

XL CAPITAL LTD  
Form S-3ASR  
November 28, 2008

As filed with the Securities and Exchange Commission on November 28, 2008

Registration No. 333-[ ]

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

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FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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XL CAPITAL LTD  
(Exact name of registrant as specified in its charter)

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Cayman Islands (State or other jurisdiction of incorporation or organization)	98-0191089 (I.R.S. Employer Identification No.)
XL House One Bermudiana Road Hamilton HM 11 Bermuda (441) 292-8515 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	CT Corporation System 111 Eighth Avenue New York, New York 10011 (212) 590-9200 (Name, address, including zip code, and telephone number, including area code, of agent for service)

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XL CAPITAL FINANCE (EUROPE) PLC  
(Exact name of registrant as specified in its charter)

England and Wales (State or other jurisdiction of incorporation or organization)	N/A (I.R.S. Employer Identification No.)
XL House 70 Gracechurch Street London EC3V 0XL England (44) 20 7933 7000 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	CT Corporation System 111 Eighth Avenue New York, New York 10011 (212) 590-9200 (Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

**Kirstin Romann Gould, Esq.**  
**Executive Vice President, General Counsel and Secretary**  
**XL Capital Ltd**  
**XL House**  
**One Bermudiana Road**  
**Hamilton HM 11**  
**Bermuda**  
**(441) 292-8515**

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**Cahill Gordon & Reindel LLP**  
**80 Pine Street**  
**New York, New York 10005-1702**  
**(212) 701-3000**

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*Approximate date of commencement of proposed sale to the public:* From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.  £

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.  S

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  £

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  £

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.  S

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.  £

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
 (Do not check if a smaller reporting company)

**Calculation of Registration Fee**

Title of each class of securities to be registered(1)	Amount to be registered	Proposed maximum offering price per unit(2)	Proposed maximum aggregate offering price	Amount of registration fee(2)
XL Capital Ltd Ordinary Shares				
XL Capital Ltd Preference Ordinary Shares				
XL Capital Ltd Debt Securities				
XL Capital Ltd Ordinary Share Warrants				
XL Capital Ltd Ordinary Share Purchase Rights(3)				
XL Capital Ltd Ordinary Share Purchase Contracts				
XL Capital Ltd Ordinary Share Purchase Units(4)				
XL Capital Finance (Europe) plc Senior Debt Securities				
XL Capital Ltd Guarantees of XL Capital Finance (Europe) plc Senior Debt Securities(5)				

(1) These offered securities may be sold separately, together as units or with other offered securities.

(2) An unspecified amount of securities or initial aggregate

offering price of each identified class is being registered hereunder. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities or that are issued as units. With respect to all securities that may be offered and sold under this Registration Statement, the registrants have elected to rely on Rule 456(b) and Rule 457(r) under the Securities Act to defer all of the registration fee with respect to such securities.

- (3) The XL Capital Ltd Ordinary Share Purchase Rights are issued with the XL Capital Ltd Ordinary Shares for no additional consideration.

- (4) Each XL Capital Ltd Ordinary Share Purchase Unit consists of (a) an XL Capital Ltd Ordinary Share Purchase Contract, under which the holder or XL Capital Ltd, upon settlement, will purchase a fixed or varying number of XL Capital Ltd Ordinary Shares, and (b) a beneficial interest in either XL Capital Ltd Debt Securities (which may be senior or subordinated), XL Capital Finance (Europe) plc Senior Debt Securities, XL Capital Ltd Preference Ordinary Shares, debt or equity obligations of third parties, including U.S. Treasury securities, in each case purchased with the proceeds

from the sale  
of the XL  
Capital Ltd  
Ordinary  
Share  
Purchase  
Units. No  
separate  
consideration  
will be  
received for  
the XL Capital  
Ltd Ordinary  
Share  
Purchase  
Contracts or  
the related  
beneficial  
interests.

- (5) No separate  
consideration  
will be  
received for  
the  
Guarantees.
-

**PROSPECTUS**

**XL Capital Ltd**

**Ordinary Shares**  
**Preference Ordinary Shares**  
**Debt Securities**  
**Ordinary Share Warrants**  
**Ordinary Share Purchase Contracts**  
**Ordinary Share Purchase Units**

**XL Capital Finance (Europe) plc**

**Senior Debt Securities fully and unconditionally guaranteed by XL Capital Ltd**

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The following are types of securities that may be offered and sold from time to time under this prospectus:

XL Capital Ltd Ordinary Shares	XL Capital Ltd Ordinary Share Purchase
XL Capital Ltd Preference Ordinary Shares	Contracts
XL Capital Ltd Debt Securities	XL Capital Ltd Ordinary Share Purchase
XL Capital Ltd Ordinary Share Warrants	Units
	XL Capital Finance (Europe) plc Senior Debt Securities

XL Capital Ltd Ordinary Shares are traded on the New York Stock Exchange under the symbol **XL** .

A prospectus supplement, which must accompany this prospectus, will describe the securities XL Capital Ltd and/or XL Capital Finance (Europe) plc are offering and selling, as well as the specific terms of the securities and material tax considerations pertaining to an investment in the securities. Those terms may include, among others, as applicable:

Maturity	Redemption terms
Interest rate	Conversion terms
Dividend rate	Listing on a securities exchange
Sinking fund terms	Amount payable at maturity
Ranking	

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**Neither the Securities and Exchange Commission any state securities commission, the Registrar of Companies in the Cayman Islands, the Cayman Islands Monetary Authority nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

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The securities may be offered in amounts, at prices and on terms determined at the time of offering. The securities may be sold directly to you, through agents that XL Capital Ltd and/or XL Capital Finance (Europe) plc may elect, or through underwriters and dealers that XL Capital Ltd and/or XL Capital Finance (Europe) plc may select, in each case on a continuous or delayed basis. If XL Capital Ltd and/or XL Capital Finance (Europe) plc use agents, underwriters or dealers to sell the securities, XL Capital Ltd and/or XL Capital Finance (Europe) plc, as applicable, will name them and describe their compensation in a prospectus supplement.

The date of this prospectus is November 28, 2008

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that XL Capital Ltd and XL Capital Finance (Europe) plc filed with the Securities and Exchange Commission (the SEC ) utilizing a shelf registration process, relating to:

- (1) XL Capital Ltd s ordinary shares, preference ordinary shares, debt securities (which may include medium term notes), ordinary share warrants, ordinary share purchase contracts, ordinary share purchase units and guarantees of XL Capital Finance (Europe) plc senior debt securities; and
- (2) XL Capital Finance (Europe) plc s senior debt securities.

Under this shelf process, XL Capital Ltd and XL Capital Finance (Europe) plc may sell the securities described in this prospectus in one or more offerings in an unlimited dollar amount. This prospectus provides you with a general description of the securities that XL Capital Ltd and XL Capital Finance (Europe) plc may offer. This prospectus does

not contain all of the information set forth in the registration statement as permitted by the rules and regulations of the SEC. For additional information regarding XL Capital Ltd or XL Capital Finance (Europe) plc and the offered securities, please refer to the registration statement. Each time XL Capital Ltd or XL Capital Finance (Europe) plc sells securities it will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also supplement or update information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

In this prospectus, and in the accompanying prospectus supplement, unless the context requires otherwise, we, us and our refer to XL Capital Ltd and its subsidiaries, XL Capital refers to XL Capital Ltd and not any of its subsidiaries and XL Finance refers to XL Capital Finance (Europe) plc.

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## WHERE YOU CAN FIND MORE INFORMATION

XL Capital and XL Finance have filed with the SEC under the Securities Act of 1933, as amended (the Securities Act), a combined registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the registration statement) relating to the offered securities.

### **XL Capital**

XL Capital is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act), and in accordance therewith files annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any materials that XL Capital files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, such material can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including XL Capital, that file electronically with the SEC. The address of the SEC's Internet site is [www.sec.gov](http://www.sec.gov).

### **XL Finance**

XL Finance is not currently subject to the information reporting requirements of the Exchange Act. XL Finance is an indirect wholly-owned subsidiary of XL Capital and currently has no operations. XL Finance has not engaged in any activities other than those incidental to its formation, the issuance of a series of its senior debt securities in January 2002 and the lending or

contributing of the proceeds of those senior debt securities to XL Capital and activities incidental to or connected with the foregoing. The outstanding senior debt securities of XL Finance are, and any future issuances of debt securities of XL Finance will be, fully and unconditionally guaranteed by XL Capital and by no other subsidiary of XL Capital. See Description of XL Finance Senior Debt Securities.

