ACE LTD

FORM 10-Q
(Quarterly Report)

Filed 05/15/01 for the Period Ending 03/31/01

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 5/15/2001 For Period Ending 3/31/2001

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 March 31, 2001

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 May 11, 2001 was 231,402,343.

ACE LIMITED

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ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31 2001 (Unaudited)	December 31 2000
	(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 - $11,152,162 and $10,640,937)	$ 11,356,614	$ 10,721,309
Equity securities, at fair value (cost - $489,492 and $495,049)	459,881	532,046
Short-term investments, at fair value (amortized cost - $1,068,918 and $1,369,784)	1,068,918	1,369,784
Other investments, at fair value (cost - $538,542 and $518,130)	560,517	531,116
Cash	683,072	608,069
Total investments and cash	14,129,002	13,762,324
Accrued investment income	195,960	183,011
Insurance and reinsurance balances receivable	2,319,146	2,095,573
Accounts and notes receivable	333,087	388,996
Reinsurance recoverable	9,382,942	8,994,940
Deferred policy acquisition costs	621,060	572,757
Prepaid reinsurance premiums	1,101,324	857,745
Goodwill	2,827,039	2,846,709
Deferred tax assets	1,138,876	1,144,261
Other assets	841,037	843,210
Total assets	$ 32,889,473	$ 31,689,526
Liabilities		
Unpaid losses and loss expenses	$ 17,945,386	$ 17,388,394
Unearned premiums	3,604,637	3,035,288
Premiums received in advance	70,803	63,123
Insurance and reinsurance balances payable	1,424,852	1,319,091
Contract holder deposit funds	122,809	139,056
Accounts payable, accrued expenses and other liabilities	1,198,980	1,316,449
Dividends payable	33,145	33,127
Short-term debt	371,612	364,509
Long-term debt	1,424,383	1,424,228
Trust preferred securities	875,000	875,000
Total liabilities	27,071,607	25,958,265
Commitments and contingencies		
Mezzanine equity	311,050	311,050
Shareholders' equity		
Ordinary Shares ($0.041666667 par value, 300,000,000 shares authorized; 231,383,700 and 232,346,579 shares issued and outstanding)	9,641	9,681
Additional paid-in capital	2,624,351	2,637,085
Unearned stock grant compensation	(44,914)	(29,642)
Retained earnings	2,792,451	2,733,633
Accumulated other comprehensive income	125,287	69,454
Total shareholders' equity	5,506,816	5,420,211
Total liabilities, mezzanine equity and shareholders' equity	$ 32,889,473	$ 31,689,526

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three months ended March 31, 2001 and 2000
(Unaudited)

	Three Months Ended March 31	
	2001	2000
	(in thousands of U.S. dollars, except per share data)	
Revenues		
Gross premiums written	$ 2,561,638	$ 1,996,960
Reinsurance premiums ceded	(826,520)	(539,938)
Net premiums written	1,735,118	1,457,022
Change in unearned premiums	(366,002)	(352,216)
Net premiums earned	1,369,116	1,104,806
Net investment income	204,430	182,935
Net realized gains (losses) on investments	(19,375)	56,740
Total revenues	1,554,171	1,344,481
Expenses		
Losses and loss expenses	951,946	715,483
Policy acquisition costs	166,690	150,642
Administrative expenses	193,293	194,008
Amortization of goodwill	19,880	19,646
Interest expense	54,324	57,189
Total expenses	1,386,133	1,136,968
Income before income tax and cumulative effect of adopting a new accounting standard	168,038	207,513
Income tax expense	26,974	33,000
Income before cumulative effect of adopting a new accounting standard	141,064	174,513
Cumulative effect of adopting a new accounting standard (net of income tax)	(22,670)	-
Net income	$ 118,394	$ 174,513
Basic earnings per share before cumulative effect of adopting a new accounting standard	$ 0.58	$ 0.80
Basic earnings per share	$ 0.48	$ 0.80
Diluted earnings per share before cumulative effect of adopting a new accounting standard	$ 0.55	$ 0.80
Diluted earnings per share	$ 0.46	$ 0.80

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the three months ended March 31, 2001 and 2000
(Unaudited)

	Three Months Ended March 31 2001	Three Months Ended March 31 2000
	(in thousands of U.S. dollars)	
Ordinary Shares		
Balance - beginning of period	$ 9,681	$ 9,061
Ordinary shares issued	1	3
Exercise of stock options	14	2
Issued under Employee Stock Purchase Plan (ESPP)	4	-
Cancellation of Shares	(15)	(28)
Repurchase of Shares	(44)	-
Balance - end of period	9,641	9,038
Additional paid-in capital		
Balance - beginning of period	2,637,085	2,214,989
Ordinary Shares issued	487	735
Exercise of stock options	6,931	557
Issued under Employee Stock Purchase Plan (ESPP)	2,806	-
Cancellation of Ordinary Shares	(10,870)	(18,950)
Repurchase of Ordinary Shares	(12,088)	-
Balance - end of period	2,624,351	2,197,331
Unearned stock grant compensation		
Balance - beginning of period	(29,642)	(28,908)
Stock grants awarded	(17,294)	(1,750)
Stock grants forfeited	59	-
Amortization	1,963	2,300
Balance - end of period	(44,914)	(28,358)
Retained earnings		
Balance - beginning of period	2,733,633	2,321,570
Net income	118,394	174,513
Dividends declared on Ordinary Shares	(30,080)	(23,859)
Dividends declared on FELINE PRIDES	(6,348)	-
Repurchase of Ordinary Shares	(23,148)	-
Balance - end of period	2,792,451	2,472,224
Accumulated other comprehensive income (loss)		
Net unrealized appreciation (depreciation) on investments		
Balance - beginning of period	102,335	(83,327)
Change in period, net of income tax	52,078	(242)
Balance - end of period	154,413	(83,569)
Cumulative translation adjustments		
Balance - beginning of period	(32,881)	17,175
Net adjustment for period, net of income tax	3,755	(15,447)
Balance - end of period	(29,126)	1,728
Accumulated other comprehensive income (loss)	125,287	(81,841)
Total shareholders' equity	$ 5,506,816	$ 4,568,394

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2001 and 2000
(Unaudited)

	Three Months Ended March 31 2001	2000
	(in thousands of U.S. dollars)	
Net income	$ 118,394	$ 174,513
Other comprehensive income (loss)		
Net unrealized appreciation on investments		
Unrealized appreciation on investments	76,386	72,229
Less: reclassification adjustment for net realized gains included in net income	(9,925)	(63,059)
	66,461	9,170
Cumulative translation adjustments	1,860	(22,418)
Other comprehensive income (loss), before income tax	68,321	(13,248)
Income tax expense related to other comprehensive income items	(12,488)	(2,441)
Other comprehensive income (loss)	55,833	(15,689)
Comprehensive income	$ 174,227	$ 158,824

See accompanying notes to interim consolidated financial statements

ACE LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2001 and 2000
(Unaudited)

	Three Months ended March 31 2001	2000
	(in thousands of U.S. dollars)	
Cash flows from operating activities		
Net income	$ 118,394	$ 174,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Unearned premiums	574,914	344,193
Unpaid losses and loss expenses, net of reinsurance recoverable	181,035	574,116
Prepaid reinsurance premiums	(243,579)	(4,050)
Deferred income taxes	(7,750)	(4,094)
Net realized (gains) losses on investments	19,375	(56,740)
Amortization of premium/discounts on fixed maturities	(3,626)	393
Amortization of goodwill	19,880	19,646
Deferred policy acquisition costs	(50,057)	(54,906)
Insurance and reinsurance balances receivable	(226,991)	(304,004)
Premiums received in advance	7,680	3,571
Insurance and reinsurance balances payable	120,025	(472,242)
Accounts payable, accrued expenses and other liabilities	(118,490)	(270,080)
Net change in contract holder deposit funds	(14,903)	(8,006)
Cumulative effect of adopting a new accounting standard	22,670	-
Other	(9,898)	(26,318)
Net cash flows from (used for) operating activities	$ 388,679	$ (84,008)
Cash flows from investing activities		
Purchases of fixed maturities	(4,319,684)	(2,712,024)
Purchases of equity securities	(36,028)	(146,166)
Sales of fixed maturities	4,019,993	2,800,521
Sales of equity securities	50,949	492,175
Maturities of fixed maturities	73,558	4,094
Net realized gains (losses) on financial future contracts	(28,220)	8,877
Other investments	(19,412)	(114,900)
Net cash from (used for) investing activities	$ (258,844)	$ 332,577
Cash flows from financing activities		
Dividends paid on Ordinary Shares	$ (29,995)	$ (23,917)
Dividends paid on FELINE PRIDES	(6,415)	-
Net proceeds from (repayment of) short-term debt	7,103	(316,522)
Proceeds from exercise of options for Ordinary Shares	6,945	559
Proceeds from shares issued under Employee Stock Purchase Plan	2,810	-
Repurchase of Ordinary Shares	(35,280)	-
Proceeds from issuance of trust preferred securities	-	300,000
Net cash used for financing activities	$ (54,832)	$ (39,880)
Net increase in cash	75,003	208,689
Cash - beginning of period	608,069	599,232
Cash - end of period	$ 683,072	$ 807,921

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 normally 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 Annual Report on Form 10-K for the year ended December 31, 2000.

ACE Limited ("ACE" or "the Company") is a holding company incorporated with limited liability under the Cayman Islands Companies Law and maintains its business office in Bermuda. The Company, through its various subsidiaries, provides insurance and reinsurance for a diverse group of customers worldwide. ACE operates through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services.

The analysis of gross premiums written by geographic regions is as follows:

	Three Months ended March 31 2001	2000
North America	55%	57%
Europe	30	22
Australia and New Zealand	1	6
South America	8	3
Asia Pacific	5	4
Other (1)	1	8
	100%	100%

(1) includes world wide coverages

2. Significant Accounting Policies

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a fair value, cash flow or foreign currency hedge. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Upon initial application of FAS 133, hedging relationships must be designated anew and documented pursuant to the provisions of this statement. The Company adopted FAS 133, as amended, as of January 1, 2001.

The Company maintains investments in derivative instruments such as futures, option contracts and foreign currency forward contracts for which the primary purposes are to manage duration and foreign currency exposure, yield enhancement or to obtain an exposure to a particular financial market. The Company has historically recorded the changes in market value of these instruments as realized gains or losses in the consolidated statements of operations and, accordingly, has estimated that FAS 133, as amended, will not have a significant impact on the results of operations, financial condition or liquidity in future periods as it relates to these instruments.

Certain products (principally credit protection oriented) issued by the Company have been determined to meet the definition of a derivative under FAS 133. These products consist primarily of credit default swaps, index-based instruments and certain financial guarantee coverages. Effective January 1, 2001, the Company records these products at their fair value.

To reflect the adoption of FAS 133 on January 1, 2001, the Company recorded an expense related to the cumulative effect of adopting this standard of $23 million, net of income tax of $12 million. The Company has recorded in net realized gains (losses) on investments, pretax income of $4 million to reflect the change in the fair value of derivatives for the quarter. The level of gains and losses resulting from changes in the fair value of derivatives on a prospective basis will be dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The Company's involvement with derivative instruments and transactions is primarily to offer protection to others or to mitigate its own risk and is not considered speculative in nature.

3. Commitments and contingencies

The Company has considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. The Company has developed reserving methods, which incorporate new sources of data with historical experience to estimate the ultimate losses arising from asbestos and environmental exposures. The reserves for asbestos and environmental claims and claims expenses represent management's best estimate of future loss and loss expense payments and recoveries which are expected to develop over the next several decades. The Company continuously monitors evolving case law and its effect on environmental damage and latent injury claims. While reserving for these claims is inherently uncertain, 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 Company's long-term incentive plans, 484,300 restricted Ordinary Shares were awarded during the three months ended March 31, 2001, to officers of the Company and its subsidiaries. These shares vest at various dates through February 2005.

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. Discontinued Operations

As part of the ACE INA Acquisition in July 1999, the Company planned to dispose of the operations of Commercial Insurance Services ("CIS"), a division of ACE INA. Following the acquisition, the Company sold the renewal rights for all of its CIS business and planned to sell the assets and liabilities pertaining to the in-force book of business which it still owned. Therefore, 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 presented CIS as a discontinued operation, with effect from July 2, 1999.

On July 2, 1999, the Company reduced the consolidated balance sheet for all items that pertained specifically to CIS, together with the estimated proceeds on sale and estimated operating results over the twelve months from July 2, 1999, through July 1, 2000, into a net liability of approximately $170 million, which was recorded in accounts payable, accrued expenses and other liabilities.

As the CIS business was not sold within the allotted time period, the Company was required, as of July 2, 2000, to record the CIS balance sheet into its constituent parts in the balance sheet and to record any resulting income or loss from CIS in its statement of operations prospectively from July 2, 2000. The results of the CIS operations from July 2, 2000 are reflected in the ACE USA segment.

