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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D/A
Under the Securities Exchange Act of 1934
(Amendment No. 2)

IPC Holdings, Ltd.
(Name of Issuer)

Common Shares, $.01 par value per share
(Title of Class of Securities)

G4933P 10 1
(CUSIP Number)

American International Group, Inc.
70 Pine Street
New York, New York
Attn: General Counsel (212) 770-5457

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications)

June 3, 1996
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box:

[ ]

Check the following box if a fee is being paid with this statement:

[ ]

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CUSIP NO. G4933P 10 1

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(1) Name of Reporting Person/S.S. or I.R.S.
Identification No. of Above Person

American International Group, Inc. (I.R.S. Identification No. 13-2592361)

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(2) Check the Appropriate Box if a Member of a Group

(a) [ ]

(b) [ ]

(3) SEC Use Only

(4) Sources of Funds

WC

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Item 2(e) or 2(f)

[ ]

(6) Citizenship or Place of Organization

Delaware, U.S.A.

| | | |
|---|---|---|
| Number of Shares Beneficially Owned By Each Reporting Person With | (7) | Sole Voting Power<br>6,100,000 shares |
| | (8) | Shared Voting Power<br>0 |
| | (9) | Sole Dispositive Power<br>6,100,000 shares |
| | (10) | Shared Dispositive Power<br>0 |

(11) Aggregate Amount Beneficially Owned by Each Reporting Person

6,100,000 shares

(12) Check if the Aggregate Amount in Row (11) Excludes Certain Shares

[ ]

(13) Percent of Class Represented by Amount in Row (11)

24.4%

(14) Type of Reporting Person

HC, CO



This Amendment No. 2 (this "Amendment") to the Statement on Schedule 13D/A filed by American International Group, Inc. ("AIG") on April 9, 1996 amends such Statement by amending and supplementing Items 1, 2, 3, 4, 6 and 7 as described below. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Statement.

Item 1. Security and Issuer.

This statement relates to the common shares, par value $.01 per share ("Common Shares"), of IPC Holdings, Ltd., a Bermuda corporation ("Company"). The principal executive offices of the Company are located at American International Building, 29 Richmond Road, Pembroke HM08, Bermuda.

Item 2. Identity and Background.

A list of the current executive directors and officers ("Covered Persons") of AIG, Starr International Company, Inc., The Starr Foundation and C.V. Starr & Co. Inc., their business addresses and their principal occupations as of the date of this Amendment are attached hereto as Exhibit B. Each of the Covered Persons is a citizen of the United States, except for Messrs. Manton and Edmund Tse who are British subjects, Mr. Cohen who is a Canadian subject and Mr. Joseph Johnson who is a Bermudian subject.

Item 3. Source and Amount of Funds or Other Consideration.

The response to Item 4 of this Amendment is incorporated by reference herein in its entirety. In the event the transaction described in Item 4 occurs, AIG anticipates that it would use its available working capital to make the purchases requiring cash described therein.

Item 4. Purpose of Transaction.

On June 3, 1996, the board of directors of the Company authorized the Company to make a proposal to Tempest Reinsurance Company Limited ("Tempest") that the Company acquire Tempest for cash and stock as indicated below (the



"Combination Proposal"). AIG supports the Combination Proposal and has been consulted in connection with the proposal's development.

Tempest is a Bermuda corporation and is a private company (i.e., a non-SEC reporting company). On March 14, 1996, Tempest entered into a definitive amalgamation agreement to combine with ACE Limited ("ACE"), a company headquartered in Bermuda. AIG owns 264,094 common shares of Tempest, or approximately 5% of Tempest's outstanding common shares. As a Tempest shareholder, AIG has opposed and is opposing the combination of Tempest with ACE in the belief that such combination provides inadequate value to Tempest shareholders and is strategically unsound. The ACE/Tempest transaction is currently scheduled to be considered by the shareholders of ACE and Tempest at shareholders' meetings on June 19, 1996.

There can be no assurance that a combination between the Company and Tempest will occur or the terms thereof, as such depend, among other things, on approval of the Tempest board of directors and shareholders.