#### **INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC allows XL Capital to incorporate by reference into this prospectus the information it files with the SEC, which means that it can disclose important information to you by referring to another document filed separately with the SEC. The information that XL Capital files after the date of the initial registration statement and prior to the termination of this offering shall be deemed to be incorporated by reference into this prospectus. The information that XL Capital files after the date of this prospectus with the SEC will automatically update and supersede this information. XL Capital incorporates by reference into this prospectus the documents listed below, which have been filed by XL Capital with the SEC (SEC file number 1-10804), and any future filings made by XL Capital pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of this offering.

Annual  
Report on  
Form 10-K  
for the year  
ended  
December  
31, 2007,  
filed on  
February 29,  
2008;

Amendment  
No. 1 on  
Form  
10-K/A to  
the Annual  
Report on  
Form 10-K  
for the year  
ended  
December  
31, 2007,  
filed on  
March 17,  
2008, which  
added an  
exhibit,  
which  
incorporated  
by reference  
into the  
Form 10-K

Syncora  
Holdings  
Ltd. s  
(formerly  
Security  
Capital  
Assurance  
Ltd) separate  
audited  
financial  
statements  
for the year  
ended  
December  
31, 2007;  
See Risk  
Factors ;

Definitive  
Proxy  
Statement  
dated March  
17, 2008,  
filed on  
March 17,  
2008;

Quarterly  
Reports on  
Form 10-Q  
for the  
quarter  
ended March  
31, 2008,  
filed on May  
7, 2008, for  
the quarter  
ended June  
30, 2008,  
filed on July  
28, 2008 and  
for the  
quarter  
ended  
September  
30, 2008,  
filed on  
November 3,  
2008; and

Current Reports on Form 8-K filed on January 7, 2008, February 19, 2008, March 20, 2008, April 29, 2008, June 19, 2008, July 28, 2008 (other than Items 2.02 and 7.01 and exhibits incorporated in those Items) July 29, 2008, July 31, 2008, August 6, 2008, August 6, 2008, September 8, 2008, September 29, 2008 and October 10, 2008.

In addition, XL Capital incorporates by reference into this prospectus, the following document which has been filed with the SEC by Syncora Holdings Ltd. (formerly Security Capital

Assurance  
Ltd):

Syncora  
Holdings  
Ltd. s Current  
Report on  
Form 8-K  
filed on  
November  
26, 2008  
(which  
updates the  
financial  
statements  
included in  
XL Capital s  
Amendment  
No. 1 on  
Form  
10-K/A to  
the Annual  
Report on  
Form 10-K  
for the year  
ended  
December  
31, 2007).

Any statement contained in a document incorporated or considered to be incorporated by reference in this prospectus shall be considered to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document that is or is considered to be incorporated by reference modifies or supersedes such statement. Any statement that is modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

We will provide to each person, including any beneficial owner, to whom this prospectus is delivered, at no cost upon his or her written or oral request, a copy of any of the documents that are incorporated by reference in this prospectus, other than exhibits to such documents that are not specifically incorporated by reference into such documents, and XL Capital s, XL Finance s constitutional documents. You may request such documents by contacting us at:

Investor Relations  
XL Capital Ltd  
XL House  
One Bermudiana Road

Hamilton HM 11, Bermuda  
Telephone: (441) 292-8515

None of XL Capital or XL Finance have authorized anyone to give any information or to represent anything not contained in this prospectus or in any of the materials that XL Capital or XL Finance have incorporated by reference in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the securities offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of the date of this prospectus.

### **XL CAPITAL LTD**

XL Capital, together with its subsidiaries, is a leading provider of insurance and reinsurance coverages and financial products and services to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis.

XL Capital is incorporated in the Cayman Islands. XL Capital's principal executive offices are located at XL House, One Bermudiana Road, Hamilton HM 11, Bermuda. XL Capital's telephone number is (441) 292-8515. XL Capital's website address is [www.xlcapital.com](http://www.xlcapital.com). The information contained on XL Capital's website is not incorporated by reference into this prospectus.

You can obtain additional information about us in the reports and other documents incorporated by reference in this prospectus. See [Where You Can Find More Information](#) and [Incorporation of Certain Information by Reference](#).

### **XL CAPITAL FINANCE (EUROPE) PLC**

XL Finance (formerly known as XL Finance (UK) plc) was incorporated as a public limited company under the laws of England and Wales on August 29, 2001 under the number 4278406. XL Finance's registered offices are located at XL House, 70 Gracechurch Street, London EC3V 0XL, England. XL Finance's telephone number is (44) 20 7933 7000. XL Finance is a wholly-owned subsidiary of XL Capital.

### **USE OF PROCEEDS**

Except as may otherwise be described in the prospectus supplement relating to an offering of securities, the net proceeds from the sale of the securities included in this prospectus will be used for general corporate purposes. Any specific allocation of the net proceeds of an offering of securities to a specific purpose will be determined at the time of such offering and will be described in the related prospectus supplement.

### **RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS**

Our ratio of earnings to fixed charges and our ratio of earnings to combined fixed charges and preference dividends for each of the periods indicated is as follows:

<b>(Unaudited) Nine Months Ended September 30, 2008(2)</b>	<b>Fiscal Year Ended December 31,</b>				
	<b>2007(2)</b>	<b>2006(2)</b>	<b>2005(2)</b>	<b>2004(1)(2)</b>	<b>2003(2)</b>
3.2	3.1x	4.0x	(2.3 )x	4.8	2.8x



Ratio of Earnings to Fixed Charges						
Ratio of Earnings to Combined Fixed Charges and Preference Dividends	2.6	2.8x	3.7x	(2.1 )x	4.2	2.4x

(1) The ratios for the years ended December 31, 2004 and 2003, reflect the restatement of fixed charges based on the re-presentation of certain line items in the consolidated statements of income of XL Capital. This representation had no impact on net income.

(2) We have computed the foregoing ratios by dividing (1) income from continuing operations before income taxes, minority interest and income or loss from equity investees plus the sum of fixed charges, amortization of capitalized interest and distributed income of equity investees, less minority interest in pre-tax income of subsidiaries that have not incurred fixed charges, by (2) the sum of fixed charges and, where indicated, preference dividends. Fixed charges consist of interest expense on all indebtedness (including

amortization  
of deferred  
financing  
costs), an  
estimate of  
the interest  
within rental  
expense and  
accretion of  
deposit  
liability  
transactions.

XL Finance had no operations during the periods set forth above.

### **GENERAL DESCRIPTION OF THE OFFERED SECURITIES**

XL Capital may offer from time to time under this prospectus, separately or together:

ordinary shares;

preference  
ordinary shares;

unsecured  
senior or  
subordinated  
debt securities;

warrants to  
purchase  
ordinary shares  
of XL Capital;

ordinary share  
purchase  
contracts; and

ordinary share  
purchase units,  
each  
representing  
ownership of  
one or more  
ordinary share  
purchase  
contracts and,  
as security for  
the holder's  
obligation to  
purchase

ordinary shares under the share purchase contract, any one or more of (1) debt securities of XL Capital (which may be senior or subordinated), (2) senior debt securities of XL Finance, fully and unconditionally guaranteed by XL Capital, (3) debt or equity obligations of third parties, including U.S. Treasury securities or (4) preference ordinary shares of XL Capital.

XL Finance may offer from time to time under this prospectus unsecured senior debt securities, which will be fully and unconditionally guaranteed by XL Capital.

References to XL Capital, we, our or us in Description of XL Capital Preference Ordinary Shares, Description of XL Capital Ordinary Shares, Description of XL Capital Ordinary Share Warrants and Description of XL Capital Debt Securities, refer solely to XL Capital Ltd and not its subsidiaries.

## DESCRIPTION OF XL CAPITAL SHARE CAPITAL

### General

The Articles of Association and Memorandum of Association of XL Capital provide that its authorized share capital is US\$9,999,900 divided into 999,990,000 ordinary shares, par value \$0.01 per share. The XL Capital ordinary shares are currently divided into five classes: Class A Ordinary Shares and Class B Ordinary Shares (together, the ordinary shares) and Series A Preference Ordinary Shares, Series B Preference Ordinary Shares and Series C Preference Ordinary Shares.