6. Earnings per share

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

	Three Months Ended March 31 2001	2000
	(in thousands of U.S. dollars, except share and per share data)	
Numerator:		
Net income before cumulative effect of adopting a new accounting standard	$ 141,064	$ 174,513
Dividends on FELINE PRIDES	(6,348)	-
Net income available to holders of Ordinary Shares before cumulative effect	134,716	174,513
Cumulative effect of adopting a new accounting standard	(22,670)	-
Net income available to holders of Ordinary Shares	$ 112,046	$ 174,513
Denominator:		
Denominator for basic earnings per share:		
Weighted average shares outstanding	232,473,310	216,882,344
Dilutive effect of FELINE PRIDES	3,396,241	-
Effect of other dilutive securities	7,197,415	2,103,927
Denominator for diluted earnings per share:		
Adjusted weighted average shares outstanding and assumed conversions	243,066,966	218,986,271
Basic earnings per share before cumulative effect of adopting a new accounting standard	$ 0.58	$ 0.80
Basic earnings per share	$ 0.48	$ 0.80
Diluted earnings per share before cumulative effect of adopting a new accounting standard	$ 0.55	$ 0.80
Diluted earnings per share	$ 0.46	$ 0.80

7. Credit Facilities

In April 2001, the Company renewed its $800 million, 364-day revolving credit facility. This facility together with the Company's $250 million, five-year revolving credit facility which was last renewed in May 2000, is available for general corporate purposes and each of the facilities may also be used as commercial paper back-up facilities. The five-year facility also permits the issuance of letters of credit. Under these facilities the Company and various subsidiaries are named borrowers and guarantors. 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.

8. Debt

The following table sets forth the Company's consolidated debt position at March 31, 2001 and December 31, 2000.

	March 31, 2001	December 31, 2000
	(in millions of U.S. dollars)	
Short-term debt		
ACE INA commercial paper	$ 347	$ 340
ACE Financial Services note	25	25
	$ 372	$ 365
Long-term debt		
ACE Financial Services Debentures due 2002	$ 75	$ 75
ACE INA Notes due 2004	400	400
ACE INA Notes due 2006	299	299
ACE US Holdings Senior Notes due 2008	250	250
ACE INA Subordinated Notes due 2009	300	300
ACE INA Debentures due 2029	100	100
	$ 1,424	$ 1,424
Trust Preferred Securities		
ACE INA RHINO Preferred Securities due 2002	$ 400	$ 400
Capital Re LLC Monthly Income Preferred Securities due 2044	75	75
ACE INA Trust Preferred Securities due 2029	100	100
ACE INA Capital Securities due 2030	300	300
	$ 875	$ 875

Commercial paper and money market facilities

In June 1999, the Company arranged certain commercial paper programs. The programs use revolving credit facilities as back-up facilities and provide for up to $2.8 billion in commercial paper issuance (subject to the availability of back-up facilities, which currently total $1.05 billion) for ACE and for ACE INA. At March 31, 2001, short-term debt consisted of $347 million of commercial paper issued by ACE INA and $25 million in bank borrowings by ACE Financial Services. Commercial paper rates during the quarter ended March 31, 2001 averaged 5.75 percent.

9. Reinsurance

The Company purchases reinsurance to manage various exposures including catastrophe 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 ended March 31, 2001 and 2000 are as follows:

	Three Months Ended March 31 2001	Three Months Ended March 31 2000
	(in thousands of U.S. dollars)	
Premiums written		
Direct	$ 1,806,099	$ 1,468,667
Assumed	755,539	528,293
Ceded	(826,520)	(539,938)
Net premiums written	$ 1,735,118	$ 1,457,022
Premiums earned		
Direct	$ 1,478,423	$ 1,063,108
Assumed	493,688	401,923
Ceded	(602,995)	(360,225)
Net premiums earned	$ 1,369,116	$ 1,104,806

The Company's provision for reinsurance recoverable at March 31, 2001 and December 31, 2000, is as follows:

	March 31 2001	December 31 2000
	(in thousands of U.S. dollars)	
Reinsurance recoverable on paid losses and loss expenses	$ 973,808	$ 937,496
Reinsurance recoverable on unpaid losses and loss expenses	9,130,736	8,767,111
Provision for uncollectible balances on reinsurance recoverable	(721,602)	(709,667)
Reinsurance recoverable	$ 9,382,942	$ 8,994,940

10. 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, ACE US Holdings and ACE Financial Services are subject to income taxes imposed by U.S. authorities and file U.S. tax returns. Certain international operations of the Company are also subject to income taxes imposed by the jurisdictions in which they operate.

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.

The income tax provision for the three months ended March 31, 2001 and 2000 is as follows:

	Three Months Ended March 31 2001	Three Months Ended March 31 2000
	(in thousands of U.S. dollars)	
Current tax expense	$ 34,724	$ 8,728
Deferred tax expense (benefit)	(7,750)	24,272
Provision for income taxes	$ 26,974	$ 33,000

The components of the net deferred tax asset as of March 31, 2001 and December 31, 2000 are as follows:

	March 31 2001	December 31 2000
	(in thousands of U.S. dollars)	
Deferred tax assets		
Loss reserve discount	$ 530,987	$ 536,005
Foreign tax credits	146,198	137,765
Uncollectible reinsurance	28,297	28,297
Net operating loss carryforward	511,960	500,916
Other	176,940	199,689
Total deferred tax assets	1,394,382	1,402,672
Deferred tax liabilities		
Deferred policy acquisition costs	59,765	62,080
Unrealized appreciation on investments	27,433	25,861
Other	31,833	32,064
Total deferred tax liabilities	119,031	120,005
Valuation allowance	136,475	138,406
Net deferred tax asset	$ 1,138,876	$ 1,144,261

11. Subsidiary issuer information

The following tables presents the condensed consolidating financial information for ACE Limited (the "Parent Guarantor"), ACE INA Holdings, Inc. and ACE Financial Services, Inc. (formerly Capital Re Corporation), (the "Subsidiary Issuers") as of March 31, 2001 and December 31, 2000 and for the three months ended March 31, 2001 and 2000. The Subsidiary Issuers are direct or indirect wholly-owned subsidiaries of the Parent Guarantor. Investments in subsidiaries are accounted for by the Parent Guarantor and the Subsidiary Issuers under the equity method for purposes of the supplemental consolidating presentation. Earnings of subsidiaries are reflected in the Parent Guarantor's investment accounts and earnings. The Parent Guarantor fully and unconditionally guarantees certain of the debt of the Subsidiary Issuers (see Note 8).

Condensed Consolidating Balance Sheet as at March 31, 2001
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Assets						
Total investments and cash	$ 458,105	$6,513,393	$940,835	$6,216,669	$ -	$ 14,129,002
Reinsurance recoverable	-	7,841,298	69,371	1,472,273	-	9,382,942
Insurance and reinsurance balances receivable	-	1,666,704	10,357	642,085	-	2,319,146
Goodwill	-	2,226,228	99,877	500,934	-	2,827,039
Investments in subsidiaries	5,067,487	-	152,000	(152,000)	(5,067,487)	-
Due from subsidiaries and affiliates, net	326,196	(99,430)	1,198	98,232	(326,196)	-
Other assets	29,525	3,202,524	173,912	825,383	-	4,231,344
Total assets	$5,881,313	$21,350,717	$1,447,550	$9,603,576	$(5,393,683)	$32,889,473
Liabilities						
Unpaid losses and loss expenses	$ -	$13,145,765	$ 264,873	$4,534,748	$ -	$17,945,386
Unearned premiums	-	1,946,731	289,869	1,368,037	-	3,604,637
Trust preferred securities	-	800,000	75,000	-	-	875,000
Short-term debt	-	346,612	25,000	-	-	371,612
Long-term debt	-	1,099,431	74,952	250,000	-	1,424,383
Other liabilities	63,447	2,459,546	110,029	217,567	-	2,850,589
Total liabilities	63,447	19,798,085	839,723	6,370,352	-	27,071,607
Mezzanine equity	311,050	-	-	-	-	311,050
Total shareholders' equity	5,506,816	1,552,632	607,827	3,233,224	(5,393,683)	5,506,816
Total liabilities, mezzanine equity and shareholders' equity	$5,881,313	$21,350,717	$1,447,550	$9,603,576	$(5,393,683)	$32,889,473

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

Condensed Consolidating Balance Sheet as at December 31, 2000
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Assets						
Total investments and cash	$ 479,969	$ 6,655,182	$ 919,181	$ 5,707,992	$ -	$ 13,762,324
Reinsurance recoverables	-	7,603,352	76,087	1,315,501	-	8,994,940
Insurance and reinsurance balances receivable	-	1,616,027	9,832	469,714	-	2,095,573
Goodwill	-	2,240,505	100,928	505,276	-	2,846,709
Investments in subsidiaries	4,975,663	-	152,000	(152,000)	(4,975,663)	-
Due from subsidiaries and affiliates, net	318,806	(111,131)	1,596	109,535	(318,806)	-
Other assets	27,404	3,069,648	154,687	738,241	-	3,989,980
Total Assets	$5,801,842	$21,073,583	$ 1,414,311	$ 8,694,259	$(5,294,469)	$ 31,689,526
Liabilities						
Unpaid losses and loss expenses	$ -	$13,126,965	$ 246,174	$ 4,015,255	$ -	$ 17,388,394
Unpaid premiums	-	1,680,166	293,618	1,061,504	-	3,035,288
Trust preferred securities	-	800,000	75,000	-	-	875,000
Short-term debt	-	339,509	25,000	-	-	364,509
Long-term debt	-	1,099,417	74,942	249,869	-	1,424,228
Other liabilities	70,581	2,497,734	78,874	223,657	-	2,870,846
Total liabilities	70,581	19,543,791	793,608	5,550,285	-	25,958,265
Mezzanine equity	311,050	-	-	-	-	311,050
Total shareholders' equity	5,420,211	1,529,792	620,703	3,143,974	(5,294,469)	5,420,211
Total liabilities, mezzanine equity and shareholders' equity	$5,801,842	$21,073,583	$ 1,414,311	$ 8,694,259	$ (5,294,469)	$ 31,689,526

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Operations
For the three months ended March 31, 2001
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net premiums written	$ -	$ 600,180	$ 15,267	$ 1,119,671	$ -	$ 1,735,118
Net premiums earned	-	504,706	18,860	845,550	-	1,369,116
Net investment income	13,669	98,946	12,178	86,267	(6,630)	204,430
Equity in earnings of subsidiaries	116,728	-	-	-	(116,728)	-
Net realized gains (losses) on investments	-	(3,153)	6,304	(22,526)	-	(19,375)
Losses and loss expenses	-	345,800	2,816	603,330	-	951,946
Policy acquisition costs and administrative expenses	12,845	165,480	10,049	171,609	-	359,983
Interest expense	(2,831)	48,903	3,371	5,886	(1,005)	54,324
Amortization of goodwill	-	14,490	1,051	4,339	-	19,880
Income tax expense	1,989	13,806	7,204	3,975	-	26,974
Income before cumulative effect of adopting a new accounting standard	118,394	12,020	12,851	120,152	(122,353)	141,064
Cumulative effect of adopting a new accounting standard (net of income tax)	-	(50)	(22,800)	180	-	(22,670)
Net income (loss)	$ 118,394	$ 11,970	$ (9,949)	$ 120,332	$ (122,353)	$ 118,394

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Operations
For the three months ended March 31, 2000
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net premiums written	$ -	$ 663,129	$ 20,490	$ 773,403	$ -	$ 1,457,022
Net premiums earned	-	602,498	18,679	483,629	-	1,104,806
Net investment income	10,921	93,945	11,680	74,895	(8,506)	182,935
Equity in earnings of subsidiaries	145,721	-	-	-	(145,721)	-
Net realized gains (losses) on investments	43,703	28,263	(45,548)	30,322	-	56,740
Losses and loss expenses	-	410,554	1,403	303,526	-	715,483
Policy acquisition costs and administrative expenses	15,083	192,491	9,691	127,385	-	344,650
Interest expense	8,383	43,663	3,307	5,166	(3,330)	57,189
Amortization of goodwill	-	14,125	1,052	4,469	-	19,646
Income tax expense	2,366	23,387	3,789	3,458	-	33,000
Net income (loss)	$ 174,513	$ 40,486	$ (34,431)	$ 144,842	$ (150,897)	$ 174,513

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Cash Flows
For the three months ended March 31, 2001
(in thousands of U.S. dollars)

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net cash flows from (used for) operating activities	$ (29,805)	$ (85,460)	$ 15,963	$ 487,981	$ -	$ 388,679
Cash flow from investing activities						
Purchases of fixed maturities	(8,622)	(443,617)	(399,604)	(3,467,841)	-	(4,319,684)
Purchases of equity securities	-	(27,701)	-	(8,327)	-	(36,028)
Sales of fixed maturities	-	553,529	375,013	3,091,451	-	4,019,993
Sales of equity securities	-	44,649	-	6,300	-	50,949
Maturities of fixed maturities	-	-	4,500	69,058	-	73,558
Net realized gains (losses) on financial futures contracts	-	-	-	(28,220)	-	(28,220)
Other investments	-	(183)	(578)	(18,651)	-	(19,412)
Net cash from (used for) investing activities	$ (8,622)	$ 126,677	$ (20,669)	$ (356,230)	$ -	$ (258,844)
Cash flow from financing activities						
Dividends paid on Ordinary Shares	(29,995)	-	-	-	-	(29,995)
Dividends paid on FELINE PRIDES	(6,415)	-	-	-	-	(6,415)
Proceeds from short-term debt	-	7,103	-	-	-	7,103
Advances to affiliate	(898)	-		898		-
Proceeds from exercise of options for Ordinary Shares	6,945	-	-	-	-	6,945
Proceeds from shares issued under Employee Stock Purchase Plan	2,810	-	-	-	-	2,810
Repurchase of Ordinary Shares	(35,280)	-	-	-	-	(35,280)
Dividends received from subsidiaries	65,000	-	-	(65,000)	-	-
Net cash used for financing activities	$ 2,167	$ 7,103	$ -	$ (64,102)	$ -	$(54,832)
Net increase (decrease) in cash	(36,260)	48,320	(4,706)	67,649	-	75,003
Cash - beginning of period	46,516	253,447	26,576	281,530	-	608,069
Cash - end of period	$ 10,256	$ 301,767	$ 21,870	$ 349,179	$ -	$ 683,072

