

XL CAPITAL LTD
Form DEF 14A
March 26, 2004

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant [X]

Filed by a Party other than the Registrant []

Check the appropriate box:

[] Preliminary Proxy Statement

[] CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY

(AS PERMITTED BY RULE 14a-6(e) (2))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to ss. 240.14a-12

XL CAPITAL LTD

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

[] Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[] Fee paid previously with preliminary materials.

[] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing

by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

XL CAPITAL LTD

**NOTICE OF ANNUAL GENERAL MEETING OF CLASS A ORDINARY SHAREHOLDERS
To Be Held on April 30, 2004**

Hamilton, Bermuda

March 26, 2004

TO THE CLASS A ORDINARY SHAREHOLDERS OF XL CAPITAL LTD:

Notice is Hereby Given that the Annual General Meeting of Class A Ordinary Shareholders (Shareholders) of XL CAPITAL LTD (the Company) will be held at the Executive Offices of the Company, XL House, One Bermudiana Road, Hamilton HM 11, Bermuda, on Friday, April 30, 2004 at 8:30 a.m. local time for the following purposes:

1. To elect three Class III Directors to hold office until 2007;
2. To ratify the appointment of PricewaterhouseCoopers LLP, New York, New York, to act as the independent auditors of the Company for the year ending December 31, 2004; and
3. To transact such other business as may properly come before the meeting or any adjournments thereof.

Only Shareholders of record, as shown by the transfer books of the Company at the close of business on March 15, 2004, are entitled to notice of and to vote at the Annual General Meeting.

PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. YOUR SHARES WILL BE VOTED WITH THE INSTRUCTIONS CONTAINED IN THE PROXY STATEMENT. IF NO INSTRUCTION IS GIVEN, YOUR SHARES WILL BE VOTED FOR ITEMS 1 AND 2 IN THE PROXY.

By Order of The Board of Directors,

Paul S. Giordano
Secretary

XL CAPITAL LTD

XL HOUSE, ONE BERMUDIANA ROAD, HAMILTON HM 11, BERMUDA

PROXY STATEMENT

FOR

THE ANNUAL GENERAL MEETING OF CLASS A ORDINARY SHAREHOLDERS

TO BE HELD ON APRIL 30, 2004

March 26, 2004

The accompanying proxy is solicited by the Board of Directors of XL CAPITAL LTD (the Company) to be voted at the Annual General Meeting of Class A Ordinary Shareholders (Shareholders) of the Company to be held on April 30, 2004 and any adjournments thereof.

When such proxy is properly executed and returned, the Class A Ordinary Shares, par value U.S.\$0.01 per share (Shares), of the Company it represents will be voted at the meeting on the following: (1) the election of the three nominees for Class III Directors identified herein; (2) the ratification of the appointment of PricewaterhouseCoopers LLP, New York, New York (Auditors), to act as the independent auditors of the Company for the year ending December 31, 2004; and (3) such other business as may properly come before the meeting or any adjournments thereof.

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

Shareholders of record as of the close of business on March 15, 2004 will be entitled to vote at the meeting. As of March 15, 2004, there were 138,062,995 outstanding Shares entitled to vote at the meeting, with each Share entitling the holder of record on such date to one vote (subject to certain limitations set forth in the Company's Articles of Association see Beneficial Ownership).

This Proxy Statement, the attached Notice of Annual General Meeting and the accompanying proxy card are first being mailed to Shareholders on or about March 26, 2004.

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Other than the approval of the minutes of the 2003 Annual General Meeting, the Company knows of no specific matter to be brought before the Annual General Meeting, which is not referred to in this Notice of Meeting. If any such matter comes before the meeting, including any Shareholder proposal properly made, the proxy holders will vote proxies in accordance with their judgment.

Directors will be elected at the Annual General Meeting by a majority of the votes cast at the meeting by the holders of Shares represented in person or by proxy at the meeting, provided there is a quorum (consisting of holders of at least fifty percent (50%) of the outstanding Shares being present in person or by proxy). Ratification of the appointment of the Auditors referred to in Item 2 and the approval of the other matters referred to in Item 3 above will be by similar vote.

1

BENEFICIAL OWNERSHIP

The following table lists the beneficial ownership of each person or group who, as of the most recent practicable date, owned, to the Company's knowledge, more than 5% of the Company's Class A Ordinary Shares outstanding. The table is based upon information contained in filings with the Securities and Exchange Commission.