As of October 28, 2008, XL Capital's issued and outstanding shares were approximately as follows:

Class of Shares	Shares
Class A Ordinary Shares	330,787,685
Series C Preference Ordinary Shares	20,000,000

Series E Preference Ordinary Shares	1,000,000
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All issued and outstanding shares are fully paid and nonassessable.

### **DESCRIPTION OF XL CAPITAL PREFERENCE ORDINARY SHARES**

#### **General**

We are authorized to issue up to 999,990,000 ordinary shares of our company, par value \$0.01 per share. Without prejudice to any special rights previously conferred on the holders of existing

shares, the board of directors has the power to issue our ordinary shares with such preferred, deferred or other special rights, terms or conditions, or such restrictions, whether in regard to dividends, voting, return of share capital, exchange for other classes of shares, exchangeability for other securities or otherwise as the board of directors may from time to time determine.

The following is a description of certain general terms and provisions of the preference ordinary shares that, following appropriate resolutions of the board of directors, we may issue with preferred rights ( preference ordinary shares ). The particular terms of any class or series of preference ordinary shares will be described in the applicable prospectus supplement. The applicable prospectus supplement may also state that any of the terms set forth herein are inapplicable to such series of preference ordinary shares; *provided*, that the information set forth in such prospectus supplement does not constitute material changes to the information herein such that it alters the nature of the offering or the securities offered.

The following summary of terms of our preference ordinary shares is not complete. You should refer to the provisions of our Memorandum of Association, our Articles of Association and the terms of each class or series of the preference ordinary shares which will be filed with the SEC at or prior to the time of issuance of such class or series of the preference ordinary shares and described in the applicable prospectus supplement.

### **Terms**

The terms of each series of preference ordinary shares will be described in any prospectus supplement related to such class or series of preference ordinary shares.

The board of directors in approving the issuance of a class or series of preference ordinary shares shall determine, and the applicable prospectus supplement will set forth with respect to such class or series, the following:

whether  
dividends on that  
class or series of  
preference  
ordinary shares  
will be  
cumulative or  
non-cumulative;

the dividend rate  
and rights in  
respect of  
dividends on the  
preference  
ordinary shares  
of that class or  
series and  
whether the  
dividend rate is  
subject to reset  
(up to a  
specified  
maximum)  
under certain

circumstances described, if applicable, in such prospectus supplement;

the liquidation preference per share of that class or series of preference ordinary shares, if any;

the voting powers, if any, of the preference ordinary shares of that class or series;

any redemption and sinking fund provisions applicable to that class or series of preference ordinary shares;

any conversion provisions applicable to that class or series of preference ordinary shares; and

the terms of any other preferences or other rights and limitations, if any, applicable to that class or series of preference ordinary shares.

**Dividends**

Holders of preference ordinary shares will be entitled to receive, when, as and if declared by the board of directors, cash dividends at the rates and on the dates as set forth in the applicable prospectus supplement. Except as set forth

below, no dividends will be declared or paid on any class or series of preference ordinary shares unless full dividends for all classes or series of preference ordinary shares which have the same rank as, or rank senior to, such class or series of preference ordinary shares (including cumulative dividends still owing, if any) have been or contemporaneously are declared and paid. When those dividends are not paid in full, dividends will be declared *pro rata* so that the amount of dividends declared per share on that class or series of preference ordinary shares and on each other class or series of preference ordinary shares having the same rank as, or ranking senior to, that class or series of preference ordinary shares will in all cases bear to each other the same ratio that accrued dividends per share on that class or series of preference ordinary



shares and the other preference ordinary shares bear to each other. In addition, generally, unless all dividends on the preference ordinary shares have been paid, no dividends will be declared or paid on the ordinary shares and generally we may not redeem or purchase any ordinary shares.

### **Voting Rights**

The holders of the preference ordinary shares shall not, except as required by law or as set forth in the applicable prospectus supplement, have any right or power to vote on any question or in any proceeding or to be represented at, or to receive notice of, any meeting of shareholders. On any matters on which the holders of the preference ordinary shares shall be entitled to vote, they shall be entitled to one vote for each share held.

Unless otherwise stated in the applicable prospectus supplement, if six or more full quarterly dividends (whether consecutive or not) on any series of preference ordinary shares shall be in arrears, then during such period, which we refer to herein as the voting period, the holders of a majority of the outstanding preference ordinary shares of all series so in arrears and having such right represented in person or by proxy at any meeting of our shareholders held for the election of directors during such voting period shall be entitled, as a class, to the exclusion of the holders of all other classes of our shares, to elect two of our directors, each preference ordinary share entitling the holder thereof to one vote.

Any director who shall have been elected by holders of preference ordinary shares, or by any director so elected as herein contemplated, may be removed at any time during a voting period, either for or without cause, by, and only by, the affirmative votes of the holders of record of a majority of the outstanding preference ordinary shares of all series given at a special meeting of such shareholders called for the purpose. Any vacancy thereby created may be filled during such voting period by the holders of preference ordinary shares of all series, present in person or represented by proxy at such meeting. Any director elected by holders of preference ordinary shares, or by any director so elected as herein contemplated, who dies, resigns or otherwise ceases to be a director shall, except as otherwise provided in the preceding sentence, be replaced by the remaining director theretofore elected by the holders of preference ordinary shares. At the end of the voting period, the holders of preference ordinary shares of all series shall be automatically divested of all voting power vested in them under this provision but subject always to the subsequent vesting of voting power in the holders of preference ordinary shares in the event of any similar cumulated arrearage in payment of quarterly dividends occurring thereafter. The term of all directors elected pursuant to this provision shall in all events expire at the end of the voting period.

In addition, unless a particular series of preference ordinary shares has been previously redeemed or called for redemption, certain transactions that would vary the rights of the holders of such series cannot be made without the approval of a special resolution in writing by the holders of 100% of such series or the sanction of a special resolution passed by two-thirds of the votes cast at a separate meeting of the holders of such series, subject to any requirements of Cayman Islands law.

### **Ranking**

The preference ordinary shares will rank senior to our ordinary shares with respect to payment of dividends and amounts upon liquidation, dissolution or winding-up of XL Capital. Without the requisite vote of holders of the preference ordinary shares, as described above under Voting Rights, no class or series of capital shares can be created ranking senior to the preference ordinary shares as to dividend rights or liquidation preference.

### **Liquidation Rights**

In the event of our liquidation, dissolution or winding-up, the holders of preference ordinary shares of each series are entitled to receive out of our assets available for distribution to shareholders, before any distribution of assets is made to holders of ordinary shares or any other class or series of our capital shares (including any preferred shares) which is

junior as to liquidation rights to our preference ordinary shares of such series, liquidating distributions in the amount set

forth in the applicable prospectus supplement, plus dividends accrued and accumulated but unpaid to the date of such distribution. If, upon our liquidation, dissolution or winding-up, the amounts payable with respect to our preference ordinary shares of such series and any of our other preference ordinary shares ranking as to any such distribution on a parity with our preference ordinary shares of such series are not paid in full, the holders of our preference ordinary shares of such series and of such of our other preference ordinary shares will share ratably in any such distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preference ordinary shares will not be entitled to any further participation in any distribution of assets by us. Neither our consolidation or merger with another corporation nor a sale or transfer of all or part of our assets for cash or securities shall be considered a liquidation, dissolution or winding-up of XL Capital.

### **Redemption Provisions**

The preference ordinary shares of each series will have such optional or mandatory redemption terms, if any, as shall be set forth in the applicable prospectus supplement.

