the ratifications will be by similar vote.

BENEFICIAL OWNERSHIP

The following table lists the beneficial ownership of each person or group who, as of February 1, 1996, owned, to the Company's knowledge, more than five percent of the Company's Ordinary Shares:

Name and Address -----	Number of Shares -----	Percentage of Outstanding Shares -----
Oppenheimer Group, Inc. .... Oppenheimer Tower World Financial Centre	9,280,978	19.7

New York, New York 10281

Capital Group Companies .....	7,482,710	15.9
333, South Hope Street Los Angeles, California 90071		
Scudder, Stevens & Clark, Inc. ....	3,134,275	6.7
345 Park Avenue New York, New York 10154		
Barrow, Hanley, Mewhinney & Strauss .....	2,385,500	5.1
200 Crescent Court, 19th Floor Dallas, Texas 75201		

BOARD OF DIRECTORS

The Company's Articles of Association provide that the Board of Directors shall be divided into three classes designated Class I, Class II and Class III, each class consisting as nearly as possible of one-third of the total number of Directors constituting the entire Board of Directors.

The term of office for each Director in Class I expires at the Annual General Meeting of the Company in 1997; the term of office for each Director in Class II expires at the Annual General Meeting in 1998; and the term of office for each Director in Class III expires at the Annual General Meeting in 1996; and at each Annual General Meeting the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the Annual General Meeting to be held in the third year following the year of their election.

In 1995, there were four meetings of the Board and all incumbent Directors attended at least 75% of such meetings and of the meetings held by all committees of the Board of which they were a member.

The Board of Directors has passed a resolution that if a Director does not attend 50% of the Board meetings during his term, such Director will not be eligible for nomination for reelection unless the Board feels there are exceptional reasons to retain such Director.

The Board of Directors has established an Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and a Finance Committee.

Audit Committee

The Audit Committee of the Board of Directors meets with the Company's independent accountants to discuss the scope and results of their audit and to review the adequacy of the Company's accounting and control system. The Committee reviews the audit fee and considers issues raised by its members, the independent accountants and management. Each year the Audit Committee recommends to the Board an independent accounting firm to audit the financial statements of the Company. Messrs. Gould, Heap, Levine, Rance and Thornton comprised the Audit Committee. The Audit Committee met twice during 1995.

Compensation Committee

The Compensation Committee reviews the performance of corporate officers, establishes overall employee compensation policies and recommends to the Board of Directors major compensation programs. No member of the Compensation Committee is a member of management or eligible for compensation from the

Company other than as a Director. Messrs. Clements, Heap, Levine and Weiser comprised the Compensation Committee. The Compensation Committee met three times during 1995.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee makes recommendations to the Board as to nominations for the Board (including qualifications and criteria for Board and Committee memberships) and compensation for Board and Committee members, as well as structural, governance and procedural matters. Messrs. Esposito, Clements, Loudon, O'Hara and Parker comprised the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee met three times during 1995.

Finance Committee

The Finance Committee reviews capital issues, dividend policy, acquisitions and overall investment policy. Messrs. Esposito, Loudon, O'Hara, Parker, Senter and Thornton comprised the Finance Committee. The Finance Committee met three times during 1995.

Directors Compensation

During fiscal 1995, all Directors, except for Directors who are also employees of the Company, received an annual fee of \$25,000 plus \$3,000 per meeting. Committee Chairmen received an annual fee of \$2,000 and all Committee members an attendance fee of \$1,000 per meeting.

Directors may elect to have all or part of the Board annual retainer paid in the form of shares as per the terms of the Directors Stock and Option Plan.

For fiscal 1995 the following Directors elected to defer all or a portion of their annual retainer:

Directors -----	Amount Deferred -----	Share Unit Credited -----
Michael P. Esposito, Jr.....	\$ 15,000	440
Scott A. Levine.....	\$ 25,000	733
John T. Thornton.....	\$ 25,000	733
John Weiser.....	\$ 25,000	733

On December 1, 1994, all Non-Employee Directors were granted 500 options (with the exception of Michael J. Kevany who became a Non-Employee Director on December 1, 1994 and who was granted 2,000 options) exercisable at \$37.50 per share (the Fair Market Value on December 1, 1994) pursuant to the terms of the Directors Stock and Option Plan.

On May 16, 1995 Mr. Kevany died.

On February 1, 1996, Mr. Levine resigned from the Board.

A Retirement Plan for Non-Employee Directors was implemented effective July 1, 1994 to provide the Directors with a pension on the termination of service for a period equal to the time served as a Director. The amount to be

paid to each Director equals the annual retainer at the date of termination

of service multiplied by the number of years served on the Board. As at November 30, 1995 the total accumulated pension was approximately \$2.3 million. At the Annual General Meeting, subject to shareholder approval, this plan will be converted to a Stock Plan.

Effective April 1, 1995, Michael P. Esposito, Jr. was elected Chairman of the Board and was awarded 25,000 options at an exercise price of \$44.125 per share. Mr. Esposito's compensation for the period April 1, 1995 to November 30, 1995 as Chairman comprised: salary of \$166,667, pension contributions of \$16,667, bonus of \$50,000 and 10,000 options at an exercise price of \$62.375.

#### Certain Transactions

Certain Shareholders of the Company and their affiliates, including the employers of or entities otherwise associated with certain of the Directors, have purchased third party general liability, directors and officers, professional liability and excess property insurance from the Company, on terms the Company believes were no more favorable to the insured than those made available to non-affiliated customers.

Affiliates of Marsh & McLennan Risk Capital Holdings, Ltd., including an entity with which a Director is associated, are authorized insurance brokers to the Company. Commissions paid to these brokers in fiscal year 1995 were \$14.2 million. An affiliate of J.P. Morgan Capital Corporation, an entity with which a Director is associated, provides investment management services to the Company, the fees for which in fiscal year 1995 were \$1.7 million.

The Company owns approximately 9.6 million shares in Mid Ocean Limited ("Mid Ocean"), representing 28% of the total outstanding shares. Messrs. Esposito and O'Hara currently serve as Directors of Mid Ocean. Marsh & McLennan Risk Capital Holdings, Ltd. and J.P. Morgan Capital Corporation also have substantial equity investments in Mid Ocean. Mid Ocean is a reinsurer of the Company's Property program and during 1995 received \$908,000 in premiums.