If a combination between the Company and Tempest were to occur in the manner provided in the Combination Proposal, AIG understands from the Company that:

(i) the combination would be implemented by establishing a new holding company ("New IPC") for the Company and Tempest;

(ii) shareholders of the Company (including AIG) would receive common shares in New IPC in exchange for their existing common shares in the Company (on a one-for-one basis) and AIG's Option would be rolled-over into an option to purchase New IPC common shares; and

(iii) Tempest shareholders would be able to elect to exchange their Tempest shares for either New IPC common shares or cash, subject to certain proration if the holders of less than 52% or more than 61% of the outstanding Tempest common shares elect to take New IPC common shares.

If the Combination Proposal were to occur, as a Company shareholder AIG would receive New IPC common shares and an option to purchase common shares in New IPC in exchange for its Company shares and Option. As a Tempest shareholder, AIG intends to elect to receive New IPC common



shares with respect to all of its Tempest common shares. AIG has also entered into a written commitment letter ("Commitment Letter") with the Company to purchase from New IPC a number of common shares of New IPC ("New IPC Shares") having an aggregate purchase price of up to $65 million (or such lesser number of New IPC Shares as will cause AIG's ownership in New

IPC to equal but not exceed 24.4% by application of the constructive ownership rules of Section 958(a) and 958(b) of the U.S. Internal Revenue Code) at a purchase price per New IPC Share equal to (x) the cash price paid per Tempest common share purchased for cash in the combination, divided by (y) the exchange ratio used to determine the number of New IPC Shares issued in exchange for each Tempest common share so exchanged in the transaction (for purposes of both (x) and (y), assuming no proration of the cash or stock consideration, respectively, in the transaction). This commitment shall be exercisable if and to the extent that the holders of more than 39% of the Tempest common shares elect to receive cash, as set forth in the Combination Proposal. The commitment is subject to the transaction proceeding on terms substantially similar to the terms set forth in the Combination Proposal and to the closing of the transaction following satisfaction or waiver of the conditions thereto. A copy of the Commitment Letter (including the Combination Proposal as referenced therein) is attached hereto as Exhibit F and incorporated by reference herein in its entirety. To the extent additional purchases pursuant to the Commitment Letter are not required to be made in full, AIG currently intends, following consummation of the combination, to increase its direct ownership in New IPC to 24.4% (after giving effect to any shares constructively owned for purposes of the U.S. Internal Revenue Code as aforesaid) through open market or privately negotiated transactions from time to time, subject to market conditions and other factors. Accordingly, while the combination of the Company and Tempest would otherwise reduce AIG's proportionate direct common share and option interests in New IPC relative to its current interests in IPC, through operation of the Commitment Letter or such additional purchases, AIG currently intends to have a 24.4% direct interest (after giving effect to any shares constructively owned for purposes of the U.S. Internal Revenue Code as aforesaid) in New IPC following such combination.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

The response to Item 4 is incorporated by reference herein in its entirety.



Item 7. Materials to be Filed as Exhibits.

(B) List of the Directors and Executive Officers of American International Group, Inc., Starr International Company, Inc., The Starr Foundation and C.V. Starr & Co., Inc., their business addresses and principal occupations.

(F) Commitment Letter, dated June 3, 1996, from AIG to IPC Holdings, Ltd. (including the Combination Proposal as referenced therein).



SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: June 4, 1996

AMERICAN INTERNATIONAL GROUP, INC.

By: /s/Edward E. Matthews
Edward E. Matthews
Vice Chairman-Finance

EXHIBIT INDEX

| Exhibit No. | Description | Sequential Page No. |
|---|---|---|
| (B) | List of the Directors and Executive Officers of American International Group, Inc., Starr International Company, Inc., The Starr Foundation and C.V. Starr & Co., Inc., their business addresses and principal occupations. | |
| (F) | Commitment Letter, dated June 3, 1996, from AIG to IPC Holdings, Ltd. (including Combination Proposal, dated June 3, 1996, of IPC Holdings, Ltd. to Donald Kramer, Co-Chairman of Tempest Reinsurance Company Ltd. as referenced therein) | |

EXHIBIT B

AMERICAN INTERNATIONAL GROUP, INC.