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

Condensed Consolidating Statement of Cash Flows
For the three months ended March 31, 2000

	ACE Limited (Parent Co. Guarantor)	ACE INA Holdings, Inc. (Subsidiary Issuer)	ACE Financial Services, Inc. (Subsidiary Issuer)	Other ACE Limited Subsidiaries and Eliminations (1)	Consolidating Adjustments (2)	ACE Limited Consolidated
Net cash flows from (used for) operating activities	$ (20,749)	$ (437,986)	$ 16,826	$ 357,901	$ -	$ (84,008)
Cash flow from investing activities						
Purchases of fixed maturities	(52,764)	(621,066)	(77,686)	(1,960,508)	-	(2,712,024)
Purchases of equity securities	-	(93,792)	-	(52,374)	-	(146,166)
Sales of fixed maturities	55,620	983,714	48,903	1,712,284	-	2,800,521
Sales of equity securities	-	307,636	-	184,539	-	492,175
Maturities of fixed maturities	-	-	2,000	2,094	-	4,094
Net realized gains (losses) on financial futures contracts	-	-	(7)	8,884	-	8,877
Intercompany sale of subsidiaries	82,244	-	10,200	(10,200)	(82,244)	-
Other investments	-	3,708	-	(118,608)	-	(114,900)
Net cash from (used for) investing activities	$ 85,100	$ 580,200	$ (16,590)	$ (233,889)	$ (82,244)	$ 332,577
Cash flow from financing activities						
Dividends paid on Ordinary Shares	(23,917)	-	-	-	-	(23,917)
Repayment of bank debt, net	(16,413)	(295,832)	-	(4,277)	-	(316,522)
Proceeds from issuance of trust preferred securities	-	300,000	-	-	-	300,000
Advances from affiliates	(25,035)	-	-	25,035	-	-
Proceeds from exercise of options for Ordinary Shares	559	-	-	-	-	559
Net cash used for financing activities	$ (64,806)	$ 4,168	$ -	$ 20,758	$ -	(39,880)
Net increase (decrease) in cash	(455)	146,382	236	144,770	(82,244)	208,689
Cash - beginning of period	15,942	282,426	231	300,633	-	599,232
Cash - end of period	$ 15,487	$ 428,808	$ 467	$ 445,403	$ (82,244)	807,921

(1) Includes all other subsidiaries of ACE Limited and intercompany eliminations.
(2) Includes ACE Limited parent company eliminations.

12. Segment information

The following tables summarize the operations by segment for the three months ended March 31, 2001 and 2000. Net realized gains (losses) have been presented net of related income taxes.

Three months ended March 31, 2001

(in thousands of U.S. Dollars)

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other(1)	ACE Consolidated
Operations Data								
Gross premiums written	$ 376,603	$ 302,436	$ 166,434	$ 943,290	$ 620,767	$ 152,108	$ -	$ 2,561,638
Net premiums written	358,766	200,557	161,787	455,950	411,551	146,507	-	1,735,118
Net premiums earned	268,976	169,127	54,441	385,549	363,914	127,109	-	1,369,116
Losses and loss expenses	236,877	98,493	13,491	276,693	226,992	99,400	-	951,946
Policy acquisition costs	4,715	48,684	9,554	34,713	57,101	11,923	-	166,690
Administrative expenses	8,695	16,562	5,003	70,115	64,423	9,463	19,032	193,293
Underwriting income	18,689	5,388	26,393	4,028	15,398	6,323	(19,032)	57,187
Net investment income	39,653	9,174	15,833	90,010	22,121	24,518	3,121	204,430
Amortization of goodwill	(225)	926	3,503	135	-	1,051	14,490	19,880
Interest expense	-	794	-	9,281	-	3,371	40,878	54,324
Income tax expense (benefit)	669	4,427	-	26,007	6,548	5,213	(19,284)	23,580
Income (loss) excluding net realized gains (losses)	57,898	8,415	38,723	58,615	30,971	21,206	(51,995)	163,833
Net realized gains (losses) (net of income tax)	(7,391)	2,190	(19,809)	(7,370)	5,367	4,244	-	(22,769)
Net income before cumulative effect	50,507	10,605	18,914	51,245	36,338	25,450	(51,995)	141,064
Cumulative effect of adopting a new accounting standard (net of income tax)	-	510	470	(50)	-	(23,600)	-	(22,670)
Net income (loss)	$ 50,507	$ 11,115	$ 19,384	$ 51,195	$ 36,338	$ 1,850	$ (51,995)	$ 118,394
Total Assets	$3,265,786	$2,268,878	$1,445,804	$16,837,878	$4,035,924	$2,314,140	$2,721,063	$32,889,473

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations.

Three months ended March 31, 2000

	ACE Bermuda	ACE Global Markets	ACE Global Reinsurance	ACE USA	ACE International	ACE Financial Services	Other(1)	ACE Consolidated
	(in thousands of U.S. Dollars)							
Operations Data								
Gross premiums written	$ 173,079	$ 319,918	$ 104,866	$ 738,895	$ 512,600	$ 147,602	$ -	$ 1,996,960
Net premiums written	138,048	237,191	103,477	459,998	376,160	142,148	-	1,457,022
Net premiums earned	82,485	133,008	32,196	382,814	343,292	131,011	-	1,104,806
Losses and loss expenses	58,904	72,184	9,798	277,205	198,520	98,872	-	715,483
Policy acquisition costs	3,085	36,560	5,950	34,436	56,180	14,431	-	150,642
Administrative expenses	7,460	17,585	1,253	69,192	74,647	7,525	16,346	194,008
Underwriting income	13,036	6,679	15,195	1,981	13,945	10,183	(16,346)	44,673
Net investment income	36,172	8,188	15,000	83,422	21,514	22,360	(3,721)	182,935
Amortization of goodwill	(208)	1,040	3,502	135	-	1,052	14,125	19,646
Interest expense	684	1,205	-	8,269	-	3,307	43,724	57,189
Income tax expense (benefit)	627	2,855	-	23,192	6,503	6,333	(15,775)	23,735
Income (loss) excluding net realized gains (losses)	48,105	9,767	26,693	53,807	28,956	21,851	(62,141)	127,038
Net realized gains (losses) (net of income tax)	35,219	(774)	(2,120)	(4,398)	22,327	(1,052)	(1,727)	47,475
Net income (loss)	$ 83,324	$ 8,993	$ 24,573	$ 49,409	$ 51,283	$ 20,799	$ (63,868)	$ 174,513
Total Assets	$2,850,072	$2,013,472	$1,367,114	$15,642,160	$3,705,901	$2,080,716	$2,585,863	$30,245,298

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations.

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

The following is a discussion of the Company's results of operations, financial condition, liquidity and capital resources as of and for the three months ended March 31, 2001. 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 Annual Report on Form 10-K for the year ended December 31, 2000.

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 herein and in other 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 new insurance regulation or taxation in additional jurisdictions or amending or revoking or enacting 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, regulatory, and legislative developments,

(iv) the uncertainties of the loss reserving process including the difficulties associated with assessing environmental damage and latent injuries,

(v) the actual amount of new and renewal business and market acceptance of the Company's products,

(vi) loss of the services of any of the Company's executive officers,

(vii) changing rates of inflation and other economic conditions,

(viii) losses due to foreign currency exchange rate fluctuations,

(ix) the ability to collect reinsurance recoverable,

(x) the competitive environment in which the Company operates, related trends and associated pricing pressures, market perception, and developments,

(xi) the impact of mergers and acquisitions and new initiatives, including the ability to successfully integrate acquired, new or expanded businesses and achieve cost savings, reduce volatility of earnings, competing demands for ACE's capital and the risk of undisclosed liabilities,

(xii) developments in global financial markets, including interest rate changes which could affect the Company's investment portfolio and financing plans,

(xiii) risks associated with the introduction of new products and services,

(xiv) the ability of technology to perform as anticipated,

(xv) the amount of dividends received from subsidiaries,

(xvi) and management's response to these factors.

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 Company, through its various subsidiaries, provides a broad range of insurance and reinsurance for a diverse group of customers worldwide. ACE operates through six business segments: ACE Bermuda, ACE Global Markets, ACE Global Reinsurance, ACE USA, ACE International and ACE Financial Services.

On July 2, 1999, the Company, through a U.S. holding company, ACE INA Holdings, Inc. ("ACE INA"), acquired CIGNA Corporation'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 for $3.45 billion in cash (the "ACE INA Acquisition").

On December 30, 1999, the Company acquired Capital Re Corporation, which is engaged in the financial guaranty reinsurance business. Following the acquisition, Capital Re Corporation was renamed ACE Financial Services, Inc. Under the terms of the acquisition agreement, the Company paid aggregate consideration of $110.3 million in cash and issued approximately 20.8 million ACE Ordinary Shares.

The Company expects to continue evaluating potential new product lines and other opportunities in the insurance and reinsurance markets. In addition, the Company 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 March 31, 2001 and 2000

Net Income

	Three Months Ended March 31 2001	2000
	(in millions of U.S. Dollars)	
Income excluding net realized gains (losses) on investments and cumulative effect of adopting a new accounting standard	$ 164	$ 127
Net realized gains (losses) on investments (net of income tax)	(23)	48
Cumulative effect of adopting a new accounting standard (net of income taxes)	(23)	-
Net income	$ 118	$ 175

Income excluding net realized gains (losses) on investments and the cumulative effect of adopting a new accounting standard increased by 29 percent to $164 million for the three months ended March 31, 2001, compared with $127 million for the three months ended March 31, 2000. This increase is due primarily to growth in net premiums earned together with a small decrease in the combined ratio for the group and an increase in net investment income.

Net realized losses on investments (net of income tax) were $23 million for the three months ended March 31, 2001 compared with net realized gains of $48 million for the three months ended March 31, 2000. The net realized losses were generated primarily in as a result of losses realized on the financial futures and option contracts.

As discussed later in this report, the Company implemented FAS 133 on January 1, 2001, which required all derivatives to be recognized as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. The Company recorded an expense relating to the cumulative effect of adopting this standard of $23 million, net of income tax of $12 million. The cumulative effect of adopting this standard primarily related to market value adjustments on the credit default swap portfolio held by ACE Financial Services. The market value adjustment for the quarter ended March 31, 2001, as a result of FAS 133, resulted in a pre-tax gain of $4 million and is reflected in net realized gains (losses) on investments.

	Three Months Ended March 31 2001	Three Months Ended March 31 2000	Percentage Change From Prior Year
	(in millions of U.S. Dollars)		
Gross premiums written:			
ACE Bermuda	$ 377	$ 173	118%
ACE Global Markets	302	320	(5)
ACE Global Reinsurance	166	105	59
ACE USA	943	739	28
ACE International	621	512	21
ACE Financial Services	152	148	3
Consolidated	$ 2,561	$ 1,997	28%
Net premiums written:			
ACE Bermuda	$ 359	$ 138	160%
ACE Global Markets	200	237	(15)
ACE Global Reinsurance	162	104	56
ACE USA	456	460	(1)
ACE International	412	376	9
ACE Financial Services	146	142	3
Consolidated	$ 1,735	$ 1,457	19%
Net premiums earned:			
ACE Bermuda	$ 269	$ 83	226%
ACE Global Markets	169	133	27
ACE Global Reinsurance	54	32	69
ACE USA	386	383	1
ACE International	364	343	6
ACE Financial Services	127	131	(3)
Consolidated	$ 1,369	$ 1,105	24%

Premiums: Gross premiums written for the quarter ended March 31, 2001, increased by $564 million to $2.6 billion from $2.0 billion for the same quarter last year. During the quarter, most of the segments achieved year over year growth; however, the most significant area of growth was in the financial solutions line of business at ACE Bermuda. In addition, during the quarter, the Company continued to experience increases in pricing in most geographic areas including the US, Europe, Latin America and Asia Pacific including Australia. In Japan, economic conditions and increased competition due to deregulation continue to mitigate price increases in the Japanese insurance markets. Net premiums written and net premiums earned increased by $278 million and $264 million respectively, compared with the same quarter last year. Again, this increase is primarily due to several financial solutions contracts written during the quarter, including loss portfolio contracts ("LPTs") of approximately $250 million which were fully earned when written.

ACE Bermuda: Gross premiums written for the quarter ended March 31, 2001, increased by $204 million to $377 million from $173 million for the same quarter last year. This increase is due to several financial solutions contracts written during the current quarter including a large LPT contract valued at approximately $140 million, which was fully earned during the quarter. Compared with the March 2000 quarter, production was affected by a strategic decision to move certain lines of business to their center of expertise. The aviation business in ACE Bermuda was moved to ACE Global Markets and a large part of the satellite business was moved to ACE USA. These changes, together with slow launch activity reduced ACE Bermuda's premium base by about $15 million. ACE Bermuda's other products benefited from increased demand and price improvements.