In 1995, the Company, through its wholly-owned subsidiary X.L. Insurance Company, Ltd. ("X.L."), purchased approximately 3.8 million shares in Risk Capital Holdings, Inc. ("R.C.H.I."), representing approximately 22% of the total outstanding shares. Messrs. Esposito, Clements and Heap currently serve as Directors of R.C.H.I. Marsh & McLennan Risk Capital Holdings, Ltd. also has a substantial equity investment in R.C.H.I.

The Company is not aware of any Director or executive officer who failed to file on a timely basis disclosure reports required by Section 16 of the Securities Exchange Act of 1934, as amended.

#### I. ELECTION OF DIRECTORS

At the Annual General Meeting, four Directors are to be elected to hold office until the 1999 Annual General Meeting of Shareholders. All of the nominees are currently serving as Directors and, with the exception of Dr. Thrower, have been elected by the Shareholders at prior meetings. The remaining Directors of the Company will continue to serve in accordance with their previously elected term.

Unless authority is withheld by the Shareholders, it is the intention of the persons named in the enclosed proxy to vote for the nominees listed below. All of the nominees have consented to serve if elected, but if any becomes unavailable to serve, the persons named as proxies may exercise their discretion to vote for a substitute nominee. The name, principal occupation and other information concerning each Director is set forth below.

The Board of Directors recommends that Shareholders vote FOR the nominees.

## NOMINEES FOR WHOM PROXIES WILL BE VOTED

Nominees for Directors for terms to expire in 1999:

Robert Clements, age 63, has been a Director of the Company since 1986. Mr. Clements has served as Chairman of Marsh & McLennan Risk Capital Corp. since 1994. He served as President of Marsh & McLennan Companies, Inc. from 1992 to 1994 and has been a Director of Marsh & McLennan Companies, Inc. since 1981. He previously served as President and Chairman of the Board of Marsh and McLennan, Incorporated from 1985 and 1988, respectively. Mr. Clements also serves as Chairman and Director of Risk Capital Holdings, Inc.

Michael P. Esposito, Jr., age 56, has been Chairman of the Board since April 1995 and a Director of the Company since 1986. Mr. Esposito has been a Partner of Inter-Atlantic Securities Corporation since June 1995. Mr. Esposito served as Chief Corporate Compliance, Control and Administration Officer of The Chase Manhattan Corporation from 1991 to 1995, having previously served as Executive Vice President and Chief Financial Officer from 1987 to 1991. Mr. Esposito serves as a Director of Mid Ocean Limited, Risk Capital Holdings, Inc. and Forest City Enterprises.

Cyril Rance, age 61, has been a Director of the Company since 1990. Mr. Rance served as President and Chief Executive Officer of the Bermuda Fire & Marine Insurance Co. Ltd. from 1985 to 1990.

Ellen E. Thrower, age 49, has been a Director of the Company since December 1995. Dr. Thrower has been President and Chief Executive Officer of The College of Insurance since 1988. Dr. Thrower serves as a Director of SCOR U.S. Corporation.

## DIRECTORS WHOSE TERMS OF OFFICE DO NOT EXPIRE AT THIS MEETING

Class I Directors whose terms expire in 1997:

Gilbert Gould, age 45, has been a Director of the Company since 1987. Mr. Gould has served as Manager of Financial Services for Southern California Edison Company since 1993. He previously served as Manager of Insurance for Southern California Edison Company from 1984 to 1993.

Ian R. Heap, age 70, has been a Director of the Company since 1987 and was Chairman of the Board of the Company from 1988 to 1992. He was President and Chief Executive Officer of the Company and X.L. from 1987 to 1988. From 1992 to 1993 he served as President and Chief Executive Officer of Mid Ocean Reinsurance Company Ltd. Mr. Heap also serves as a Director of Risk Capital Holdings, Inc.

John Loudon, age 59, has been a Director of the Company since 1992. Mr. Loudon has been Chairman of Caneminstster Ltd., a British investment company, since 1991 and previously served as Chairman of Warrior International Limited from 1988 to 1991. Mr. Loudon also serves as a Director of Tambrands Inc., Heineken N.V., Derby Trust plc, BNB Resources plc, Ocean Group plc, and Alex Brown & Sons (Holdings) Ltd.

Robert S. Parker, age 58, has been a Director of the Company since 1991. Dr. Parker has been Dean of the School of Business Administration at Georgetown University since 1986. Dr. Parker also serves as a Director of Back Bay Restaurant Group, Inc.

Alan Z. Senter, age 54, has been a Director of the Company since 1986. Mr. Senter has served as Executive Vice President and Chief Financial Officer of Nynex Corporation since 1994. Mr. Senter served as Principal of Senter Associates, a financial advisory company, from 1993 to 1994. Mr. Senter served

as a Director and Executive Vice President and Chief Financial Officer of International Specialty Products from 1992 to 1993. Mr. Senter previously served as the Vice President and Senior Financial Officer of Xerox Corporation from 1990 to 1992.

Class II Directors whose terms expire in 1998:

Brian M. O'Hara, age 47, has been President and Chief Executive Officer of the Company since 1994 and a Director of the Company since 1986, having previously served as Vice Chairman of the Company from 1987. He has also served as Chairman and Chief Executive Officer of X.L. since December 1995, having served as Chairman, President and Chief Executive Officer from 1994, as President and Chief Executive Officer from 1992, and as President and Chief Operating Officer from 1986. Mr. O'Hara also serves as a Director of Mid Ocean Limited.

John T. Thornton, age 58, has been a Director of the Company since 1988. Mr. Thornton has served as Executive Vice President and Chief Financial Officer of Norwest Corporation since 1987.

John Weiser, age 64, has been a Director of the Company since 1986. Mr. Weiser serves as Senior Vice President and Director of Bechtel Group, Inc. Mr. Weiser served as President of Bechtel Enterprises, Inc. from 1988 to 1992 and as General Counsel of Bechtel Group, Inc. from 1980 to 1988 and from 1992 to 1994. On November 1, 1991, Mesquite Terminal Corporation ("Mesquite") and Integrated Automated Terminals ("Integrated"), Inc. each filed voluntary petitions for relief under Chapter 11 of the federal bankruptcy laws. Plans of Reorganization for both companies were approved in December, 1992. Both corporations' sole purpose is to hold, in the aggregate, a 35% partnership interest in Houston Terminal Owning Company, L.P. Mr. Weiser is President and a Director of both Mesquite and Integrated.

