ACE LTD

FORM 10-Q
(Quarterly Report)

Filed 11/15/99 for the Period Ending 09/30/99

Telephone	441 295 5200
CIK	0000896159
Symbol	ACE
SIC Code	6331 - Fire, Marine, and Casualty Insurance
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

ACE LTD

FORM 10-Q
(Quarterly Report)

Filed 11/15/1999 For Period Ending 9/30/1999

Address	ACE BLDG 30 WOODBOURNE AVE
	HAMILTON HM 08 BERMU, 00000
Telephone	809-295-5200
CIK	0000896159
Industry	Insurance (Prop. & Casualty)
Sector	Financial
Fiscal Year	12/31

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 1999

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _______________ to _______________

Commission File No. 1-11778 I.R.S. Employer Identification No. 98-0091805

ACE LIMITED
(Incorporated in the Cayman Islands)

The ACE Building
30 Woodbourne Avenue
Hamilton HM 08
Bermuda

Telephone 441-295-5200

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.

YES __X__ NO _____

The number of registrant's Ordinary Shares ($0.041666667 par value) outstanding as of November 12, 1999 was 194,059,295.

ACE LIMITED

INDEX TO FORM 10-Q

Part I. FINANCIAL INFORMATION

Part II. OTHER INFORMATION

ACE LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30 1999	December 31 1998
	(in thousands of U.S. Dollars, except share and per share data)	
Assets		
Investments and cash		
Fixed maturities available for sale, at fair value (amortized cost - $9,478,887 and $4,784,412)	$ 9,338,437	$ 4,866,366
Equity securities, at fair value (cost - $749,461 and $196,375)	756,102	220,843
Short-term investments, at fair value (amortized cost - $670,595 and $757,788)	667,800	757,804
Other investments, at fair value (cost - $366,779 and $128,119)	366,382	129,331
Cash	735,780	240,556
Total investments and cash	11,864,501	6,214,900
Accrued investment income	174,445	54,491
Insurance and reinsurance balances receivable	2,318,832	347,810
Accounts and notes receivable	564,768	--
Reinsurance recoverable	8,924,000	1,159,270
Deferred policy acquisition costs	374,251	67,502
Prepaid reinsurance premiums	590,288	201,529
Goodwill	2,664,886	535,920
Deferred tax assets	977,273	42,796
Other assets	890,939	210,087
Total assets	$ 29,344,183	$ 8,834,305
Liabilities		
Unpaid losses and loss expenses	$ 17,198,095	$ 3,678,269
Unearned premiums	2,128,389	705,712
Premiums received in advance	67,856	62,671
Insurance and reinsurance balances payable	1,493,248	72,993
Contract holder deposit funds	196,338	--
Accounts payable, accrued expenses and other liabilities	1,475,928	137,383
Dividend payable	21,347	17,700
Short-term debt	1,449,279	--
Long-term debt	1,049,334	250,000
Trust preferred securities	400,000	--
Total liabilities	25,479,814	4,924,728
Commitments and contingencies		
Shareholders' Equity		
Ordinary Shares ($0.041666667 par value, 300,000,000 shares authorized; 194,063,128 and 193,687,126 shares issued and outstanding)	8,086	8,070
Additional paid-in capital	1,773,825	1,767,188
Unearned stock grant compensation	(10,889)	(15,087)
Retained earnings	2,193,461	2,040,664
Accumulated other comprehensive (loss) income	(100,114)	108,742
Total shareholders' equity	3,864,369	3,909,577
Total liabilities and shareholders' equity	$ 29,344,183	$ 8,834,305

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Three Months and Nine Months Ended September 30, 1999 and 1998
(Unaudited)

	Three Months Ended September 30, 1999	Three Months Ended September 30, 1998	Nine Months Ended September 30, 1999	Nine Months Ended September 30, 1998
	(in thousands of U.S. Dollars, except per share data)			
Revenues				
Gross premiums written	$ 1,544,458	$ 317,053	$ 2,488,952	$ 1,034,703
Reinsurance premiums ceded	(633,554)	(140,478)	(845,114)	(306,879)
Net premiums written	910,904	176,575	1,643,838	727,824
Change in unearned premiums	42,047	44,573	(105,349)	(38,851)
Net premiums earned	952,951	221,148	1,538,489	688,973
Net investment income	163,060	89,288	334,338	260,582
Net realized gains (losses) on investments	(58,493)	(54,172)	(15,932)	160,892
Total revenues	1,057,518	256,264	1,856,895	1,110,447
Expenses				
Losses and loss expenses	632,910	118,624	1,045,262	394,637
Policy acquisition costs	137,681	24,001	203,505	80,826
Administrative expenses	201,332	85,846	297,131	146,110
Amortization of goodwill	17,474	4,336	26,408	10,563
Loan interest expense	44,068	12,881	52,745	24,098
Other non-insurance expenses	2,932	0	2,932	0
Total expenses	1,036,397	245,688	1,627,983	656,234
Income before income taxes	21,121	10,576	228,912	454,213
Income tax expense (benefit)	6,328	(2,936)	15,978	16,272
Net income	$ 14,793	$ 13,512	$ 212,934	$ 437,941
Basic earnings per share	$ 0.08	$ 0.07	$ 1.10	$ 2.34
Diluted earnings per share	$ 0.08	$ 0.07	$ 1.08	$ 2.29

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Nine Months Ended September 30, 1999 and 1998
(Unaudited)

	September 30 1999	September 30 1998
	(in thousands of U.S. Dollars)	
Ordinary shares		
Balance at beginning of period	$ 8,070	$ 7,406
Ordinary Shares issued	0	688
Issued under Employee Stock Purchase Plan (ESPP)	1	1
Exercise of stock options	15	14
Repurchase of Ordinary Shares	0	(43)
Balance at end of period	8,086	8,066
Additional paid-in capital		
Balance at beginning of period	1,767,188	1,161,932
Ordinary Shares issued	0	605,211
Cancellation of restricted stock award	(371)	0
Issued under ESPP	1,420	954
Exercise of stock options	5,588	3,801
Repurchase of Ordinary Shares	0	(6,637)
Balance at end of period	1,773,825	1,765,261
Unearned stock grant compensation		
Balance at beginning of period	(15,087)	(4,250)
Stock grants awarded	(1,922)	(5,428)
Stock grants forfeited	312	0
Amortization	5,808	3,497
Balance at end of period	(10,889)	(6,181)
Retained earnings		
Balance at beginning of period	2,040,664	1,452,634
Net income	212,934	437,941
Dividends declared	(60,137)	(46,561)
Repurchase of Ordinary Shares	0	(24,460)
Balance at end of period	2,193,461	1,819,554
Accumulated other comprehensive income (loss)		
Net unrealized appreciation (depreciation) on investments		
Balance at beginning of period	102,271	173,428
Change in period, net of tax	(208,482)	(45,583)
Balance at end of period	(106,211)	127,845
Cumulative translation adjustments		
Balance at beginning of period	6,471	1,199
Net adjustments during period	(374)	(1,474)
Balance at end of period	6,097	(275)
Accumulated other comprehensive income (loss)	(100,114)	127,570
Total Shareholders' Equity	$ 3,864,369	$ 3,714,270

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 1999 and 1998
(Unaudited)

	September 30 1999	September 30 1998
	(in thousands of U.S. Dollars)	
Net income	$ 212,934	$ 437,941
Other comprehensive income (loss)		
Net unrealized appreciation (depreciation) on investments		
Unrealized appreciation (depreciation) on investments	(190,344)	64,848
Less: reclassification adjustment for net realized gains included in net income	(54,308)	(101,149)
	(244,652)	(36,301)
Cumulative translation adjustments	(374)	(1,474)
Other comprehensive income (loss), before income taxes	(245,026)	(37,775)
Income tax benefit (expense) related to other comprehensive income items	36,170	(9,282)
Other comprehensive income (loss)	(208,856)	(47,057)
Comprehensive income	$ 4,078	$ 390,884

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 1999 and 1998
(Unaudited)

	September 30 1999	September 30 1998
	(in thousands of U.S. Dollars)	
Cash flows from operating activities		
Net income	$ 212,934	$ 437,941
Adjustments to reconcile net income to net cash used for operating activities:		
Unearned premiums	165,294	69,617
Unpaid losses and loss expenses, net of reinsurance recoverable	(304,304)	(82,804)
Prepaid reinsurance premiums	(99,254)	(100,175)
Net realized gains (losses) on investments	15,932	(160,892)
Amortization of net discount on fixed maturities	(6,009)	(21,663)
Amortization of goodwill	26,408	12,403
Deferred acquisition costs	(18,280)	(28,767)
Insurance and reinsurance balances receivable	(384,759)	(98,337)
Deferred income taxes	9,515	45,652
Premiums received in advance	5,185	10,489
Insurance and reinsurance balances payable	230,301	49,939
Accounts payable, accrued expenses and other liabilities	(38,885)	(164,843)
Net change in contract holder deposit funds	(1,591)	0
Other	(97,858)	(20,464)
Net cash flows used for operating activities	(285,371)	(51,904)
Cash flows from investing activities		
Purchases of fixed maturities	(14,522,815)	(6,457,837)
Purchases of equity securities	(226,511)	(132,419)
Sales of fixed maturities	15,185,241	6,195,585
Sales of equity securities	298,773	602,724
Maturities of fixed maturities	425,163	134,093
Net realized losses on financial futures contracts	(16,568)	(17,974)
Other investments	(200,490)	(53,188)
Acquisition of subsidiary, net of cash acquired	(2,592,632)	(967,758)
Net cash flows used for investing activities	(1,649,839)	(696,774)
Cash flows from financing activities		
Dividends paid	(56,219)	(42,224)
Repayment of bank debt	(198,816)	(385,000)
Proceeds from bank debt	998,697	635,000
Proceeds from short term debt	1,280,118	0
Proceeds from issuance of trust preferred securities	400,000	0
Proceeds from exercise of options for Ordinary Shares	5,603	3,817
Net proceeds from issuance of ordinary shares	0	605,899
Repurchase of Ordinary Shares	0	(31,140)
Proceeds from shares issued under ESPP	1,051	955
Net cash flows from financing activities	2,430,434	787,307
Net increase in cash	495,224	38,629
Cash at beginning of period	240,556	279,085
Cash at end of period	$ 735,780	$ 317,714

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

The interim consolidated financial statements, which include the accounts of the Company and its subsidiaries, have been prepared on the basis of accounting principles generally accepted in the United States of America and, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of results for such periods. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the consolidated financial statements, and related notes thereto, included in the Company's 1998 Annual Report on Form 10-K.

On July 2, 1999, the Company changed its fiscal year-end from September 30 to December 31. This change will be implemented retroactively to December 31, 1998 so that the 1999 fiscal year will be the twelve month period ending December 31, 1999. This change is reflected in the quarter ended September 30, 1999, and the Company is reporting results for the three months ended September 30, 1999 and 1998 and for the nine months ended September 30, 1999 and 1998. The results reported at December 31, 1999 will be for the twelve months ended December 31, 1999.

On July 2, 1999, the Company completed the acquisition of the international and domestic property and casualty businesses of CIGNA Corporation ("CIGNA") for $3.45 billion in cash (the "ACE INA Acquisition"). Under the terms of the agreement the Company, through a newly created U.S. holding company, ACE INA Holdings Inc. ("ACE INA"), acquired CIGNA's domestic property and casualty insurance operations including its run-off business and also its international property and casualty insurance companies and branches, including most of the accident and health business written through those companies. The ACE INA Acquisition has been recorded using the purchase method of accounting and accordingly, the consolidated financial statements include the results of ACE INA and its subsidiaries from July 2, 1999, the date of acquisition. Approximately $1.75 billion of goodwill was generated as a result of the acquisition.

Under the terms of the ACE INA Acquisition agreement, CIGNA agreed to provide a guarantee to ACE to indemnify against unanticipated increases in recorded reserves for losses and loss adjustment expenses of certain subsidiaries being acquired by ACE. CIGNA had the option to replace its guarantee with reinsurance obtained from a mutually agreed upon third party reinsurer. Contemporaneous with the consummation of the ACE INA Acquisition, CIGNA exercised its option and replaced its guarantee with reinsurance by directing certain subsidiaries being acquired to transfer $1.25 billion of investments to National Indemnity Company, a subsidiary of Berkshire Hathaway Inc., for aggregate coverage of $2.5 billion. This coverage attaches at an amount equal to the net recorded reserves of the certain subsidiaries acquired, on the closing date, minus $1.25 billion.