### **Conversion and Exchange Rights**

The preference ordinary shares, if convertible, will only be convertible into our ordinary shares, and will not be convertible into or exchangeable for securities of a third party. The terms and conditions, if any, upon which any series of our preference ordinary shares is convertible into ordinary shares or exchangeable into debt securities will be set forth in the applicable prospectus supplement relating to such series of preference ordinary shares. Such terms will include:

- (1) in the case  
such series  
of  
preference  
ordinary  
shares is  
convertible  
into  
ordinary  
shares:
  - (a) the number  
of ordinary  
shares into  
which  
preference  
ordinary  
shares of  
such series  
are  
convertible;
  - (b) the  
conversion  
price (or  
manner of

- calculation thereof);
- (c) the conversion period;
  - (d) provisions as to whether conversion will be at the option of the holders of such series of preference ordinary shares or at our option or automatic;
  - (e) the events requiring an adjustment of the conversion price; and
  - (f) provisions affecting conversion in the event of the redemption of such series of preference ordinary shares; and
- (2) in the case such series of preference ordinary shares is exchangeable into debt securities:

- (a) the principal amount of debt securities into which preference ordinary shares of such series are exchangeable;
- (b) the exchange period; and
- (c) provisions as to whether the exchange will be at the option of the holders of such series of preference ordinary shares or at our option or automatic.

**Miscellaneous**

Our preference ordinary shares will have no preemptive rights. All of our preference ordinary shares, upon payment in full therefor, will be fully paid and nonassessable.

## DESCRIPTION OF XL CAPITAL ORDINARY SHARES

### General

The following description of our ordinary shares is a summary. This summary is not complete and is subject to the complete text of applicable laws and our Memorandum and Articles of Association.

### Voting

The holders of our Class A Ordinary Shares are entitled to one vote per share while our Class B Ordinary Shares carry no voting rights. Our Articles of Association restrict the voting power of any shareholder to less than approximately 10% of total voting power.

Under the Cayman Islands Companies Law (the Law) and our Memorandum and Articles of Association, some matters, such as altering the Memorandum or the Articles of Association, changing the name of a company, voluntarily winding-up a company or removing a director, require approval of shareholders by a special resolution. A special resolution is a resolution (1) passed by a majority of not less than two-thirds of such shareholders as, being entitled to do so, vote in person or by proxy at a general meeting or (2) approved in writing by all shareholders entitled to vote at a general meeting of the company.

### Dividend Rights

Subject to the Law and any rights and restrictions of any other class or series of shares, including our preference ordinary shares, the board of directors may from time to time declare dividends on the shares issued and authorize payment of the dividends out of our profit realized or unrealized or out of monies otherwise available for dividends in accordance with the Law. The board of directors may declare that any dividend be paid wholly or partly by the distribution of our shares and/or specific assets.

No dividends on the shares issued will be declared by our board of directors, or paid or set apart for payment by us, at any time during which the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, or Cayman Islands law prohibit a declaration, payment or setting apart for payment of a dividend or provide that such a declaration, payment or setting apart for payment would constitute a breach or a default or not be permitted thereunder. No dividends on the shares issued will be declared or paid or set apart for payment if prohibited by law or regulation.

Our Articles of Association provide that no dividend shall be payable except out of our profits, realized or unrealized, or out of monies otherwise available for dividends in accordance with Cayman Islands law. Under Cayman Islands law, we may not lawfully declare or pay a dividend out of the share premium account if there are reasonable grounds for believing that we are, or would immediately following the payment of the dividend be, unable to pay our debts as they fall due in the ordinary course of business. In addition, our directors are, as a matter of prudence, required to ensure that any dividend declared or paid is not of an amount that reduces our reserves to a level that is not sufficient to meet the reserve requirements of our business.

### Rights upon Liquidation

Upon our liquidation, after the payments to be made in accordance with the Law and the full amounts that holders of any issued shares ranking senior to the ordinary shares, including our preference ordinary shares, as to distribution on liquidation or winding-up are entitled to receive have been paid or set aside for payment, the holders of the ordinary shares are entitled to receive, *pro rata*, any remaining assets available for distribution to the holders of ordinary shares. The liquidator may deduct from the amount payable in respect of those ordinary shares any liabilities the holder has to or with us. The assets received by the holders of ordinary shares in a liquidation may consist in whole or

in part of property. That property is not required to be of the same kind for all shareholders.

## Stock Plans

Our incentive stock plan, the 1991 Performance Incentive Program, provides for grants of non-qualified or incentive stock options, restricted stock awards, restricted stock units, performance shares, performance units and stock appreciation rights ( SARs ). The plan is administered by a Committee designated by the board of directors (the Committee ). Stock options may be granted with or without SARs. Exercise prices (which cannot be less per share than the fair market value per share on the grant date) are established by the Committee at the date of grant. Options and SARs have a life of not longer than 10 years and vest as set forth by the Committee.

Restricted stock awards issued under the 1991 Performance Incentive Program vest over such period as the Committee may approve. These shares contain certain restrictions, prior to vesting, relating to, among other things, forfeiture in the event of termination of employment and transferability. Restricted stock issued under the plan totaled 737,042 shares, 798,862 shares and 895,484 shares in 2007, 2006 and 2005, respectively. Vesting for such shares generally occurs over a four year period from the date of issue.

We also have stock plans in place for our non-employee directors. We maintain the Amended and Restated Directors Stock & Option Plan, which provides for annual automatic grants of options to purchase 5,000 ordinary shares to each non-employee director in office immediately following our annual meeting. It also provides for automatic grants of options to purchase 5,000 shares to each non-employee director when he or she is first elected to the Board. The exercise price per share of each of the options is equal to the fair market value per ordinary share on the date of grant, the options vest immediately on the date of grant, and they are exercisable for ten years. Discretionary stock option grants may also be made to non-employee directors under the plan. The Directors Stock & Option Plan also provides for discretionary grants of restricted stock and restricted stock units to non-employee directors. Non-employee directors may also make an irrevocable election preceding the beginning of each calendar year to defer cash compensation that would otherwise be payable as their annual retainer in increments of 10% or receive their annual retainer fee currently in the form of shares instead of cash. Any deferred payments will be credited in the form of shares calculated by dividing 110% of the deferred payment by the market value of our stock on the date the fees would otherwise be payable. The shares are distributed in accordance with the terms of the plan. Shares issued under the plan totaled 3,653, 4,975 and 3,814 in 2007, 2006, and 2005, respectively.

A second stock plan, the Stock Plan for Non-employee Directors, provides for the crediting of share units, as of the day of each year that annual retainer fees are payable, determined by dividing the annual retainer fee by the fair market value of an ordinary share on the date the units are credited. These units receive dividends in the form of additional units equal to the cash value divided by the market price on the payment date. Benefits under the plan will be distributed in the form of our ordinary shares following termination of the director's service on the Board. Share units totaling 8,688, 8,410 and 10,027 were issued in 2007, 2006 and 2005, respectively.

In 1999, we adopted our 1999 Performance Incentive Program under which 1,250,000 options were available and issued to employees who were not directors or executive officers. Our 1999 Performance Incentive Program is substantially similar to our 1991 Performance Incentive Program.

## Classified Board

Our board of directors is divided into three classes that are elected for staggered three-year terms. A director may be removed by the shareholders without cause only by special resolution of the total voting power of our issued shares determined in accordance with our Articles of Association.



## DESCRIPTION OF XL CAPITAL ORDINARY SHARE WARRANTS

### General

XL Capital may issue ordinary share warrants independently or together with any securities offered by any prospectus supplement and such ordinary share warrants may be attached to or separate from such securities. Each series of ordinary share warrants will be issued under a separate warrant agreement to be entered into between XL Capital and a bank or trust company, as warrant agent, all as set forth in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the certificates representing the ordinary share warrants and will not assume any obligation or relationship of agency or trust for or with any holders of ordinary share warrant certificates or beneficial owners of ordinary share warrants.

The following summaries of certain provisions of the warrant agreement and ordinary share warrant certificate are not complete. You should look at the warrant agreement relating to, and the ordinary share warrant certificate representing, a series of ordinary share warrants.

The applicable prospectus supplement may also state that any of the terms set forth herein are inapplicable to such series; *provided*, that the information set forth in such prospectus supplement does not constitute material changes to the information herein such that it alters the nature of the offering or the securities offered. Ordinary share warrants for the purchase of ordinary shares will be offered and exercisable for U.S. dollars only and will be in registered form only.

### Terms

An applicable prospectus supplement will set forth and describe other specific terms regarding each series of ordinary share warrants offered hereby, including:

- (1) the offering price;
- (2) the number of ordinary shares purchasable upon exercise of each such ordinary share warrant and the price at which such number of ordinary shares may be purchased upon such exercise;

- (3) the date on which the right to exercise such ordinary share warrants shall commence and the date on which such right shall expire; and
- (4) any other terms of such ordinary share warrants.