The following table summarizes the beneficial ownership as of December 1, 1995 of the Shares of the Company by each Director and executive officer and all Directors and executive officers of the Company as a group.

Equity Securities Owned Beneficially as of December 1, 1995

Name	Number of Shares	Number of Options	Total (1)
James J. Ansaldi.....	13,500	56,500	70,000
Robert Clements (2).....	17,500	3,000	20,500
K. Bruce Connell.....	6,000	38,900	44,900
Robert J. Cooney (3).....	36,200	109,500	145,700
Michael P. Esposito, Jr. (4)...	5,730	37,500	43,230
Gilbert Gould.....	200	3,000	3,200
Ian R. Heap.....	2,000	3,000	5,000
John Loudon.....	126	3,000	3,126
Brian M. O'Hara.....	87,920	187,920	275,840
Robert S. Parker.....	264	3,000	3,264
Cyril Rance.....	1,753	3,000	4,753
Alan Z. Senter.....	440	3,000	3,440
John T. Thornton.....	2,880	3,000	5,880
Ellen E. Thrower.....	0	2,000	2,000

Brian G. Walford.....	60,000	81,000	141,000
John Weiser.....	11,680	3,000	14,680

All Directors and executive officers of the Company  
as a group 786,513  
(16 individuals).....

<FN>

- (1) To the Company's knowledge, no Director or executive officer had a beneficial ownership interest in excess of 1 percent of the outstanding shares.
- (2) Includes 2,500 shares that Mr. Clements owns indirectly.
- (3) Excludes 1,300 shares owned by Mr. Cooney's family as to which Mr. Cooney disclaims beneficial ownership.
- (4) Includes 2,000 shares that Mr. Esposito, Jr. owns indirectly.

#### Executive Compensation

The following table shows the compensation of the five most highly compensated executive officers of the Company for services paid for or rendered in fiscal 1995 to the Company in all capacities:

Name and Principal Position -----	Year ----	Long-Term Compensation -----						
		Annual Compensation -----			Awards -----		Payouts -----	
		Salary	Bonus	Other Annual Compensation(1)	Restricted Stock Awards	No. of Options	Long-term Incentive Payouts	All Other Compensation(2)
Brian M. O'Hara(3) .....	1995	\$ 500,000	\$ 450,000	\$ 107,652	\$935,000	35,625	\$ 0	\$50,000
President and Chief .....	1994	437,500	375,000	80,208	562,500	30,000	0	43,750
Executive Officer of the .....	1993	380,000	300,000	82,137	0	30,000	0	38,000
Company and Chairman and Chief Executive Officer of X.L .....								
Robert J. Cooney .....	1995	\$ 330,000	\$ 250,000	\$ 93,759	\$623,750	25,000	\$ 0	\$33,000
Executive Vice President .....	1994	285,000	150,000	61,594	375,000	25,000	0	33,798
of the Company and .....	1993	257,300	160,000	56,828	0	20,000	0	25,730
President and Chief Operating Officer of X.L .....								
Brian G. Walford .....	1995	\$ 320,000	\$ 220,000	\$ 98,788	\$249,500	17,500	\$ 0	\$32,000
Executive Vice President .....	1994	275,000	135,000	62,447	225,000	20,000	0	32,798
and Chief Financial Officer .....	1993	250,500	150,000	57,276	0	20,000	0	25,050
of the Company and X.L .....								
K. Bruce Connell .....	1995	\$ 200,000	\$ 175,000	\$ 73,515	\$187,125	7,500	\$ 0	\$20,000
Executive Vice President .....	1994	160,000	85,000	58,356	112,500	10,000	0	21,298
and Chief Underwriting .....	1993	150,000	100,000	54,047	0	10,000	0	15,000
Officer of X.L .....								
Reinsurance Company, Ltd .....								
James J. Ansaldo .....	1995	\$ 250,000	\$ 140,000	\$ 73,904	\$124,750	7,500	\$ 0	\$25,000
Senior Vice President of .....	1994	236,775	120,000	61,105	37,500	10,000	0	28,975
X.L .....	1993	225,500	130,000	57,159	0	10,000	0	22,550

<FN>

(1) In 1995 Mr. O'Hara received \$96,000 for housing expenses, in 1994 \$79,380 and in 1993 \$72,000. In 1995 Messrs. Cooney and Walford each received \$84,000 for housing expenses, in 1994 \$52,980 and in 1993 \$48,000. In 1995 Messrs. Connell and Ansaldo each received \$66,000 for housing expenses, in 1994 \$52,980 and in 1993 \$48,000. The balance of the other annual compensation is for travel expenses relating to home leave.

(2) All other compensation relates to contributions to the Money Accumulation Pension Plan.



(3) The Compensation Committee granted Mr. O'Hara a facility to borrow up to \$1 million from the Company. This facility does not bear interest unless Mr. O'Hara terminates his employment with the Company, at which time the interest will be the applicable Federal rate for long-term loans determined in accordance with Section 1274(d) of the Internal Revenue Code of 1986, as amended. The facility requires repayment of amounts drawn in ten annual installments. During 1995, Mr. O'Hara borrowed \$600,000 under the terms of this facility.

### Share Purchase Options

The Company has granted options to purchase 32,920 and 10,000 Shares to Messrs. O'Hara and Cooney, respectively, at an option price, payable in cash upon exercise of the option, of \$10.00. As of the date hereof all of such options are currently exercisable and Mr. Cooney exercised 5,000 options on June 20, 1995. The option

7

purchase periods terminate for Messrs. O'Hara and Cooney on December 11, 1996 and September 15, 1997, respectively.

In the event Mr. O'Hara's employment is terminated for the reason of death, disability, termination without cause by the Company or a Change of Control of the Company, Mr. O'Hara shall be entitled to exercise options for a cumulative number of Shares determined by a formula based on years of service with the Company; under the formula, all of the options are vested in the event of Mr. O'Hara's termination. In the event Mr. O'Hara's employment is terminated by the Company for cause, the option terminates and may not be exercised. The time period in which Mr. O'Hara, or his estate in the case of death, shall be entitled to exercise the option is 12 months following the termination event in the case of death, and any time during the option period in the case of disability, termination without cause, voluntary termination by Mr. O'Hara and a Change of Control of the Company.