(1) Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Ordinary Share, Class A	Capital Research and Management Company 333 South Hope Street, Los Angeles, CA 90071	18,125,000	13.2%
Ordinary Share, Class A	Franklin Resources, Inc. One Franklin Parkway, San Mateo, CA 94403	10,219,327	7.4%

- (1) Each Share has one vote, except that if, and so long as, the Controlled Shares (as hereinafter defined) of any person constitute 10% or more of the issued Shares, the voting rights with respect to the Controlled Shares owned by such person shall be limited, in the aggregate, to a voting power of approximately 10%, pursuant to a formula specified in the Company's Articles of Association. Controlled Shares include, among other things, all Shares that a person (defined) is deemed to beneficially own directly, indirectly or constructively (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 or Section 958 of the Internal Revenue Code of 1986, as amended).
- (2) Represents 5.3% of the 7.4% Shares beneficially owned by Franklin Resources, Inc. through an investment advisory subsidiary, Templeton Global Advisors Limited (Templeton), as to which Templeton possesses sole power to vote 7,252,797 Shares and the sole power to dispose of 7,254,497 Shares.

BOARD OF DIRECTORS

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

The term of office for each Director in Class III expires at the Annual General Meeting in 2004; the term of office for each Director in Class I expires at the Annual General Meeting in 2005; and the term of office for each Director in Class II expires at the Annual General Meeting of the

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Company in 2006; and at each Annual General Meeting the successors of the class of Directors whose term expires at that meeting shall be elected to hold office for a term expiring at the Annual General Meeting to be held in the third year following the year of their election.

In 2003, there were five meetings of the Board and all incumbent Directors attended at least 75% of such meetings and of the meetings held by all committees of the Board of which they were a member. In addition, the Board met twice in January 2004. Formal meetings of the Board and Board committees are supplemented periodically by informational meetings. In 2003, five such informational meetings of the Board or committees thereof were held. The Company expects Directors to attend the Annual General Meeting, and twelve Directors attended the Annual General Meeting of Shareholders in 2003.

In connection with each regularly scheduled meeting of the Board, the non-management Directors meet in executive session without any member of management in attendance. Mr. Loudon and, in his absence, Mr. Weiser were selected by the independent Directors to preside at such executive sessions of the Board. The Board plans to consider annually the selection of the independent Director to preside at executive sessions of non-management Directors.

The Board has adopted categorical standards to assist it in making determinations as to whether Directors have any material relationships with the Company for purposes of determining independence under the rules of the New York Stock Exchange (NYSE). The standards are attached as Appendix A to this Proxy Statement and can also be found on the Company's website at www.xlcapital.com. The Board of Directors determined in March 2004 that each of the Directors other than Messrs. Esposito and O Hara are independent in accordance with such categorical standards.

Committees

The Board has established an Audit Committee, a Compensation Committee, a Nominating & Governance Committee and a Finance Committee. The Audit Committee, the Compensation Committee and the Nominating &

2

Governance Committee consist solely of independent directors as independence for such members is defined in the listing standards of the NYSE and the rules of the Securities and Exchange Commission.

Audit Committee

The Audit Committee's primary purpose is to assist in the Board's oversight of the integrity of the Company's financial statements, including its system of internal controls, the independent auditor's qualifications, independence and performance, the performance of the Company's internal audit function and the Company's compliance with legal and regulatory requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Messrs. Thornton (Chairman), Jeanbart, Rance, Senter, and Dr. Thrower comprise the Audit Committee. The Audit Committee met five times during 2003 and held three informational meetings in 2003. The Board has determined that at least two audit committee financial experts (as that term is defined in the rules of the Securities and Exchange Commission), Messrs. Senter and Thornton, serve on the Audit Committee.

Compensation Committee

The Compensation Committee reviews the performance and compensation of the Chairman, the Chief Executive Officer and other senior corporate officers, establishes overall employee compensation policies and recommends to the Board major compensation programs. The Compensation Committee also approves, for ratification by the Board, restricted stock and option awards under the Company's stock incentive plans and benefits under other compensation plans of the Company. Messrs. Comey (Chairman), Glauber, Loudon and Weiser comprise the Compensation Committee. The Compensation Committee met five times during 2003 and held one informational meeting in 2003.

Nominating & Governance Committee

The Nominating & Governance Committee makes recommendations to the Board as to nominations for the Board and Board committee memberships and compensation for Board and Board committee members, as well as structural, governance and procedural matters. The Nominating & Governance Committee also reviews the performance of the Board and the Company's succession planning. Messrs. Weiser (Chairman), Loudon and Dr. Parker comprise the Nominating & Governance Committee. The Nominating & Governance Committee met five times during 2003.

Identifying and Evaluating Nominees

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

The Nominating & Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. When the Board determines to seek a new member, whether to fill a vacancy or otherwise, the Committee utilizes third-party search firms and considers recommendations from Board members, management and others, including Shareholders. In general, the Committee looks for new members possessing superior business judgment and integrity who have distinguished themselves in their chosen fields of endeavor and who have knowledge or experience in the areas of insurance, reinsurance, financial services or other aspects of the Company's business, operations or activities.