DIRECTORS

| | |
|---|---|
| Mr. Bernard Aidinoff | Sullivan & Cromwell<br>125 Broad Street<br>New York, New York 10004 |
| Lloyd M. Bentsen | 2600 Texas Commerce Tower<br>600 Travis Street<br>Houston, Texas 77002 |
| Marshall A. Cohen | The Molson Companies Limited<br>40 King Street West<br>Toronto, Ontario M5H 3Z5 |
| Barber B. Conable, Jr. | P.O. Box 218<br>Alexander, New York 14005 |
| Martin Feldstein | National Bureau of Economic Research, Inc.<br>1050 Massachusetts Avenue<br>Cambridge, Massachusetts 02138 |
| Leslie L. Gonda | International Lease Finance Corporation<br>1999 Avenue of the Stars<br>Los Angeles, California 90067 |
| Evan G. Greenberg | American International Group, Inc.<br>70 Pine Street<br>New York, New York 10270 |
| Carla A. Hills | Hills & Company<br>1200 19th Street, N.W. - 5th Fl.<br>Washington, D.C. 20036 |
| Frank Hoenmeyer | 7 Harwood Drive<br>Madison, New Jersey 07940 |
| Edward E. Matthews | American International Group, Inc.<br>70 Pine Street<br>New York, New York 10270 |
| Dean P. Phypers | 220 Rosebrook Road<br>New Canaan, Connecticut 06840 |
| John J. Roberts | American International Group, Inc.<br>70 Pine Street<br>New York, New York 10270 |



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|---|---|
| Thomas R. Tizzio | American International Group, Inc.<br>70 Pine Street<br>New York, New York 10270 |
| Edmund S.W. Tse | American International Assurance Co., Ltd.<br>1 Stubbs Road<br>Hong Kong |

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AMERICAN INTERNATIONAL GROUP, INC.

EXECUTIVE OFFICERS, NAME, TITLE AND BUSINESS ADDRESS

| | |
|---|---|
| M.R. Greenberg<br>70 Pine Street<br>New York, New York 10270 | Chairman & Chief Executive Officer |
| Edward E. Matthews<br>70 Pine Street<br>New York, New York 10270 | Vice Chairman - Finance |
| John J. Roberts<br>70 Pine Street<br>New York, New York 10270 | Vice Chairman - External Affairs |
| Thomas R. Tizzio<br>70 Pine Street<br>New York, New York 10270 | President |
| Edwin A.G. Manton<br>70 Pine Street<br>New York, New York 10270 | Senior Advisor |
| Ernest E. Stempel<br>70 Pine Street<br>New York, New York 10270 | Senior Advisor |
| Evan G. Greenberg<br>70 Pine Street<br>New York, New York 10270 | Executive Vice President - Foreign General Insurance |
| Robert Sandler<br>70 Pine Street<br>New York, New York 10270 | Executive Vice President, Senior Casualty Actuary & Senior Claims Officer |
| Howard Smith<br>70 Pine Street<br>New York, New York 10270 | Executive Vice President & Comptroller |
| William D. Smith<br>70 Pine Street<br>New York, New York 10270 | Executive Vice President Domestic General Insurance |
| Edmund S.W. Tse<br>1 Stubbs Road<br>Hong Kong | Executive Vice President - Life Insurance |

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| | |
|---|---|
| Lawrence W. English<br>70 Pine Street<br>New York, New York 10270 | Senior Vice President - Administration |
| Axel I. Freudmann<br>72 Wall Street<br>New York, New York 10270 | Senior Vice President - Human Resources |

| | |
|---|---|
| Win J. Neuger<br>70 Pine Street<br>New York, New York 10270 | Senior Vice President & Chief Investment Officer |
| Petros K. Sabatacakis<br>70 Pine Street<br>New York, New York 10270 | Senior Vice President - Financial Services |
| Florence A. Davis<br>70 Pine Street<br>New York, New York 10270 | Vice President & General Counsel |
| William N. Dooley<br>70 Pine Street<br>New York, New York 10270 | Vice President & Treasurer |
| Robert E. Lewis<br>70 Pine Street<br>New York, New York 10270 | Vice President & Chief Credit Officer |
| Frank Petralito II<br>70 Pine Street<br>New York, New York 10270 | Vice President & Director of Taxes |
| Kathleen E. Shannon<br>70 Pine Street<br>New York, New York 10270 | Vice President, Secretary & Associate General Counsel |
| John T. Wooster, Jr.<br>72 Wall Street<br>New York, New York 10270 | Vice President - Communications |