The following table shows the options granted under the 1991 Performance Incentive Program in the last fiscal year to the five most highly paid executive officers together with the potential realizable value at assumed rates of return: Potential Realizable value at Assumed Annual Rates of Stock Price Individual Grants Appreciation for V Options Term

Name	Number of Options Granted	% of Total Options Granted to Employees in Last Fiscal Year	Exercise or Base Price (per share) (1)	Expiration Date	% of	
					5%	10%
Brian M. O'Hara President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of X.L.	35,000	19.3	\$ 62.375	December 1, 2005	\$1,372,945	\$3,479,350
Robert J. Cooney Executive Vice President of the Company and President and Chief Operating Officer of X.L.	25,000	13.8	\$ 62.375	December 1, 2005	\$ 980,675	\$2,485,250
Brian G. Walford Executive Vice President and Chief Financial Officer of the Company and X.L.	17,500	9.6	\$ 62.375	December 1, 2005	\$ 686,473	\$1,739,675
K. Bruce Connell Executive Vice President and Chief Underwriting Officer of X.L. Reinsurance Company, Ltd.	7,500	4.1	\$ 62.375	December 1, 2005	\$ 294,203	\$ 745,575
James J. Ansaldi Senior Vice President of X.L.	7,500	4.1	\$ 62.375	December 1, 2005	\$ 294,203	\$ 745,575

(1) Market price at date of grant.

The following table shows the options exercised during the last fiscal year by the five most highly paid executive officers together with the number and value of unexercised options at November 30, 1995:

Name	Shares Acquired on Exercise	Implied Value Realized	No. of Unexercised Options at November 30, 1995	Value of Unexercised In-the-Money Options at November 30, 1995
-----	-----	-----	-----	-----
Brian M. O'Hara ..... President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of X.L. ....	--	\$ --	97,920/55,000	\$3,632,310/\$1,210,625
Robert J. Cooney ..... Executive Vice President of the Company and President and Chief Operating Officer of X.L. ....	5,000	\$ 232,500	43,000/41,500	\$1,362,292/\$928,645
Brian G. Walford ..... Executive Vice President and Chief Financial Officer of the Company and X.L. ....	12,000	\$ 390,000	27,000/36,500	\$ 672,792/\$804,270
K. Bruce Connell ..... Executive Vice President and Chief Underwriting Officer of X.L. Reinsurance Company, Ltd. ....	--	\$ --	13,601/17,799	\$ 369,102/\$394,523
James J. Ansaldi ..... Senior Vice President of X.L. ....	--	\$ --	30,000/19,000	\$ 898,335/\$414,790

None of the options have adjustable exercise prices.

The following table shows the restricted stock grants held by the five most highly paid executive officers at November 30, 1995:

Name	No. of restricted stock grants at November 30, 1995	Value of restricted stock grants at November 30, 1995
-----	Vested/Unvested	Vested/Unvested
Brian M. O'Hara ..... President and Chief Executive Officer of the Company and Chairman and Chief Executive Officer of X.L. ....	5,000/34,500	\$311,875/\$2,151,938
Robert J. Cooney ..... Executive Vice President of the Company and President and Chief Operating Officer of X.L. ....	3,000/20,500	\$187,125/\$1,278,688
Brian G. Walford ..... Executive Vice President and Chief Financial Officer of the Company and X.L. ....	3,000/19,500	\$187,125/\$1,216,313
K. Bruce Connell ..... Executive Vice President and Chief Underwriting Officer of X.L. Reinsurance Company, Ltd. ....	0/3,000	\$ 0/\$187,125
James J. Ansaldi ..... Senior Vice President of X.L. ....	2,000/9,500	\$ 124,750/\$592,563

There were no Long-Term Incentive Plan Awards in fiscal 1995.

Compensation Committee Report

The Compensation Committee, composed of four independent outside Directors, recommends guiding principles and major compensation programs to the Board of Directors and approves annual incentive compensation awards under the program.

The Board of Directors and the Compensation Committee believe that the Company's success requires a small but highly motivated and professional staff. The compensation policies, therefore, are designed to attract and retain at the Company's offshore location, and to motivate, such a staff.

The executive compensation program combines base salary, annual bonus and a long-term incentive in the form of a stock ownership program. Annual compensation is highly leveraged with at risk components, to provide a strong link to Company and individual performance. To further align the interest of executive management with the interests of Shareholders, the program provides management with a significant stock component to their compensation package.

The Company retained the services of Sibson & Company, Inc., a human resource management consulting firm, to advise on competitive pay levels for senior executives and to recommend appropriate pay levels for future compensation administration. The Company has consulted Sibson & Company, Inc. in this capacity since January 1989.

Sibson & Company, Inc. based its annual compensation recommendations on an assessment of United States market rates for salary and bonus, with adjustments to reflect appropriate pay positioning and cost-of-living differences for Bermuda versus the United States. Sibson & Company, Inc. developed competitive annual stock option and grant levels based on a market survey of approximately 50 large financial services companies.

Base salary increases are based on individual and corporate performance and reflect market and cost-of-living increases. Pay positioning was set at approximately the 80th percentile of comparative insurance industry segments. Rationale for pay positioning was based on four primary factors: need for highly qualified professionals, specialized areas of expertise, retention of executives critical to Company success and high barrier of recruitment for potential competitors.

The Company has also engaged other management consultants to review the effectiveness of the Company's executive compensation program and to assist in defining appropriate measures of corporate performance for incentive compensation purposes.

Under the Company's annual bonus plan, bonuses are paid in December based on individual and corporate performance during the prior fiscal year. Performance targets are established annually.

Major factors taken into account include share performance relative to a peer group, premium growth, combined ratio, retention rate, investment management results and strategic steps to protect and expand the Company's business in a rapidly changing market, featuring perceived increased linkages of the risk transfer capabilities of the insurance industry and the capital access and availability of the financial markets.

The bonus paid to Mr. O'Hara in fiscal 1995 was 90% of his fiscal 1995 salary due to fine individual performance as Chief Executive Officer and excellent operating results under his management.

Since July 1991, the date on which the Company's Shares were first listed on the New York Stock Exchange, the Company's stock has significantly outperformed both the Standard & Poor's 500 Stock Index and the Standard & Poor's Property Casualty Index.