For the quarter ended March 31, 2001, net premiums written increased by $221 million to $359 million and net premiums earned increased by $186 million to $269 million, compared with the same quarter last year. As with gross premiums written, the increases are primarily due to premiums from the financial solutions contracts already discussed.

ACE Global Markets: Gross premiums written for the quarter ended March 31, 2001 decreased by $18 million to $302 million and net premiums written for the quarter decreased by $37 million to $200 million, compared with the same quarter last year. However, on an adjusted basis, gross and net premiums written actually increased in the quarter compared with last year. This increase is not evident in the reported numbers as in the March 2000 quarter, ACE Global Markets accelerated its reporting to a current basis from a quarter in arrears. Gross and net premiums written by syndicate 2488 increased during the current quarter. In addition, ACE increased its participation in Lloyd's syndicate 2488. For 2001, ACE's share of the capacity of syndicate 2488 is approximately 90 percent compared with 84 percent in 2000.

Net premiums earned for the quarter ended March 31, 2001, increased by $36 million to $169 million from $133 million for the same quarter last year. This increase is primarily due to the increased participation in the Lloyd's syndicate along with a change in the mix of business with different earnings patterns.

ACE Global Reinsurance: Gross premiums written for the quarter ended March 31, 2001, increased by $61 million to $166 million from $105 million for the same quarter last year. This increase is primarily due to increasing prices and demand in the property catastrophe marketplace, particularly in the international sector. Property catastrophe premiums accounted for $54 million of the increase while the U.S. property and casualty and life reinsurance businesses accounted for the other $7 million of the increase.

Net premiums written for the quarter ended March 31, 2001, increased by $58 million to $162 million from $104 million for the same quarter last year. This increase is primarily due to the improved property catastrophe market conditions as noted above.

Net premiums earned for the quarter ended March 31, 2001, increased by $22 million to $54 million from $32 million for the same quarter last year. As with gross premiums written and net premiums written, the increase is primarily due to the higher property catastrophe volumes experienced, both in the latter half of fiscal 2000 and in the January 2001 renewals.

ACE USA: Gross premiums written for the quarter ended March 31, 2001, increased by $204 million to $943 million from $739 million for the same quarter last year. Most of ACE USA's operating divisions experienced premium growth this quarter however, special risk facilities ("SRF"), property and U.S. international business were the main contributors to the increase. While financial solutions had good production this quarter, year over year production declined by approximately $23 million as ACE USA wrote an $83 million loss portfolio transfer in the March 2000 quarter. In addition, during the current quarter, ACE USA did not renew approximately $38 million of business that did not meet its underwriting standard. U.S. market conditions were favorable during the quarter and the trend is expected to continue. ACE USA continues to experience price increases which were generally above 15 percent for all of ACE USA's specialty business units during the current quarter.

ACE USA's business expansion initiatives showed positive results with growth in its professional risk unit, following the reorganization and reintroduction of its professional lines capabilities. ACE USA also saw good activity in its new accident and health unit.

Net premiums written for the quarter ended March 31, 2001, of $456 million were essentially flat compared with $460 million for the quarter ended March 31, 2000. This is primarily due to a number of large risk and property accounts written during the quarter that produced large gross premiums but comparatively low net premiums primarily in SRF.

Net premiums earned for the quarter ended March 31, 2001, of $386 million were also essentially flat compared with $383 million for the quarter ended March 31, 2000. This is primarily because ACE USA wrote a large financial solutions contract during the March 2000 quarter, which was fully earned when written and not available for renewal this quarter. Excluding this item, net premiums earned by ACE USA increased during the current quarter.

ACE International: Gross premiums written for the quarter ended March 31, 2001, increased by $109 million to $621 million from $512 million for the same quarter last year. The increase is primarily due to continuing growth across various regions including accident and health business in Europe; all lines in Latin America, with a significant increase in personal lines. These increases were partially offset by the devaluation in the yen of approximately 10 percent and decreased accident and health business in the Far East.

For the quarter ended March 31, 2001, net premiums written increased by $36 million to $412 million and net premiums earned increased by $21 million to $364 million, compared with the same quarter last year. As with gross premiums written, the increases are a result of continued growth across various regions.

ACE Financial Services: Growth in gross premiums written for the quarter ended March 31, 2001, was relatively flat compared with the quarter ended March 31, 2000. Gross premiums written of $152 million for the current quarter included an LPT of $87 million, compared with an LPT of $82 million in the same quarter last year. Increases in the credit default swaps line of business and significant new business in the structured financial guaranty were offset by declines in the other lines of business.

Net premiums written for the quarter ended March 31, 2001, increased by $4 million to $146 million from $142 million for the same quarter last year. The increase is due to the same influences, described above for gross premiums written.

Net premiums earned for the quarter ended March 31, 2001, decreased by $4 million to $127 million from $131 million for the same quarter last year. The decrease is due to the decrease in municipal refunding as well as the timing of new business written and the varying periods over which such premiums are earned.

Underwriting Results
The underwriting results of a property and casualty insurer are discussed frequently by reference to its combined ratio, loss and loss expense ratio and underwriting and administrative expense 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.

	Three Months Ended March 31	
	2001	2000
Loss and loss expense ratio		
ACE Bermuda	88.1%	71.5%
ACE Global Markets	58.2	54.3
ACE Global Reinsurance	24.8	30.4
ACE USA	71.8	72.4
ACE International	62.4	57.8
ACE Financial Services	78.2	75.5
Consolidated	69.5%	64.8%
Underwriting and administrative expense ratio		
ACE Bermuda	5.0%	12.7%
ACE Global Markets	38.6	40.7
ACE Global Reinsurance	26.7	22.4
ACE USA	27.2	27.1
ACE International	33.4	38.1
ACE Financial Services	16.8	16.7
Consolidated	26.3%	31.2%
Combined Ratio		
ACE Bermuda	93.1%	84.2%
ACE Global Markets	96.8	95.0
ACE Global Reinsurance	51.5	52.8
ACE USA	99.0	99.5
ACE International	95.8	95.9
ACE Financial Services	95.0	92.2
Consolidated	95.8%	96.0%

Loss and Loss Expense Ratios

The Company establishes reserves for unpaid losses and loss expenses, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. The process of establishing reserves for property and casualty claims continues to be a complex and imprecise process, requiring the use of informed estimates and judgments. The Company's estimates and judgments may be revised as additional experience and other data becomes available and are reviewed, as new or improved methodologies are developed or as current laws change. Any such revisions could result in future changes in estimates of losses or reinsurance recoverable, and would be reflected in the Company's results of operations in the period in which the estimates are changed.

In addition, catastrophe losses may have a significant effect on the insurance and reinsurance industry. ACE Global Reinsurance and other segments of the group have exposure to windstorm, hail, earthquake and other catastrophic events, all of which are managed using measures including underwriting controls, occurrence caps as well as modeling, monitoring and managing its accumulations of potential losses across the group. The Company uses its retrocessional programs to limit its net losses from catastrophes. However, property catastrophe loss experience is generally characterized as low frequency but high severity short-tail claims which may result in volatility in financial results.

During the quarters ended March 31, 2001 and 2000, there were relatively few major catastrophe losses that affected the Company. For the quarter ended March 31, 2001, the loss and loss expense ratio increased to 69.5 percent from 64.8 percent for the quarter ended March 31, 2000, primarily due to the impact of the financial solutions business written in the quarter, as these contracts are generally recorded at higher loss ratios than ACE's other lines of business.

ACE Bermuda: The loss and loss expense ratio increased to 88.1 percent for the quarter ended March 31, 2001 from 71.5 percent for the quarter ended March 31, 2000. This increase is primarily the result of a change in the mix of business with increased financial solutions business being written during the current quarter, including an LPT contract of approximately $140 million.

ACE Global Markets: The loss and loss expense ratio increased to 58.2 percent for the quarter ended March 31, 2001 from 54.3 percent for the quarter ended March 31, 2000. This increase is due to the combination of a change in the mix of earned business across the various years of account.

ACE Global Reinsurance: The loss and loss expense ratio decreased to 24.8 percent for the quarter ended March 31, 2001 from 30.4 percent for the quarter ended March 31, 2000. This decrease is primarily the result of lower losses on the property catastrophe business compared with the same quarter last year.

ACE USA: The loss and loss expense ratio decreased to 71.8 percent for the quarter ended March 31, 2001 from 72.4 percent for the quarter ended March 31, 2000. The small decline is due to a change in the mix of business written during the current quarter.

ACE International: The loss and loss expense ratio increased to 62.4 percent for the quarter ended March 31, 2001 from 57.8 percent for the quarter ended March 31, 2000. This increase is partly due to a change in the mix of business between property and casualty and accident and health, as well as higher loss ratios in the European book of business.

ACE Financial Services: The loss and loss expense ratio increased to 78.2 percent for the quarter ended March 31, 2001 from 75.5 percent for the quarter ended March 31, 2000. This increase is primarily the result of an increase in reserves due to the LPT contract written during the current quarter. Excluding the LPT contracts written in both the March 2001 and 2000 quarters, the loss and loss expense ratio remained relatively unchanged, at approximately 30 percent.

Underwriting and Administrative Expense Ratios

Underwriting and administrative expenses are comprised of the amortization of deferred policy acquisition costs, which include commissions, premium taxes, underwriting and other costs that vary with and are primarily related to the production of premium, and administrative expenses which include all other operating costs. The underwriting and administrative expense ratio decreased to 26.3 percent for the quarter ended March 31, 2001, from 31.2 percent for the quarter ended March 31, 2000. This decrease is primarily due to a decline in the underwriting and administrative ratio at ACE Bermuda and ACE International.

ACE Bermuda: The underwriting and administrative expense ratio decreased from 12.7 percent for the quarter ended March 31, 2000, to 5.0 percent for the quarter ended March 31, 2001. This decrease is primarily due to the large increase in net premiums earned resulting from certain financial solutions premiums which were fully earned during the quarter.

ACE Global Markets: The underwriting and administrative expense ratio decreased from 40.7 percent for the quarter ended March 31, 2000, to 38.6 percent for the quarter ended March 31, 2001. This decrease is primarily due to relatively stable underwriting and administrative expenses over higher earned premiums.

ACE Global Reinsurance: The underwriting and administrative expense ratio increased from 22.4 percent for the quarter ended March 31, 2000, to 26.7 percent for the quarter ended March 31, 2001. This increase is primarily the result of increased costs due to the startup operations of the U.K. branch of ACE Tempest Re.

ACE USA: The underwriting and administrative expense ratio was essentially flat at 27.1 percent for the quarter ended March 31, 2000, compared with 27.2 percent for the quarter ended March 31, 2001. This is primarily due to relatively stable underwriting and administrative expenses over comparable earned premium.

ACE International: The underwriting and administrative expense ratio decreased from 38.1 percent for the quarter ended March 31, 2000, to 33.4 percent for the quarter ended March 31, 2001. This decrease in expenses is the result of various cost cutting measures taken in this segment during 2000.

ACE Financial Services: The underwriting and administrative expense ratio remained stable at 16.7 percent for the quarter ended March 31, 2000, and 16.8 percent for the quarter ended March 31, 2001.

Net Investment Income	Three Months Ended March 31 2001	2000	Percentage Change from Prior Year
	(in millions of U.S. Dollars)		
ACE Bermuda	$ 40	$ 36	10%
ACE Global Markets	9	8	12
ACE Global Reinsurance	16	15	6
ACE USA	90	84	8
ACE International	22	22	-
ACE Financial Services	24	22	10
Other(1)	3	(4)	18
Total net investment income	$ 204	$ 183	12%

(1) Includes ACE Limited, ACE INA Holdings and intercompany eliminations.

Net investment income increased by $21 million to $204 million for the quarter ended March 31, 2001, from $183 million for the quarter ended March 31, 2000. The primary reason for this change was an increase in the asset base due to the reclassification of the assets of CIS on July 2, 2000 and the proceeds from the share offering in September 2000.

ACE Bermuda: Net investment income increased to $40 million for the quarter ended March 31, 2001, from $36 million for the quarter ended March 31, 2000. This increase is primarily the result of a larger capital base and a change in investment strategy to a higher yield portfolio. This increase was offset somewhat by reduced interest income due to dividends paid to ACE during 2000.

ACE Global Markets: Net investment income increased to $9 million for the quarter ended March 31, 2001, from $8 million for the quarter ended March 31, 2000. Increased participation in the syndicates managed by ACE resulted in increased investment income. The increase is partially offset by the comparative quarter which included an additional quarter of income, amounting to approximately $2 million when the Lloyd's accounts were changed to a current reporting basis.

ACE Global Reinsurance: Net investment income of $16 million remained relatively unchanged compared with the same quarter last year. Additional assets accumulated from higher business volumes was offset by dividends paid to ACE.

ACE USA: Net investment income increased to $90 million for the quarter ended March 31, 2001, from $84 million for the quarter ended March 31, 2000. This increase is primarily due to the presentation of the CIS activity in investment income in 2001. Prior to July 2, 2000, CIS was presented as a discontinued operation. As of July 2, 2000, the CIS operations had not been sold and its activity had to be reconsolidated into the Company's operations.

ACE International: Net investment income remained flat at $22 million for both the quarters ended March 31, 2001 and 2000. The replacement of yen-based securities with higher-yielding U.S. dollar securities and the replacement of a portion of the equity holdings with interest-yielding bonds resulted in increased investment income, which was offset by the devaluation of the yen.