On October 26, 1999, ACE and Capital Re entered into an amended and restated merger agreement. This agreement replaced the Agreement and Plan of Amalgamation entered into by ACE and Capital Re on June 10, 1999. Under the new agreement, Capital Re stockholders will receive 0.65 ordinary shares of ACE for each share of common stock of Capital Re at closing plus a cash payment equal to the difference between the market value (as defined in the agreement) of 0.65 of an ACE ordinary share and $14.00. In no event will the cash payment be less than $1.30 (approximately $41 million in the aggregate) or more than $4.68 ($150 million in the aggregate) per share of Capital Re stock. Subject to SEC review, it is hoped that the transaction will be completed before the end of calendar 1999, subject to customary closing conditions, including approval of the merger by Capital Re's shareholders.

For the nine months ended September 30, 1999, approximately 60 percent of the Company's premiums written came from companies headquartered in North America, 16 percent came from companies headquartered in Europe, 6 percent came from companies headquartered in Australia and New Zealand, 3 percent came from companies headquartered in Latin America, and 15 percent came from companies headquartered in other countries.

2. Significant Accounting Policies

a) Comprehensive Income

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("SFAS 130"), which is effective for fiscal years beginning after December 15, 1997. SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. As of October 1, 1998, the Company adopted SFAS 130; however, the adoption of this statement had no impact on the Company's net income or shareholders' equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale securities and cumulative translation adjustments, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income. Prior year financial statements have been reclassified to conform to the requirements of SFAS 130.

b) New accounting pronouncements

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"), which is effective for fiscal years beginning after December 15, 1997. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. Because SFAS 131 is not required to be applied to interim financial statements in the initial year of adoption, the Company is not required to disclose segment information in accordance with SFAS 131 until its December 1999 annual report. In the Company's March 31, 2000 report, and in subsequent quarters, it will present the interim disclosures required by SFAS 131 for both 1999 and 2000.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), which is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 133 is effective beginning in the first quarter of fiscal 2001. The Company is currently assessing the effect of adopting this statement on its financial position and operating results, which as yet, has not been determined.

In 1998, the AICPA issued SOP 98-7, "Deposit Accounting: Accounting for Insurance and Reinsurance Contracts That Do Not Transfer Insurance Risk." SOP 98-7 provides guidance on the deposit method of accounting for insurance and reinsurance contracts that do not transfer insurance risk. Implementation is required by the first quarter of 2000, with the cumulative effect of adopting the SOP reflected in net income in the year of adoption. The Company has not yet determined the effect or timing of implementation of this pronouncement.

3. Commitments and Contingencies

A number of the Company's insureds have given notice of claims relating to breast implants or related components or raw material thereof that had been produced and/or sold by such insureds. The Company has made payments to date of approximately $610 million with respect to breast implant claims, which include payments of $140 million made during the nine months ended September 30, 1999. These payments are made pursuant to agreements reached with most of the Company's significant breast implant insureds. Those agreements have the effect of limiting the Company's exposure to breast implant claims related to those insureds to amounts which were anticipated in the Company's loss reserves. Although uncertainties concerning the ultimate amount of the Company's financial exposure to breast implant claims continue to exist, the Company believes that the possibility of a material financial impact in the future as a result of breast implant claims is unlikely.

The Company has considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. The estimation of ultimate losses arising from asbestos and environmental exposures has presented a challenge because traditional actuarial reserving methods, which primarily rely on historical experience, are inadequate for such estimation. The problem of estimating reserves for asbestos and environmental exposures resulted in the development of reserving methods which incorporate new sources of data with historical experience. The Company believes that the reserves carried for these claims are adequate based on known facts and current law.

4. Restricted Stock Awards

Under the terms of the 1995 Long-Term Incentive Plan, 44,750 restricted Ordinary Shares were awarded during the nine months ended September 30, 1999, to officers of the Company and its subsidiaries. These shares vest at various dates through November 2003. In addition, during the period, 23,618 restricted Ordinary Shares were awarded to outside directors under the terms of the 1995 Outside Directors Plan. These shares vest at various dates through June 2000.

At the time of grant the market value of the shares awarded under these grants is recorded as unearned stock grant compensation and is presented as a separate component of shareholders' equity. The unearned compensation is charged to income over the vesting period.

5. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share.

	3 Months Ending September 30 1999	3 Months Ending September 30 1998	9 Months Ending September 30 1999	9 Months Ending September 30 1998
	(in thousands of U.S. dollars except share and per share data)			
Numerator:				
Net Income	$ 14,793	$ 13,512	$ 212,934	$ 437,941
Denominator:				
Denominator for basic earnings per share - Weighted average shares outstanding	194,061,171	193,539,724	193,935,790	187,341,947
Effect of dilutive securities	2,011,481	4,231,764	2,981,338	4,150,696
Denominator for diluted earnings per share - Adjusted weighted average shares outstanding and assumed conversions	196,072,652	197,771,488	196,917,128	191,492,643
Basic earnings per share	$ 0.08	$ 0.07	$ 1.10	$ 2.34
Diluted earnings per share	$ 0.08	$ 0.07	$ 1.08	$ 2.29

6. Credit Facilities

In June 1999, the Company arranged certain syndicated credit facilities. Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. acted as lead arranger and co-arranger respectively and assisted in the arranging, structuring and syndication of these credit facilities. Each facility requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant. The facilities provide:

6. Credit Facilities (cont'd)

o A $750 million, 364-day revolving credit facility with ACE Limited, ACE Bermuda Insurance Ltd., Tempest Reinsurance Company Limited and ACE INA Holdings Inc. as borrowers and guarantors. The initial purpose of this facility was to provide interim financing for the ACE INA Acquisition. However, after certain conditions were met, up to $500 million of this facility could remain in place for general corporate purposes. As of September 30, 1999 these conditions have been met and the limit on this facility has been reduced to $500 million.

o A $250 million, five-year revolving credit facility with ACE Limited, ACE Bermuda Insurance Ltd., Tempest Reinsurance Company Limited and ACE INA Holdings Inc. as borrowers and guarantors. This facility is for general corporate purposes and has a letter of credit sub-limit of $250 million.

o A $2.05 billion, 364-day revolving credit facility with a one-year term out option with ACE INA Holdings Inc. as borrower and ACE Limited, ACE Bermuda Insurance Ltd. and Tempest Reinsurance Company Limited as guarantors. This facility was arranged to provide interim financing for the ACE INA Acquisition. As of September 30, 1999, $881 million remains available under this facility.

Each of the above facilities may be used as commercial paper recourse facilities (see further description under Note 8 - Debt).

Tempest Re also maintains an uncollateralized, syndicated revolving credit facility in the amount of $72.5 million. At September 30, 1999, no amounts have been drawn down under this facility. The facility requires that Tempest Re comply with specific covenants. ACE Limited added its guarantee to this facility in June 1999.

In November 1998, the Company arranged a syndicated, partially collateralized, five-year LOC facility in the amount of (pounds)270 million (approximately $450 million) to fulfill the requirements of Lloyd's for the 1999 year of account. This facility was arranged by Citibank N.A., with ING Barings and Barclays Bank PLC acting as co-arrangers, and replaced the facility arranged in December 1997. This LOC facility requires that the Company and/or certain of its subsidiaries continue to maintain certain covenants, including a minimum consolidated tangible net worth covenant and a maximum leverage covenant. On June 30, 1999, certain terms of this LOC facility were renegotiated and the facility is now uncollateralized. The Company expects to renew this facility towards the end of November 1999 to fulfill the requirements of Lloyd's for the 2000 year of account.

In December 1997, the Company had arranged certain syndicated credit facilities. J.P. Morgan Securities, Inc. and Mellon Bank N.A. acted as co-arrangers in the arranging, structuring and syndication of these facilities. During fiscal 1999 each of the facilities under this arrangement have been cancelled and replaced. The facilities provided:

o A $200 million 364-day revolving credit facility and a $200 million five-year revolving credit facility which together made up a combined $400 million committed, uncollateralized syndicated revolving credit facility. The five-year revolving credit facility had a $150 million letter of credit ("LOC") sub-limit. A new multi-year liquidity facility has been arranged as an additional part of the new syndicated credit facilities described above.

6. Credit Facilities (cont'd)

o A syndicated fully collateralized five-year LOC facility totaling approximately (pounds)154 million ($262 million) which was used to fulfill the requirements of Lloyd's to support underwriting capacity on Lloyd's syndicates in which the Company participates. As discussed above, this facility was replaced on November 27, 1998.

o A syndicated $250 million seven-year amortizing term loan facility, which was used on January 2, 1998 to partially finance the acquisition of ACE USA. The interest rate on the term loan was LIBOR plus an applicable spread. As discussed under Note 8 - Long Term Debt, this term loan was refinanced on October 27, 1998.

7. Trust Preferred Securities

In connection with the completion of the ACE INA Acquisition, on June 30, 1999 ACE RHINOS Trust, a Delaware statutory business trust (the "Trust"), sold in a private placement $400 million of Auction Rate Reset Preferred Securities (the "Preferred Securities"). All of the common securities of the Trust are owned by ACE INA Holdings Inc.

The Preferred Securities mature on September 30, 2002. Distributions on the Preferred Securities are payable quarterly at LIBOR plus 125 basis points, adjusted quarterly, provided that the Trust may defer such payments (but no later than September 30, 2002, or, if there is a remarketing, the maturity date of the remarketed securites), with such deferred payments accruing interest compounded quarterly, if ACE INA defers interest on the Subordinated Notes (as defined below). If the trading price of ACE's Ordinary Shares declines to 66-2/3 percent of the closing price of the Ordinary Shares on June 30, 1999, or approximately $18.83 per Ordinary Share, the holders of a majority of the Preferred Securities will have the option to require Banc of America Securities LLC as the Remarketing Agent to remarket the Preferred Securities. If remarketed, the maturity of the remarketed securities will be reset as the later of September 30, 2001 or one year from the date on which the remarketed securities are issued. The coupon will be reset pursuant to a bid process to value the remarketed securities at 100.25 percent of the face amount thereof. If Banc of America were unable to remarket the securities, the holders of a majority of the Preferred Securities would have the right to require ACE INA to repurchase them at a purchase price equal to the face amount of the securities plus accrued and unpaid distributions, which obligations would be guaranteed by ACE Limited. ACE's Ordinary Shares have traded below the trigger price described above during and after the quarter ended September 30, 1999, although the holders of the Preferred Securities did not exercise their remarketing rights at that time.

The sole assets of the Trust consist of $412,372,000 principal amount of Auction Rate Reset Subordinated Notes Series A (the "Subordinated Notes") issued by ACE INA. The Subordinated Notes mature on September 30, 2002. Interest on the Subordinated Notes is payable quarterly at LIBOR plus 125 basis points, adjusted quarterly, provided that ACE INA may defer such interest payments (but no later than September 30, 2002, or, if there is a remarketing, the maturity date of the remarketed securities), with such deferred payments accruing interest compounded quarterly. If under certain circumstances the Trust is dissolved and the holders of the Preferred Securities directly hold the Subordinated Notes, then the remarketing provisions described above will be applicable to the Subordinated Notes.

7 Trust Preferred Securities (cont'd)

In connection with the issuance of the Preferred Securities, the Company has agreed with Banc of America Securities to use its reasonable best efforts to complete one or more firm commitment underwritings with an aggregate public offering price of $400 million on or before June 30, 2002. The Company has agreed to maintain an effective shelf registration statement with availability for the issuance of up to $400 million Ordinary Shares (exclusive of any amounts to cover over-allotments).

8. Debt

At September 30, 1999 and December 31, 1998, the Company's short-term and long-term debt consisted of the following:

	September 30, 1999	December 31, 1998
	(in millions of U.S. dollars)	
Short-term debt		
ACE Limited commercial paper	$ 425	--
ACE INA commercial paper	855	--
ACE INA money market loan	169	--
	$ 1,449	$ 0
Long-term debt		
Senior Notes	$ 250	$ 250
Notes due 2004	400	--
Notes due 2006	299	--
Debentures due 2029	100	--
	$ 1,049	$ 250

In June 1999, the Company arranged certain commercial paper programs for ACE Limited and ACE INA Holdings Inc. The programs use the existing revolving credit facilities (as discussed in Note 6) as recourse facilities and provide for up to $500 million in commercial paper issuance for ACE Limited and up to $2.05 billion in commercial paper issuance for ACE INA Holdings Inc. At September 30, 1999, short-term debt consisted of $425 million and $855 million of commercial paper issued by ACE Limited and ACE INA respectively. The commercial paper rates currently range from 5.6 - 6.2 percent, depending on maturity. On July 2, 1999, $425 million and $1.65 billion were drawn down under these programs by ACE Limited and ACE INA Holdings Inc., respectively to partially finance the ACE INA Acquisition.