The Company's 18.04% return on equity for fiscal 1995 compares favorably to the estimated property casualty industry average of 8.5%.

The Company's Long-Term Incentive Plan provides annual grants of stock options and restricted stock intended to motivate executives to improve total return to Shareholders. The number of options granted is based on competitive grant values for the salary level/position and the Share price at the time of grant. December 1, 1991 was the third and final award date under the former restricted stock program.

#### Performance Graph

Set forth below is a line graph comparing the yearly dollar change in the cumulative total Shareholder return on the Company's Shares (assuming reinvestment of dividends) from July 19, 1991 (the date on which the Company's Shares were first listed on the New York Stock Exchange) through November 30, 1995 as compared to the cumulative total return of the Standard & Poor's 500 Stock Index and the cumulative total return of the Standard & Poor's Property Casualty Index.

[ART]

## II. SELECTION OF INDEPENDENT ACCOUNTANTS

The Audit Committee and the Board of Directors have recommended the appointment of Coopers & Lybrand, Bermuda, as the independent Auditors of the Company for the fiscal year ending November 30, 1996. Representatives of the firm are expected to be present at the Annual Meeting with an opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

Your Board of Directors recommends a vote FOR the proposal to appoint Coopers & Lybrand.

## III. THE COMPANY'S STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

The Company has adopted the EXEL Limited Stock Plan for Non-Employee Directors (the "Plan"). The Plan will become effective as of December 1, 1995, provided Shareholder approval is obtained. The Plan is intended to replace the Retirement Plan for Non-Employee Directors of EXEL Limited (the "Retirement Plan"), the benefits accrued under which (except in the case of Non-Employee Directors who are age 65 or older on December 1, 1995 and elect to continue to participate therein in lieu of participation in the Plan) will be frozen as of December 1, 1995. The Retirement Plan currently provides for payment of cash retirement benefits following termination of service on the Board based upon the number of years of the Non-Employee Director's service on the Board. Attached to this Proxy Statement as Annex A is the full text of the Plan.

The Plan is designed to provide deferred compensation for Non-Employee Directors as a supplement to their cash retainers and attendance fees, and it is expected to encourage qualified individuals to accept nominations as Directors of the Company and to strengthen the mutuality of interest between the Non-Employee Directors and the Company's other Shareholders. Benefits under the Plan are payable in the form of Ordinary Shares ("Shares") of the Company, except that cash will be paid in lieu of fractional Shares.

## In General

The total number of Shares reserved for issuance under the Plan is 100,000, subject to equitable adjustment in the event of Share splits, Share dividends, recapitalizations, reorganizations, spin-offs, repurchases or other such capital changes. Additionally, Shares subject to an award under the Plan which are forfeited, canceled, exchanged or surrendered will again be available for issuance under the Plan. Shares issued under the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares, including shares acquired by purchase in the open market or in private transactions. The Plan will terminate as to future awards on the date which is ten years after the effective date of the Plan.

## Share Unit Accounts

The Company shall maintain a Share unit account (an "Account") for each Non-Employee Director. Share units will be credited to each Account as follows. As of each December 1, beginning with December 1, 1995, there shall be credited to each Non-Employee Director's Account the number of Share units (including fractional units) determined by dividing the amount of the annual retainer fee for a Director by the Fair Market Value of a Share on that date, provided that Share units awarded as of December 1, 1995 shall be contingent upon approval of the Plan. In addition, each Non-Employee Director may make an irrevocable election prior to April 30, 1996 to convert the present value of the Non-Employee Director's benefit accrued as of December 1, 1995 under the Retirement Plan into a number of Share units under the Plan. The number of Share units will be an amount determined by dividing the actuarial present value (determined as set forth in the Plan), as of the effective date of the election, of the Non-Employee Director's accrued benefit by the Fair Market Value of a Share on the effective date of the election. The election will be effective six months after it is made, provided that any such election will be contingent upon approval of the Plan. As of each date on which a cash dividend is paid on Shares, each Non-Employee Director's Account will be credited with a number of Share units determined by multiplying the amount of such dividend (per Share) by the number of Share units in the Account and dividing the total by the Fair Market Value of a Share on the date of payment of the cash dividend.

## Distribution of Benefits

The Plan benefit of a Non-Employee Director will, in general, be distributed in the form of Shares equal in number to the Share units in the Non-Employee Director's Account. Distribution of the benefits will be made following termination of the Non-Employee Director's service on the Board, and such distribution may be in installments, if elected by the Non-Employee Director.

Plan benefits of a Non-Employee Director will be forfeited if he or she ceases service as a Director before serving for five years, unless the termination of service is due to death or reaching age 72. Years of service as a Director of the Company prior to the effective date of the Plan will be taken into account for this purpose. Moreover, if a Non-Employee Director ceases, for any reason other than death, to serve as a Director of the Company prior to any annual meeting of the Shareholders of the Company, the portion of the Non-Employee Director's Plan benefit represented by the most recent Share units credited to his or her Account shall be forfeited.

## Administration

The Plan is intended to operate automatically and not require administration. However, ministerial matters relating to the Plan will be performed by the Secretary of the Company.

## Amendment

The Board may amend or terminate the Plan without the consent of Shareholders of the Company, except that any such amendment or termination will be subject to the approval of the Company's Shareholders if required by any U.S.

Federal law or regulation or the rules of any stock exchange or quotation system on which the Shares are then listed or quoted. However, the Plan may not be amended more than once every six months, other than to

comport with changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

Miscellaneous

The Plan is intended to constitute an unfunded plan for incentive and deferred compensation. Accordingly, nothing contained in the Plan will give any Non-Employee Director any rights that are greater than those of a general creditor of the Company. In addition, the right of a Non-Employee Director to amounts described under the Plan will not be subject to assignment or other disposition by him or her other than by will or the laws of descent and distribution. The Plan also provides that the Board is free to adopt other compensation arrangements as it may deem desirable.