ACE Financial Services: Net investment income increased to $24 million for the quarter ended March 31, 2001, from $22 million for the quarter ended March 31, 2000. This increase is primarily the result of positive operating cash flow recorded in 2000.

Net Realized Gains (Losses) on Investments	Three Months Ended March 31	
	2001	2000
	(in millions of U.S. Dollars)	
Fixed maturities and short-term investments	$ 8	$ (38)
Equity securities	13	90
Financial futures and option contracts	(29)	9
Other investments	(11)	-
Currency	(4)	(4)
FAS 133	4	-
Total net realized gains (losses) on investments	$ (19)	$ 57

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 accumulated other comprehensive income.

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 currently held in the portfolio not specifically targeted to match the currency of liabilities. 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 higher than their amortized cost during the quarter. This resulted in net realized gains of $8 million being recognized on fixed maturities and short-term investments for the quarter ended March 31, 2001, compared with net realized losses of $38 million for the quarter ended March 31, 2000.

The liquidation of certain equity portfolios contributed to net realized gains from equity securities of $13 million for the quarter ended March 31, 2001 and $90 million for the quarter ended March 31, 2000.

Certain of the Company's external managers of fixed income securities use fixed income futures contracts to manage duration exposure, losses of $7 million were recognized on these for the quarter ended March 31, 2001. Net realized losses generated by the Company's equity index futures contracts amounted to $22 million for the quarter ended March 31, 2001. Total net realized losses attributable to the financial futures and option contracts for the quarter ended March 31, 2001 amounted to $29 million, compared with gains of $9 million for the quarter ended March 31, 2000 and were due to declines in the equity markets during the quarter.

The Company implemented FAS 133 on January 1, 2001, which requires that all derivatives be recognized as either assets or liabilities in the consolidated balance sheet and be carried at fair value. The market value adjustment for the quarter ended March 31, 2001, as a result of FAS 133, resulted in a gain of $4 million.

Other Expenses	Three Months Ended March 31 2001	2000	Percentage Change From Prior Year
	(in millions of U.S. Dollars)		
Amortization of Goodwill	$ 20	$ 20	-
Interest expense	$ 54	$ 57	(5)%
Income tax expense	$ 27	$ 33	(18)%

As expected, the amortization of goodwill remained constant at $20 million for both the quarter ended March 31, 2001 and the quarter ended March 31, 2000.

Interest expense decreased by $3 million to $54 million for the quarter ended March 31, 2001, from $57 million for the quarter ended March 31, 2000. The decrease in the amount of commercial paper outstanding at March 31, 2001 compared with March 31, 2000, resulted in a decrease in commercial paper interest expense of $10 million. This decrease was offset by interest expense of $7 million per quarter on the ACE INA Capital Securities, which were issued on March 31, 2000.

Income tax expense decreased by $6 million to $27 million for the quarter ended March 31, 2001, from $33 million for the quarter ended March 31, 2000. During the current quarter, the Company's income before tax was lower than last year, primarily because the Company generated net realized losses on investments in 2001 compared with net realized gains on investments in 2000, resulting in lower income tax expense.

CONSOLIDATED FINANCIAL POSITION

At March 31, 2001, total assets were $32.9 billion compared with $31.7 billion at December 31, 2000, an increase of $1.2 billion. This increase is due in part to an increase of $367 million on investments and cash, as discussed below. Additionally, insurance and reinsurance balances receivable, prepaid reinsurance premiums and reinsurance recoverable increased by $224 million, $244 million and $388 million, respectively, following the January renewal period.

At March 31, 2001, total investments and cash amounted to $14.1 billion, compared with $13.8 billion at December 31, 2000. This increase is primarily a result of positive cash flows from operations during the current quarter due to strong premium volume and positive market movements on the investment portfolio.

The Company maintains 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 was $17.9 billion at March 31, 2001, compared with $17.4 billion at December 31, 2000, and includes $10.6 billion of case and loss expense reserves. While the Company believes that its reserve for unpaid losses and loss expenses at March 31, 2001 is adequate, future developments may result in ultimate losses and loss expenses significantly greater or less than the reserve provided.

One of the ways the Company manages its loss exposure is through the use of reinsurance. While reinsurance arrangements are designed to limit losses from large exposures and to permit recovery of a portion of direct losses, reinsurance does not relieve the Company of its liability to its insureds. Accordingly, the Company's loss reserves represent total gross losses, and reinsurance recoverable represents anticipated recoveries of a portion of those losses as well as amounts recoverable from reinsurers with respect to claims which have already been paid by the Company. The allowance for unrecoverable reinsurance is required principally due to the failure of reinsurers to indemnify the Company, primarily because of disputes under reinsurance contracts and insolvencies. Reinsurance disputes continue to be significant, particularly on larger and more complex claims, such as those related to asbestos and environmental pollution (discussed in more detail below) and London reinsurance market exposures. Allowances have been established for amounts estimated to be uncollectible. The Company's reinsurance recoverable was approximately $9.4 billion at March 31, 2001, and $9.0 billion at December 31, 2000, net of allowances for unrecoverable reinsurance of $722 million and $710 million, respectively.

Included in the Company's liabilities for losses and loss expenses are liabilities for asbestos, environmental damage and latent injury claims and expenses. These claims are principally related to claims arising from remediation costs associated with hazardous waste sites and bodily injury claims related to asbestos products and environmental hazards. The Company has considered asbestos and environmental claims and claims expenses in establishing the liability for unpaid losses and loss expenses. The Company has developed reserving methods, which incorporate new sources of data with historical experience to estimate the ultimate losses arising from asbestos and environmental exposures. The reserves for asbestos and environmental claims and claims expenses represent management's best estimate of future loss and loss expense payments and recoveries which are expected to develop over the next several decades. The Company continuously monitors evolving case law and its effect on environmental damage and latent injury claims. While reserving for these claims is inherently uncertain, the Company believes that the reserves carried for these claims are adequate based on known facts and current law.

At March 31, 2001 and December 31, 2000, the total of the Company's short and long term debt, including trust preferred securities was $2.7 billion.

Fully diluted book value per share was $23.82 at March 31, 2001, compared with $23.25 at December 31, 2000.

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 shareholders' equity at a level adequate to support the level of insurance and reinsurance operations. During the quarter ended March 31, 2001, dividends of $65 million were declared by ACE Tempest Re. ACE Bermuda did not declare any dividends during the quarter ended March 31, 2001.

The payment of any dividends from ACE Global Markets or its 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 the current quarter and the Company does not anticipate receiving dividends from ACE Global Markets during the remainder of 2001.

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 primarily by upstreaming dividend payments from ACE INA's insurance subsidiaries. ACE INA Holdings did not receive any dividends from its subsidiaries during the quarter ended March 31, 2001. 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. ACE INA's international subsidiaries are also subject to various insurance laws and regulations in the countries in which they operate. These regulations include restrictions that limit the amount of dividends that can be paid without prior approval of the insurance regulatory authorities. No dividends have been received by ACE Limited from ACE INA during the current quarter and the Company does not anticipate receiving dividends from ACE INA during the remainder of 2001.

ACE Financial Services' U.S. insurance subsidiaries are also subject to various U.S. insurance laws under which 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 Financial Services during the current quarter and the Company does not anticipate receiving dividends from ACE Financial Services during the remainder of 2001.

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.

The Company's insurance and reinsurance operations provide liquidity in that premiums are normally received substantially in advance of the time claims are paid. The Company's consolidated net cash flow from operating activities was $388 million for the quarter ended March 31, 2001, compared with $(84) million for the quarter ended March 31, 2000. The positive operating cash flows were generated from very strong premium volume during the quarter as the Company had net premiums written of $1.7 billion. Generally 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. Although the Company's ongoing operations continue to generate positive cash flows from operations, the Company's cash flows are currently impacted by a large book of loss reserves from businesses in run-off. The run-off operations generated negative cash flows of $261 million and $150 million for the quarters ended March 31, 2001 and 2000, respectively, primarily due to claim payments. The run-off book of business continues to require cash to meet its liabilities and cash flows are very dependent on the timing of claim settlements. Net loss and loss expense payments amounted to $945 million and $834 million for the quarters ended March 31, 2001 and 2000, respectively.

The Board of Directors, on November 17, 2000 authorized the repurchase of any ACE issued debt or capital securities including ACE's Ordinary Shares, up to an aggregate total of $250 million. During the three months ended March 31, 2001, the Company repurchased and cancelled 1,065,000 Ordinary Shares under the program for an aggregate cost of $35.3 million. Subsequent to March 31, 2001, the Company repurchased and cancelled an additional 450,000 shares for an aggregate cost of $14.4 million leaving approximately $200 million of the Board authorization not utilized.

On January 12, 2001, and April 13, 2001, the Company paid dividends of 13 cents per share to shareholders of record on December 29, 2000, and March 30, 2001, respectively. On May 11, 2001, the Company declared a quarterly dividend of 15 cents per Ordinary Share payable on July 12, 2001 to shareholders of record on June 29, 2001. 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.

In April 2001, the Company renewed its $800 million, 364-day revolving credit facility. This facility together with the Company's $250 million, five-year revolving credit facility, which was last renewed in May 2000, is available for general corporate purposes and each of the facilities may also be used as commercial paper back-up facilities. The five-year facility also permits the issuance of letters of credit. Under these facilities the Company and various subsidiaries are named borrowers and guarantors. 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.

In June 1999, the Company arranged certain commercial paper programs. The programs use revolving credit facilities as back-up facilities and provide for up to $2.8 billion in commercial paper issuance (subject to the availability of back-up facilities, which currently total $1.05 billion) for ACE and for ACE INA. At March 31, 2001, short-term debt consisted of $347 million of commercial paper issued by ACE INA and $25 million in bank borrowings by ACE Financial Services. Commercial paper rates during the quarter ended March 31, 2001 averaged 5.75 percent.

Both internal and external forces influence the Company's financial condition, results of operations and cash flows. Claim 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 lapse 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 Company believes that its cash balances, cash flow from operations, routine sales of investments and the liquidity provided by its credit facilities are adequate to meet the Company's expected cash requirements.

CUMULATIVE EFFECT OF ADOPTING A NEW ACCOUNTING STANDARD

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133"). FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a fair value, cash flow or foreign currency hedge. The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. Upon initial application of FAS 133, hedging relationships must be designated anew and documented pursuant to the provisions of this statement. The Company adopted FAS 133, as amended, as of January 1, 2001.

The Company maintains investments in derivative instruments such as futures, option contracts and foreign currency forward contracts of which the primary purposes are to manage duration and foreign currency exposure, yield enhancement or to obtain an exposure to a particular financial market. The Company has historically recorded the changes in market value of these instruments as realized gains (losses) in the consolidated statement of operations and, accordingly, has estimated that FAS 133, as amended, will not have a significant impact on the results of operations, financial condition or liquidity in future periods as it relates to these instruments.

Certain products (principally credit protection oriented) issued by the Company have been determined to meet the definition of a derivative under FAS 133. These products consist primarily of credit default swaps, index-based instruments and certain financial guarantee coverages. Effective January 1, 2001, the Company records these products at their fair value.

To reflect the adoption of FAS 133 on January 1, 2001, the Company recorded an expense related to the cumulative effect of adopting a new accounting standard of $23 million, net of income tax of $12 million. Prospectively, the Company expects some level of gains and losses resulting from changes in market value of derivatives to be recorded in the statement of operations. The level of such gains and losses will be dependent upon a number of factors including changes in interest rates, credit spreads and other market factors. The Company's involvement with derivative instruments and transactions is primarily to offer protection to others or to mitigate its own risk and is not considered speculative in nature.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

1. On February 23, 2001, the Company declared a quarterly dividend of $0.13 per Ordinary Share payable on April 13, 2001 to shareholders of record on March 30, 2001.

2. On May 11, 2001, the Company declared a quarterly dividend of $0.15 per Ordinary Share payable on July 12, 2001 to shareholders of record on June 29, 2001.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibits.

10.1	Promissory Note dated January 9, 2001 from Dominic J. Frederico *
10.2	Amended and Restated Credit Agreement dated as of April 6, 2001 among ACE Limited, ACE Bermuda Insurance Ltd., ACE Tempest Reinsurance Ltd., ACE INA Holdings, Inc. and ACE Guaranty Re Inc., certain lenders, JP Morgan, a division of Chase Securities, Inc., as Lead Arranger and Bookrunner, Bank of America, N.A., Barclays Bank PLC and Fleet National Bank, as Co-Syndication Agents and Morgan Guaranty Company of New York, as Administrative Agent.
10.3	ACE Limited 1998 Long-Term Incentive Plan (as amended through the Second Amendment) *

* Management Contract or Compensation Plan

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

May 15, 2001	*/s/ Brian Duperreault* -- *Brian Duperreault* *Chairman and Chief* *Executive Officer*
May 15, 2001	*/s/ Robert Blee* -- *Robert A. Blee* *Chief Accounting Officer*

Exhibit Number	Description	Numbered Page
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10.3	ACE Limited 1998 Long-Term Incentive Plan (as amended through the Second Amendment) *	

* Management Contract or Compensation Plan

Exhibit 10.1

PROMISSORY NOTE

$350,000.00 January 9, 2001

FOR VALUE RECEIVED, the undersigned, Dominic J. Frederico, an individual (the "Employee"), promises to pay to the order of ACE Limited, a Cayman Islands company (the "Company"), in accordance with the payment schedule below, the principal sum of $350,000.00 and any accrued interest on this Note.