In June 1999, ACE INA Holdings Inc. arranged a short-term money market facility in the amount of $225 million for general corporate purposes. This facility is guaranteed by the Company and/or certain of its subsidiaries and requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant. At September 30, 1999 $169 million of this facility was utilized. In November 1999, this facility was cancelled and repaid with proceeds from the commercial paper programs described above.

8. Debt (cont'd)

As part of the permanent financing plan for the ACE INA Acquisition, in August 1999, ACE INA issued $400 million of 8.2% Notes due 2004, $300 million of 8.3% Notes due 2006 and $100 million of 8.875% Debentures due 2029. Interest on the debentures and notes is payable on February 15th and August 15th of each year beginning February 15, 2000. The notes and debentures are not redeemable before maturity and do not have the benefit of any sinking fund. The notes and debentures are uncollateralized and rank equally with all of ACE INA's other uncollateralized senior indebtedness. The notes and debentures are guaranteed on a senior uncollateralized basis by the Company.

In October 1998, ACE US Holdings, Inc. ("ACE US") refinanced the outstanding $250 million term loan co-arranged by JP Morgan Securities, Inc. and Mellon Bank N.A with the proceeds from the issuance of $250 million in aggregate principal amount of uncollateralized senior notes maturing in October 2008. Interest payments, based on the initial fixed rate coupon on these notes of 8.63 percent, are due semi-annually in arrears. The indenture related to these notes includes certain events of default for ACE US. The senior notes are callable subject to certain call premiums, however, ACE US has no current intention of calling the debt. Simultaneously, the Company entered into a notional $250 million swap transaction that has the economic effect of reducing the cost of debt to the consolidated group, excluding fees and expenses, to 6.47 percent for 10 years. Certain assets totaling approximately $90 million are pledged as collateral in connection with the swap transaction. In the event that the Company terminates the swap prematurely, the Company would be liable for certain transaction costs. However, the Company has no current intention of terminating the swap. The swap counter-party is a major financial institution with a long-term S&P Senior Debt Rating of AA- and the Company does not anticipate non-performance.

9. Discontinued Operations

In accordance with Emerging Issues Task Force ("EITF") 87-11 "Allocation of Purchase Price to Assets to Be Sold," and ("EITF") 90-6, "Accounting for Certain Events Not Addressed in Issue No. 87-11 Relating to an Acquired Operating Unit to Be Sold", the Company has presented Commercial Insurance Services ("CIS"), a division of ACE INA, as a discontinued operation. The Company planned, as part of its July 2, 1999 acquisition of the CIGNA P&C business, to dispose of the CIS operations. Following the July 2, 1999 ACE INA acquisition, the company sold the renewal rights for all of its CIS business going forward. The Company still owns the assets and liabilities pertaining to the historical book of business as well as the in-force book of business. This portion of CIS is still for sale.

9. Discontinued Operations (cont'd)

In accordance with EITF 87-11, the Company recorded a net liability as of July 2, 1999 of approximately $170 million which has been recorded in accounts payable and accrued liabilities. The Company has reduced the consolidated balance sheet for the following items that pertain specifically to CIS: $900 million in investments and cash, $100 million in insurance balances receivable, $30 million of net assets comprised of various assets and liabilities, $1.1 billion in net loss reserves, and $100 million in unearned premiums. The historical and in force business, including the estimated proceeds on sale and estimated operating results over the twelve months from July 2, 1999, is represented by the net liability of approximately $170 million. Any income items pertaining to CIS through July 1, 2000 will not appear in the consolidated income of the Company, but will be posted against the $170 million net liability. When the CIS business is sold, any gain or loss on sale would reduce or increase goodwill accordingly.

If the remaining CIS business is not sold prior to July 2, 2000, the Company will be required to expand the net liability into each of its constituent parts in the balance sheet and any resulting income or loss from that book of business from that point forward would be included in income.

10. Reinsurance

The Company purchases reinsurance to manage various exposures including catastrophic risks. Although reinsurance agreements contractually obligate the Company's reinsurers to reimburse it for the agreed upon portion of its gross paid losses, they do not discharge the primary liability of the Company. The amounts for net premiums written and net premiums earned in the statements of operations are net of reinsurance. Direct, assumed and ceded amounts for these items for the three months and nine months ended September 30, 1999 and 1998 are as follows:

Premiums	Three months ended September 30		Nine months ended September 30	
	1999	1998	1999	1998
	(in thousands of U.S. dollars except share and per share data)		(in thousands of U.S. dollars except share and per share data)	
Premiums written				
Direct	$ 1,074,833	$ 296,157	$ 1,604,255	$ 679,544
Assumed	469,625	20,896	884,697	355,159
Ceded	(633,554)	(140,478)	(845,114)	(306,879)
Net premiums written	$ 910,904	$ 176,575	$ 1,643,838	$ 727,824
Premiums earned				
Direct	969,987	$ 258,988	$ 1,443,493	$ 663,169
Assumed	520,872	30,465	829,891	256,964
Ceded	(537,908)	(68,305)	(734,895)	(231,160)
Net premiums earned	$ 952,951	$ 221,148	$ 1,538,489	$ 688,973

10. Reinsurance (cont'd)

The Company's provision for reinsurance recoverable at September 30, 1999 and December 31, 1998 is as follows:

	September 30, 1999	December 31, 1998
	(in thousands of U.S. dollars)	
Reinsurance recoverable on paid losses and loss expenses	$ 818,618	$ 58,806
Reinsurance recoverable on unpaid losses and loss expenses	8,891,811	1,184,978
Provision for uncollectible balances on unpaid losses and loss expenses	(786,429)	(84,514)
Total reinsurance recoverable	$ 8,924,000	$ 1,159,270

11. Taxation

Under current Cayman Islands law, the Company is not required to pay any taxes in the Cayman Islands on its income or capital gains. The Company has received an undertaking that, in the event of any taxes being imposed, the Company will be exempted from taxation in the Cayman Islands until the year 2013. Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any taxes in Bermuda on its income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, the Company will be exempt from taxation in Bermuda until March 2016.

Income from the Company's operations at Lloyd's are subject to United Kingdom corporation taxes. Lloyd's is required to pay U.S. income tax on U.S. connected income ("U.S. income") written by Lloyd's syndicates. Lloyd's has a closing agreement with the IRS whereby the amount of tax due on this business is calculated by Lloyd's and remitted directly to the IRS. These amounts are then charged to the personal accounts of the Names/Corporate Members in proportion to their participation in the relevant syndicates. The Company's Corporate Members are subject to this arrangement but, as UK domiciled companies, will receive UK corporation tax credits for any U.S. income tax incurred up to the value of the equivalent UK corporation income tax charge on the U.S. income.

ACE INA and ACE US Holdings, Inc. is subject to income taxes imposed by U.S. authorities and will file consolidated U.S. tax returns. Certain international operations of the Company are also subject to income taxes imposed by the jurisdictions in which they operate.

The provision for income taxes detailed below represents the Company's estimate of tax liability in respect of the Company's operations at Lloyd's and ACE INA at rates equal to the statutory income tax rate in each jurisdiction.

The Company currently conducts its business so as not to be subject to taxation in the United States or elsewhere, other than as stated above. There can be no assurance that there will not be changes in applicable laws, regulations or treaties which might require the Company to change the way it operates or become subject to taxation.

Taxation (cont'd)

The income tax provision for the three and nine months ended September 30, 1999 and 1998 is as follows:

	Three months ended September 30		Nine months ended September 30	
	1999	1998	1999	1998
	(in thousands of U.S. dollars)			
Current tax expense	$ 7,812	$ 937	$ 11,496	$ 1,203
Deferred tax expense (benefit)	(1,484)	(3,873)	4,482	15,069
Provision for income taxes	$ 6,328	$ (2,936)	$ 15,978	$ 16,272

The components of the net deferred tax assets as of September 30, 1999 and December 31, 1998 is as follows:

	September 30, 1999	December 31, 1998
	(in thousands of U.S. dollars)	
Deferred tax assets		
Loss reserve discount	$ 670,000	$ 47,649
Foreign tax credits	111,000	-
Uncollectible reinsurance	129,000	6,685
Net operating loss carryforward	84,000	33,849
Unrealized depreciation on investments	36,170	-
Other	153,691	36,626
Total deferred tax assets	$ 1,183,861	$ 124,809
Deferred tax liabilities		
Deferred policy acquisition costs	40,000	3,753
Unrealized appreciation on investments	--	5,379
Other	91,588	46,247
Total deferred tax liabilities	131,588	55,379
Valuation allowance	75,000	26,634
Net deferred tax assets	$ 977,273	$ 42,796

12. Summarized Financial Information

The following is consolidated summarized financial information for ACE INA, a wholly owned subsidiary of ACE Limited.

Selected Financial Data
ACE INA
September 30, 1999
(in thousands of U.S. dollars)

Selected Statement of Operation Data	
Total Revenues	$ 795,356
Net Income	8,676
Selected Balance Sheet Data	
Total Investments and cash	7,707,970
Total Assets	23,087,009
Unpaid losses and loss expenses	14,698,525
Total Shareholders' Equity	1,494,507

Separate financial statements of ACE INA have not been presented as management has determined that such information is not material to holders of ACE INA's debt securities.

13. Reclassification

Certain items in the prior period financial statements have been reclassified to conform with the current period presentation.

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

Safe Harbor Disclosure

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Any written or oral statements made by or on behalf of the Company may include forward-looking statements which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors (which are described in more detail elsewhere in documents filed by the Company with the Securities and Exchange Commission) include, but are not limited to, (i) uncertainties relating to government and regulatory policies (such as subjecting the Company to insurance regulation or taxation in additional jurisdictions or amending or revoking any laws, regulations or treaties affecting the Company's current operations), (ii) the occurrence of catastrophic events or other insured or reinsured events with a frequency or severity exceeding the Company's estimates, (iii) legal developments, (iv) the uncertainties of the loss reserving process, (v) loss of the services of any of the Company's executive officers, (vi) changing rates of inflation and other economic conditions, (vii) losses due to foreign currency exchange rate fluctuations, (viii) ability to collect reinsurance recoverables, (ix) the competitive environment in which the Company operates, related trends and associated pricing pressures, (x) the impact of mergers and acquisitions, including the ability to successfully integrate acquired businesses and achieve cost savings, competing demands for ACE's capital and the risk of undisclosed liabilities, (xi) the impact of Year 2000 related issues, (xii) developments in global financial markets which could affect the Company's investment portfolio, (xiii) risks associated with the introduction of new products and services and (xiv) the outcome of the Capital Re transaction. The words "believe", "anticipate", "estimate", "project", "plan", "expect", "intend", "hope", "will likely result" or "will continue" and variations thereof and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

General

The following is a discussion of the Company's results of operations, financial condition, liquidity and capital resources as of and for the three and nine months ended September 30, 1999. The results of operations and cash flows for any interim period are not necessarily indicative of results for the full year. This discussion should be read in conjunction with the consolidated financial statements, related notes thereto and the Management's Discussion and Analysis of Results of Operations and Financial Condition included in the Company's 1998 Annual Report on Form 10-K.

On July 2, 1999, the Company changed its fiscal year-end from September 30 to December 31. This change will be implemented retroactively to December 31, 1998 so that the 1999 fiscal year will be the twelve month period ending December 31, 1999. This change is reflected in the quarter ended September 30, 1999, and the Company is reporting results for the three months ended September 30, 1999 and 1998 and for the nine months ended September 30, 1999 and 1998. The results reported as at December 31, 1999 will be for the twelve months ended December 31, 1999.