**Exercise of Ordinary Share Warrants**

Each ordinary share warrant will entitle the holder thereof to purchase such ordinary shares at such exercise price as shall in each case be set forth in, or calculable from, the prospectus supplement relating to the offered ordinary share warrants. After the close of business on the expiration date of each ordinary share warrant or such later date to which such expiration date may be extended by us, unexercised ordinary share warrants will become void.

Ordinary share warrants may be exercised by delivering to the warrant agent payment as provided in the applicable prospectus supplement of the amount required to purchase the ordinary shares purchasable upon such exercise, together with certain information set forth on the reverse side of the ordinary share warrant certificate. Upon receipt of such payment and the ordinary share warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, we will, as soon as practicable, issue and deliver the ordinary shares purchasable upon such exercise. If fewer than all of the ordinary share warrants represented by such ordinary share certificate are exercised, a new ordinary share warrant certificate will be issued for the remaining amount of ordinary share warrants.

**Amendments and Supplements to Warrant Agreement**

The warrant agreement for a series of ordinary share warrants may be amended or supplemented without the consent of the holders of the ordinary share warrants issued thereunder to

effect changes that are not inconsistent with the provisions of the ordinary share warrants and that do not adversely affect the interests of the holders of the ordinary share warrants.

### **Ordinary Share Warrant Adjustments**

Unless otherwise indicated in the applicable prospectus supplement, the exercise price of, and the number of ordinary shares covered by, an ordinary share warrant are subject to adjustment in certain events, including:

- (1) the issuance of ordinary shares as a dividend or distribution on the ordinary shares;
- (2) certain subdivisions and combinations of the ordinary shares;
- (3) the issuance to all holders of ordinary shares of certain rights or warrants entitling them to subscribe for or purchase ordinary shares at less than the current market value, as defined in the applicable warrant agreement for such series of ordinary share warrants; and
- (4)

the  
distribution to  
all holders of  
ordinary  
shares of  
certain  
evidences of  
our  
indebtedness  
or assets,  
other than  
certain cash  
dividends and  
distributions  
described  
below.

No adjustment in the exercise price of, and the number of ordinary shares covered by, an ordinary share warrant will be made for regular quarterly or other periodic or recurring cash dividends or distributions or for cash dividends or distributions to the extent paid from retained earnings. No adjustment will be required unless such adjustment would require a change of at least one percent in the exercise price and exercise rate then in effect; *provided, however*, that any such adjustment not so made will be carried forward and taken into account in any subsequent adjustment; *provided, further*, that any such adjustment not so made shall be made no later than three years after the occurrence of the event requiring such adjustment to be made or carried forward. Except as stated above, the exercise price of, and the number of ordinary shares covered by, an ordinary share warrant will not be adjusted for the issuance of ordinary shares or any securities convertible into or exchangeable for ordinary shares, or securities carrying the right to purchase any of the foregoing.

In the case of:

- (1) a  
reclassification  
or change of  
the ordinary  
shares;
- (2) certain  
consolidation  
or merger  
events  
involving us; or
- (3) a sale or  
conveyance to  
another  
corporation of  
our property  
and assets as an  
entirety or  
substantially as  
an entirety;

in each case as a result of which holders of our ordinary shares shall be entitled to receive stock, securities, other property or assets (including cash) with respect to or in exchange for such ordinary shares, the holders of the ordinary share warrants then outstanding will be entitled thereafter to convert such ordinary share warrants into the kind and amount of ordinary shares and other securities or property which they would have received upon such reclassification, change, consolidation, merger, sale or conveyance had such ordinary share warrants been exercised immediately prior to such reclassification, change, consolidation, merger, sale or conveyance.

**DESCRIPTION OF XL CAPITAL ORDINARY SHARE PURCHASE  
CONTRACTS AND ORDINARY SHARE PURCHASE UNITS**

XL Capital may issue share purchase contracts, representing contracts obligating holders to purchase from XL Capital, and obligating XL Capital to sell to the holders, or holders to sell to XL Capital and XL Capital to purchase from the holders, a fixed or varying number of ordinary shares at a future date or dates. The price per ordinary share may be fixed at the time the share purchase contracts are entered into or may be determined by reference to a specific formula set forth in the share purchase contracts. Any share purchase contract may include anti-dilution provisions to adjust the number of shares to be delivered pursuant to such share purchase contract upon the occurrence of certain events. The share purchase contracts may be entered into separately or as a part of share purchase units consisting of one or more share purchase contracts and any one or more of:

- (1) debt securities of XL Capital (which may be senior or subordinated);
- (2) senior debt securities of XL Finance, fully and unconditionally guaranteed by XL Capital;
- (3) preference ordinary shares of XL Capital; or
- (4) debt or equity obligations of third parties, including U.S. Treasury securities.

The share purchase contracts may require us to make periodic payments to the holders of the share purchase units or vice versa, and such payments may be unsecured or prefunded and may be paid on a current or on a deferred basis. The share purchase contracts may require holders to secure their obligations in a specified manner and in certain circumstances we may deliver newly issued prepaid share purchase contracts upon release to a holder of any collateral securing such holder's obligations under the original share purchase contract. Any one or more of the above securities, ordinary shares or the share purchase contracts or other collateral may be pledged as security for the holders obligations to purchase or sell, as the case may be, the ordinary shares under the share purchase contracts. The share purchase contracts may also allow the holders, under certain circumstances, to obtain the release of the security for their obligations under such contracts by depositing with the collateral agent, as substitute collateral, treasury securities with a principal amount at maturity equal to the collateral so released or the maximum number of ordinary shares deliverable by such holders under ordinary share purchase contracts requiring the holders to sell ordinary shares to XL Capital.

The applicable prospectus supplement will describe the terms of any share purchase contracts or share purchase units and, if applicable, prepaid share purchase contracts. The description in the prospectus supplement will be qualified in its entirety by reference to (1) the share purchase contracts, (2) the collateral arrangements and depository arrangements, if applicable, relating to such share purchase contracts or share purchase units and (3) if applicable, the prepaid share purchase contracts and the document pursuant to which such prepaid share purchase contracts will be issued.

## DESCRIPTION OF XL CAPITAL DEBT SECURITIES

### General

XL Capital may issue debt securities from time to time in one or more series, under one or more indentures, each dated as of a date on or prior to the issuance of the debt securities to which it relates. Senior debt securities and subordinated debt securities may be issued pursuant to separate indentures, a senior indenture and a subordinated indenture, respectively, in each case between us and a trustee qualified under the Trust Indenture Act. Such indentures are subject to such amendments or supplements as may be adopted from time to time. The senior indenture and the subordinated indenture, as amended or supplemented from time to time, are sometimes referred to individually as an indenture and collectively as the indentures. Each indenture is subject to and governed by the Trust Indenture Act. The aggregate principal amount of debt securities which may be issued under each indenture is unlimited and each indenture provides that the specific terms of any series of debt securities will be set forth in, or determined pursuant to, an authorizing resolution, as defined in the applicable prospectus supplement, and/or a supplemental indenture, if any, relating to such series.

The statements made below relating to the debt securities and the indentures are summaries of the material provisions thereof and are subject to, and are qualified by reference to, the provisions of the applicable indenture and any applicable U.S. federal income tax considerations as well as any applicable supplements to the terms described below in the applicable prospectus supplement. The applicable prospectus supplement may also state that any of the terms set forth herein are inapplicable to such series of debt securities; *provided*, that the information set forth in such prospectus supplement does not constitute material changes to the information herein such that it alters the nature of the offering or the securities offered.

### **Terms**

The debt securities will be our unsecured obligations.

The senior debt securities will rank equal in right of payment with all our other unsecured and unsubordinated indebtedness.

The subordinated debt securities will be subordinated in right of payment to the prior payment in full of all our senior indebtedness, which is defined in the section called "Ranking of Debt Securities" below.