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[American International Group, Inc. Letterhead]

June 3, 1996

IPC Holdings, Ltd.
American International Building
29 Richmond Road
Pembroke HM 08
Bermuda

Re: Acquisition of Tempest Reinsurance Company, Ltd.

Ladies and Gentlemen:

In connection with the proposed combination (the "Transaction") of IPC Holdings, Ltd., a limited liability company organized and incorporated under the laws of Bermuda ("IPC Holdings"), and Tempest Reinsurance Company, Ltd., a limited liability company organized and incorporated under the laws of Bermuda ("Tempest"), pursuant to the terms set forth in the letter (the "Proposal Letter") from IPC Holdings to Tempest dated the date hereof, American International Group, Inc., a Delaware corporation ("AIG"), hereby commits to IPC Holdings (the "Commitment," and by this letter, the "Commitment Letter") to purchase from New IPC (as defined in the Proposal Letter) a number of common shares of New IPC ("New IPC Shares") having an aggregate purchase price of up to $65 million (or such lesser number of New IPC Shares as will cause AIG's ownership in New IPC to equal but not exceed 24.4% by application of the constructive ownership rules of Sections 958(a) and 958(b) of the U.S. Internal Revenue Code) at a purchase price per New IPC Share equal to (x) the cash price paid per common share, $10 par value per share, of Tempest ("Tempest Shares") purchased for cash in the Transaction, divided by (y) the exchange ratio used to determine the number of New IPC Shares issued in exchange for each Tempest Share so exchanged in the Transaction (for purposes of both (x) and (y), assuming no proration of the cash or stock consideration, respectively, in the Transaction). This Commitment shall be exercisable if and to the extent that the holders of more than 39% of the Tempest Shares elect to receive cash in the amalgamation contemplated by the Transaction, as set forth in the Proposal Letter. The Commitment is subject to the Transaction proceeding on terms substantially similar to the terms set forth in the Proposal Letter and to the closing of the Transaction following satisfaction or waiver of the conditions thereto.

AIG hereby represents and warrants to IPC Holdings that AIG has all requisite corporate power and authority to enter into this Commitment Letter and to consummate the transactions

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contemplated hereby. The execution and delivery of this Commitment Letter by AIG, the performance by AIG of its obligations hereunder and the consummation by AIG of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of AIG. This Commitment Letter has been duly executed and delivered by AIG and constitutes a legal, valid and binding obligation of AIG, enforceable by IPC Holdings against AIG in accordance with its terms, subject with respect to enforceability to the effect of bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium, or similar laws now or hereafter affecting the enforcement of creditors' right generally and to the availability of equitable remedies.

This Commitment Letter shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws rules thereof. IPC Holdings is the only party entitled to enforce this Commitment Letter and there are no third party beneficiaries.

Very truly yours,

AMERICAN INTERNATIONAL GROUP, INC.

By: __________________________________
NAME: Edward E. Matthews
TITLE: Vice President - Finance

Confirmed and agreed as of the date
first above written:

IPC HOLDINGS, LTD.

BY: ____________________________
NAME: _________________________
TITLE: _________________________



[IPC Holdings, Ltd. Letterhead]

June 3, 1996

Mr. Donald Kramer
Co-Chairman
Tempest Reinsurance Company, Ltd.
14 Par-La-Ville Road
Hamilton, HM 08 Bermuda

Dear Mr. Kramer:

On behalf of the Board of Directors of IPC Holdings, Ltd., I am writing to submit the following proposal to combine our companies. We have always held Tempest in high regard and believe strongly that the combination of our companies will create a leading property catastrophe reinsurer in Bermuda. Because of the very significant benefits that this combination will provide to your Company and your shareholders, we ask that you and your Board of Directors give prompt and careful consideration to our proposal.