General (cont'd)

ACE is a holding company incorporated with limited liability under the Cayman Islands Companies Law. ACE maintains its principal business office in Bermuda. ACE, through its various subsidiaries, provides a broad range of insurance and reinsurance products to insureds in the United States and 47 other countries. In addition, ACE provides funds at Lloyd's, primarily in the form of letters of credit, to support underwriting capacity for Lloyd's syndicates managed by Lloyd's managing agencies which are indirect wholly owned subsidiaries of ACE. ACE operates through five main business units which are: ACE Bermuda Insurance Ltd. ("ACE Bermuda"), Tempest Reinsurance Company Limited ("Tempest Re"), ACE INA Holdings Inc. ("ACE INA" including "ACE USA" and "ACE International"), and the operations of the Company in the Lloyd's market which are collectively referred to herein as "ACE Global Markets". "ACE USA" includes the domestic U.S. business of ACE INA together with the original ACE USA division acquired on January 2, 1998 ("ACE US Holdings"). ACE INA's international operations are presented separately and are referred to as "ACE International". ACE International is divided into four regional areas: ACE Europe, ACE Far East, ACE Asia Pacific and ACE Latin America.

On July 2, 1999, the Company completed the acquisition of the international and domestic property and casualty businesses of CIGNA Corporation ("CIGNA") for $3.45 billion in cash (the "ACE INA Acquisition). Under the terms of the agreement the Company, through a newly created U.S. holding company, ACE INA, acquired CIGNA's domestic property and casualty insurance operations and also its international property and casualty insurance companies and branches, including most of the accident and health business written through those companies. In connection with the ACE INA Acquisition, National Indemnity, a subsidiary of Berkshire Hathaway, is providing $1.25 billion of protection against adverse development with respect to the loss and loss adjustment expense reserves of the operations acquired. The Company financed this transaction with a combination of available cash, a hybrid trust preferred security and the remainder with commercial paper. The Company repaid a portion of the commercial paper with the proceeds of a $800 million debt offering in August 1999 and intends to pay the remaining commercial paper with a combination of newly issued ordinary shares, additional long-term debt and trust preferred securities (see "Liquidity and Capital Resources").

The ACE INA Acquisition is recorded using the purchase method of accounting and, accordingly, the consolidated financial statements include the results of ACE INA and its subsidiaries from July 2, 1999, the date of the acquisition. As a result, the analysis presented below is not comparable.

The Company expects to continue evaluating potential new product lines and other opportunities in the insurance and reinsurance markets. In addition, the Company regularly evaluates potential acquisitions of other companies and businesses and holds discussions with potential acquisition candidates. As a general rule, the Company publicly announces such acquisitions only after a definitive agreement has been reached.

Results of Operations - Three Months ended September 30, 1999 (cont'd)

Premiums	Three months ended September 30 1999	1998	% Change from Prior Year
	(in millions)		
Gross premiums written:			
ACE Bermuda	$ 120.9	$ 101.6	19.0%
ACE Global Markets	183.4	115.0	59.5%
Tempest Re	31.3	32.9	(4.9)%
ACE USA	746.9	67.5	N.M.
ACE International	462.0	--	N.M.
	$ 1,544.5	$ 317.0	387.2%
Net premiums written:			
ACE Bermuda	$ 97.1	$ 64.1	51.5%
ACE Global Markets	110.4	76.4	44.5%
Tempest Re	(1.4)	7.1	(119.7)%
ACE USA	373.0	29.4	N.M.
ACE International	331.8	--	N.M.
	$ 910.9	$ 177.0	414.6%
Net premiums earned:			
ACE Bermuda	$ 121.2	$ 81.2	49.3%
ACE Global Markets	99.8	71.7	39.2%
Tempest Re	39.0	46.5	(16.1)%
ACE USA	342.7	22.1	N.M.
ACE International	350.2	--	N.M.
	$ 952.9	$ 221.5	330.2%

N.M. - not meaningful

The Company had significant increases in gross written, net written and net earned premiums during the current quarter due primarily to the inclusion of the results of ACE INA for the first time this quarter. Gross premiums written increased 387.2 percent to $1.5 billion for the quarter ended September 30, 1999 compared with $317.0 million for the same quarter last year. Although the Company continues to face competitive pressures in most of the markets in which it operates, the diversification strategy of the Company has been key in maintaining growth during these difficult market conditions. The Company is beginning to see a slowdown and bottoming out of premium rates in certain areas of its business.

Results of Operations - Three Months ended September 30, 1999 (cont'd)

The changing mix of business written by ACE Bermuda helped to offset the effects of a continuing soft market. Gross premiums written by ACE Bermuda during the quarter ended September 30, 1999 increased 19.0 percent to $120.9 million from $101.6 million for the same period last year. The primary reasons for the premium increase are significant new business in the tailored risk solutions (formerly financial lines) division and the political risk division which experienced strong growth. The excess property division at ACE Bermuda also grew modestly as it continued to attract new accounts. This growth was partially offset by declines in excess liability and the professional lines business due to continued market pressures.

Gross premiums written by ACE Global Markets increased over last year due to increased participation in the syndicates under management. Gross premiums written increased by $68.4 million or 59.5 percent for the quarter ended September 30, 1999. The non-marine market has stabilized while the aviation market has been in a state of flux with mixed results in both renewals and rates. The marine division has experienced very difficult market conditions with industry consolidations adding to rate reduction pressures and decreased business. Introducing new products, such as the bloodstock line, should help offset some of the market pressures on the existing business.

Tempest Re saw a moderate decline in the gross premiums written this quarter as a result of changes in anniversary dates on two large contracts. Although Tempest Re is still facing a competitive environment, opportunities to write new business at firmer rates are being seen and a modest upturn in the property catastrophe premiums is anticipated in the future.

At ACE USA, gross premium written were $746.9 million and, on a comparable basis, were slightly ahead of last year and in line with the Company's expectations for the first quarter of the combined U.S. company.

ACE International had gross premiums written of $462.0 million for the quarter ended September 30, 1999, slightly exceeding the Company's forecast for this period. All markets for commercial property and casualty remained highly competitive although ACE International is seeing a slowdown in the rate erosion that has persisted for the past 2-3 years.

Results of Operations - Three Months ended September 30, 1999 (cont'd)

Net premiums written increased to $910.9 million for the quarter ended September 30, 1999 compared to $177.0 million for the same quarter last year, an increase of 414.6 percent. As with gross premiums written, the increase is due to the inclusion of the ACE INA business. Net premiums written at ACE Bermuda increased 51.5 percent to $97.1 million for the quarter ended September 30, 1999 compared to $64.1 million for the quarter ended September 30, 1998. The increase is due primarily to increases in the tailored risks solutions division, the political risk division and the excess property division. The Company has significantly increased its participation in the syndicates managed by ACE Global Markets. This has resulted in an increase in net premiums written by ACE Global Markets of 44.5 percent for the three months ended September 30, 1999 compared to the three month ended September 30, 1998. Net premiums written by Tempest Re decreased by $8.5 million during the current quarter. This decrease is the result of Tempest Re's aggressive use of retrocessional cover with the majority of Tempest Re's retrocessional coverage renewing during the current quarter. ACE USA and ACE International contributed $373.0 million and $331.8 million respectively, to net premiums written. ACE USA's net premiums written decreased 6 percent compared to the business it experienced last year due to some shifting in the business mix to lines that have lower net retentions. Net premiums written at ACE International were $331.8 million, an increase of 7 percent as reported, 4 percent on a fixed currency basis. As discussed earlier commercial property and casualty markets remain highly competitive, although there is a slowing of rate erosion in certain areas.

Net premiums earned increased to $952.9 million for the quarter ended September 30, 1999 compared with $221.5 million for the same quarter last year. As with gross premiums written and net premiums written, the increase is due to the inclusion of ACE INA. Net premiums earned by ACE Bermuda during the current quarter increased 49.3 percent to $121.2 million from $81.2 million for the same period last year. As discussed previously, increases in the tailored risk solutions division and the political risk division contributed to the increase in net premiums earned at ACE Bermuda during the current quarter. The increased participation in the Lloyd's syndicates managed by ACE Global Markets resulted in an increase in net premiums earned by ACE Global Markets during the current quarter of 39.2 percent compared to the same quarter last year. Tempest Re experienced a decrease in net premiums earned of 16.1 percent during the current quarter compared to the same quarter last year as a result of the decline in net premiums written. ACE USA and ACE International contributed $342.7 million and $350.2 million respectively to net premiums earned.

Results of Operations - Three Months ended September 30, 1999 (cont'd)

Net Investment Income	Three months ended September 30 1999	1998	% Change from Prior Year
	(in millions)		
Net investment income	$ 163.1	$ 89.3	82.6%

Net investment income increased to $163.1 million in the quarter compared to $89.3 million in the quarter ended September 30, 1998. This increase is primarily a result of a larger investable asset base resulting from the ACE INA Acquisition at the beginning of the current quarter.

Net Realized Gains (Losses) on Investments	Three months ended September 30 1999	1998
	(in millions)	
Fixed maturities and short-term investments	$ (33.6)	$ 22.9
Equity securities	7.0	(1.0)
Financial futures and option contracts	(32.7)	(72.9)
Other investments	1.0	0.0
Currency	(0.2)	(3.1)
	$ (58.5)	$ (54.1)

The Company's investment strategy takes a long-term view and the portfolio is actively managed to maximize total return within certain specific guidelines, which minimize risk. The portfolio is reported at fair value. The effect of market movements on the investment portfolio will directly impact net realized gains (losses) on investments when securities are sold. Changes in unrealized gains and losses, which result from the revaluation of securities held, are reported as a separate component of other comprehensive income.

Sales proceeds for fixed maturity securities were generally lower than their amortized cost during the quarter, which resulted in net realized losses of $33.6 million being recognized on fixed maturities and short-term investments compared with net realized gains of $22.9 million during the same period last year.

Positive returns in international equity markets resulted in net realized gains on sales of equity securities of $7.0 million in the third quarter of fiscal 1999 compared with net realized losses of $1.0 million in the third quarter of fiscal 1998.

Exposure to declining domestic equity markets through the Company's equity index futures contracts generated net realized losses of $32.6 million during the quarter. Fixed income futures contracts contributed $0.1 million to net realized losses. Net realized losses on financial futures and option contracts in the third quarter of fiscal 1998 of $72.9 million were generated primarily by losses recognized on equity futures contracts.

Results of Operations - Three Months ended September 30, 1999 (cont'd)

Combined Ratio

	Three months ended September 30 1999	Three months ended September 30 1998
Loss and loss expense ratio	66.4%	53.6%
Underwriting and administrative expense ratio	34.9%	49.7%
Combined Ratio	101.3%	103.3%

The underwriting results of a property and casualty insurer are discussed frequently by reference to its loss and loss expense ratio, underwriting and administrative expense ratio and combined ratio. Each ratio is derived by dividing the relevant expense amounts by net premiums earned. The combined ratio is the sum of the loss and loss expense ratio and the underwriting and administrative expense ratio. A combined ratio under 100 percent indicates underwriting income and a combined ratio exceeding 100 percent indicates underwriting losses.

Several aspects of the Company's operations, including the low frequency and high severity of losses in the high excess layers in certain lines of business in which the Company provides insurance and reinsurance, complicate the actuarial reserving techniques utilized by the Company. Management believes, however, that the Company's reserves for unpaid losses and loss expenses are adequate to cover the ultimate cost of losses and loss expenses incurred through September 30, 1999. Since such provisions are necessarily based on estimates, future developments may result in ultimate losses and loss expenses significantly greater or less than such amounts.

The combined ratio for the three months ended September 30, 1999 was 102.0 percent compared to 103.3 percent for the three months ended September 30, 1998. During the current quarter, the insurance and reinsurance markets sustained a large number of catastrophe losses including major earthquakes in Taiwan, Turkey, Greece and Mexico, Typhoon Bart in Japan and Hurricane Floyd in the U.S. Each of the Company's subsidiaries had combined ratios below 100 percent for the quarter including the catastrophe losses, except for ACE USA which had a combined ratio of 109.4 percent. The effect of these catastrophe losses on the Company during the quarter amounted to $34 million after tax. Excluding this effect, the loss and loss expense ratio would have been 61.7 percent and the combined ratio for the three months ended September 30, 1999 would have been 97.3 percent.