Communications with the Board of Directors and the Committee

Shareholders and other interested persons may communicate directly with one or more Directors (including the presiding Director or all non-management Directors as a group) by writing to them in care of the Secretary at XL House, One Bermudiana Road, Hamilton HM 11, Bermuda and should specify the intended recipient(s). All such communications will be forwarded to the appropriate Director(s) for review, other than communications which are advertisements or other commercial solicitations or communications.

The Nominating & Governance Committee will consider, for director nominees, persons recommended by Shareholders who may submit recommendations to the Nominating & Governance Committee in care of the Secretary as set forth above. To be considered by the Nominating & Governance Committee, such recommendations must be accompanied by a description of the qualifications of the proposed candidate and a written statement from

3

the proposed candidate that he or she is willing to be nominated and desires to serve if elected. Nominees for Director who are recommended by Shareholders to the Nominating & Governance Committee will be evaluated in the same manner as any other nominee for Director. Nominations by Shareholders may also be made at an Annual General Meeting of Shareholders in the manner set forth under Shareholder Proposals for 2005 Annual General Meeting.

Finance Committee

The Finance Committee establishes and recommends the financial policies of the Company and reviews the Company's capital structure and management, issuances of securities, dividend policy, mergers, acquisitions and divestitures, significant strategic investments, overall investment policy and performance, and annual business plan and budget. Messrs. Loudon (Chairman), Bornhuetter, Esposito, Glauber, O'Hara, Dr. Parker, Senter, Thornton and Weiser comprise the Finance Committee. The Finance Committee met five times during 2003 and held one informational meeting in 2003.

Website Access To Governance Documents

The Company's governance guidelines and the charters for the Audit Committee, Compensation Committee and Nominating & Governance Committee are available free of charge on the Company's website at www.xlcapital.com or by writing to Investor Relations, XL Capital Ltd, XL House, One Bermudiana Road, Hamilton HM 11, Bermuda.

Director Compensation

During 2003, all Directors (except for the Chairman of the Board and Directors who are also employees of the Company) received an annual fee of \$50,000, plus \$3,000 per meeting, including informational meetings. Committee Chairmen also received an additional annual fee of \$5,000 and all committee members received an attendance fee of \$1,500 per meeting. Prior to the beginning of each fiscal year, Directors may elect to defer all or part of the Board annual retainer in increments of 10%. Deferred payments are credited in the form of share units, calculated by dividing 110% of the deferred payment by the market value of the Company's Shares on the date the fees would otherwise be paid, in accordance with the terms of the Company's Directors Stock & Option Plan, as amended. Alternatively, Directors may elect to receive their annual retainers in the form of Shares having a value equal to their annual fees.

The following Directors elected to defer all or a portion of their annual retainer for fiscal 2003:

Directors	Amount Deferred	Share Units Credited
Ronald L. Bornhuetter	\$35,000	479.87
Dale Comey	\$35,000	479.87

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Robert Glauber	\$35,000	479.87
John Loudon	\$15,000	205.66
Robert S. Parker	\$20,000	274.21
John Thornton	\$35,000	479.87
Ellen E. Thrower	\$20,000	274.21

On March 7, 2003, all non-employee Directors were granted 5,000 options exercisable at \$68.62 per Share (the fair market value on March 7, 2003) pursuant to the terms of the 1991 Performance Incentive Program, as amended and restated. In addition, under the Company's Stock Plan for Non-employee Directors (the "Stock Plan"), as of the day of each year that annual retainer fees are payable, Share units are credited to the account of each non-employee Director. The number of Share units credited each year is equal to the annual retainer fee divided by the fair market value of a Share on the date the units are credited. Dividends are credited as additional Share units. Benefits under the Stock Plan will be distributed in the form of Shares following termination of a non-employee Director's service on the Board.

Michael P. Esposito, Jr.'s annual compensation as Chairman of the Board with respect to 2003 was comprised of a salary of \$725,000, no cash bonus, pension contributions of \$125,000 and a grant of 110,000 options at an exercise price of \$88.00 per Share.

Under the terms of an agreement entered into in connection with the acquisition in 1999 of NAC Re Corporation ("Nac Re") by the Company, Mr. Bornhuetter, who had been Chairman of the Board and Chief Executive Officer

4

of Nac Re and who became a director of the Company, receives a supplemental pension of \$162,892 per year, which commenced in August 1999, for his lifetime and, upon his death, 50% of that amount per year will be received by his surviving spouse for her lifetime. In addition, the agreement provides that Mr. Bornhuetter is entitled to the continuance of certain insurance benefits. Such benefits are not contingent in any way on continued service.