The specific terms of each series of debt securities will be set forth in the applicable prospectus supplement relating thereto, including the following, as applicable:

- (1) the title of such debt securities, whether such debt securities are offered pursuant to a medium term notes program, and whether such debt securities are senior debt securities or subordinated debt securities and, if subordinated debt securities, the specific subordination provisions applicable thereto;
- (2) the aggregate principal amount of such debt securities and any limit on such aggregate principal amount;
- (3) the price (expressed as a percentage of the principal amount



thereof) at which such debt securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity thereof, or, if applicable, the portion of the principal amount of such debt securities that is convertible into ordinary shares or preference ordinary shares or the method by which any such portion shall be determined;

- (4) if convertible into our ordinary shares or preference ordinary shares or another entity's common stock or preferred stock, as the case may be, the terms on which such debt securities

are convertible, including the initial conversion price, the conversion period, any events requiring an adjustment of the applicable conversion price and any requirements relating to the reservation of such ordinary shares or preference ordinary shares for purposes of conversion;

- (5) the date(s), or the method for determining such date or dates, on which the principal of such debt securities will be payable and, if applicable, the terms on which such maturity may be extended;
- (6) the rate(s) (which may be fixed or floating), or the method by which such rate or rates shall be determined, at

which such debt securities will bear interest, if any, including, if applicable, that such debt securities will bear interest at an increased rate (up to a specified maximum) upon the occurrence of an event of default and/or under certain circumstances described in the applicable prospectus supplement (which may include, among other things, a reduction in the trading price of our ordinary shares below certain levels for a minimum period of time);

- (7) the date(s), or the method for determining such date or dates, from which any such interest will accrue, the dates on which any such interest will be payable, the record dates

for such  
interest  
payment dates,  
or the method  
by which such  
dates shall be  
determined,  
the persons to  
whom such  
interest shall  
be payable,  
and the basis  
upon which  
interest shall  
be calculated  
if other than  
that of a  
360-day year  
of twelve  
30-day  
months;

- (8) the place(s)  
where the  
principal of  
and interest, if  
any, on such  
debt securities  
will be  
payable,  
where such  
debt securities  
may be  
surrendered  
for registration  
of transfer or  
exchange and  
where notices  
or demands to  
or upon us in  
respect of such  
debt securities  
and the  
applicable  
indenture may  
be served;
- (9) the period(s),  
if any, within  
which, the  
price or prices

at which and the other terms and conditions upon which such debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed, as a whole or in part, at our option;

- (10) our obligation, if any, to redeem, repay or repurchase such debt securities pursuant to any sinking fund (as defined in the applicable supplemental indenture) or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or

prices at which  
and the other  
terms and  
conditions  
upon which  
such debt  
securities will  
be redeemed,  
repaid or  
purchased, as  
a whole or in  
part, pursuant  
to such  
obligations;

- (11) if other than  
U.S. dollars,  
the currency or  
currencies in  
which the  
principal of  
and interest, if  
any, on such  
debt securities  
are  
denominated  
and payable,  
which may be  
a foreign  
currency or  
units of two or  
more foreign  
currencies or a  
composite  
currency or  
currencies, and  
the terms and  
conditions  
relating  
thereto;

- (12) whether the  
amount of  
payments of  
principal of or  
interest, if any,  
on such debt  
securities may  
be determined  
with reference  
to an index,

formula or other method (which index, formula or method may, but need not, be based on the yield on or trading price of other securities, including United States Treasury securities, or on a currency, currencies, currency unit or units, or composite currency or currencies) and the manner in which such amounts shall be determined;

- (13) whether the principal of or interest, if any, on the debt securities of the series is to be payable, at our election or the election of a holder thereof, in a currency or currencies, currency unit or units or composite currency or currencies other than that in which such debt securities are denominated

or stated to be payable and the period or periods within which, and the terms and conditions upon which, such election may be made;

- (14) provisions, if any, granting special rights to the holders of debt securities of the series upon the occurrence of such events as may be specified;
- (15) any deletions from, modifications of or additions to the events of default or our covenants with respect to debt securities of the series, whether or not such events of default or covenants are consistent with the events of default or covenants described herein;
- (16) whether debt securities of the series are to be issuable initially in temporary global form



and whether any debt securities of the series are to be issuable in permanent global form and, if so, whether beneficial owners of interests in any such security in permanent global form may exchange such interests for debt securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the applicable indenture, and, if debt securities of the series are to be issuable as a global security, the identity of the depository for such series;

- (17) the applicability, if any, of the defeasance and covenant defeasance

provisions of  
the applicable  
indenture to  
the debt  
securities of  
the series;

- (18) if  
exchangeable  
into another  
series of debt  
securities of  
XL Capital,  
the terms on  
which such  
debt securities  
are  
exchangeable;  
and

- (19) any other  
terms of the  
series of debt  
securities and  
any additions  
to the  
applicable  
indenture.

The debt securities, if convertible or exchangeable, will not be convertible into or exchangeable for securities of a third party.

If the applicable prospectus supplement provides, the debt securities may be issued at a discount below their principal amount and provide for less than the entire principal amount thereof to be payable upon declaration of acceleration of the maturity thereof. In such cases, all material U.S. federal income tax considerations will be described in the applicable prospectus supplement.

Except as may be set forth in the applicable prospectus supplement, the debt securities will not contain any provisions that would limit our ability to incur indebtedness or that would afford holders of debt securities protection from transactions involving us, including a highly leveraged transaction involving us or a change in control. The applicable prospectus supplement will contain information with respect to any additions to the events of default or covenants described below, including any addition of a covenant or other provision providing event risk or similar protection.

**Denomination, Interest, Registration and Transfer**

We will issue the debt securities of each series only in registered form, without coupons, in denominations of \$2,000, or in such other currencies or denominations as may be set forth in the applicable supplemental indenture or specified in, or pursuant to, an authorizing resolution, if any, relating to such series of debt securities.

The principal of and interest, if any, on any series of debt securities will be payable at the corporate trust office of the trustee, the address of which will be stated in the applicable prospectus supplement. However, at our option, interest payment may be made by check mailed to the address of the person entitled thereto as it appears in the applicable register for such debt securities.

Subject to certain limitations imposed upon debt securities issued in book-entry form, the debt securities of any series:

will be  
exchangeable  
for any  
authorized  
denomination  
of other debt  
securities of  
the same  
series and of a  
like aggregate  
principal  
amount and  
tenor upon  
surrender of  
such debt  
securities at  
the trustee's  
corporate trust  
office or at  
the office of  
any registrar  
designated by  
us for such  
purpose; and

may be  
surrendered  
for  
registration of  
transfer or  
exchange  
thereof at the  
corporate trust  
office of the  
trustee or at  
the office of  
any registrar

designated by  
us for such  
purpose.

No service charge will be made for any registration of transfer or exchange, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with certain transfers and exchanges. We may act as registrar and may change any registrar without notice.

### **Certain Covenants**

The applicable prospectus supplement will describe any material covenants in respect of a series of debt securities that are not described in this prospectus.

#### *Provisions Applicable to All Debt Securities*

Unless otherwise indicated in the applicable prospectus supplement, senior debt securities and subordinated debt securities will include the provisions described below.

#### *Merger, Consolidation or Sale of Assets*

We may not (1) consolidate with or merge into any other person or convey, transfer, sell or lease our properties and assets substantially as an entirety to any person, (2) permit any person to consolidate with or merge into us or (3) permit any person to convey, transfer, sell or lease that person's properties and assets substantially as an entirety to us unless:

in the case of  
(1) and (2)  
above, if we  
are not the  
surviving  
person, such  
surviving  
person is an  
entity  
organized and  
existing under  
the laws of  
the United  
States of  
America  
(including  
any State  
thereof or the  
District of  
Columbia),  
the United  
Kingdom, the  
Cayman  
Islands,  
Bermuda or  
any country

which is, on the date of the applicable prospectus supplement and supplemental indenture, a member of the Organisation for Economic Co-operation and Development or the European Union and the surviving person assumes the payment of the principal of, premium, if any, and interest on the debt securities and the performance of our other covenants under the applicable indenture; and

in all cases, immediately after giving effect to the transaction, no event of default, and no event that, after notice or lapse of time or both, would become an event of

default, will  
have occurred  
and be  
continuing.

*Provisions Applicable to Senior Debt Securities Only*

Unless otherwise indicated in the applicable prospectus supplement, senior debt securities will include the provisions described below.