The underwriting and administrative expense ratio decreased to 35.6 percent for the quarter ended September 30, 1999 compared with 49.7 percent for the same quarter last year. The underwriting expense ratio increased to 14.5 percent from 10.8 percent for the current quarter primarily as a result of higher underwriting ratios at ACE INA. The administrative expense ratio decreased to 21.1 percent for the quarter ended September 30, 1999 compared with an administrative expense ratio of 38.8 percent for the same quarter last year. Included in the administrative expense ratio for the quarter ended September 30, 1998 are approximately $52 million of non-recurring and transaction related expenses with respect to the acquisition of Tarquin which was completed in July 1998. The Company recorded $6 million of non-recurring expenses in connection with the ACE INA acquisition during the current quarter. Excluding these non-recurring expenses, the administrative expense ratio would have been 20.5 percent and 19.0 percent in 1999 and 1998, respectively. These one time expenses include, for the most part, expenses related to the integration of the ACE USA operations, as well as one time expenses related to such items as policy holder notifications, reprinting policy forms and reprinting stationary. The Company has initiated several cost reduction initiatives at ACE INA. These include staff reductions at ACE INA, outsourcing the IT operations at ACE USA and consolidating numerous ACE USA field offices. The Company anticipates that the full financial effect of these changes will impact subsequent quarters.

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

Premiums	Nine months ended September 30 1999	1998	% Change from Prior Year
	(in millions)		
Gross premiums written:			
ACE Bermuda	$ 422.0	$ 394.1	7.1%
ACE Global Markets	530.5	356.4	48.8%
Tempest Re	193.8	124.0	56.3%
ACE USA	880.7	160.2	N.M.
ACE International	462.0	0.0	N.M.
	$ 2,489.0	$ 1,034.7	140.6%
Net premiums written:			
ACE Bermuda	$ 335.8	$ 302.1	11.2%
ACE Global Markets	376.6	253.7	48.4%
Tempest Re	159.0	93.5	70.1%
ACE USA	440.6	78.5	N.M.
ACE International	331.8	0.0	N.M.
	$ 1,643.8	$ 727.8	125.9%
Net premiums earned:			
ACE Bermuda	$ 390.1	$ 280.2	39.2%
ACE Global Markets	289.0	217.1	33.1%
Tempest Re	116.5	123.2	(5.4)%
ACE USA	392.7	70.8	N.M.
ACE International	350.2	0.0	N.M.
	$ 1,538.5	$ 691.3	122.6%

N.M. - not meaningful

Gross premiums written for the nine months ended September 30, 1999 increased 140.6 percent to $2.5 billion compared with $1.0 billion for the same period last year. This increase is due primarily to the inclusion of the results of ACE INA during the current period. However, each of the Company's business units reported increases in gross premiums written during the current period compared with the corresponding period last year.

Gross premiums written at ACE Bermuda increased by 7.1 percent to $422 million for the nine months ended September 30, 1999 from $394.1 million reported for the same period last year. The majority of the premium growth over last year is attributed to significant increases in ACE Bermuda's tailored risk solutions and to new products covering political risk which offset the negative effects of a continuing soft market. The aviation and excess property divisions showed slight increases over the same nine month period last year. This growth was partially offset by declines in excess liability and the professional lines business due to continued market pressures. In addition, premiums in the satellite lines business during the nine month period decreased due to a reduction in launch activity and downward rate pressures.

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

ACE Global Markets recorded an increase in gross premiums written during the nine months ended September 30, 1999 of 48.8 percent to $530.5 million from $356.4 million recorded for the nine months ended September 30, 1998. This increase is due to the Company's increased participation in the Lloyd's syndicates under management. This upward trend will continue as the Company has increased its capacity on Syndicate 2488, its integrated Lloyd's underwriting vehicle, to 84 percent of total capacity for the 2000 year of account. The Company's focus for ACE Global Markets in 1999 has been to protect earnings by restructuring the broad portfolio of specialty business that it writes to both maximize available profitability and to lessen its exposure to less profitable lines. The non-marine market has seen rates stabilize over the nine months while the aviation's market has been in a state of flux with mixed results in both its renewals and rates. The marine division continues to experience very difficult market conditions. Continued industry consolidations exacerbate the existing rate reduction pressures and decreased business in the Lloyd's market.

Tempest Re is continuing to see opportunities to write new business at firmer rates in several areas. Gross premiums written at Tempest Re increased 56.3 percent to $193.8 million for the nine months ended September 30, 1999 from $124.0 million reported in the same period last year. The Company acquired CAT in April 1998 and therefore results for the comparative period include the results of CAT for six months compared to results for nine months for the current fiscal period. A few areas of business continue to see declines due to consolidation among the insureds. Overall, however, the competitive environment is less adverse than it has been in the last couple of years and Tempest Re expects moderate improvements in the future.

Gross premiums written at ACE USA increased to $880.7 million for the nine months ended September 30, 1999 from $160.2 million reported in the same period last year, an increase of 449.8 percent. This increase is due primarily to the inclusion of the results of the new business purchased in July 1999. ACE International's results reflect the three month period ended September 30, 1999 and are reviewed under the three month results discussion.

Net premiums written increased by $916.0 million to $1.6 billion for the nine month period ended September 30, 1999 compared to $727.8 million for the nine month period ended September 30, 1998, an increase of 125.9 percent. As with gross premiums written, the increase is due primarily to the inclusion of the results of the newly acquired ACE INA business although increases were experienced in all business units. Net premiums written by ACE Bermuda increased by 11.2 percent in the period compared to the same period last year, the result primarily of increases in the net premiums written in the tailored risk solutions division and the excess property division. The Company's increased participation in the Lloyd's syndicates managed by ACE Global Markets resulted in an increase in net premiums written for that segment of $122.9 million or 48.4 percent.

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

Net premiums earned increased by $847.2 million to $1.5 billion compared to $691.3 million last year, an increase of 122.6 percent. As with gross premiums written and net premiums written, the increase is due primarily to the inclusion of the results of the newly acquired ACE INA business. ACE Bermuda, ACE Global Markets and Tempest Re experienced increases in net premiums earned during the period as well, as discussed for both gross and net premiums written. The tailored risk solutions division at ACE Bermuda contributed significantly to the increase due to the commutation of a tailored risk solutions contract and the writing of significant contracts during the period which generated immediate one time earnings.

Net Investment Income	Nine months ended September 30 1999	1998	% Change from Prior Year
	(in millions)		
Net investment income	$ 334.3	$ 260.6	28.3%

Net investment income increased by $73.7 million in the current period, as compared with the nine month period ended September 30, 1998. The primary reason for this is an increase in the size of investment assets due to the CAT and the ACE INA acquisitions. The previous period includes the results of CAT for only six months following its acquisition on April 1, 1998 compared to results for the full nine months of the current fiscal period, and ACE INA results are included for the first time this quarter.

Net Realized Gains (Losses) on Investments	Nine months ended September 30 1999	1998
	(in millions)	
Fixed maturities and short-term investments	$ (65.2)	$ 36.9
Equity securities	35.8	161.2
Financial futures and option contracts	16.9	(18.0)
Other investments	1.7	0.0
Currency	(5.1)	(19.2)
	$ (15.9)	$ 160.9

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

The Company's investment strategy takes a long-term view and the portfolio is actively managed to maximize total return within certain specific guidelines, which minimize risk. The portfolio is reported at fair value. The effect of market movements on the investment portfolio will directly impact net realized gains (losses) on investments when securities are sold. Changes in unrealized gains and losses, which result from the revaluation of securities held, are reported as a separate component of shareholders' equity.

The Company uses foreign currency forward and option contracts to minimize the effect of fluctuating foreign currencies on the value of non-U.S. dollar holdings. The contracts used are not designated as specific hedges and therefore, realized and unrealized gains and losses recognized on these contracts are recorded as a component of net realized gains (losses) in the period in which the fluctuations occur, together with net foreign currency gains (losses) recognized when non-U.S. dollar securities are sold.

Sales proceeds for fixed maturity securities were generally lower than their amortized cost during the period. This resulted in net realized losses of $65.2 million being recognized on fixed maturities and short-term investments during the nine months ended September 30, 1999 compared to net realized gains of $36.9 million for the same period last year.

Positive returns in the international equity markets contributed to net realized gains on the sale of equity securities of $35.8 million in the first nine months of fiscal 1999, compared with gains of $161.2 million for the same period last year. The liquidation of two domestic stock portfolios and the sale of a portion of the non-U.S. dollar equity securities contributed significantly to the net realized gains on sales of equity securities in the first nine months of fiscal 1998.

Certain of the Company's external managers of fixed income securities use fixed income futures contracts to manage duration exposure, and losses of $16.0 million were recognized on these during the nine months ended September 30, 1999. Net realized gains generated by the Company's equity index futures contracts amounted to $32.9 million during the period. Total net realized gains attributable to the financial futures and option contracts amounted to $16.9 million, compared to losses of $18.0 million in the nine month period ended September 30, 1998.

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

Combined Ratio

	Nine months ended September 30 1999	1998
Loss and loss expense ratio	67.9%	57.3%
Underwriting and administrative expense ratio	32.5%	32.9%
Combined Ratio	100.4%	90.2%

The underwriting results of a property and casualty insurer are discussed frequently by reference to its loss and loss expense ratio, underwriting and administrative expense ratio and combined ratio. Each ratio is derived by dividing the relevant expense amounts by net premiums earned. The combined ratio is the sum of the loss and loss expense ratio and the underwriting and the administrative expense ratio. A combined ratio under 100 percent indicates underwriting income and a combined ratio exceeding 100 percent indicates underwriting losses.

Several aspects of the Company's operations, including the low frequency and high severity of losses in the high excess layers in certain lines of business in which the Company provides insurance and reinsurance, complicate the actuarial reserving techniques utilized by the Company. Management believes, however, that the Company's reserves for unpaid losses and loss expenses are adequate to cover the ultimate cost of losses and loss expenses incurred through September 30, 1999. Since such provisions are necessarily based on estimates, future developments may result in ultimate losses and loss expenses significantly greater or less than such amounts.

The combined ratio for the nine month period was 100.4 percent compared to 90.2 percent in 1998. There have been several significant catastrophes during the nine month period ended September 30, 1999. In April 1999, a hailstorm caused extensive damage in New South Wales, Australia. In early May 1999, several tornadoes struck the United States, resulting in significant loss of lives, as well as substantial property damage. From July to September 1999, there were major earthquakes in Taiwan, Turkey, Greece and Mexico, a typhoon in Japan and Hurricane Floyd in the U.S. The effect of these catastrophe losses on the Company during the nine month period was $89 million. Excluding the effect of these significant catastrophes, the loss and loss expense ratio for the nine months ended September 30, 1999 would have been 62.2 percent and the combined ratio would have been 94.7 percent. Also, in the quarter ended June 30, 1999 ACE Bermuda recorded a large tailored risk solutions contract that was booked at a very high loss ratio.

Results of Operations - Nine Months ended September 30, 1999 (cont'd)

The underwriting and administrative expense ratio remained relatively flat at 32.5 percent for the nine months ended September 30, 1999 compared with 32.9 percent for the same period last year. The underwriting expense ratio for the nine months ended September 30, 1999 was 13.2 percent compared to 11.7 percent for the same period in 1998. The administrative expense ratio decreased to 19.3 percent for the current nine month period compared to 21.2 percent in for the same period last year. Excluding the non-recurring expenses in 1999 and 1998 discussed previously, the administrative expense ratio would have been 18.9 percent in 1999 and 14.5 percent in 1998. The increase in administrative expenses is partly due to the costs associated with the continued growth and diversification of the ACE Group and the higher operating expenses of the ACE INA group. Other factors contributing to the increased administrative expenses are the Company's activities during 1999 to establish the ACE brand on a global basis through an integrated communications program. The Company has initiated several cost reduction initiatives at ACE INA. These include staff reductions at ACE INA, outsourcing the IT operations at ACE USA and consolidating numerous ACE USA filed offices. The Company anticipates that the full financial effect of these changes will impact subsequent quarters.

LIQUIDITY AND CAPITAL RESOURCES

As a holding company, ACE's assets consist primarily of the stock of its subsidiaries as well as other investments. In addition to investment income, its cash flows currently depend primarily on dividends or other statutorily permissible payments from its Bermuda-based operating subsidiaries (the "Bermuda subsidiaries"). There are currently no legal restrictions on the payment of dividends from retained earnings by the Bermuda subsidiaries as the minimum statutory capital and surplus requirements are satisfied by the share capital and additional paid-in capital of each of the Bermuda subsidiaries. However, the payment of dividends or other statutorily permissible distributions by the Bermuda subsidiaries is subject to the need to maintain shareholder's equity at a level adequate to support the level of insurance and reinsurance operations. During the nine months ended September 30, 1999, ACE Bermuda and Tempest Re declared dividends of $650 million and $300 million, respectively. The majority of these funds were used to complete the ACE INA Acquisition.