Director Share Ownership Guidelines

The Board of Directors revised the Company's stock ownership guidelines for Directors at its January 2004 board meeting. The guidelines require that, within three years of becoming a Director, each Director beneficially own Shares, options or Share units (or any combination thereof) with a value of at least \$200,000.

Code of Conduct

The Company has adopted a code of ethics, known as the XL Capital Ltd Code of Business Conduct & Ethics, which applies to all of the Company's Directors, officers (including the chief executive officer) and employees. The XL Capital Ltd Code of Business Conduct & Ethics includes a Code of Ethics for Senior Financial Officers applicable to the Company's chief financial officer, controller and other persons performing similar functions. The XL Capital Ltd Code of Business Conduct & Ethics and the Code of Ethics for Senior Financial Officers, including future amendments, are available free of charge on the Company's website at www.xlcapital.com or by writing to Investor Relations, XL Capital Ltd, XL House, One Bermudiana Road, Hamilton HM 11, Bermuda. The Company will also post on its website any waiver under the XL Capital Ltd Code of Business Conduct & Ethics (including the Code of Ethics for Senior Financial Officers) granted to any of its Directors or executive officers.

CERTAIN TRANSACTIONS

For part of 2003, a subsidiary of the Company owned an approximately 33.4% equity interest (calculated excluding unexercised employee stock options) in Measurisk LLC ("Measurisk"), a New York limited liability company. This interest was sold during 2003 for a nominal amount. Mr. Glauber, who held an approximately 19.8% equity interest in Measurisk (calculated excluding unexercised employee stock options), also sold his interest for a nominal amount. During 2003, the Company paid Measurisk \$280,000 for risk analysis services provided to the Company by Measurisk.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file with the Securities and Exchange Commission and the New York Stock Exchange reports on Forms 3, 4 and 5 concerning their ownership of the Shares and other equity securities of the Company.

Except as set forth in this paragraph, the Company believes that all of its officers and directors and those greater-than-10% Shareholders that filed any reports, filed all of such reports on a timely basis during the year ended December 31, 2003. Due to administrative errors resulting from

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

the transition of stock plan administration services to a new administrator, a Form 4 for each of Mr. O Hara and Mr. Lusardi was filed after the due dates. In addition, a Form 4 filing for Mr. Bornhuetter was filed after the due date.

I. ELECTION OF DIRECTORS

At the Annual General Meeting, three Class III Directors are to be elected to hold office until the 2007 Annual General Meeting of Shareholders. All of the nominees are currently serving as Directors and were appointed or elected in accordance with the Company's Articles of Association.

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

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

5

NOMINEES FOR WHOM PROXIES WILL BE VOTED

Nominees for Class III Directors for terms to expire in 2007:

John Loudon, age 68, has been a Director of the Company since 1992. Mr. Loudon is Chairman of Caneminstor Ltd., a British investment company, and Simon Murray & Company Limited. Mr. Loudon serves as a director of Exel Group plc and Derby Trust plc. Previously, Mr. Loudon was a managing director of N.M. Rothschild & Sons Limited.

Robert S. Parker, age 66, has been a Director of the Company since 1991. Dr. Parker is currently Dean Emeritus and the Robert S. Parker Chaired Professor of the McDonough School of Business at Georgetown University. He served as Dean of the School of Business Administration at Georgetown University from 1986 to 1997. Dr. Parker currently serves as a director of Middlesex Mutual Assurance Company.

Alan Z. Senter, age 62, has been a Director of the Company since 1986. Mr. Senter is the Chairman of AZ Senter Consulting LLC, a financial advisory firm he founded in 1993. Mr. Senter served as Executive Vice President and Chief Financial Officer of Verizon Communications, Inc. (formerly NYNEX Corporation) from 1994 to 1997. Mr. Senter served as a director and Executive Vice President and Chief Financial Officer of International Specialty Products from 1992 to 1994. Mr. Senter previously served as the Vice President and Senior Financial Officer of Xerox Corporation from 1989 to 1992. Mr. Senter also serves as a director of the U.S. Army Science Board and the Theater Development Fund.

DIRECTORS WHOSE TERMS OF OFFICE DO NOT EXPIRE AT THIS MEETING

Class I Directors whose terms expire in 2005:

Ronald L. Bornhuetter, age 71, has been a Director of the Company since June 1999. Mr. Bornhuetter acted as a consultant to NAC Re from 1999 to 2001 and served as Chairman of NAC Re from 1993 until 1999 and Chairman of the Board of NAC Reinsurance Corporation from 1990 until 1999. Mr. Bornhuetter served as a director of NAC Reinsurance International Limited from 1994 to 2000. Mr. Bornhuetter is a director of Cybersettle.com Inc., a director of the Underwriter Insurance Company Ltd. and R.K. Carvill Ltd. and a volunteer director of International Executive Service Corporation. Mr. Bornhuetter served as Chairman of Denham Syndicate Management Limited from 1997 to 2001 and also served as director of Frontier Inc. until May 2001. Mr. Bornhuetter is also a Fellow and former President of the Casualty Actuarial Society, a member and former President of the American Academy of Actuaries and a former Chairman of the Actuarial Standards Board. He is also a member of the International Actuarial Association and a former Vice President and head of the U.S. delegation to its Ruling Council. Mr. Bornhuetter is a Trustee of The College of Wooster and a member of the ASTIN and AFIR sections of the International Actuarial Association. Mr. Bornhuetter has notified the Company that he will be retiring from the Board as of April 30, 2004.