A change in control will be deemed to have occurred at such time as:

- (1) any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act, acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of our capital stock entitling the person to exercise 50% or more of the total voting power of all shares of our capital stock that is entitled to vote generally in elections of directors, other than an acquisition by us, any of our subsidiaries or any of our employee benefit plans and other than any transaction contemplated by the second

bullet point of  
clause (2)  
below; or

- (2) we merge or  
consolidate  
with or into  
any other  
person (other  
than a  
subsidiary),  
another  
person (other  
than a  
subsidiary)  
merges into  
us, or we  
convey, sell,  
transfer or  
lease all or  
substantially  
all of our  
assets to  
another  
person (other  
than a  
subsidiary),  
other than any  
transaction:

that does not  
result in a  
reclassification,  
conversion,  
exchange or  
cancellation of  
our outstanding  
ordinary shares  
(other than the  
cancellation of  
any of our  
outstanding  
ordinary shares  
held by the  
person with  
whom we  
merge or  
consolidate), or

pursuant to  
which the



holders of our ordinary shares immediately prior to the transaction are entitled to exercise, directly or indirectly, 50% or more of the total voting power of all shares of capital stock entitled to vote generally in the election of directors of the continuing or surviving corporation immediately after the transaction, or

which is effected solely to change our jurisdiction of incorporation and results in a reclassification, conversion or exchange of our outstanding ordinary shares solely into shares of common stock of the surviving entity.

However, a change in control will not be deemed to have occurred if either:

(A) in the case of debt securities that are convertible into ordinary shares of XL Capital, the closing price for our ordinary shares for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the change in control or the public announcement of the change in control, in the case of a change in control relating to an acquisition of capital stock, or the period of 10 consecutive trading days ending immediately before the change in control, in the case of a change in control relating to a merger, consolidation or asset sale, equals or exceeds 105% of the average of the closing prices for such convertible debt securities on each of such trading days; or

(B) all of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights) in a merger or consolidation otherwise constituting a change in control under clause (1) and/or clause (2) above consists of shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (or will be so traded or quoted immediately following the merger or consolidation).

## **Ranking of Debt Securities**

### *General*

We currently conduct substantially all of our operations through our subsidiaries and our subsidiaries generate substantially all of our operating income and cash flow. As a result, distributions and advances from our subsidiaries are the principal source of funds necessary to meet our debt service obligations. Contractual provisions or laws, as well as our subsidiaries' financial condition and operating and regulatory requirements, may limit our ability to obtain cash from our subsidiaries that we require to pay our debt service obligations. For a description of certain regulatory restrictions on the payment of dividends by our subsidiaries, see Item 1 "Business Regulations" included in our Form 10-K for the year ended December 31, 2007, which is incorporated by reference in this Prospectus. In addition, because we are a holding company, holders of the debt securities will have a junior position to the claims of creditors of our subsidiaries on their assets and earnings.

*Senior debt securities*

The senior debt securities will be our unsecured unsubordinated obligations and will:

rank equal in  
right of  
payment with  
all our other  
unsecured and  
unsubordinated  
indebtedness;

be effectively  
subordinated in  
right of  
payment to all  
our secured  
indebtedness to  
the extent of the  
value of the  
assets securing  
such  
indebtedness;  
and

be effectively  
subordinated to  
all of our  
subsidiaries  
indebtedness  
and all  
mandatorily  
redeemable  
preferred stock  
of our  
subsidiaries.

As of September 30, 2008, the aggregate amount of our outstanding consolidated indebtedness for money borrowed was approximately \$3.2 billion. All such outstanding indebtedness is unsecured and unsubordinated. As of September 30, 2008, there was no outstanding indebtedness for money borrowed of our subsidiaries (other than XL Finance), which would effectively rank senior to the senior debt issued under the senior debt indenture.

Except as otherwise set forth in the applicable senior indenture or specified in an authorizing resolution and/or supplemental indenture, if any, relating to a series of senior debt securities to be issued, there are no limitations in the senior indenture on the amount of additional indebtedness which may rank equal with the senior debt securities or on the amount of indebtedness, secured or otherwise, which may be incurred or preferred stock which may be issued by any of our subsidiaries.

*Subordinated debt securities*

The subordinated debt securities will be our unsecured subordinated obligations. Unless otherwise provided in the applicable prospectus supplement, the payment of principal of, interest on and all other amounts owing in respect of the subordinated debt securities will be subordinated in right of payment to the prior payment in full in cash of principal of, interest on and all other amounts owing in respect of all of our senior indebtedness. Upon any payment or distribution of our assets of any kind or character, whether in cash, property or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of our assets or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to us or our property, whether voluntary or involuntary, all principal of, interest on and all other amounts due or to become due shall be paid, first, to all senior indebtedness in full in cash, or such payment duly provided for to the satisfaction of the holders of senior indebtedness, before any payment or distribution of any kind or character is made on account of any principal of, interest on or other amounts owing in respect of the subordinated debt securities, or for the acquisition of any of the subordinated debt securities for cash, property or otherwise.

As of September 30, 2008, the aggregate amount of our outstanding consolidated indebtedness for money borrowed was approximately \$3.2 billion. All such outstanding indebtedness is unsecured and unsubordinated. As of September 30, 2008, there was no outstanding indebtedness for money borrowed of our subsidiaries (other than XL Finance), which would effectively rank senior to the subordinated debt that may be issued under the subordinated debt indenture.

If any default occurs and is continuing in the payment when due, whether at maturity, upon any redemption, by declaration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or regularly accruing fees with respect to, any senior indebtedness, no payment of any kind or character shall be made by us or any other person on our or their behalf with respect to any principal of, interest on or other amounts owing in respect of the subordinated debt securities or to acquire any of the subordinated debt securities for cash, property or otherwise.

If any other event of default occurs and is continuing with respect to any senior indebtedness, as such event of default is defined in the instrument creating or evidencing such senior indebtedness, permitting the holders of such senior indebtedness then outstanding to accelerate the maturity thereof and if the representative (as defined in the applicable indenture) for the respective issue of senior indebtedness gives written notice of the event of default to the trustee (a default notice ), then, unless and until all events of default have been cured or waived or have ceased to exist or the

trustee receives notice from the representative for the respective issue of senior indebtedness terminating the blockage period (as defined below), during the 179 days after the delivery of such default notice (the blockage period), neither we nor any other person on our behalf shall:

- (1) make any payment of any kind or character with respect to any principal of, interest on or other amounts owing in respect of the subordinated debt securities; or
- (2) acquire any of the subordinated debt securities for cash, property or otherwise.

Notwithstanding anything herein to the contrary, in no event will a blockage period extend beyond 179 days from the date the payment on the subordinated debt securities was due and only one such blockage period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any blockage period with respect to the senior indebtedness shall be, or be made, the basis for commencement of a second blockage period by the representative of such senior indebtedness whether or not within a period of 360 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action, or any breach of any financial covenants for a period commencing after the date of commencement of such blockage period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

The subordinated indentures do not, and any supplemental subordinated indenture will not, restrict the amount of our or our subsidiaries senior indebtedness or other indebtedness. As a result of the foregoing provisions, in the event of our insolvency, holders of the subordinated debt securities may recover ratably less than our general creditors.

senior indebtedness, unless otherwise specified in one or more applicable supplemental indentures or approved pursuant to a board resolution in accordance with the applicable indenture, means, with respect to us,

- (1) the principal (including redemption

payments),  
premium, if  
any, interest  
and other  
payment  
obligations in  
respect of (A)  
our  
indebtedness  
for money  
borrowed and  
(B) our  
indebtedness  
evidenced by  
securities,  
debentures,  
bonds, notes or  
other similar  
instruments  
issued by us,  
including any  
such securities  
issued under  
any deed,  
indenture or  
other  
instrument to  
which we are a  
party  
(including, for  
the avoidance  
of doubt,  
indentures  
pursuant to  
which senior  
debt securities  
have been or  
may be issued);

- (2) all of our  
capital lease  
obligations;
- (3) all of our  
obligations  
issued or  
assumed as the  
deferred  
purchase price  
of property, all  
of our

conditional sale obligations, all of our hedging agreements and agreements of a similar nature thereto and all agreements relating to any such agreements, and all of our obligations under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(4) all of our obligations for reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction;

(5) all obligations of the type referred to in clauses (1) through (4) above of other persons for the payment of which we are responsible or liable as obligor, guarantor or otherwise;

(6)

all obligations of the type referred to in clauses (1) through (5) above of other persons secured by any lien on any of our property or assets (whether or not such obligation is assumed by us); and

- (7) any deferrals, amendments, renewals, extensions, modifications and refundings of all obligations of the type referred to in clauses (1) through (6) above, in each case whether or not contingent and whether outstanding at the date of effectiveness of the applicable supplemental indenture or thereafter incurred;

*except*, in each case, for the subordinated debt securities and any such other indebtedness or deferral, amendment, renewal, extension, modification or refunding that contains express terms, or is



issued under a deed, indenture or other instrument that contains express terms, providing that it is subordinate to or ranks equal with the subordinated debt securities.