Strategic Benefits of IPC/Tempest Amalgamation

The amalgamation of our two companies would create opportunities for long-term growth and provide the combined company with significant strategic advantages:

- The amalgamation would, in a single step, expand our client relationships to a level that would otherwise require several years for either company to achieve on its own.

- The combined company would be the third largest property catastrophe company in Bermuda in terms of market value and equity.

- The amalgamation would create a company with a broader geographic spread of risk and an expected improved profitability.

- The combined company would have a lower expense ratio since it would realize significant cost savings through consolidation of administrative activities and the continuation of AIG's existing relationship with IPC, which provides a lower cost structure than Tempest has under its current agreement with General Re.

- The combined company would be focused on the property catastrophe reinsurance business, which we believe has greater prospects for high returns than joining with a much larger, lower return, multiline insurer in a transaction having minimal synergies.

- We expect this deal to be accretive on the basis of book value per share and first full year of earnings per share -- offering shareholders significant upside potential for stock appreciation.

Terms

We propose that IPC and Tempest combine to form a new holding company ("New IPC"). In the transaction, Tempest shareholders would receive aggregate cash and stock consideration of $943 million, representing $180 per share. This amount would be subject to adjustment for changes in Tempest's book value from March 31, 1996 through the closing date. The consideration would be payable as follows:

| | | |
|---|---|---|
| $146 million | - | Payments from Tempest to General Re to (i) repurchase 75% of the Tempest shares held by General Re, (ii) cancel General Re's options to purchase Tempest shares and (iii) terminate all contractual arrangements between General Re and Tempest. |
| $100 million | - | Cash dividend by Tempest on its remaining shares ($22.60 per share), as adjusted for changes (positive or negative) in Tempest's book value from March 31, 1996 to the closing date (excluding the above payments to General Re). |
| $697 million | - | Cash and New IPC common stock issued in an amalgamation. Tempest shareholders would receive $157.40 per share, which they could elect to get paid either in cash or New IPC common stock, subject to certain limits. |
| ____________ | | |
| $943 million | - | Total Consideration |

In the opinion of Wachtell, Lipton, Rosen & Katz, IPC's U.S. counsel, the receipt of New IPC common stock in exchange for Tempest shares should be tax-free



to Tempest shareholders under the U.S. federal income tax laws. We note that no tax opinion is provided in the ACE proxy statement.

Our proposal contemplates a collar to protect the value of the New IPC stock to be received by Tempest shareholders as long as the average price of the IPC stock during the ten-day measurement period prior to the shareholder meetings is not less than $18 and not more than $22. Tempest would have the right to terminate the agreement if the average IPC stock price was less than $16 during the measurement period unless IPC elected to top up the number of New IPC shares issued to Tempest shareholders. If IPC's stock price during the measurement period were to exceed $24, the number of New IPC shares to be issued would be adjusted in order to put a cap on the maximum value of the consideration issued in the amalgamation of approximately $735 million (excluding the dividend). IPC would not have the right to "walk away" if the IPC stock price was above or below specified prices during the measurement period.

Under the cash/stock election for the amalgamation, Tempest shareholders would be able to elect to exchange their Tempest shares for either cash or stock, subject to certain proration only if the holders of less than 39% or more than 48% of the outstanding Tempest shares elect to take cash. The cash consideration in the amalgamation will constitute a minimum of $275 million and a maximum of $340 million, with the additional cash funded by AIG's equity commitment described below.

IPC shareholders would exchange their IPC shares in the transaction for New IPC shares on a one-for-one, tax-free basis.

Comparison with ACE Amalgamation

Under the ACE transaction, Tempest shareholders (other than General Re) would receive a $9.66 cash dividend per share (based upon the March 31, 1996 balance sheet) and, assuming ACE's stock stays above $45, 3.2091 ACE ordinary shares for each Tempest share. Such number of ACE shares were valued at $154.04 based upon today's $48 closing price of ACE stock. In addition, Tempest shareholders would be entitled to an additional contingent dividend based upon the increase in book value from March 31, 1996, but only after making a provision for losses at the greater of actual incurred losses or 42% of year to date earned premiums.