Michael P. Esposito, Jr., age 64, has been Chairman of the Board since 1995 and a Director of the Company since 1986. Mr. Esposito currently serves as a director of Annuity and Life Re (Holdings), Ltd. and Forest City Enterprises. Mr. Esposito was Co-Chairman of Inter-Atlantic Capital Partners, Inc. from 1995 to 2000. Mr. Esposito served as Chief Corporate Compliance, Control and Administrative Officer of the Chase Manhattan Corporation from 1991 to 1995, having previously served as Executive Vice President and Chief Financial Officer from 1987 to 1991.

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Robert R. Glauber, age 65, has been a Director of the Company since August 1998. Mr. Glauber is the Chairman and Chief Executive Officer of The National Association of Securities Dealers, Inc. Mr. Glauber is a director of Moody's Corporation, Inc. and The National Association of Securities Dealers, Inc. Mr. Glauber formerly was the Under Secretary at the U.S. Treasury Department and a director of various Dreyfus Corp. investment funds and the Federal Reserve Bank of Boston. Mr. Glauber was a Lecturer at the John F. Kennedy School of Government at Harvard University from 1992 to 2000 and was also a Professor of Business Administration at the Harvard Business School.

Paul Jeanbart, age 64, has been a Director of the Company since August 1998. Mr. Jeanbart has been the Chief Executive Officer of the Rolaco Group of companies since 1977. Mr. Jeanbart also serves as a director of Nasco Insurance Group Ltd, Rolaco Holdings S.A., Club Mediterranee S.A., Christofle S.A., Semiramis Hotels Co., Delta International Bank S.A. and Sodexho Alliance S.A. and as President of Hotels Intercontinental Geneva, S.A.

Cyril Rance, age 69, has been a Director of the Company since 1990. Mr. Rance served as President and Chief Executive Officer of the Bermuda Fire & Marine Insurance Co. Ltd. from 1985 to 1990. Mr. Rance has also had a

6

long and varied career in civic and government service. Mr. Rance also serves as a director of several investment, real estate, shipping and insurance companies located in Bermuda. He is currently the Chairman of the advisory board of The Salvation Army in Bermuda.

Ellen E. Thrower, age 57, has been a Director of the Company since December 1995. Dr. Thrower is Executive Director and Professor of Risk Management and Insurance at The School of Risk Management at The Tobin College of Business at St. John's University. Dr. Thrower is also President Emerita of The College of Insurance where she serves as President and Chief Executive Officer from 1988 to 2001. Dr. Thrower also served as a director on the Boards of The Insurance Education Foundation and United Educators Risk Retention Group, Inc.

Class II Directors whose terms expire in 2006:

Dale R. Comey, age 63, has been a Director of the Company since November 2001. Mr. Comey is a director of St. Francis Hospital and Medical Center. He was Executive Vice President at the corporate headquarters of the ITT Corporation from 1990 to 1996, where he was responsible for directing the operations of several ITT business units, including ITT Hartford and ITT Financial Corporation.

Brian M. O'Hara, age 55, has been President and Chief Executive Officer of the Company since 1994 and a Director of the Company since 1986. He has also served as Chairman of XL Insurance (Bermuda) Ltd since December 1995.

John T. Thornton, age 66, has been a Director of the Company since 1988. Mr. Thornton is the Chairman of JT Investments Inc., a property and investment company he founded in 1999. Mr. Thornton served as Executive Vice President and Chief Financial Officer of Wells Fargo & Company (formerly Norwest Corporation) from 1987 to 1998. Mr. Thornton also served as Executive Vice President and Financial Executive of Wells Fargo & Company from December 1998 until November 1999.

John W. Weiser, age 72, has been a Director of the Company since 1986. Mr. Weiser is the Chairman of the Board of The Graduate Theological Union. He served as a director of GRX Technologies Inc. from 2000 to 2003 and as a director of Fremont Group Inc. from 1986 to 2002. Mr. Weiser also served as Senior Vice President and director of Bechtel Group, Inc. from 1980 to 1998.