1995 Awards

The following table shows the number of Share units awarded to Non-Employee Directors as of December 1, 1995, contingent upon the approval of the Plan by Shareholders of the Company:

Director -----	Share Units Awarded -----
Robert Clements.....	1,613
Michael P. Esposito, Jr. ...	1,073
Gilbert Gould.....	516
John Loudon.....	502
Robert S. Parker.....	579
Cyril Rance.....	890
Alan Z. Senter.....	956
John T. Thornton.....	989
John Weiser.....	1,613

United States Federal Income Tax Consequences

The following is a summary of the principal United States Federal income tax consequences associated with Share units credited under the Plan. It does not describe all United States Federal tax consequences under the Plan, nor does it describe foreign, state or local tax consequences:

Crediting of Share units under the Plan will not result in income to Non-Employee Directors or a deduction to the Company at the time such units are credited. In general, Non-Employee Directors will recognize ordinary taxable income equal to the value of the Shares (and the amount of cash in lieu of fractional Shares) distributed under the Plan at the time of the distribution. The Company will generally be able to claim a corresponding deduction.

Your Board of Directors recommends a vote FOR the ratification of the Company's Stock Plan for Non-Employee Directors.

IV. AMENDMENT TO EXEL LIMITED DIRECTORS STOCK & OPTION PLAN

The EXEL Limited Directors Stock & Option Plan (the "Option Plan") became effective as of December 1, 1993, and it provides for automatic annual grants of stock options to Non-Employee Directors and for the elective deferral of all or part of a Non-Employee Director's annual retainer fee (which deferrals are

credited as Share units until distribution). The purposes of the Option Plan are to advance the interests of the Company and its Shareholders by providing a means to attract, retain and motivate Non-Employee Directors of the Company and to further align the interests of the Non-Employee Directors with those of the Shareholders of the Company.

Summary of Amendment

The Option Plan currently provides for automatic annual grants to each Non-Employee Director of an option

to purchase 500 Ordinary Shares of EXEL Limited ("Shares"). The annual grants are made on each December 1, the exercise price per Share of each option is equal to the Fair Market Value of a Share on the date of grant, and the term of each option is ten years. The Board has adopted, subject to Shareholder approval, an amendment to the Option Plan which provides, effective as of December 1, 1995, that the annual automatic option grant will be for 1,000 Shares. The terms of the Option Plan, and the terms of the options and Non-Employee Director's retainer fee deferrals provided for therein, are otherwise unchanged.

Additional 1995 Option Grants

The following table summarizes the additional options granted to Non-Employee Directors as of December 1, 1995 under the amendment to the Option Plan, subject to Shareholder approval:

Name ----	Number of Additional Ordinary Shares -----	Exercise Price(\$) -----
Robert Clements.....	500	62.375
Gilbert Gould.....	500	62.375
Ian R. Heap.....	500	62.375
John Loudon.....	500	62.375
Robert S. Parker.....	500	62.375
Cyril Rance.....	500	62.375
Alan Z. Senter.....	500	62.375
John T. Thornton.....	500	62.375
Ellen E. Thrower.....	500	62.375
John Weiser.....	500	62.375

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States Federal income tax consequences associated with options granted to Non-Employee Directors under the Option Plan. It does not describe all United States Federal tax consequences under the Option Plan, nor does it describe foreign, state or local tax consequences:

The grant of an option to a Non-Employee Director will not result in ordinary income to the Non-Employee Director or a deduction to the Company. In general, upon exercise of an option, the Non-Employee Director will recognize ordinary taxable income equal to the excess of the Fair Market Value of the Shares obtained on exercise over the exercise price. The Company will be able to claim a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the Shares obtained on exercise will be a capital gain or loss, long-term or short-term depending on the holding period for the Shares. Special rules would apply if an option is exercised within six months of the date of its grant.

Your Board of Directors recommends a vote FOR the ratification of the Amendment to EXEL Limited Directors Stock & Option Plan.

#### V. STOCKHOLDER PROPOSALS FOR 1996 ANNUAL MEETING

Proposals intended for inclusion in next year's Proxy Statement should be sent to the Company's Secretary at Cumberland House, Hamilton, HM 11, Bermuda and must be received by October 25, 1996.

Any Shareholder entitled to vote at a meeting may nominate persons for election as Directors if written notice of such intent is delivered or mailed, postage prepaid, and received by the Secretary at the principal executive offices of the Company not less than 5 days nor more than 21 days before the date appointed for such meeting. The shareholder notice must include the following information about the proposed nominee: (a) name, age, and business and residence addresses; (b) principal occupation or employment; (c) class and number of Shares or securities of the Company beneficially owned; and (d) any other information required to be disclosed in solicitations of proxies pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, including the proposed nominee's written consent to serve if elected. The notice must also include information on the Shareholder making the nomination, such as: name and address as it appears on the Company's books, and the class and number of Shares of the Company beneficially owned. The nomination of any person not made in compliance with the foregoing procedures shall be disregarded.

14

#### VI. OTHER MATTERS

While management knows of no other issues, if any other matters properly come before the meeting, it is the intention of the persons named in the accompanying proxy form to vote the proxy in accordance with their judgment on such matters.

#### Proxy Solicitation

The Company will bear the cost of this solicitation of proxies. Proxies may be solicited by mail, personal interview, telephone and telegraph by Directors, officers and employees of the Company and X.L. without receiving additional compensation. In addition to the foregoing, the Company has retained Georgeson & Company Inc. to assist in the solicitation of proxies for a fee of approximately \$10,000 plus reasonable out-of-pocket expenses and disbursements of that firm. Upon request the Company will also reimburse brokers and others holding stock in their names, or in the names of nominees, for forwarding proxy materials to their principals.

The Company will furnish, without charge to any Shareholder, a copy of its Form 10-K Report that it files annually with the Securities and Exchange Commission. A copy of this report for the fiscal year ended November 30, 1995 may be obtained upon written request to the Company's Secretary at Cumberland House, Hamilton, HM 11, Bermuda.

As ordered,

BRIAN M. O'HARA  
President and Chief Executive Officer

15



EXEL LIMITED STOCK PLAN  
FOR NON-EMPLOYEE DIRECTORS

SECTION 1. Introduction.

The EXEL Limited Stock Plan for Non-Employee Directors (the "Plan") provides deferred compensation for Non-Employee Directors of EXEL Limited as a supplement to their cash retainers and attendance fees, and is expected to encourage qualified individuals to accept nominations as Directors of EXEL Limited and to strengthen the mutuality of interest between the Non-Employee Directors and EXEL Limited's other Shareholders. Benefits under the Plan are payable in the form of Ordinary Shares of EXEL Limited.