The payment of any dividends from the Company's UK subsidiaries would be subject to applicable United Kingdom insurance law including those promulgated by the Society of Lloyd's. No dividends were received from ACE Global Markets during fiscal 1998 or during the first nine months of fiscal 1999 and the Company does not anticipate receiving dividends from ACE Global Markets during the remainder of fiscal 1999. ACE INA has issued debt to provide partial financing for the ACE INA Acquisition and for other operating needs. Cash flow requirements to service this debt are expected to be met by upstreaming dividend payments from ACE INA's insurance subsidiaries. Under various U.S. insurance laws to which ACE INA's U.S. insurance subsidiaries are subject, ACE INA's U.S. insurance subsidiaries may pay a dividend only from earned surplus subject to the maintenance of a minimum capital requirement, without prior regulatory approval. No dividends have been received from ACE INA through September 30, 1999.

The Company's consolidated sources of funds consist primarily of net premiums written, investment income, and proceeds from sales and maturities of investments. Funds are used primarily to pay claims, operating expenses and dividends and for the purchase of investments.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

The Company's insurance and reinsurance operations provide liquidity in that premiums are normally received substantially in advance of the time claims are paid. For the nine months ended September 30, 1999, the Company's consolidated net cash flow from operating activities was $(285.4) million, compared with $(51.9) million for the nine months ended September 30, 1998. Cash flows are affected by claim payments, which due to the nature of the Company's operations, may comprise large loss payments on a limited number of claims and therefore can fluctuate significantly from year to year. The irregular timing of these loss payments, for which the source of cash can be from operations, available net credit facilities or routine sales of investments, can create significant variations in cash flows from operations between periods. For the nine month periods ended September 30, 1999 and 1998, net loss and loss expense payments amounted to $1.5 billion and $457.4 million respectively. Net loss and loss expense payments amounted to $583.8 million, $421.9 million and $115.0 million for the twelve months ended September 30, 1998, 1997 and 1996, respectively, of which approximately $120 million and $250 million in fiscal 1998 and 1997, respectively, related to breast implant payments.

A number of the Company's insureds have given notice of claims relating to breast implants or related components or raw material thereof that had been produced and/or sold by such insureds. The Company has made payments to date of approximately $610 million with respect to breast implant claims, which include payments of $140 million made during the nine months ended September 30, 1999. These payments are made pursuant to agreements reached with most of the Company's significant breast implant insureds. Those agreements have the effect of limiting the Company's exposure to breast implant claims related to those insureds to amounts which were anticipated in the Company's loss reserves. Although uncertainties concerning the ultimate amount of the Company's financial exposure to breast implant claims continue to exist, the Company believes that the possibility of a material financial impact in the future as a result of breast implant claims is unlikely.

The Company maintains loss reserves for the estimated unpaid ultimate liability for losses and loss expenses under the terms of its policies and agreements. The reserve for unpaid losses and loss expenses of $17.2 billion at September 30, 1999 includes $9.1 billion of case and loss expense reserves. While the Company believes that its reserve for unpaid losses and loss expenses at September 30, 1999 is adequate, future developments may result in ultimate losses and loss expenses significantly greater or less than the reserve provided.

At September 30, 1999, total investments and cash amounted to approximately $11.9 billion, compared to $6.2 billion at December 31, 1998. The increase is due primarily to the inclusion of ACE INA's cash and investments portfolio of $7.2 billion acquired by the company on July 2, 1999. The Company used $1.0 billion of available cash and investments in the ACE INA acquisition. The Company's investment portfolio is structured to provide a high level of liquidity to meet insurance related or other obligations. The consolidated investment portfolio is externally managed by independent professional investment managers and is invested in high quality investment grade marketable fixed income and equity securities, the majority of which trade in active, liquid markets. The Company believes that its cash balances, cash flow from operations, routine sales of investments and the liquidity provided by its credit facilities (discussed below) are adequate to allow the Company to pay claims within the time periods required under its policies.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

In December 1997, the Company arranged certain syndicated credit facilities. J.P. Morgan Securities, Inc. and Mellon Bank N.A. acted as co-arrangers in the arranging, structuring and syndication of these facilities. During fiscal 1999 each of the facilities under this arrangement have been cancelled and replaced as discussed below. The facilities provided:

o A $200 million 364-day revolving credit facility and a $200 million five-year revolving credit facility which together made up a combined $400 million committed, uncollateralized syndicated revolving credit facility. The five-year revolving credit facility had a $150 million letter of credit ("LOC") sub-limit. A new multi-year liquidity facility has been arranged as an additional part of the new syndicated credit facilities discussed below. As of September 30, 1999 these conditions have been met and the limit on this facility is now $500 million.

o A syndicated fully collateralized five-year LOC facility totaling approximately (pounds)154 million ($262 million) which was used to fulfill the requirements of Lloyd's to support underwriting capacity on Lloyd's syndicates in which the Company participates. As discussed below, this facility was replaced on November 27, 1998.

o A syndicated $250 million seven-year amortizing term loan facility, which was used on January 2, 1998 to partially finance the acquisition of ACE USA. The interest rate on the term loan was LIBOR plus an applicable spread. As discussed below, this term loan was refinanced on October 27, 1998.

On October 27, 1998, ACE US Holdings, Inc. ("ACE US") refinanced the outstanding $250 million term loan with the proceeds from the issuance of $250 million in aggregate principal amount of unsecured senior notes maturing in October 2008. Interest payments, based on the initial fixed rate coupon on these notes of 8.63 percent, are due semi-annually in arrears. The indenture related to these notes includes certain events of default for ACE US. The senior notes are callable subject to certain call premiums, however, ACE US has no current intention of calling the debt. Simultaneously, the Company entered into a notional $250 million swap transaction that has the economic effect of reducing the cost of debt to the consolidated group, excluding fees and expenses, to 6.47 percent for 10 years. Certain assets totaling approximately $90 million are pledged as collateral in connection with the swap transaction. In the event that the Company terminates the swap prematurely, the Company would be liable for certain transaction costs. However, the Company has no current intention of terminating the swap. The swap counter-party is a major financial institution with a long-term S&P Senior Debt Rating of AA- and the Company does not anticipate non-performance.

In November 1998, the Company arranged a syndicated, partially collateralized, five-year LOC facility in the amount of (pounds)270 million (approximately $450 million) to fulfill the requirements of Lloyd's for the 1999 year of account. This facility was arranged by Citibank N.A., with ING Barings and Barclays Bank PLC acting as co-arrangers, and replaced the facility arranged in December 1997. This LOC facility requires that the Company and/or certain of its subsidiaries continue to maintain certain covenants, including a minimum consolidated tangible net worth covenant and a maximum leverage covenant. On June 30, 1999, certain terms of this LOC facility were renegotiated and the facility is now uncollateralized. The Company expects to renew this facility towards the end of November 1999 to fulfill the requirements of Lloyd's for the 2000 year of account.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

As previously noted, on July 2, 1999, the Company completed the ACE INA Acquisition for $3.45 billion in cash. The Company financed the transaction as follows:

(a) $1.025 billion of available cash;

(b) $400 million from a hybrid trust preferred security. The interest rate on this security is LIBOR plus 125 basis points. ACE simultaneously entered into an agreement relating to the future issuance of $400 million of ACE ordinary shares in a public offering prior to June 30, 2002;

(c) and the remainder with commercial paper issuance with a current annualized cost of in the range of 5.3 - 6.2 percent. The commercial paper offerings are backed by line of credit facilities, which were arranged in connection with the ACE INA Acquisition.

In August 1999 commercial paper outstanding in (c) above was reduced by using the net proceeds of the senior debt issued, which amounted to $794 million.

Ultimately, it is anticipated that the balance of the commercial paper it noted in (c) above will be replaced with a combination of newly issued ACE ordinary shares, senior debt and trust preferred securities at the time when ACE considers market conditions to be most suitable for issuance. The Company and certain of its subsidiaries and related trusts have an effective shelf registration statement covering up to $3.2 billion of equity and debt securities that may be issued from time to time.

In June 1999, the Company arranged certain syndicated credit facilities. Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. acted as lead arranger and co-arranger respectively and assisted in the arranging, structuring and syndication of these credit facilities. Each facility requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant. The facilities provide:

o A $750 million, 364-day revolving credit facility with ACE Limited, ACE Bermuda Insurance Ltd., Tempest Reinsurance Company Limited and ACE INA Holdings Inc. ("ACE INA") as borrowers and guarantors. The initial purpose of this facility was to provide interim financing for the ACE INA Acquisition. However, after certain conditions are met, up to $500 million of this facility could remain in place for general corporate purposes. As of September 30, 1999 these conditions have been met and the limit on this facility had been reduced to $500 million.

o. A $250 million, five-year revolving credit facility with ACE Limited, ACE Bermuda Insurance Ltd., Tempest Reinsurance Company Limited and ACE INA Holdings Inc. as borrowers and guarantors. This facility is for general corporate purposes and has a letter of credit sub-limit of $250 million.

o A $2.05 billion, 364-day revolving credit facility with a one-year term out option with ACE INA Holdings Inc. as borrower and ACE Limited, ACE Bermuda Insurance Ltd. and Tempest Reinsurance Company Limited as guarantors. This facility was arranged to provide interim financing for the ACE INA Acquisition. As of September 30, 1999, $881 million remains available under this facility.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

In June 1999, the Company arranged certain commercial paper programs for ACE Limited and ACE INA Holdings Inc. The programs use the above facilities as recourse facilities and provide for up to $750 million in commercial paper issuance for ACE Limited and up to $2.05 billion in commercial paper issuance for ACE INA Holdings Inc. On July 2, 1999, $425 million and $1.65 billion were drawn down under these programs by ACE Limited and ACE INA Holdings Inc. respectively to partially finance the ACE INA Acquisition. At September 30, 1999 the balances under these programs were $425 million and $855 million respectively.

In June 1999, ACE INA Holdings Inc. arranged a short-term money market facility in the amount of $225 million for general corporate purposes. This facility is guaranteed by the Company and/or certain of its subsidiaries and requires that the Company and/or certain of its subsidiaries maintain specific covenants, including a consolidated tangible net worth covenant and a maximum leverage covenant. At September 30, 1999 $169 million of this facility was utilized. In November 1999, this facility was cancelled and repaid with proceeds from the commercial paper programs described in Note 8 to the unaudited financial statements.

Tempest Re also maintains an uncollateralized, syndicated revolving credit facility in the amount of $72.5 million. At September 30, 1999, no amounts have been drawn down under this facility. The facility requires that Tempest Re comply with specific covenants. ACE Limited added its guarantee to this facility in June 1999.

As discussed above, on October 26, 1999, ACE and Capital Re entered into an amended and restated merger agreement. This agreement replaced the Agreement and Plan of Amalgamation entered into by ACE and Capital Re on June 10, 1999. Under the new agreement, Capital Re stockholders will receive 0.65 ordinary shares of ACE for each share of common stock of Capital Re at closing plus a cash payment equal to the difference between the market value (as defined in the agreement) of 0.65 of an ACE ordinary share and $14.00. In no event will the cash payment be less than $1.30 (approximately $41 million in the aggregate) or more than $4.68 ($150 million in the aggregate) per share of Capital Re stock. Subject to SEC review, it is hoped that the transaction will be completed before the end of calendar 1999, subject to customary closing conditions, including approval of the merger by Capital Re's shareholders.

The use of $1.025 billion of available cash from the Bermuda companies' investment portfolios will result in reduced investment income from the Bermuda operations. It is anticipated that the commercial paper issued by the Company, which may be rolled over from time to time, could ultimately be repaid with proceeds from the issuance of the ACE ordinary shares, from internal funds or from proceeds of the senior debt and trust preferred securities when issued. Payments on both the senior debt and the trust preferred securities, which were issued by ACE INA will be tax deductible.

The majority of markets in which the Company currently operates are experiencing softness in pricing and expanding coverage terms. This may result in reduced premium volumes and to some extent increases in the combined ratios. The Company continues to maintain its underwriting discipline in these markets and focus on profitable underwriting. This underwriting discipline together with the Company's increased use of reinsurance may result in lower underwriting and operating income for the Company's current books of business if the current insurance market environment remains unchanged. The Company anticipates that the impact of this situation, if unchanged, will be lower operating income than the level otherwise expected from our current books of business for the remainder of fiscal 1999 and fiscal 2000.