This Note evidences obligations in connection with a loan made by the Company to the Employee as part of the inducement to the Employee to assume additional responsibilities with, and to remain in the employ of, the Company.

The unpaid principal amount of this Note from time to time outstanding shall bear interest at a rate per annum (based upon a 365/366 day year) equal to the applicable Federal rate as of the January 9, 2001, as determined for purposes of section 1274(d) of the Internal Revenue Code of 1986, as amended, compounded annually. After the Maturity Date, any unpaid principal amount and accrued interest on the unpaid principal amount of this Note shall be payable on demand.

As of January 9, 2002 an amount equal to $50,000.00 of the principal amount due under this Note, together with the amount of interest that has accrued with respect to the entire unpaid principal and interest amount since January 9, 2001, shall be payable by the Employee to the Company. As of January 9 of each of 2003, 2004, and 2005, an amount equal to $100,000.00 of the principal amount due under this Note, together with the amount of interest that has accrued with respect to the entire unpaid principal and interest amount on this Note since the preceding January 9, shall be payable by Employee to the Company. If the Employee's employment with the Company is terminated for any reason other than (i) by reason of death or disability, or (ii) by reason of termination by the Company without Cause; then any remaining principal and interest shall become due and payable on the date of such termination of employment (which date of termination shall be the "Maturity Date"). For purposes of this Note, the term "Cause" shall have the same meaning set forth in the Employment Agreement dated as of January 9, 1995 between the Company and the Employee. Disability shall mean being adjudged by the Compensation Committee of the Company to be disabled within the meaning of the Company's long-term disability plan.

This Note is secured by a mortgage on the Employee's principal residence.

Subject to the other terms and conditions hereof, the Employee may voluntarily prepay all or any portion of the unpaid principal amount of this Note from time to time outstanding and any accrued interest thereon, without premium or penalty.

All payments of principal of and interest on this Note shall be payable in lawful currency of the United States of America at Hamilton, Bermuda or such other place as the Company shall designate to the Employee in writing, in cash or by check. If payment hereunder falls due on a day which is either a Saturday, Sunday or any other day on which banks in Hamilton, Bermuda are not generally open for business to the public (i.e., not a "Business Day"), then such due date shall be extended to the immediately succeeding Business Day, and additional interest shall accrue and be payable for the period of any such extension.

The Employee agrees that if any of the following events of default (each an "Event of Default") shall occur and be continuing:

(i) default in the performance or observance of any other agreements of the Employee contained herein, or

(ii) the institution of any bankruptcy, insolvency, receivership or similar proceeding relating to the Employee or his assets, and if such case or proceeding is not commenced by the Employee, it is consented to or acquiesced in by the Employee or remains for 60 days undismissed;

then the Company may declare this Note and all unpaid principal and interest on this Note and all accrued costs, expenses and other amounts under this Note to be due and payable, whereupon all unpaid principal and interest on this Note and all such costs, expenses and other amounts shall immediately become due and payable following such declaration.

The Employee hereby represents and warrants to the Company as of the date hereof (i) that this Note is the legally valid and binding obligation of the Employee, enforceable against the Employee in accordance with its terms, and (ii) that the execution, delivery and performance by the Employee of this Note does not conflict with or contravene (a) any law, rule or regulation binding upon the Employee or affecting any of the Employee's assets, (b) any provision of any contract, instrument or agreement binding upon the Employee or affecting any of the Employee's assets, or (c) any writ, order, judgment, decree or decision of any court or governmental instrumentality binding upon the Employee or affecting any of the Employee's assets.

All notices, certificates and other communications hereunder shall be in writing and may be either delivered personally, by internationally recognized express courier for overnight delivery, or by facsimile (with request for assurance of receipt in a manner appropriate with respect to communications of that type, provided that a confirmation copy is concurrently sent by a internationally recognized express courier for overnight delivery) or mailed, postage prepaid, by certified or registered mail, return receipt requested, addressed as follows:

If to the Company:	ACE Limited The ACE Building 30 Woodbourne Avenue Hamilton HM 08, Bermuda Attention: General Counsel Facsimile: (441) 296-0087
If to the Employee:	Dominic J. Frederico ACE Limited The ACE Building 30 Woodbourne Avenue Hamilton HM 08, Bermuda Facsimile: (441) 296-0087

All Notices hereunder shall be in writing (including, without limitation, facsimile transmission) and shall be sent to the Employee or the Company, as appropriate, at such party's address shown above, or at such other address as such party may, by written notice received by the other party hereto, have designated as its or his address for such purpose. Notices sent by facsimile transmission shall be deemed to have been given when sent; notices sent by mail shall be deemed to have been given five days after the date mailed by registered or certified mail, postage prepaid; and notices sent by hand delivery shall be deemed to have been given when received.

This Note has been made and delivered at Hamilton, Bermuda and shall be construed in accordance with and governed by the internal laws of the State of New York. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the least extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

IN WITNESS WHEREOF, the Employee has caused this Note to be executed as of the day and year first above written.

Dominic J. Frederico

Exhibit 10.2

AMENDED AND RESTATED CREDIT AGREEMENT

AMENDED AND RESTATED CREDIT AGREEMENT dated as of April 6, 2001
among ACE Limited (the "Parent"), ACE Bermuda Insurance Ltd. ("ACE Bermuda"), ACE Tempest Reinsurance Ltd, formerly known as Tempest Reinsurance Company Limited ("Tempest"), ACE INA Holdings Inc. ("ACE INA") and ACE Guaranty Re Inc. ("ACE Guaranty"), the LENDERS listed on the signature pages hereof, JPMORGAN, A DIVISION OF CHASE SECURITIES, INC., as Lead Arranger and Bookrunner, BANK OF AMERICA, N.A., BARCLAYS BANK PLC, and FLEET NATIONAL BANK as Co-Syndication Agents and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent.

W I T N E S S E T H :

WHEREAS, certain of the parties hereto have heretofore entered into a Credit Agreement dated as of May 8, 2000 (as amended, the "Agreement");

WHEREAS, at the date hereof, no Advances are outstanding under the Agreement; and

WHEREAS, the parties hereto desire to amend the Agreement as set forth herein and to restate the Agreement in its entirety to read as set forth in the Agreement with the amendments specified below;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Definitions; References. Unless otherwise specifically defined herein, each capitalized term used herein which is defined in the Agreement shall have the meaning assigned to such term in the Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Agreement shall from and after the date hereof refer to the Agreement as amended and restated hereby. The term "Notes" defined in the Agreement shall include from and after the date hereof the New Notes (as defined below).

SECTION 2. Amendment of the Agreement.

(a) Section 1.01 of the Agreement is amended by inserting the following definitions in their appropriate alphabetical order:

"Final Maturity Date" means the first anniversary of the Termination Date, or, if such day is not a Business Day, the next preceding Business Day.

(b) The following definitions in Section 1.01 of the Agreement are amended to read as follows:

"Lead Arranger" means JPMorgan, a division of Chase Securities Inc., in its capacity as lead arranger and book runner in respect of this Amended Agreement.

"Termination Date" means the earlier of April 5, 2002 and the date of termination in whole of the WC Commitments or such later date to which the Termination Date shall have been extended pursuant to Section 2.01(b) or, if such day is not a Business Day, the next preceding Business Day.

(c) The definition of "Adjusted Consolidated Debt" is amended by changing the reference "Mandatorily Convertible Securities" to "Mandatorily Convertible Preferred Securities".

(d) Proviso (a) to the definition of "Interest Period" is amended to read as follows:

(a) such Borrower may not select any Interest Period with respect to any Competitive Bid Advance that ends after the Termination Date nor any Interest Period with respect to any Eurodollar Rate Advance that ends after the Final Maturity Date;

(e) Section 2.04 of the Agreement is amended to read in its entirety as follows:

SECTION 2.04. Repayment of Committed Advances. Each Borrower shall repay to the Administrative Agent for the ratable account of the Lenders on the Final Maturity Date the aggregate outstanding principal amount of the Committed Advances to such Borrower then outstanding.

(f) Section 2.08(a) of the Agreement is amended to read in its entirety as follows:

SECTION 2.08. Fees. (a) Facility Fee. The Borrowers agree to pay to the Administrative Agent for the account of the Lenders a facility fee (i) from and including the Effective Date to but not including the Termination Date at the rate of the Applicable Facility Fee Percentage on the average daily WC Commitment of each Lender (whether used or unused) and (ii) from and including the Termination Date to but not including the date on which the Advances shall be repaid in their entirety, at the rate per annum equal to the sum of 0.15% plus the Applicable Facility Fee Percentage on the average daily aggregate outstanding principal amount of the Advances of each Lender; provided, however, that no facility fee shall accrue on the Unused WC Commitment of a Defaulting Lender so long as such Lender shall be a Defaulting Lender. Accrued facility fees shall be payable in arrears quarterly on the last day of each March, June, September and December, commencing on June 30, 2001, on the Termination Date and, if later, on the date the Advances shall be repaid in their entirety.

(g) Schedule 4.01(b) is amended by adding "as of the Effective Date" at the end thereto.

(h) Section 4.01(g) is amended by (i) changing each reference to the date "December 31, 1999" to "December 31, 2000" and (ii) deleting the phrase "and the date of the Initial Extension of Credit" in the last sentence of the subsection.

(i) The form of Competitive Bid Note, Exhibit A-2, in the Agreement is replaced by Exhibit A-2 attached hereto.

SECTION 3. Change in Commitments. With effect from and including the date this Amendment and Restatement becomes effective in accordance with Section 8 hereof, (i) each Person listed on the signature pages hereof which is not a party to the Agreement (a "New Lender") shall become a Lender party to the Agreement and (ii) the Commitment of each Lender shall be the amount set forth opposite the name of such Lender on the attached Commitment Schedule, which shall replace the existing Commitment Schedule. Any Lender whose Commitment is changed to zero shall upon such effectiveness cease to be a Lender party to the Agreement, and all accrued fees and other amounts payable under the Agreement for the account of such Lender shall be due and payable on such date; provided that the provisions of Sections 2.12, 8.05 and 9.03 of the Agreement shall continue to inure to the benefit of each such Lender.

SECTION 4. Representations and Warranties. (a) Each Borrower hereby represents and warrants (but, in the case of each Borrower other than the Parent, only as to itself) that as of the date hereof and after giving effect hereto:

(i) no Default has occurred and is continuing; and

(ii) each representation and warranty of such Borrower set forth in the Agreement after giving effect to this Amendment and Restatement (but, in the case of each Borrower other than the Parent, only as to itself) is true and correct as though made on and as of such date.

(b) The Parent hereby represents and warrants that, as of the date of effectiveness hereof, there shall have occurred no material adverse change since December 31, 2000 in the business, financial condition, operations or properties of the Parent and its Subsidiaries, taken as a whole.

SECTION 5. Governing Law. This Amendment and Restatement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 6. Counterparts; Effectiveness. This Amendment and Restatement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Amendment and Restatement shall become effective as of the date hereof when each of the following conditions shall have been satisfied:

(i) The Administrative Agent shall have received counterparts of this Amendment and Restatement duly executed by each of the parties listed on the signature pages hereof (or in the case of any party as to which such an executed counterpart shall not have been received, the Administrative Agent shall have received evidence satisfactory to it of the execution and delivery of a counterpart hereof by such party).

(ii) The Administrative Agent shall have received the following in form and substance reasonably satisfactory to the Administrative Agent (unless otherwise specified) and (except for the New Notes (as defined below)) in sufficient copies for each Lender.

(A) Duly executed Committed Notes (in substantially the form of Exhibit A-1 to the Agreement) from each Borrower for each of the New Lenders and each Lender with a Commitment (as reflected on the existing Commitment Schedule) which differs from the Commitment reflected on the attached Commitment Schedule, dated on or before the date of effectiveness hereof (the "New Notes").

(B) Certified copies of the resolutions of the Board of Directors of each Loan Party approving the transactions contemplated by the Loan Documents and each Loan Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental and other third party approvals and consents, if any, with respect to the transactions contemplated by the Loan Documents and each Loan Document to which it is or is to be a party.

(C) A certificate of each Loan Party, signed on behalf of such Loan Party by its President, Vice President, Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer and its Secretary or any Assistant Secretary, dated the date of effectiveness hereof, certifying, in the case of each Loan Party other than the Parent, only as to such Loan Party, as to (1) the truth of the representations and warranties contained in the Loan Documents as though made on and as of the date of effectiveness hereof and (2) the absence of any event occurring and continuing, or resulting from the effectiveness hereof, that constitutes a Default.

(D) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign this Amendment and Restatement, the New Notes to be issued by such Loan Party and the other documents to be delivered hereunder and thereunder.

(E) A favorable opinion of (1) Maples and Calder, Cayman Islands counsel for the Parent, to substantially the effect of Exhibit D-1 to the Agreement with respect to this Amendment and Restatement and the Agreement as amended and restated hereby and as to such other matters as the Administrative Agent may reasonably request, (2) Mayer, Brown & Platt, New York counsel for the Loan Parties, to substantially the effect of Exhibit D-2 to the Agreement with respect to this Amendment and Restatement and the Agreement as amended and restated hereby and as to such other matters as the Administrative Agent may reasonably request, (3) Conyers Dill & Pearman, Bermuda counsel for ACE Bermuda and Tempest, to substantially the effect of Exhibit

D-3 to the Agreement with respect to this Amendment and Restatement and the Agreement as amended and restated hereby and as to such other matters as the Administrative Agent may reasonably request and (4) Hogan & Hartson, Maryland counsel for ACE Guaranty, to substantially the effect of Exhibit D-4 to the Agreement with respect to this Amendment and Restatement and the Agreement as amended and restated hereby and as to such other matters as any Lender through the Administrative Agent may reasonably request.