SECTION 2. Definitions.

For the purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Board" means the Board of Directors of EXEL Limited.

(b) "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to any provision of the Code shall be deemed to include successor provisions thereto and regulations thereunder.

(c) "Company" means EXEL Limited, a corporation organized under the laws of the Cayman Islands, or any successor corporation.

(d) "Director" means a member of the Board who is not employed by the Company or any of its subsidiaries, but shall not include any member of the Board who is over age 65 on December 1, 1995 and who has elected in writing (which election shall be irrevocable) to continue to accrue benefits under the Retirement plan for Non-Employee Directors of EXEL Limited in lieu of participation in the Plan.

(e) "Fair Market Value" means, with respect to Shares on any day, the following:

(i) If the Shares are at the time listed or admitted to trading on any stock exchange, then the Fair Market Value shall be the closing selling price per share of Shares on the day preceding the date in question on the stock exchange which is the primary market for the Shares, as such is officially quoted on such exchange. If there is no reported sale of Shares on such exchange on such date, then the Fair Market Value shall be the closing selling price on the exchange on the last preceding date for which such quotation exists; and

(ii) If the Shares are not at the time listed or admitted to trading on any stock exchange but are traded in the over-the-counter market, the Fair Market Value shall be the closing selling price per share of Shares on the day preceding the date in question, as such price is reported by the National Association of Securities Dealers through the NASDAQ National Market System or any successor system. If there is no reported closing selling price for Shares on such date, then the closing selling price on the last preceding date for which such quotation exists shall be determinative of Fair Market Value.

(f) "Plan" means this Stock Plan for Non-Employee Directors.

(g) "Plan Benefits" means the benefits described in Sections 5. and 6. hereof.

(h) "Retirement Plan" means the Retirement Plan for Non-Employee Directors of EXEL Limited.

(i) "Rule 16b-3" means Rule 16b-3, as from time to time in effect and

applicable to the Plan and Participants, promulgated by the Securities and Exchange Commission under Section 16 of the Securities Exchange Act of 1934.

(j) "Share" means Ordinary Shares, \$0.01 par value per share, of the Company.

A-1

### SECTION 3. Administration.

To the extent the Plan relates to Share unit awards, it is intended to operate automatically and not require administration. However, to the extent that administration is necessary with respect to such awards, the Plan shall be administered by the Secretary of the Company. Since the Share unit awards are made automatically, this function will be limited to ministerial matters. The Plan Administrator will have no discretion with respect to the selection of Share unit award recipients, the timing of such awards or number of Share units awarded. The portion of the Plan which relates to a Director's election to convert his or her accrued benefit under the Retirement Plan to an equivalent amount of Share units shall also be administered by the Secretary of the Company. Since the conversion is based on elections by Directors in accordance with the terms of this Plan, this function will be limited to ministerial matters.

### SECTION 4. Shares Subject to the Plan.

(a) Subject to adjustment as provided in Section 7(g), the total number of Shares reserved for issuance under the Plan shall be 100,000. If any Shares subject to a Share unit award hereunder are forfeited, canceled, exchanged or surrendered, any Shares counted against the number of Shares reserved and available under the Plan with respect to such Share unit award shall, to the extent of any such forfeiture, cancellation, exchange or surrender, again be available under the Plan.

(b) Any Shares distributed pursuant to the Plan may consist, in whole or in part, of authorized and unissued shares or treasury shares including shares acquired by purchase in the open market or in private transactions.

### SECTION 5. Share Unit Accounts.

The Company shall maintain a Share unit account (an "Account") for each Director. Share units will be credited to each such Account as follows:

(a) As of December 1 of each year, beginning with December 1, 1995, there shall be credited to each Director's Account that number of Share units (including fractional units) determined by dividing the amount of the annual retainer fee for a Director by the Fair Market Value of a Share on that date; provided, however, that such Share units awarded as of December 1, 1995 shall be contingent upon approval of this Plan by the affirmative votes of the holders of a majority of voting securities of the Company at a meeting duly held during calendar year of 1996.

(b) Each Director may make an irrevocable written election prior to April 30, 1996 to convert the present value of the Director's benefit accrued as of December 1, 1995 under the Retirement Plan (the "Accrued Benefit") into a number of Share units (including fractional units) under this Plan, determined as set forth below. The number of Share units shall be an amount determined by dividing the "present value", as of the effective date of the election, of the Director's Accrued Benefit, by the Fair Market Value of a Share on the effective date of the election. The election shall be effective six months after it is made and

delivered to the Company; provided, however, that any election under this Section 5(b) shall be contingent upon approval of this Plan by the affirmative votes of the holders of a majority of voting securities of the Company at a meeting duly held during calendar year 1996. For this purpose the "present value" of the Director's Accrued Benefit shall be determined, as of the effective date of the election, by (i) assuming payment of benefits under the Retirement Plan would begin on the December 1 following the date the Director attains age 72; (ii) using a discount rate of 6%, compounded annually; and (iii) assuming that the Director's death will occur after all annual retirement payments to which the Director is entitled under the Retirement Plan have been made.

(c) As of each date on which a cash dividend is paid on Shares, there shall be credited to each Account that number of Share units (including fractional units) determined by (i) multiplying the amount of such dividend (per share) by the number of Share units in such Account; and (ii) dividing the total so determined by the Fair Market Value of a Share on the date of payment of such cash dividend. The additions to a Director's Account pursuant to this Section 5(c) shall continue until the Director's Plan Benefit is forfeited or fully paid.

A-2

#### SECTION 6. Plan Benefits.

(a) Form. The Plan Benefit of a Director shall consist of Shares equal in number to the Share units in the Director's Account. Any fractional Share unit shall be paid in cash.

##### (b) Distribution.

(i) The Plan Benefit of a Director (other than the portion of the Plan Benefit described in Section 5(b)) shall be distributed either (x) in a lump sum at the time of termination of the Director's service in the Board or (y) in up to ten annual installments commencing at the time of termination of the Director's service on the Board, as elected by the Director. Each Director's distribution election must be made in writing within the later of (A) 60 days after execution of this Plan document or (B) 60 days after the Director first becomes eligible to participate in the Plan, and the election will be irrevocable. The Plan Benefit of a Director described in Section 5(b) shall be distributed in five annual installments commencing at the time of termination of the Director's service on the Board. In the case of Plan Benefits distributed in installments, the amount of Shares distributed in each installment shall be equal to the number of Share units in the Director's Account subject to such installment distribution at the time of the distribution divided by the number of installments remaining to be paid.