7

EQUITY SECURITIES OWNED BENEFICIALLY AS OF MARCH 1, 2004

The following table summarizes the beneficial ownership as of March 1, 2004 of the Shares of the Company by each Director and each named executive officer of the Company for the year ended December 31, 2003 and all such Directors and executive officers of the Company as a group.

	Number of Shares	Exercisable Options (1)	Total (2)
Ronald L. Bornhuetter (3)	78,061	245,429	323,490
Dale Comey	1,597	15,000	16,597
Jerry de St. Paer	15,000	74,165	89,165
Michael P. Esposito, Jr. (4)	203,573	234,168	437,741

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Robert R. Glauber	13,806	32,132	45,811
Christopher V. Greetham (5)	25,700	165,000	190,700
Paul Jeanbart (6)	129,394	29,066	158,460
John Loudon	11,270	32,000	43,270
Fiona E. Luck	33,044	176,666	209,710
Brian M. O Hara (7)	342,444	982,998	1,325,442
Robert S. Parker	8,277	32,000	40,277
Cyril Rance	12,279	31,000	43,279
Alan Z. Senter	11,577	28,853	40,340
John T. Thornton	26,718	28,950	55,668
Ellen E. Thrower	5,471	34,000	39,471
Clive R. Tobin (8)	22,750	154,000	176,750
John W. Weiser (9)	38,353	30,326	68,679
TOTAL	979,314	2,325,753	3,305,067

- (1) Shares underlying options that are exercisable within 60 days of March 1, 2004.
- (2) To the Company's knowledge, no Director or executive officer had a beneficial ownership interest in excess of one percent of the outstanding Shares as of March 1, 2004. As a group, all Directors and executive officers of the Company had a beneficial ownership interest in approximately 3% of the outstanding Shares on the basis of the number of outstanding Shares as of March 1, 2004.
- (3) Includes 26,407 Shares that Mr. Bornhuetter owns indirectly.
- (4) Includes 13,500 Shares that Mr. Esposito owns indirectly.
- (5) Includes 2,000 Shares that Mr. Greetham owns jointly with his wife.
- (6) Includes 125,644 Shares owned by Oryx Finance Limited in which Mr. Jeanbart has an indirect interest.
- (7) Includes 2,234 Shares that Mr. O Hara owns indirectly.
- (8) Includes 1,650 Shares that Mr. Tobin owns indirectly.
- (9) Includes 7,000 options assigned to a family partnership. Does not include 8,500 shares held by a charitable foundation as to which Mr. Weiser has voting and/or investment power and as to which he disclaims beneficial ownership.

8

EXECUTIVE COMPENSATION SUMMARY COMPENSATION TABLE

The following table shows the compensation of the Chief Executive Officer, the four next most highly compensated executive officers and certain other identified executive officers of the Company for services paid for or rendered with respect to the Company and its subsidiaries in all capacities for the Company's last three fiscal years:

Name and Principal Position	Year	Annual Compensation		Long-term Compensation Awards			
		Salary	Bonus	Other Annual Compensation(1)	Restricted Stock Award(2)	Securities Underlying Options(3)	All Other Compensation(4)
Brian M. O'Hara President and Chief Executive Officer of the Company (5)	2003	\$1,000,000	\$0	\$134,428	\$0	185,000	\$100,000
	2002	\$1,000,000	\$1,000,000	\$131,525	862,500	140,000	\$200,000
	2001	\$1,000,000	\$1,000,000	\$140,004	\$0	140,000	\$200,000
Jerry de St. Paer	2003	\$475,000	\$300,000	\$218,336	\$578,250	40,000	\$77,500