The following chart summarizes the consideration payable per share to Tempest shareholders (other than General Re) under our proposal and under the ACE transaction, in each case based upon market prices of IPC and ACE stock on June 3, 1996:

| | IPC | ACE |
|---|---|---|
| Dividend through 3/31/96 | $22.60 | $9.66 |
| Exchange | $157.40 in New IPC shares or cash | $154.04 in ACE shares |
| Total | $180.00 | $163.70 |
| Contingent Dividend | Subject only to actual losses | Subject to greater of actual losses or 42% loss ratio |

To fully appreciate our proposal, I would like to highlight some important comparisons between our proposal and the transaction contemplated by ACE:

- Our overall proposal offers at least a $90 million, or 11%, premium to the ACE transaction, as well as the prospect of significantly higher contingent dividends because our proposal does not assume a minimum 42% loss ratio. For example, if the actual loss ratio for the three months ended June 30, 1996 is 20%, we estimate that our proposal would result in an additional $10 million advantage compared to the ACE transaction.

- Almost 50% of the aggregate consideration paid to Tempest shareholders (other than General Re) in our proposal is cash, compared to only 6% in the ACE transaction.

- o Our proposal provides Tempest shareholders protection from declines in the IPC share price up to 10%. In contrast, at the recent stock price levels, the value of the ACE proposal is at risk for any downward movement in ACE's stock price. Each $1 decline in the ACE stock price (down to a price of $45) will reduce the value of their offer by $13 million, and correspondingly increase the price advantage of our proposal.

- o Our proposal offers the potential for greater consideration if the IPC stock price appreciates above $22. In contrast, ACE (or Tempest) has the



right to terminate the ACE transaction if the average ACE stock price during its measurement period is over $49. On May 31, 1996 -- the first day of ACE's measurement period -- the closing price of ACE stock was $49.

- o Our proposal provides General Re, your sponsor and principal shareholder, with aggregate consideration having the same value on a per share basis as paid to other Tempest shareholders, as well as the opportunity to participate in the upside potential in the transaction through equity participation in New IPC and the contingent dividend. In return for such payment, General Re would be required to cancel its options and all of its contracts with Tempest. The following table compares the payments to General Re:

Payment to General Re (in millions)

| | IPC | ACE |
|---|---|---|
| Cash payment for shares, cancellation of options, and termination of contracts | $146 | $172 |
| Dividend | 6 | -- |
| Stock (assuming 100% equity election) | 43 | -- |
| | ---- | ---- |
| Total | $195 | $172 |

- o Our proposal allows shareholders to continue to realize the exceptional returns available in the property catastrophe reinsurance industry through a liquid investment in a top quality company, while allowing investors to realize a cash return on a portion of their holdings. Moreover, as we discussed earlier, we expect this transaction to be accretive on the basis of both book value per share and our first full year of earnings per share -- offering shareholders significant upside potential for stock appreciation.

- o In contrast, the ACE proposal forces your shareholders either (i) to maintain an investment in a lower return company whose diversification could be achieved instead through an investment in ACE and an investment in existing Bermuda property catastrophe reinsurers or (ii) to receive cash through the sale of the ACE shares (in which case, they incur market risk as well as transaction costs).

AIG Support and Equity Commitment

American International Group, Inc. ("AIG") is the largest shareholder of IPC and provides administrative and investment management services to IPC pursuant to contractual arrangements. As you know, AIG is also a shareholder of Tempest and has expressed to Tempest shareholders its "deep reservations" about the proposed ACE transaction. AIG believes the ACE transaction provides inadequate value to Tempest shareholders and is not a prudent diversification of Tempest. We have consulted with AIG regarding our proposal and have been informed that AIG strongly endorses it. AIG has also advised us that if our proposal were to be consummated, AIG would elect in the amalgamation to receive New IPC shares with respect to its entire investment in Tempest.