(ii) Notwithstanding Section 6(b)(i), in the case of the death of a Director, the balance of any Plan Benefit shall be distributed, within a reasonable time as determined by the Company, after the Director's death to the Director's beneficiary or beneficiaries, as specified by the Director on a form furnished by and filed with the Secretary of the Company. If no beneficiary has been designated by the Director or if no beneficiary survives the Director, the undistributed balance of his or her Plan Benefit shall be distributed to the Director's surviving spouse as beneficiary if such spouse is still living or, if not living, in equal shares to the then living children of the Director as beneficiaries or, if none, to the Director's estate as beneficiary.

(iii) The entire Plan Benefit of a Director shall be forfeited if a Director's service as a Director shall terminate, for any reason whatsoever, before the Director has served on the Board for five years; provided, however, that such forfeiture shall not apply if the Director dies or reaches age 72

while serving as a Director of the Company. Years of service as a Director of the Company prior to the effective date of the Plan shall be taken into account. If a Director whose Plan Benefit is forfeited under this Section 6(b)(iii) resumes service as a Director, his or her Plan Benefit as of the date of forfeiture shall be restored as of the date such resumed service begins.

(iv) If a Director shall, for any reason other than death, cease to serve as a Director of the Company prior to any Annual Meeting of the Shareholders of the Company, there shall be forfeited (A) the portion of the Director's Plan Benefit represented by the most recent Share units credited to his or her Account in accordance with Section 5(a); and (B) all Share units credited to his or her Account in accordance with Section 5(c) on account of Share units required to be forfeited by clause (A).

#### SECTION 7. General.

(a) Non-Transferability. Except as provided in Section 6(b)(ii), no payment of any Plan Benefit of a Director shall be anticipated, assigned, attached, garnished, optioned, transferred or made subject to any creditor's process, whether voluntarily or involuntarily or by operation of law. Any act in violation of this subsection shall be void.

(b) Compliance with Legal and Trading Requirements. The Plan shall be subject to all applicable laws, rules and regulations, including, but not limited to, U.S. Federal and State laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required. The Company, in its discretion, may postpone the issuance or delivery of Shares under the Plan until completion of such stock exchange or market system listing or registration or qualification of such Shares or other required action under any U.S. State or Federal law, rule or regulation or under laws, rules or regulations of other jurisdictions as the Company may consider appropriate, and may require any Director to make such representations and furnish such information as it may consider appropriate in connection with the issuance or delivery of Shares in compliance with applicable laws, rules and regulations. No provisions of the Plan shall be interpreted or construed to obligate the Company to register any Shares under U.S. Federal or State law or under the laws of other jurisdictions.

A-3

(c) Taxes. The Company is authorized to withhold from any Shares delivered under this Plan any amounts of withholding and other taxes due in connection therewith, and to take such other action as the Company may deem advisable to enable the Company and a Director to satisfy obligations for the payment of any withholding taxes and other tax obligations relating thereto. This authority shall include authority to withhold or receive Shares or other property and to make cash payments in respect thereof in satisfaction of a Director's tax obligations.

(d) Amendment. The Board may amend, alter, suspend, discontinue, or terminate the Plan without the consent of Shareholders of the Company or individual Directors, except that any such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Company's Shareholders within one year after such Board action if such Shareholder approval is required by any U.S. Federal law or regulation (including Rule 16b-3, if applicable) or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted; provided, however, that, without the consent of an affected Director, no amendment, alteration, suspension, discontinuation, or termination of the Plan may impair the rights or, in any other manner, adversely affect the rights of such Director hereunder. Notwithstanding the other provisions of this paragraph, this Plan may not be amended more than once every six months other than to

comport with changes in the Code, the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder.

(e) Unfunded Status of Awards. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Director, nothing contained in the Plan shall give any such Director any rights that are greater than those of a general creditor of the Company; provided, however, that the Company may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares, or other property pursuant to any award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Company otherwise determines with the consent of each affected Director.

(f) Non-Exclusivity of the Plan. Neither the adoption of the Plan by the Board nor its submission to the Shareholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensation arrangements as it may deem desirable, including, without limitation, the granting of options on Shares and other awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

(g) Adjustments. In the event that subsequent to the effective date any dividend in Shares, recapitalization Share split, reverse split, re-organization, merger, consolidation, spin-off, combination, repurchase, or Share exchange, or other such change, affects the Shares such that they are increased or decreased or changed into or exchanged for a different number or kind of Shares, other securities of the Company or of another corporation or other consideration, then in order to maintain the proportionate interest of the Directors and preserve the value of the Directors' Share units, (i) there shall automatically be substituted for each Share unit a new unit representing the number and kind of Shares, other securities or other consideration into which each outstanding Share shall be changed or for which each such Share shall be exchanged, and (ii) the number and kind of Shares available for issuance under the Plan shall be equitably adjusted in order to take into account such transaction or other change. The substituted units shall be subject to the same terms and conditions as the original Share units.

(h) No Right to Remain on the Board. Neither the Plan nor the crediting of Share units under the Plan shall be deemed to give any individual a right to remain a Director of the Company or create any obligation on the part of the Board to nominate any Director for re-election by the Shareholders of the Company.

(i) Governing Law. The validity, construction and effect of the Plan shall be determined in accordance with the laws of the State of New York without giving effect to principles of conflict of laws.

(j) Effective Date; Plan Termination. The Plan shall become effective as of December 1, 1995 (the "Effective Date") upon approval by the affirmative votes of the holders of a majority of voting securities of the Company at a meeting duly held during calendar year 1996. The Plan shall terminate as to future awards on the date which is ten (10) years after the Effective Date, or, if earlier, at such time as no Shares remain available for issuance pursuant to Section 4. and the Company has no further obligations under the Plan.

(k) Titles and Headings. The titles and headings of the Sections in the Plan are for convenience of reference only. In the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

To record the adoption of the Plan by the Board, the Company has caused its authorized officer to execute the same this day of , 1996.

EXEL LIMITED

By-----

ATTEST

-----  
Secretary