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

Executive Vice President and Chief Financial Officer of the Company (6)	2002	\$400,000	\$700,000	\$361,254	\$138,000	30,000	\$110,000
	2001	\$344,102	\$850,000	\$141,571	\$1,014,000	55,000	\$119,410
Christopher V. Greetham	2003	\$386,250	\$400,000	\$111,540	\$771,000	40,000	\$78,625
Executive Vice President and Chief Investment Officer of the Company	2002	\$345,000	\$250,000	\$87,161	\$205,860	40,000	\$59,500
	2001	\$345,000	\$630,000	\$94,593	\$159,290	45,000	\$97,500
Fiona E. Luck	2003	\$475,000	\$300,000	\$146,602	\$925,200	40,000	\$77,500
Executive Vice President of Group Operations of the Company	2002	\$400,000	\$550,000	\$148,029	\$686,200	40,000	\$95,000
	2001	\$400,000	\$450,000	\$144,009	\$542,400	55,000	\$85,000
Clive R. Tobin	2003	\$425,000	\$400,000	\$527,185	\$848,100	50,000	\$41,875
Chief Executive Officer of XL Insurance Global Risk Operations	2002	\$391,250	\$400,000	\$513,377	\$511,875	40,000	\$33,042
	2001	\$365,000	\$500,000	\$134,427	\$452,000	60,000	\$86,500
Nicholas M. Brown, Jr.	2003	\$650,000	\$0	\$88,776	\$0	0	\$108,104
Executive Vice President and Chief Executive of Insurance Operations of the Company	2002	\$650,000	\$3,050,000	\$85,280	\$276,000	40,000	\$110,000
	2001	\$650,000	\$450,000	\$71,378	\$0	55,000	\$0
Henry C. V. Keeling	2003	\$430,295	\$0	\$51,872	\$925,200	45,000	\$168,211
Executive Vice President and Chief Executive of Reinsurance Operations of the Company	2002	\$482,910	\$500,000	\$195,045	\$345,000	40,000	\$94,829
	2001	\$450,000	\$300,000	\$204,443	\$0	55,000	\$75,000
Robert R. Lusardi	2003	\$550,000	\$0	\$1,260	\$578,250	40,000	\$93,791
Executive Vice President and Chief Executive of Financial Products and Services of the Company	2002	\$550,000	\$500,000	\$3,832	\$276,000	35,000	\$77,500
	2001	\$550,000	\$450,000	\$150,500	\$0	55,000	\$55,000

(1) Mr. O Hara received \$96,000 for housing expenses in each of fiscal years 2003, 2002 and 2001. Mr. O Hara's other annual compensation for 2003 includes Mr. O Hara's personal travel on the Company's corporate aircraft of \$31,960 based on the Internal Revenue Service's formula. Mr. de St. Paer, who commenced employment with the Company on February 20, 2001, received \$169,000 for housing expenses in fiscal

Edgar Filing: XL CAPITAL LTD - Form DEF 14A

years 2003 and 2002 and \$132,000 in 2001 and relocation allowances of \$80,000 and \$20,000 in 2002 and 2001, respectively. Mr. Greetham received \$66,000 for housing expenses in each of fiscal years 2003, 2002 and 2001. Mr. Tobin received \$120,927 for housing expenses in fiscal year 2003 and \$120,000 in each of fiscal years 2002 and 2001. Ms. Luck received \$132,000 for housing expenses in each of fiscal years 2003, 2002 and 2001. Mr. Brown received \$65,000 for housing expenses in each of fiscal years 2003 and 2002 and \$20,256 in 2001. Mr. Lusardi received \$144,000 for housing expenses in fiscal year 2001. See also Chief Executive Officer and Chairman's Compensation under Report of the Compensation Committee on Executive Compensation below. Mr. Brown is leaving the Company effective April 1, 2004 and will be succeeded by Mr. Tobin, currently the Chief Executive Officer of the Company's XL Insurance Global Risk operations.

9

- (2) Messrs. de St. Paer, Greetham, Tobin, Keeling and Lusardi and Ms. Luck were granted 7,500, 10,000, 11,000, 12,000, 7,500 and 12,000 shares of restricted stock, respectively, in 2004 for 2003. Messrs. O'Hara, de St. Paer, Greetham, Tobin, Brown, Keeling and Lusardi and Ms. Luck were granted 12,500, 2,000, 4,000, 5,000, 4,000, 5,000, 4,000 and 4,000 shares of restricted stock, respectively, in 2003 for 2002. Messrs. Greetham and Tobin and Ms. Luck were granted 1,700, 5,000 and 6,000 shares of restricted stock, respectively, in 2002 for 2001. Mr. de St. Paer was granted 13,000 shares of restricted stock in 2001 upon commencement of his employment with the Company. Each of these restricted stock grants vests 25% annually over four years from the date of grant. However, the vesting of the 2004 grants is also subject to achievement of performance targets. As of December 31, 2003, Messrs. O'Hara, de St. Paer, Greetham, Tobin, Brown, Keeling, Lusardi and Ms. Luck held 13,250, 9,750, 6,250, 5,500, 6,500, 8,000, 9,000 and 8,500 unvested shares of restricted stock, respectively, having a fair market value of \$1,023,562, \$753,188, \$482,812, \$424,875, \$504,010, \$620,320, \$697,860 and \$656,625, respectively. Dividends will be paid on the unvested restricted stock if, and to the extent, paid on Shares generally.
- (3) Represents options granted in respect of compensation for the fiscal year indicated.
- (4) All other compensation relates to contributions to the Company's pension plans except with respect to Mr. Brown who received a special bonus of \$2.6 million paid in connection with the renegotiation of his new employment agreement in 2002 in which, among other things, Mr. Brown agreed to waive his right to terminate his employment and to extend the term of his employment to January 1, 2005. Mr. Brown's employment will terminate effective April 1, 2004.
- (5) See Board of Directors' Directors Compensation.
- (6) Mr. de St. Paer's 2001 bonus included a signing bonus of \$400,000, which was paid to him when he joined the Company in February 2001.