LIQUIDITY AND CAPITAL RESOURCES (Cont'd)

On October 16, 1998, January 15, 1999, and April 16, 1999, the Company paid quarterly dividends of 9 cents per share to shareholders of record on September 30, 1998, December 15, 1998 and March 31, 1999. On July 16, 1999 and October 15, 1999, the Company paid quarterly dividends of 11 cents per share to shareholders of record on June 30, 1999 and September 30, 1999. The declaration and payment of future dividends is at the discretion of the Board of Directors and will be dependent upon the profits and financial requirements of the Company and other factors, including legal restrictions on the payment of dividends and such other factors as the Board of Directors deems relevant.

Fully diluted book value per share was $19.72 at September 30, 1999, compared with $20.18 at December 31, 1998.

The Company's financial condition, results of operations and cash flows are influenced by both internal and external forces. Claims settlements, premium levels and investment returns may be impacted by changing rates of inflation and other economic conditions. In many cases, significant periods of time, ranging up to several years or more, may elapse between the occurrence of an insured loss, the reporting of the loss to the Company and the settlement of the Company's liability for that loss. The liquidity of its investment portfolio, cash flows and the credit facilities are, in management's opinion, adequate to meet the Company's expected cash requirements.

IMPACT OF THE YEAR 2000 ISSUE

General
The management of ACE Limited, recognizing that the Year 2000 problem, if left untreated, could have a material adverse effect on the Company's business, results of operations or financial condition, has in progress a project to address this issue. It is the expectation of ACE's management that this project will reduce the impact of the Year 2000 problem to an immaterial level, although not all risks can be eliminated.

The Year 2000 problem stems from the inability, in some cases, of computer programs and embedded microchips to correctly process certain data. The problem is most evident because dates that fall in the year 2000 and in later years may not be properly distinguished from those which fell in the corresponding years of the present century.

Although all ACE Group companies had individually taken steps earlier towards alleviating the Year 2000 problem, a formal group- wide project was established in March 1998. At that time, a "Group Year 2000 coordinator" was appointed for the ACE Group and an executive steering committee was formed to oversee the project. This committee meets on a monthly basis to review progress and take corrective action if necessary. In each of the ACE subsidiary companies, a senior member of the management has been appointed as Year 2000 coordinator. Each Year 2000 coordinator has responsibility for that part of the Year 2000 plan relevant to its company. A detailed quarterly report on the status of the Year 2000 project is delivered to the audit committee of the Board of Directors.

A consultant who is an experienced project manager has been retained to assist the Year 2000 coordinator. In addition, certain subsidiaries have engaged external consultants to assist in monitoring their plans.

The Company's Year 2000 project is divided into four sections:
Underwriting; Information Technology; Trading Partners; and Physical Plant. The project is substantially complete, although certain activities, notably the monitoring of trading partners, the continuation of prudent underwriting and the refinement and possible invocation of contingency plans will continue until December 31, 1999 and beyond.

The Year 2000 projects of those parts of CIGNA acquired by ACE on July 2, 1999 have now been incorporated into ACE's Year 2000 project.

Underwriting

Underwriting teams within each ACE Group subsidiary have considered the risks with respect to the Year 2000 problem that might be associated with underwriting their various lines of business and have developed internal guidelines which seek to minimize these risks. Compliance with these guidelines is the subject of internal audits and/or peer reviews. These guidelines are under regular review. In some cases, exclusionary language has been added to policies and in all cases there is a requirement for underwriters to consider information about our clients and potential clients that is relevant to the Year 2000 problem and, based on this, to underwrite risks prudently or to decline them.

IMPACT OF THE YEAR 2000 ISSUE (cont'd)

Information Technology

Each ACE subsidiary has a plan intended to ensure that all information technology components such as hardware, software and network equipment that will be in use in the Year 2000 (and beyond) for use by any business-critical function will not suffer from the Year 2000 problem. Inventories were prepared of all such components, and appropriate action was decided. By September 30, 1999 almost all of these actions had been completed. ACE's management anticipates no difficulty in finalizing those few remaining activities before the end of 1999.

With only one exception all business-critical applications in the ACE Group are now Year-2000 compliant. A compliant vendor product will replace the non-compliant application which performs a reporting function. This replacement is expected to be in production prior to the potential failure date of the non-compliant application.

Testing of hardware and network components is virtually complete, although a few minor items remain outstanding. Testing of other software, such as operating systems and PC desktop applications is almost complete, though in a few cases the Company is relying on assurances from established software manufacturers that their systems will process correctly.

Trading Partners and Physical Plant

The trading partners' section of the project focuses on Year 2000 issues relating to the Company's trading partners. Examples of the Company's trading partners are: insurance brokers, banks, reinsurance companies, vendors and service providers in information technology and general suppliers.

The physical plant section of the project focuses on items such as elevators, fire suppression systems, security systems, building management systems (which may control air-conditioning, heating and lighting systems) which may be controlled by software programs or embedded chips, and may thus fail or act unpredictably in, or after the Year 2000. Furthermore, supply of electrical power and telecommunications services are considered here.

IMPACT OF THE YEAR 2000 ISSUE (cont'd)

All material trading partners and those vendors and service providers connected with physical plant were inventoried and questionnaires were sent to them soliciting information about their Year 2000 readiness. Responses have now been provided in almost all cases, ACE has assessed those responses that have been forthcoming. Most of these responses appear to give evidence of satisfactory progress and a few do not. In those cases where additional follow-up fails to provide satisfactory responses, contingency plans are now in place to minimize the effect of potential failure of a trading partner.

Costs

The total cost of the Year 2000 project is not expected to be material to the Company's financial position. The original estimated cost was approximately $6.55 million, which includes approximately $2.55 million representing the additional cost associated with the absorption of ACE INA. Total expenditure to date on the whole project is approximately $2.45 million. Although some of the unused budget will be used for settling expected expenses for making IT systems Year 2000 compliant, and some may be used for execution of actions in contingency plans, it now appears that the project will be completed well within its originally estimated cost.

Risks

It is not feasible to assign probabilities to many of the events associated with the Year 2000. The arrival of January 1, 2000 presents novel problems about which there is no body of evidence upon which to base statistical predictions. Furthermore, world infrastructure in areas such as telecommunications, banking, law enforcement, energy production and distribution, manufacturing, transportation and government and military systems are inextricably linked in such a manner that a small failure in one area could produce large and unexpected effects in others. Each business has a dependence upon its customers and suppliers and through them (or directly) upon many or all of the infrastructural areas noted above.

ACE management believes that the risks associated with its own information technology project component are small. For reasons noted above, it is impossible to quantify all risks associated with trading partners and physical plant. The Company's management believes that the greatest risk for the Company lies in the possibility of unpredictable events affecting insureds producing a number of claims (valid or otherwise) which, if valid and covered by ACE's insurance policies, are expensive to pay, or if not valid, expensive in defense litigation costs.

The Company has prepared contingency plans to address various identified risks associated with the Year 2000. These plans were substantially complete by July 31, 1999, but will continue to be updated and refined throughout the remainder of 1999.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K
1) Exhibits

10.1 ACE Limited 1999 Replacement Long Term Incentive Plan*

27 Financial Data Schedule

***Management Contract or Compensation Plan**

2) Reports on Form 8-K A

The Company filed a Form 8-K current report and a Form 8-KA current report (date of earliest event reported: July 2, 1999) pertaining to the completion of the acquisition of the U.S. domestic and international property and casualty insurance businesses of CIGNA Corporation submitting unaudited pro-forma financial information for the business combination.

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.

ACE LIMITED

November 15, 1999 *\/S/ Brian Duperreault*

Brian Duperreault
Chairman, President and Chief Executive Officer

November 15, 1999 *\/S/ Robert Blee*

Robert Blee
Chief Accounting Officer

EXHIBIT INDEX

Exhibit Number	Description	Numbered Page
10.1	ACE Limited 1999 Replacement Long Term Incentive Plan*	
27	Financial Data Schedule	

***Management Contract or Compensation Plan**

ACE LIMITED
1999 REPLACEMENT
LONG TERM INCENTIVE PLAN

ARTICLE 1
Statement of Purpose

The ACE Limited 1999 Replacement Long-Term Incentive Plan (the "Plan") has been established by ACE Limited (the "Company") to award substitute restricted stock awards in satisfaction of its obligations under Section 5.3(b) of the acquisition agreement dated as of January 11, 1999 by and among the Company, CIGNA Corporation ("CIGNA") and CIGNA Holdings, Inc. (the "Acquisition Agreement") and to provide selected individuals substitute restricted stock awards in replacement of certain CIGNA equity-based awards which terminate or expire in connection with the closing of the transaction contemplated by the Acquisition Agreement (the "Transaction").

ARTICLE 2
Definitions

For all purposes of this Plan, except as otherwise expressly provided or defined herein or unless the context otherwise requires, the terms defined in this Article shall have the following meanings:

2.1 "Board of Directors" or "Board" means the board of directors of the Company or any duly authorized committee of that board.

2.2 "CEO" means the Chief Executive Officer of the Company.

2.3 "Change of Control" means the occurrence of any one of the following events:

(a) any "person," as such term is used in Sections 3(a)(9) and 13(d) of the United States Securities Exchange Act of 1934, becomes a "beneficial owner," as such term is used in Rule 13d-3 promulgated under that act, of 50% or more of the Voting Stock (as defined below) of the Company;

(b) the majority of the Board consists of individuals other than Incumbent Directors, which term means the members of the Board on the Effective Date; provided that any person becoming a director subsequent to such date whose election or nomination for election was supported by three-quarters of the directors who then comprised the Incumbent Directors shall be considered to be an Incumbent Director;

(c) the Company adopts any plan of liquidation providing for the distribution of all or substantially all of its assets;

(d) all or substantially all of the assets or business of the Company is disposed of pursuant to a merger, consolidation or other transaction (unless the shareholders of the Company immediately prior to such merger, consolidation or other transaction beneficially own, directly or indirectly, in substantially the same proportion as they owned the Voting Stock of the Company, all of the Voting Stock or other ownership interests of the entity or entities, if any, that succeed to the business of the Company); or

(e) the Company combines with another company and is the surviving corporation but, immediately after the combination, the shareholders of the Company immediately prior to the combination hold, directly or indirectly, 50% or less of the Voting Stock of the combined company (there being excluded from the number of shares held by such shareholders, but not from the Voting Stock of the combined company, any shares received by Affiliates (as defined below) of such other company in exchange for stock of such other company).

2.4 "Code" means the Internal Revenue Code of 1986, as amended.

2.5 "Committee" means the Committee selected by the Board of Directors or any successor committee with responsibility for compensation.

2.6 "Company" means ACE Limited, a Cayman Island company.

2.7 "Deferred Compensation Account" means a separate account established pursuant to a Deferred Compensation Plan.

2.8 "Deferred Compensation Plan" means a deferred compensation plan or other arrangement of the Company or a Subsidiary which has been designated by the Committee as a "Deferred Compensation Plan" for purposes of this Plan.

2.9 "Disability" means permanent and total disability as defined in Code Section 22(e)(3).

2.10 "Eligible Employee" means any person who (i) is entitled to substitute restricted stock awards pursuant to the Acquisition Agreement or (ii) is holding CIGNA equity awards that terminate or expire in connection with the closing of the Transaction and is selected by the Committee to receive Substitute Restricted Stock under the Plan.

2.11 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.12 "Fair Market Value" means except as otherwise provided by the Committee, the "Fair Market Value" of a share of Stock as of any date shall be the closing market composite price for such Stock as reported for the New York Stock Exchange - Composite Transactions on that date or, if Stock is not traded on that date, on the next preceding date on which Stock was traded.

2.13 "Ordinary Shares" means the ordinary shares, par value $0.041666667 per share, of the Company.

2.14 "Participant" means an Eligible Employee to whom any one or more of the awards authorized by this Plan shall have been granted.

2.15 "Plan" means this ACE Limited 1999 Replacement Long-Term Incentive Plan, as it may be amended from time to time.

2.16 "Restricted Period" means the period during which Ordinary Shares awarded under Article 5 are subject to restrictions on sale, transfer, assignment, pledge or other disposition.

2.17 "Retirement" means the occurrence of a Participant's Date of Termination with the consent of the Participant's employer after the Participant is eligible for retirement under the ACE Limited qualified retirement plan the individual is participating in at the time; provided, however, that the Committee may impose such additional conditions or restrictions on Retirement as it determines to be appropriate.