(iii) The Borrowers shall have paid all accrued fees of the Agents and the Lenders and all accrued expenses of the Agents (including the accrued fees and expenses of counsel to the Administrative Agent), in each case to the extent then due and payable.

This Amendment and Restatement shall not become effective or binding on any party hereto unless all of the foregoing conditions are satisfied not later than the date hereof. The Administrative Agent shall promptly notify the Borrowers and the Lenders of the effectiveness of this Amendment and Restatement, and such notice shall be conclusive and binding on all parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Restatement to be duly executed by their respective authorized officers as of the day and year first above written.

ACE LIMITED

The Common Seal of ACE Limited was hereunto affixed in the presence of:

/s/ Donald Kramer

Director

/s/ Christopher Z. Marshall

Chief Financial Officer

ACE BERMUDA INSURANCE LTD.

The Common Seal of ACE Bermuda Insurance Ltd. was hereunto affixed in the presence of:

/s/ Donald Kramer

Director

/s/ Christopher Z. Marshall

Director

ACE TEMPEST REINSURANCE LTD.

The Common Seal of ACE Tempest Reinsurance Ltd. was hereunto affixed in the presence of:

/s/ Donald Kramer

Director

/s/ Christopher Z. Marshall

Director

ACE INA HOLDINGS INC.

By: /s/ Robert B. Jefferson

Name: Robert B. Jefferson
Title: Chief Financial Officer

ACE GUARANTY RE INC.

By: /s/ Joseph W. Swain

Name: Joseph W. Swain
Title: President

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent and as Lender

By: /s/ Maria H. Dell'Aquila

Name: Maria H. Dell'Aquila
Title: Vice President

THE CHASE MANHATTAN BANK, as Lender

By: /s/ Helen L. Newcomb

Name: Helen L. Newcomb
Title: Vice President

BANK OF AMERICA, N.A., as Syndication Agent and as Lender

By: /s/ Debra Basler

Name: Debra Basler
Title: Vice President

FLEET NATIONAL BANK, as
Syndication Agent and as Lender

By: /s/ Lawrence Davis

Name: Lawrence Davis
Title: Associate, Portfolio Manager

BARCLAYS BANK PLC, as
Syndication Agent and as Lender

By: /s/ Neil A. Holmes

Name: Neil A. Holmes
Title: Relationship Director

THE BANK OF NEW YORK, as
Co-Agent and as Lender

By: /s/ David Trick

Name: David Trick
Title: Assistant Vice President

CITIBANK, N.A., as Co-Agent and as Lender

By: /s/ Michael Taylor

Name: Michael Taylor
Title: Vice President

COMMERZBANK AKTIENGESELLSCHAFT, NEW **YORK AND GRAND CAYMAN** BRANCHES, as Co-Agent and as Lender

By: /s/ Werner Samuel

Name: Werner Samuel
Title: Vice President

By: /s/ Henry Spark

Name: Henry Spark
Title: Assistant Treasurer

CREDIT LYONNAIS, NEW YORK BRANCH, as Co-Agent and as Lender

By: /s/ Sebastian Rocco

Name: Sebastian Rocco
Title: Senior Vice President

FIRST UNION NATIONAL BANK, as Co-Agent and as Lender

By: /s/ Gail M. Golightly

Name: Gail M. Golightly
Title: Senior Vice President

LLOYDS TSB BANK PLC, as
Co-Agent and as Lender

By: /s Michael J. Gilligan

Name: Michael J. Gilligan Title: Director, Financial Institutions, USA

By: /s/ Paul D. Briamonte

Name: Paul D. Briamonte
Title: Director-Project Finance (USA)

ROYAL BANK OF CANADA, as
Co-Agent and as Lender

By: /s/ Alexander Birr

Name: Alexander Birr
Title: Senior Manager

STATE STREET BANK AND
TRUST COMPANY, as Co-Agent
and as Lender

By: /s/ Edward M. Anderson

Name: Edward M. Anderson
Title: Vice President

WACHOVIA BANK, N.A., as Co-
Agent and as Lender

By: /s/ Mark A. Edwards

Name: Mark A. Edwards
Title: Senior Vice President

ABN AMRO BANK N.V., as Lender

By: /s/ Ray Catt

Name: Ray Catt
Title: Relationship Banker

By: /s/ Martyn Taplin

Name: Martyn Taplin
Title: Authorized Signatory

BANK ONE, N.A., as Lender

By: /s/ Gretchen Roetzer

Name: Gretchen Roetzer
Title: Assistant Vice President

THE BANK OF TOKYO-MITSUBISHI, LIMITED, as Lender

By: /s/ Matthew D. Gallino

Name: Matthew D. Gallino
Title: Attorney-in-Fact

COMERICA BANK, as Lender

By: /s/ Martin G. Ellis

Name: Martin G. Ellis
Title: Vice President

DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES, as Lender

By: /s/ Clinton M. Johnson

Name: Clinton M. Johnson
Title: Managing Director

By: /s/ Gayma Z. Shivnarain

Name: Gayma Z. Shivnarain
Title: Director

MELLON BANK, N.A., as Lender

By: /s/ Carrie Burnham

Name: Carrie Burnham
Title: Assistant Vice President

COMMITMENT SCHEDULE

Lender	Commitment
Morgan Guaranty Trust Company of New York	$40,000,000
The Chase Manhattan Bank	$40,000,000
Bank of America, N.A.	$55,000,000
Fleet National Bank	$55,000,000
Barclays Bank PLC	$55,000,000
The Bank of New York	$40,000,000
Citibank, N.A.	$40,000,000
Commerzbank Aktiengesellschaft, New York and Grand Cayman Branches	$40,000,000
Credit Lyonnais New York Branch	$40,000,000
First Union National Bank	$40,000,000
Lloyds TSB Bank Plc	$40,000,000
Royal Bank of Canada	$40,000,000
State Street Bank and Trust Company	$40,000,000
Wachovia Bank, N.A.	$40,000,000
ABN AMRO Bank N.V.	$32,500,000
Bank One, N.A.	$32,500,000
The Bank of Tokyo-Mitsubishi, Limited	$32,500,000
Comerica Bank	$32,500,000
Deutsche Bank AG New York and/or Cayman Islands Branches	$32,500,000
Mellon Bank, N.A.	$32,500,000
Total	$800,000,000

EXHIBIT A-2

FORM OF COMPETITIVE BID NOTE

Dated: _____________ __, ____

FOR VALUE RECEIVED, the undersigned, __________________, a _______ __________ corporation (the "Obligor"), HEREBY PROMISES TO PAY ___________ _____________ (the "Lender") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) the aggregate principal amount of the Competitive Bid Advances (as defined in the Credit Agreement referred to below) owing to the Lender by the Obligor pursuant to the Amended and Restated 364-Day Credit Agreement dated as of May 8, 2000 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms defined therein, unless otherwise defined herein, being used herein as therein defined) among ACE Limited, ACE Bermuda Insurance Ltd., Tempest Reinsurance Company Limited, ACE INA Holdings Inc. and ACE Guaranty Re Inc., the Initial Lenders, Bank of America, N.A. and The Chase Manhattan Bank as Co-Syndication Agents, and Morgan Guaranty Trust Company of New York, as Administrative Agent, payable at such times as are specified in the Credit Agreement.

The Obligor promises to pay interest on the unpaid principal amount of each Competitive Bid Advance from the date of such Competitive Bid Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Morgan Guaranty Trust Company of New York, as Administrative Agent, at such location as shall be designated by the Administrative Agent in a written notice to the Obligor in same day funds. Each Competitive Bid Advance owing to the Lender by the Obligor and the maturity thereof, and all payments made on account of principal thereof, shall be recorded by the Lender and, prior to any transfer hereof, endorsed on the grid attached hereto, which is part of this Promissory Note; provided, however, that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Obligor under this Promissory Note.

This Promissory Note is one of the Competitive Bid Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified. The obligations of the Obligor under this Promissory Note and the other Loan Documents, are unconditionally guaranteed by the Guarantors referred to in the Credit Agreement.

The Obligor hereby waives presentment, demand, protest and notice of any kind. No failure to exercise, and no delay in exercising, any rights hereunder on the part of the holder hereof shall operate as a waiver of such rights.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

[NAME OF OBLIGOR]

By ____________________________________
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

Exhibit 10.3

Conformed Copy

ACE LIMITED 1998
LONG-TERM INCENTIVE PLAN

(As Amended Through the Second Amendment)

TABLE OF CONTENTS

ACE LIMITED 1998
LONG-TERM INCENTIVE PLAN

(As Amended Through the Second Amendment)

SECTION 1

GENERAL

1.1. Purpose. The ACE Limited Long-Term Incentive Plan (the "Plan") has been established by ACE Limited (the "Company") to (i) attract and retain persons eligible to participate in the Plan; (ii) motivate Participants, by means of appropriate incentives, to achieve long-range goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further identify Participants' interests with those of the Company's other shareholders through compensation that is based on the Company's ordinary shares of stock; and thereby promote the long-term financial interest of the Company and the Subsidiaries, including the growth in value of the Company's equity and enhancement of long-term shareholder return.

1.2. Participation. Subject to the terms and conditions of the Plan, the Committee shall determine and designate, from time to time, from among the Eligible Individuals (including transferees of Eligible Individuals to the extent the transfer is permitted by the Plan and the applicable Award Agreement), those persons who will be granted one or more Awards under the Plan, and thereby become "Participants" in the Plan. In the discretion of the Committee, a Participant may be granted any Award permitted under the provisions of the Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards granted or outstanding under the Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary).

1.3. Operation, Administration, and Definitions. The operation and administration of the Plan, including the Awards made under the Plan, shall be subject to the provisions of Section 4 (relating to operation and administration). Capitalized terms in the Plan shall be defined as set forth in the Plan (including the definition provisions of Section 8 of the Plan).

SECTION 2

OPTIONS AND SARS

2.1. Definitions.

(a) The grant of an "Option" entitles the Participant to purchase shares of Stock at an Exercise Price established by the Committee. Any Option granted under this Section 2 may be either an incentive stock option (an "ISO") or a non-qualified option (an "NQO"), as determined in the discretion of the Committee. An "ISO" is an Option that is intended to satisfy the requirements applicable to an "incentive stock option" described in section 422(b) of the Code. An "NQO" is an Option that is not intended to be an "incentive stock option" as that term is described in section 422(b) of the Code.

(b) A stock appreciation right (an "SAR") entitles the Participant to receive, in cash or Stock (as determined in accordance with subsection 2.5), value equal to (or otherwise based on) the excess of: (a) the Fair Market Value of a specified number of shares of Stock at the time of exercise; over (b) an Exercise Price established by the Committee.

2.2. Exercise Price. The "Exercise Price" of each Option and SAR granted under this Section 2 shall be established by the Committee or shall be determined by a method established by the Committee at the time the Option or SAR is granted; except that the Exercise Price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant (or, if greater, the par value of a share of Stock).

2.3. Exercise. An Option and an SAR shall be exercisable in accordance with such terms and conditions and during such periods as may be established by the Committee.

2.4. Payment of Option Exercise Price. The payment of the Exercise Price of an Option granted under this Section 2 shall be subject to the following:

(a) Subject to the following provisions of this subsection 2.4, the full Exercise Price for shares of Stock purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by the Committee and described in paragraph 2.4(c), payment may be made as soon as practicable after the exercise).

(b) The Exercise Price shall be payable in cash or by tendering, by either actual delivery of shares or by attestation, shares of Stock acceptable to the Committee, and valued at Fair Market Value as of the day of exercise, or in any combination thereof, as determined by the Committee.

(c) The Committee may permit a Participant to elect to pay the Exercise Price upon the exercise of an Option by irrevocably authorizing a third party to sell shares of Stock (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire Exercise Price and any tax withholding resulting from such exercise.

2.5. Settlement of Award. Shares of Stock delivered pursuant to the exercise of an Option or SAR shall be subject to such conditions, restrictions and contingencies as the Committee may establish in the applicable Award Agreement. Settlement of SARs may be made in shares of Stock (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of the Committee. The Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to shares of Stock acquired pursuant to the exercise of an Option or an SAR as the Committee determines to be desirable.

SECTION 3

OTHER STOCK AWARDS

3.1. Definitions.

(a) A "Stock Unit" Award is the grant of a right to receive shares of Stock in the future.

(b) A "Performance Share" Award is a grant of a right to receive shares of Stock or Stock Units which is contingent on the achievement of performance or other objectives during a specified period.

(c) A "Performance Unit" Award is a grant of a right to receive a designated dollar value amount of Stock which is contingent on the achievement of performance or other objectives during a specified period.

(d) A "Restricted Stock" Award is a grant of shares of Stock, and a "Restricted Stock Unit" Award is the grant of a right to receive shares of Stock in the future, with such shares of Stock or right to future delivery of such shares of Stock subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by the Committee.