OPTIONS GRANTED IN LAST FISCAL YEAR

The following table shows the options granted in the last fiscal year to the Chief Executive Officer and the next four most highly compensated executive officers of the Company together with the potential realizable value at assumed rates of return:

Name and Principal Position	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees In Last Fiscal Year	Exercise or Base Price (per share)(2)	Expiration Date	5%	10%
	Brian M. O'Hara President and Chief Executive Officer of the Company (4)	138,543 1,457(3)	8.4%	\$68.62	March 7, 2013 March 7, 2013	\$5,978,788 \$62,876

Jerry de St. Paer	28,543	1.8%	\$68.62	March 7, 2013	\$1,231,766	\$3,121,537
Executive Vice President and Chief Financial Officer of the Company	1,457(3)			March 7, 2013	\$62,876	\$159,341
Christopher V. Greetham	40,000	2.4%	\$68.62	March 7, 2013	\$1,726,190	\$4,374,504
Executive Vice President and Chief Investment Officer of the Company						
Fiona E. Luck	40,000	2.4%	\$68.62	March 7, 2013	\$1,726,190	\$4,374,504
Executive Vice President of Group Operations of the Company						
Clive R. Tobin	40,000	2.4%	\$68.62	March 7, 2013	\$1,726,190	\$4,374,504
Chief Executive Officer of XL Insurance Global Risk Operations						

- (1) All options were granted under the Company's 1991 Performance Incentive Program.
- (2) Market price at date of grant.
- (3) Incentive stock options were granted under the 1991 Performance Incentive Program.
- (4) See also Chief Executive Officer and Chairman's Compensation under Report of the Compensation Committee on Executive Compensation below.

**AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES**

The following table shows the options exercised during the last fiscal year by the Chief Executive Officer and the next four most highly compensated executive officers of the Company together with the number and value of unexercised options at December 31, 2003:

Name and Principal Position	Shares	Implied Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2003	Value of Unexercised In the Money Options at December 31, 2003
	Acquired on Exercise		Exercisable/Unexercisable	Exercisable/Unexercisable
Brian M. O'Hara	43,500	\$1,533,701	876,332/258,335	\$23,824,626/\$1,248,800

President and Chief Executive Officer of the Company (1)				
Jerry de St. Paer Executive Vice President and Chief Financial Officer of the Company	0	\$0	38,333/76,667	\$0/\$267,600
Christopher V. Greetham Executive Vice President and Chief Investment Officer of the Company	30,000	\$1,446,950	126,666/83,334	\$1,593,400/\$356,800
Fiona E. Luck Executive Vice President of Group Operations of the Company	0	\$0	133,166/93,334	\$2,008,200/\$356,800
Clive R. Tobin Chief Executive Officer of XL Insurance Global Risk Operations	0	\$0	107,333/96,667	\$1,211,160/\$356,800

* No options have adjustable exercise prices.

(1) See also Chief Executive Officer and Chairman's Compensation under Report of the Compensation Committee on Executive Compensation below.

**EMPLOYMENT AGREEMENT OF NAMED EXECUTIVE OFFICERS AND
ACCELERATED VESTING UPON CHANGE IN CONTROL**

The Company has entered into an employment agreement with one of its named executive officers, Jerry de St. Paer, Executive Vice President and Chief Financial Officer of the Company.

Mr. de St. Paer's employment agreement provides for (i) a base salary which is subject to review for increase annually, (ii) an annual bonus pursuant to the Company's incentive compensation plan as determined by the Compensation Committee and stock option and restricted share grants pursuant to the Company's performance incentive program, (iii) reimbursement for or payment of certain travel, living and other expenses and (iv) the right to participate in such other employee or fringe benefit programs for senior executives as are in effect from time to time. The original term of Mr. de St. Paer's employment agreement expired on March 1, 2004. However, the term was automatically extended for an additional one year period and will continue to be automatically extended for successive one year periods upon the expiration thereof unless the Company or Mr. de St. Paer provides written notice at least three months prior to the then scheduled expiration date. Mr. de St. Paer has agreed to certain confidentiality, non-competition and non-solicitation provisions set forth in the agreement.

Mr. de St. Paer's agreement further provides that, in the event of the termination of his employment prior to the expiration date of the employment agreement (after giving effect to any extensions thereof) by reason of death or disability, Mr. de St. Paer (or in the case of death, Mr. de St. Paer's spouse or estate) is entitled to receive his then current base salary through the end of the sixth month after the month in which his employment is terminated. Mr. de St. Paer (or his estate) shall be entitled to any annual bonus awarded but not yet paid and a bonus for the year of

termination in an amount determined by the Compensation Committee (but not less than a