Furthermore, AIG has committed to purchase up to $65 million of New IPC common stock from New IPC to the extent that holders of more than 39% of Tempest's shares elected to receive cash in the amalgamation thereby increasing AIG's equity interest in the combined company up to approximately 24.4% of the outstanding shares -- AIG's current percentage ownership of IPC. AIG's equity commitment will permit IPC to increase the relative cash/stock mix of its proposal and reduce the risk and amount of proration in the event the cash election were oversubscribed. To the extent the equity commitment is not fully drawn by New IPC, AIG has indicated its intention following the consummation of the transaction to acquire additional shares of New IPC in open market or privately negotiated transactions from time to time, subject to market conditions and other factors, in order to increase its equity interest to approximately 24.4%.

Financing

We have had discussions with a major money center bank with respect to all of the financing required to complete the transaction. Such bank has advised IPC it is prepared to execute a commitment letter for the entire amount. We expect that all borrowings will be repaid by December 31, 1996 from the combined company's cash flow and an orderly disposition of a portion of the investment portfolio.

Process

Our Board of Directors strongly supports the proposed transaction and has authorized management to pursue this proposal with you. IPC's financial advisor, Morgan Stanley & Co. Incorporated, has advised IPC's Board of Directors that, subject to, among other things, completion of its due diligence review of Tempest, if IPC enters into a definitive agreement with Tempest on the terms set forth in this proposal, Morgan Stanley expects to provide an opinion to IPC's Board that the consideration to be paid is fair, from a financial point of view, to IPC's shareholders.



We have reviewed the information contained in the ACE proxy statement and the Tempest Annual Reports regarding your business, financial condition, results of operations and prospects. However, our proposal is necessarily subject to our completion of an appropriate due diligence review, including access to non-public information regarding Tempest. Since we are in the same business as you, we anticipate that such due diligence can be completed within 3-4 days with your cooperation. Please furnish us with a customary confidentiality agreement that we will execute prior to receiving such non-public information.

We have also carefully reviewed the Agreement and Plan of

Amalgamation dated as of March 14, 1996 (the "ACE Amalgamation Agreement") relating to the ACE transaction. Subject to our receipt and review of the Disclosure Letter referred to in the ACE Amalgamation Agreement and your cooperation with our due diligence review, we would be prepared to move expeditiously to complete a definitive agreement to effect our proposal. Moreover, we would expect the definitive agreement to be substantially similar to the ACE Amalgamation Agreement. For example, we expect that the representations, warranties and covenants in our definitive agreement will essentially mirror those that you have negotiated with ACE, although we would delete Section 5.09 (relating to the waiver of appraisal rights and the lock-up) and Section 5.17 (relating to certain employee arrangements) and would address employee benefit issues once we understand the existing arrangements.

Our proposal is subject to termination of the ACE Amalgamation Agreement in accordance with its terms (without the payment of any termination fee or expenses to ACE unless such payments are required under ACE's current contract), approval of a mutually satisfactory amalgamation agreement by our respective Boards of Directors, and approval by our respective shareholders. We anticipate that, with Tempest's cooperation, our transaction would be consummated by September 30, 1996. In order to provide greater certainty of consummation for our proposal, we would delete the following conditions to closing that are contained in the ACE Amalgamation Agreement:



* Section 6.02(c) (no material change in acquirer's financial statements)
* Section 6.02(d) (no material adverse effect on acquirer)
* Section 6.03(c) (no material change in the Company's financial statements)
* Section 6.03(d) (no material adverse effect on the Company)
* Section 6.03(e) (no national crisis or material adverse change in financial markets)
* Section 6.03(f) (waiver of appraisal rights by 75% of Company's shareholders)
* Section 6.03(l)(iv) (stop loss reinsurance with General Re)(appropriate changes would be made to other General Re conditions to conform to our proposal described above)

I would like to reiterate that the combination of our two companies will create a leading reinsurer in the Bermuda market which should provide a tremendous investment opportunity for our shareholders. This will enable your shareholders to continue their investment in a focused, specialty property catastrophe reinsurer that was the basis of their original investment. On the basis of our superior proposal, we are confident that your Board will carry out its fiduciary duties and provide the Tempest shareholders the opportunity to realize these benefits. In view of the importance of this matter, time is of the essence and we look forward to your earliest possible response.

Sincerely,

/s/ J.C.H. Johnson

J.C.H. Johnson

Chairman

cc: Tempest Board of Directors