3.2. Restrictions on Awards. Each Stock Unit Award, Restricted Stock Award, Restricted Stock Unit Award, Performance Share Award and Performance Unit Award shall be subject to the following:

(a) Any such Award shall be subject to such conditions, restrictions and contingencies as the Committee shall determine.

(b) The Committee may designate whether any such Award being granted to any Participant is intended to be "performance-based compensation" as that term is used in section 162(m) of the Code. Any such Awards designated as intended to be "performance-based compensation" shall be conditioned on the achievement of one or more Performance Measures, to the extent required by Code section 162(m). The Performance Measures that may be used by the Committee for such Awards shall be based on any one or more of the following Company, Subsidiary, operating unit or division performance measures, as selected by the Committee: gross premiums written; net premiums written; net premiums earned; net investment income; losses and loss expenses; underwriting and administrative expenses; operating expenses; cash flow(s); operating income; earnings before interest and taxes; net income; stock price; dividends; strategic business objectives, consisting of one or more objectives based on meeting specified cost targets, business expansion goals, and goals relating to acquisitions or divestitures; or any combination thereof. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. For Awards under this Section 3 intended to be "performance-based compensation," the grant of the Awards and the establishment of the Performance Measures shall be made during the period required under Code section 162(m).

(c) If the right to become vested in a Restricted Stock Award or Restricted Stock Unit Award granted under this Section 3 is conditioned on the completion of a specified period of service with the Company or the Subsidiaries, without achievement of Performance Measures or other performance objectives being required as a condition of vesting, and without it being granted in lieu of other compensation, then the required period of service for full vesting shall be not less than three years (subject to acceleration of vesting, to the extent permitted by the Committee, in the event of the Participant's death, disability, retirement, change in control or involuntary termination).

SECTION 4

OPERATION AND ADMINISTRATION

4.1. Effective Date. Subject to the approval of the shareholders of the Company at the Company's 1999 annual meeting of its shareholders, the Plan shall be effective as of November 13, 1998 (the "Effective Date"); provided, however, that to the extent that Awards are granted under the Plan prior to its approval by shareholders, the Awards shall be contingent on approval of the Plan by the shareholders of the Company at such annual meeting. The Plan shall be unlimited in duration and, in the event of Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided, however, that no Awards may be granted under the Plan after the ten-year anniversary of the Effective Date.

4.2. Shares Subject to Plan. The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) The shares of Stock with respect to which Awards may be made under the Plan shall be currently authorized but unissued shares, or shares purchased in the open market by a direct or indirect wholly-owned subsidiary of the Company (as determined by the Chairman or any Executive Vice President of the Company). The Company may contribute to the subsidiary an amount sufficient to accomplish the purchase in the open market of the shares of Stock to be so acquired (as determined by the Chairman or any Executive Vice President of the Company).

(b) Subject to this subsection 4.2, the number of shares of Stock that may be delivered to Participants and their Beneficiaries under the Plan shall be 21,252,007.

(c) To the extent provided by the Committee, any Award may be settled in cash rather than Stock. To the extent any shares of Stock covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the shares of Stock are not delivered because the Award is settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(d) If the exercise price of any Option granted under the Plan is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation), only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

(e) Subject to paragraph 4.2(f), the following additional maximums are imposed under the Plan:

(i) The maximum number of shares of Stock that may be issued by Options intended to be ISOs shall be 8,000,000 shares.

(ii) The maximum number of shares that may be covered by Awards granted to any one individual pursuant to Section 2 (relating to Options and SARs) shall be 6,000,000 shares during any one-calendar-year period.

(iii) The maximum number of shares of Stock that may be issued in conjunction with Awards granted pursuant to Section 3 (relating to Other Stock Awards) shall be 2,000,000 shares.

(iv) For Stock Unit Awards, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards that are intended to be "performance-based compensation" (as that term is used for purposes of Code section 162(m)), no more than 2,000,000 shares of Stock may be subject to such Awards granted to any one individual during any one-calendar-year period (regardless of when such shares are deliverable).

(v) For Performance Unit Awards that are intended to be "performance-based compensation" (as that term is used for purposes of Code section 162(m)), no more than $5,000,000 may be subject to such Awards granted to any one individual during any one-calendar-year period (regardless of when such amounts are deliverable).

(f) In the event of a corporate transaction involving the Company (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination or exchange of shares), the Committee may adjust Awards to preserve the benefits or potential benefits of the Awards. Action by the Committee may include: (i) adjustment of the number and kind of shares which may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the Exercise Price of outstanding Options and SARs; and (iv) any other adjustments that the Committee determines to be equitable.

4.3. General Restrictions. Delivery of shares of Stock or other amounts under the Plan shall be subject to the following:

(a) Notwithstanding any other provision of the Plan, the Company shall have no liability to deliver any shares of Stock under the Plan or make any other distribution of benefits under the Plan unless such delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the United States Securities Act of 1933), and the applicable requirements of any securities exchange or similar entity.

(b) To the extent that the Plan provides for issuance of stock certificates to reflect the issuance of shares of Stock, the issuance may be effected on a non-certificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

4.4. Tax Withholding. All distributions under the Plan are subject to withholding of all applicable taxes, and the Committee may condition the delivery of any shares or other benefits under the Plan on satisfaction of the applicable withholding obligations. Except as otherwise provided by the Committee, such withholding obligations may be satisfied (i) through cash payment by the Participant, (ii) through the surrender of shares of Stock which the Participant already owns, or (iii) through the surrender of shares of Stock to which the Participant is otherwise entitled under the Plan; provided, however, that such shares under this clause (iii) may be used to satisfy not more than the Company's minimum statutory withholding obligation (based on minimum statutory withholding rates for Federal and state tax purposes, including payroll taxes, that are applicable to such supplemental taxable income).

4.5. Use of Shares. Subject to the overall limitation on the number of shares of Stock that may be delivered under the Plan, the Committee may use available shares of Stock as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations.

4.6. Dividends and Dividend Equivalents. An Award (including without limitation an Option or SAR Award) may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Stock subject to the Award (both before and after the Stock subject to the Award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by the Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in shares of Stock, may be subject to such conditions, restrictions and contingencies as the Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7. Payments. Awards may be settled through cash payments, the delivery of shares of Stock, the granting of replacement Awards, or combination thereof as the Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as the Committee shall determine. The Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents. Each Subsidiary shall be liable for payment of cash due under the Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by the Committee.

4.8. Transferability. Except as otherwise provided by the Committee, Awards under the Plan are not transferable except as designated by the Participant by will or by the laws of descent and distribution.

4.9. Form and Time of Elections. Unless otherwise specified herein, each election required or permitted to be made by any Participant or other person entitled to benefits under the Plan, and any permitted modification, or revocation thereof, shall be in writing filed with the Committee at such times, in such form, and subject to such restrictions and limitations, not inconsistent with the terms of the Plan, as the Committee shall require.

4.10. Agreement With Company. An Award under the Plan shall be subject to such terms and conditions, not inconsistent with the Plan, as the Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in such form of written document as is determined by the Committee. A copy of such document shall be provided to the Participant, and the Committee may, but need not require that the Participant sign a copy of such document. Such document is referred to in the Plan as an "Award Agreement" regardless of whether any Participant signature is required.

4.11. Action by Company or Subsidiary. Any action required or permitted to be taken by the Company or any Subsidiary shall be by resolution of its board of directors, or by action of one or more members of the board (including a committee of the board) who are duly authorized to act for the board, or (except to the extent prohibited by applicable law or applicable rules of any stock exchange) by a duly authorized officer of such company.

4.12. Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.13. Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the Plan, acquire any right in or title to any assets, funds or property of the Company or any Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Subsidiary, in their sole discretion, may set aside in anticipation of a liability under the Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the Plan, unsecured by any assets of the Company or any Subsidiary, and nothing contained in the Plan shall constitute a guarantee that the assets of the Company or any Subsidiary shall be sufficient to pay any benefits to any person.

(b) The Plan does not constitute a contract of employment, and selection as a Participant will not give any participating employee or other individual the right to be retained in the employ of the Company or any Subsidiary or the right to continue to provide services to the Company or any Subsidiary, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. Except as otherwise provided in the Plan, no Award under the Plan shall confer upon the holder thereof any rights as a shareholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

4.14. Benefits Under Qualified Retirement Plans. Except as otherwise provided by the Committee, Awards to a Participant (including the grant and the receipt of benefits) under the Plan shall be disregarded for purposes of determining the Participant's benefits under any Qualified Retirement Plan and other plans maintained by the Participant's employer. The term "Qualified Retirement Plan" means any plan of the Company or a Subsidiary that is intended to be qualified under section 401(a) of the Code.

4.15. Evidence. Evidence required of anyone under the Plan may be by certificate, affidavit, document or other information which the person acting on it considers pertinent and reliable, and signed, made or presented by the proper party or parties.

SECTION 5

CHANGE IN CONTROL

Subject to the provisions of paragraph 4.2(f) (relating to the adjustment of shares), and except as otherwise provided in the Plan or the Award Agreement reflecting the applicable Award, upon the occurrence of a Change in Control:

(a) All outstanding Options (regardless of whether in tandem with SARs) shall become fully exercisable.

(b) All outstanding SARs (regardless of whether in tandem with Options) shall become fully exercisable.

(c) All Stock Units, Restricted Stock, Restricted Stock Units, Performance Shares, and Performance Units shall become fully vested.

SECTION 6

COMMITTEE

6.1. Administration. The authority to control and manage the operation and administration of the Plan shall be vested in a committee (the "Committee") in accordance with this Section 6. The Compensation Committee of the Board shall serve as the "Committee" under the Plan, except as otherwise determined by the Board. If the Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the Plan that would otherwise be the responsibility of the Committee.

6.2. Powers of Committee. The Committee's administration of the Plan shall be subject to the following:

(a) Subject to the provisions of the Plan, the Committee will have the authority and discretion to select from among the Eligible Individuals those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria, restrictions, and other provisions of such Awards, and (subject to the restrictions imposed by Section 7) to cancel or suspend Awards.

(b) To the extent that the Committee determines that the restrictions imposed by the Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, the Cayman Islands, and Bermuda, the Committee will have the authority and discretion to modify those restrictions as the Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States, the Cayman Islands, and Bermuda.

(c) The Committee will have the authority and discretion to interpret the Plan, to establish, amend, and rescind any rules and regulations relating to the Plan, to determine the terms and provisions of any Award Agreement made pursuant to the Plan, and to make all other determinations that may be necessary or advisable for the administration of the Plan.

(d) Any interpretation of the Plan by the Committee and any decision made by it under the Plan is final and binding on all persons.

(e) In controlling and managing the operation and administration of the Plan, the Committee shall take action in a manner that conforms to the Memorandum and Articles of Association of the Company, and applicable corporate law.

6.3. Delegation by Committee. Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it. Any such allocation or delegation may be revoked by the Committee at any time.

6.4. Information to be Furnished to Committee. The Company and Subsidiaries shall furnish the Committee with such data and information as it determines may be required for it to discharge its duties. The records of the Company and Subsidiaries as to an employee's or Participant's employment (or other provision of services), termination of employment (or cessation of the provision of services), leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants and other persons entitled to benefits under the Plan must furnish the Committee such evidence, data or information as the Committee considers desirable to carry out the terms of the Plan.

SECTION 7

AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the Plan, provided that no amendment or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary under any Award granted under the Plan prior to the date such amendment is adopted by the Board; provided that adjustments pursuant to subject to paragraph 4.2(f) shall not be subject to the foregoing limitations of this Section 7.

SECTION 8

DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

(a) Award. The term "Award" shall mean any award or benefit granted under the Plan, including, without limitation, the grant of Options, SARs, Stock Unit Awards, Restricted Stock Awards, Restricted Stock Unit Awards, Performance Share Awards, and Performance Unit Awards.

(b) Board. The term "Board" shall mean the Board of Directors of the Company.

(c) Change in Control. The term "Change in Control" shall mean the occurrence of any one of the following events:

(i) 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;

(ii) 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;

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

(iv) 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

(v) 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).

For the purpose of this definition of "Change in Control," (I) an "Affiliate" of a person or other entity shall mean a person or other entity that directly or indirectly controls, is controlled by, or is under common control with the person or other entity specified and (II) "Voting Stock" shall mean capital stock of any class or classes having general voting power under ordinary circumstances, in the absence of contingencies, to elect the directors of a corporation.

(d) Code. The term "Code" means the United States Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(e) Dollars. As used in the Plan, the term "dollars" or numbers preceded by the symbol "$" shall mean amounts in United States dollars.

(f) Eligible Individual. For purposes of the Plan, the term "Eligible Individual" shall mean any employee of the Company or a Subsidiary, and any consultant, director, or other person providing services to the Company or a Subsidiary. An Award may be granted to an employee or other individual providing services, in connection with hiring, retention or otherwise, prior to the date the employee or service provider first performs services for the Company or the Subsidiaries, provided that such Awards shall not become vested prior to the date the employee or service provider first performs such services.

(g) Fair Market Value. 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.

(h) Subsidiaries. For purposes of the Plan, the term "Subsidiary" means any corporation, partnership, joint venture or other entity during any period in which at least a fifty percent voting or profits interest is owned, directly or indirectly, by the Company (or by any entity that is a successor to the Company), and any other business venture designated by the Committee in which the Company (or any entity that is a successor to the Company) has a significant interest, as determined in the discretion of the Committee.

(i) Stock. The term "Stock" shall mean ordinary shares of stock of the Company.