2.18 "SEC" means the Securities and Exchange Commission.

2.19 "Subsidiary" means any corporation of which more than 50% of the total combined voting power of all classes of stock entitled to vote, or other equity interest, is directly or indirectly owned by the Company; or a partnership, joint venture or other unincorporated entity of which more than a 50% interest in the capital, equity or profits is directly or indirectly owned by the Company.

2.20 "Substitute Restricted Stock" means Ordinary Shares granted to a Participant under Article 5 while it remains subject to a Restricted Period.

2.21 "Termination for Cause" means, unless otherwise defined in the particular agreement evidencing the grant of a Substitute Restricted Stock award, termination by the Company or a Subsidiary due (i) the willful and continued failure by the Participant to substantially perform his duties with the Company (other than any such failure resulting from the Participant's being Disabled), within a reasonable period of time after a written demand for substantial performance is delivered to the Participant by the CEO, which demand specifically identifies the manner in which the CEO believes that the Participant has not substantially performed his duties; (ii) the failure by the Participant to execute or materially conform to the ACE Limited Code of Conduct, within a reasonable period of time after a written demand for compliance with the Code of Conduct is delivered to the Participant by the CEO, which demand specifically identifies the manner in which the CEO believes that the Participant has failed to execute or materially conform to the ACE Limited Code of Conduct; (iii) the willful engaging by the Participant in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; or (iv) the engaging by the Participant in egregious misconduct involving serious moral turpitude to the extent that, in the reasonable judgment of the CEO, the Participant's credibility and reputation no longer conform to the standard of the Company's employees. For purposes of this section, no act, or failure to act, on the Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company.

2.22 "Termination of Employment" means the termination of the Participant's active employment relationship with the Company and the Subsidiaries, unless otherwise expressly provided by the Committee.

2.23 "Termination Upon a Change of Control" means a termination of employment upon or within two years after a Change of Control (i) initiated by the Company or a Subsidiary or a successor other than a Termination for Cause or (ii) initiated by an Employee after determining in his reasonable judgment that there has been a reduction in his authority, duties, responsibilities or title, any reduction in his compensation, or any change caused by the Company or a Subsidiary in his office location of more than 35 miles from its location on the date of the Change of Control.

ARTICLE 3
Participation

3.1 Participation. Subject to the terms and conditions the Plan, participation in the Plan shall be limited to Eligible Employees.

ARTICLE 4
Authorized Incentive Awards

4.1 Authorized Awards. Substitute Restricted Stock Awards may be granted under the Plan.

4.2 General Powers of the Committee. Subject to the requirements of applicable law the Committee is authorized and empowered to grant Substitute Restricted Stock Awards in replacement of certain CIGNA equity awards which terminate or expire in connection with the closing of the Transaction.

ARTICLE 5
Substitute Restricted Stock Grants

5.1 General. The consideration for a grant of Substitute Restricted Stock may be solely in the form of the recipient's services rendered to the Company and the Subsidiaries, or may be such other lawful form of consideration as the Committee shall determine.

5.2 Restricted Period. Except as expressly provided below, Substitute Restricted Stock shall not be sold, transferred, assigned, pledged or otherwise disposed of by the Participant during the Restricted Period(s) established by the Committee. The Committee may establish different Restricted Periods and different restriction terms applicable to such number of the shares of Substitute Restricted Stock evidenced by a single grant as it deems appropriate.

5.3 Issuance; Voting Rights; Dividends. Substitute Restricted Stock granted to a Participant shall be issued by the Company as of the date of the grant. During the Restricted Period, the Participant shall be entitled to vote the shares. The Committee may provide for the current payment of dividends on shares of Substitute Restricted Stock to the holders of such shares. Shares issued as a consequence of stock dividends, splits or reclassifications shall be issued subject to the same limitations, restrictions and provisions applicable to the Ordinary Shares with respect to which they are issued.

5.4 Termination of Employment.

(a) In the event of Termination of Employment of a Participant during a

Restricted Period, except Termination Upon a Change of Control or termination by reason of death or Disability, ownership of the Substitute Restricted Stock at the date of Termination of Employment and all rights therein shall be forfeited to the Company, unless otherwise expressly provided by the Committee. In the event of Termination of Employment by reason of Retirement of a Participant during a Restricted Period, the Committee or its designee in the sole discretion of either may provide, before the Participant's Retirement, that the Restricted Period applicable to any outstanding Substitute Restricted Stock at the date of Retirement shall lapse immediately upon the Participant's Retirement.

(b) In the event of Termination Upon a Change of Control or Termination of Employment by reason of death or Disability of a Participant during a Restricted Period, the Restricted Period applicable to any outstanding Substitute Restricted Stock at the date of Termination of Employment shall lapse immediately.

5.5 Leave of Absence. The effect of approved leaves of absence on the running of applicable Restricted Periods shall be determined by the Committee, provided, however, that no Restricted Period shall lapse during an approved leave of absence unless expressly provided by the Committee.

ARTICLE 6
Shares Authorized under the Plan

6.1 Maximum Number Authorized. The number of Ordinary Shares authorized to be issued pursuant to Substitute Restricted Stock awards under this Plan is 1,939,100.

6.2 ACE Limited 1999 Replacement International Stock Unit Program. The Company maintains the ACE Limited 1999 Replacement International Stock Unit Program which provides for distribution of Ordinary Shares. Subject to the terms and conditions of such program, Ordinary Shares to be delivered under that program shall be distributed under this Plan.

ARTICLE 7
Antidilution Provisions

Except as otherwise expressly provided herein, the following provisions shall apply to all Substitute Restricted Stock awarded under this Plan:

7.1 Stock Dividends, Splits, Etc. In the event of a stock dividend, stock split, or other subdivision or combination of the Ordinary Shares, the number of Ordinary Shares authorized under this Plan will be adjusted proportionately by the Committee. Similarly, in any such event there will be a proportionate adjustment by the Committee in the number of shares of Substitute Restricted Stock outstanding.

7.2 Merger, Exchange or Reorganization. In the event that the outstanding Ordinary Shares are changed or converted into, exchanged or exchangeable for, a different number or kind of shares or other securities of the Company or of another corporation, by reason of a reorganization, merger, consolidation, reclassification or combination, appropriate adjustment shall be made by the Committee in the number of shares and kind of Substitute Restricted Stock awarded under this Plan, to the end that the proportionate interests of Participants shall be maintained as before the occurrence of such event, provided, however, that in the event of any contemplated transaction which may constitute a Change of Control of the Company, the Committee, with the approval of a majority of the members of the Board of Directors who are not then Participants, may modify any and all outstanding Substitute Restricted Stock, so as to accelerate, as a consequence of or in connection with such transaction, the lapsing of the Restricted Periods for shares of Substitute Restricted Stock.

ARTICLE 8
Administration of Plan

8.1 General Administration. The Plan is to be administered by the Committee, subject to such requirements for review and approval by the Board of Directors as the Board of Directors may establish.

8.2 Administrative Rules. The Committee shall have full power and authority to adopt, amend and rescind administrative guidelines, rules and regulations pertaining to this Plan and to interpret the Plan and rule on any questions respecting any of its provisions, terms and conditions.

8.3 Decisions Binding. All decisions of the Committee concerning this Plan, participation and awards shall be binding on the Company and its Subsidiaries and their respective boards of directors, and on all Eligible Employees, Participants and other persons claiming rights under the Plan.

ARTICLE 9
Amendments

All amendments to this Plan shall be in writing and shall be effective when approved by the Board of Directors. Unless otherwise expressly provided by an amendment or the Board of Directors, no amendment to this Plan shall apply to grants of Substitute Restricted Stock made before the effective date of the amendment. A Participant's rights with respect to outstanding Substitute Restricted Stock grants may not be abridged by any amendment, modification or termination of the Plan without the Participant's consent.

ARTICLE 10
Other Provisions

10.1 Effective Date. This Plan is effective as of the Closing Date, as that term is used in the Acquisition Agreement (the "Effective Date").

10.2 Duration of the Plan. The Plan shall remain in effect until all rights granted under this Plan have been satisfied by the issuance of Ordinary Shares no longer subject to restriction, or terminated under the terms of this Plan.

10.3 Early Termination. Notwithstanding the provisions of Section 10.2, the Board of Directors may terminate this Plan at any time; but no such action by the Board of Directors shall adversely affect the rights of Participants which exist under this Plan immediately before its termination.

10.4 General Restriction. No Ordinary Shares issued pursuant to this Plan shall be sold or distributed by a Participant until all appropriate listing, registration and qualification requirements and consents and approvals have been obtained, free of any condition unacceptable to the Board of Directors. In no event shall the value, amount or form of consideration for any award under the Plan be less than the value or amount, or in other than the form, required by applicable law.

10.5 Withholding Taxes. Upon the vesting of any Restricted Stock, the Company and the Subsidiaries shall have the right at their option to:

(a) require the Participant (or personal representative or beneficiary) to remit an amount sufficient to satisfy federal, state and local withholding taxes; or

(b) deduct, from any amount payable, the minimum amount of any taxes the Company or the Subsidiary may be required to withhold with respect to such transaction.

The Committee may require, or permit, the Participant to remit such amount in whole or in part in Ordinary Shares, provided such amount is not in excess of the amount necessary to satisfy the minimum applicable tax withholding requirements. If the Committee permits a Participant to elect to remit such amount in Ordinary Shares, any such election shall be made on or prior to the date the withholding obligation arises and be subject to the disapproval of the Committee. The Committee may establish such additional conditions as it deems appropriate. If the Participant remits such amount in Ordinary Shares, the number of Ordinary Shares delivered to or on behalf of a Participant shall be reduced by the number of shares so remitted. Ordinary Shares so remitted shall be valued using the Fair Market Value of Ordinary Shares as of the date the withholding obligation arises.

10.6 Safekeeping of Certificates. The certificate evidencing Ordinary Shares awarded by a Substitute Restricted Stock grant shall be retained for safekeeping by the Company or a Subsidiary, or by a custodian appointed by the Company or a Subsidiary, except the Committee may in its discretion cause the certificate to be delivered to the Participant after a Substitute Restricted Stock grant. The Company or the Subsidiary will deliver any such retained certificates that are not subject to a Restricted Period to the Participant within a reasonable period after a Participant requests delivery of such certificates.

10.7 Future Participation Not Guaranteed. Participation in the Plan is not in and of itself to be construed as evidence of a right to participate in any other equity plan adopted by the Company.

10.8 Termination of Employment. The Company and each Subsidiary retain the right to terminate the employment of any employee at any time for any reason or no reason, and an award or grant under the Plan to an Eligible Employee is not, and shall not be construed in any manner to be, a waiver of such right.

10.9 Successors. Any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, shall assume the liabilities of the Company under this Plan and perform any duties and responsibilities in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

10.10 Construction. The terms used in this Plan shall include the feminine as well as the masculine gender and the plural as well as the singular, as the context in which they are used requires.

ARTICLE 7

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD END	SEP 30 1999
DEBT HELD FOR SALE	9,338,437
DEBT CARRYING VALUE	0
DEBT MARKET VALUE	0
EQUITIES	756,102
MORTGAGE	0
REAL ESTATE	0
TOTAL INVEST	11,128,721
CASH	735,780
RECOVER REINSURE	818,618
DEFERRED ACQUISITION	374,251
TOTAL ASSETS	29,344,183
POLICY LOSSES	17,198,095
UNEARNED PREMIUMS	2,128,389
POLICY OTHER	1,757,442
POLICY HOLDER FUNDS	0
NOTES PAYABLE	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	8,086
OTHER SE	3,856,283
TOTAL LIABILITY AND EQUITY	29,344,183
PREMIUMS	1,538,489
INVESTMENT INCOME	334,338
INVESTMENT GAINS	(15,932)
OTHER INCOME	69,344
BENEFITS	1,045,262
UNDERWRITING AMORTIZATION	203,505
UNDERWRITING OTHER	0
INCOME PRETAX	228,912
INCOME TAX	15,978
INCOME CONTINUING	212,934
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	212,934
EPS BASIC	1.10
EPS DILUTED	1.08
RESERVE OPEN	0
PROVISION CURRENT	0
PROVISION PRIOR	0
PAYMENTS CURRENT	0
PAYMENTS PRIOR	0
RESERVE CLOSE	0
CUMULATIVE DEFICIENCY	0

End of Filing