Such senior indebtedness shall continue to be senior indebtedness and be entitled to the benefits of the subordination provisions of the applicable indenture irrespective of any amendment, modification or waiver of any term of such senior indebtedness and notwithstanding that no express written subordination agreement may have been entered into between the holders of such senior indebtedness and the trustee or any of the holders.

### **Discharge and Defeasance**

Under the terms of the indentures, we will be discharged from any and all obligations in respect of the debt securities of any series and the applicable indenture (except in each case for certain obligations to register the transfer or exchange of debt securities, replace stolen, lost or mutilated debt securities, maintain paying agencies and hold moneys for payment in trust) if:

- (1) we deliver  
all  
outstanding  
debt  
securities of  
such series  
to the trustee  
for  
cancellation  
and pay all  
sums  
payable by  
us under  
such debt  
securities  
and the  
indenture  
with respect  
to such  
series; or
- (2) such debt  
securities  
either have  
become due  
and payable  
or will  
become due  
and payable  
within one  
year (or are  
scheduled  
for  
redemption  
within one

year) and we  
deposit with  
the debt  
securities  
trustee, in  
trust:

- (a) in the case of  
any debt  
securities of  
any series  
denominated  
in U.S.  
dollars, cash  
or U.S.  
government  
obligations  
sufficient to  
pay all  
principal of  
and interest  
and  
premium, if  
any, on such  
debt  
securities;  
and
  
- (b) in the case of  
any debt  
securities of  
any series  
denominated  
in any  
currency  
other than  
U.S. dollars,  
an amount of  
the  
applicable  
currency in  
which such  
debt  
securities are  
denominated  
sufficient to  
pay all  
principal of  
and interest  
and  
premium, if

any, on such  
debt  
securities.

In addition, unless the applicable prospectus supplement and supplemental indenture provide otherwise, we may elect either (1) to defease and be discharged from any and all obligations with respect to such debt securities ( defeasance ) or (2) to be released from our obligations with respect to such debt securities under certain covenants in the applicable indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to such debt securities ( covenant defeasance ):

(1) by  
delivering  
all  
outstanding  
debt  
securities of  
such series  
to the trustee  
for  
cancellation  
and paying  
all sums  
payable by  
us under  
such debt  
securities  
and the  
indenture  
with respect  
to such  
series;

(2) by  
delivering to  
the trustee  
an officers  
certificate as  
to solvency  
and the  
absence of  
intent of  
preferring  
holders of  
the debt  
securities  
over our  
other  
creditors;  
and

(3)

after giving  
notice to the  
trustee of  
our intention  
to defease  
all of the  
debt  
securities of  
such series,  
by  
irrevocably  
depositing  
with the  
trustee or a  
paying agent

- (a) in the case of  
any debt  
securities of  
any series  
denominated  
in U.S.  
dollars, cash  
or U.S.  
government  
obligations  
sufficient to  
pay all  
principal of  
and interest  
on such debt  
securities;  
and
  
- (b) in the case of  
any debt  
securities of  
any series  
denominated  
in any  
currency  
other than  
U.S. dollars,  
an amount of  
the  
applicable  
currency in  
which the  
debt  
securities are  
denominated

sufficient to  
pay all  
principal of  
and interest  
on such debt  
securities.

Such a trust may only be established if, among other things:

- (1) the  
applicable  
defeasance  
or covenant  
defeasance  
does not  
result in a  
breach or  
violation  
of, or  
constitute a  
default  
under, any  
material  
agreement  
or  
instrument  
to which  
we are a  
party or by  
which we  
are bound;

- (2) no event of default or event which with notice or lapse of time or both would become an event of default with respect to the debt securities to be defeased will have occurred and be continuing on the date of establishment of such a trust after giving effect to such establishment and, with respect to defeasance only, no bankruptcy proceeding with respect to us will have occurred and be continuing at any time during the period ending on the 91st day after such date; and
- (3) we have delivered to the trustee an opinion of counsel (as specified in the applicable supplemental indenture) to the effect that the holders

will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such opinion of counsel, in the case of defeasance, must refer to and be based upon a letter ruling of the Internal Revenue Service received by us, a Revenue Ruling published by the Internal Revenue Service or a change in applicable

United States  
federal  
income tax  
law occurring  
after the date  
of the  
applicable  
supplemental  
indenture.

In the event we effect covenant defeasance with respect to any debt securities and such debt securities are declared due and payable because of the occurrence of any event of default, other than an event of default with respect to any covenant as to which there has been covenant defeasance, the government obligations on deposit with the trustee will be sufficient to pay amounts due on such debt securities at the time of the stated maturity but may not be sufficient to pay amounts due on such debt securities at the time of the acceleration resulting from such event of default.

### **Modification and Waiver**

We, when authorized by a board resolution, and the trustee may modify, amend and/or supplement the applicable indenture and the applicable debt securities with the consent of the holders of not less than a majority in principal amount of the outstanding debt securities of all series affected thereby (voting as a single class); *provided, however*, that such modification, amendment or supplement may not, without the consent of each holder of the debt securities affected thereby:

- (1) change the stated maturity of the principal of or any premium or any installment of interest with respect to the debt securities;
- (2) reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, the debt securities;
- (3) change the currency of



payment of  
principal of or  
interest on the  
debt  
securities;

- (4) change the redemption provisions, if any, of any debt securities in any manner adverse to the holders of such series of debt securities;
- (5) impair the right to institute suit for the enforcement of any payment on or with respect to the debt securities;
- (6) reduce the above-stated percentage of holders of the debt securities of any series necessary to modify or amend the indenture relating to such series;
- (7) in the case of any subordinated indenture, modify the subordination provisions thereof in a manner

adverse to the  
holders of  
such  
subordinated  
debt securities  
then  
outstanding;

- (8) in the case of  
any  
convertible  
debt  
securities,  
adversely  
affect the  
right to  
convert such  
debt securities  
into ordinary  
shares or  
preference  
ordinary  
shares in  
accordance  
with the  
provisions of  
the applicable  
indenture;
- (9) modify or  
change any  
provision of  
the applicable  
indenture or  
the related  
definitions  
affecting the  
ranking of the  
applicable  
series of  
senior debt  
securities in a  
manner which  
adversely  
affects the  
holders of  
such senior  
debt  
securities; or

- (10) modify the foregoing requirements or reduce the percentage of outstanding debt securities necessary to waive any covenant or past default.

Holders of not less than a majority in principal amount of the outstanding debt securities of all series affected thereby (voting as a single class) may waive certain past defaults and may waive compliance by us with any provision of the indenture relating to such debt securities (subject to the immediately preceding sentence); *provided, however*, that:

- (1) without the consent of each holder of debt securities affected thereby, no waiver may be made of a default in the payment of the principal of or interest on any debt security or in respect of a covenant or provision of the indenture that expressly states that it cannot be modified or amended without the consent of each holder affected; and
- (2) only the holders of a majority in

principal amount of debt securities of a particular series may waive compliance with a provision of the indenture relating to such series or the debt securities of such series having applicability solely to such series.

We, when authorized by a board resolution, and the trustee may amend or supplement the indentures or waive any provision of such indentures and the debt securities without the consent of any holders of debt securities in some circumstances, including:

to cure any ambiguity, omission, defect or inconsistency;

to make any change that does not, in the good faith opinion of our board of directors and the trustee, adversely affect the interests of holders of such debt securities in any material respect;

to provide for the assumption of our obligations

under the applicable indenture by a successor upon any merger, consolidation or asset transfer permitted under the applicable indenture;

to provide any security for or guarantees of such debt securities;

to add events of default with respect to such debt securities;

to add covenants that would benefit the holders of such debt securities or to surrender any rights or powers we have under the applicable indenture;

to make any change necessary for the registration of the debt securities under the Securities Act or to comply with the Trust Indenture Act, or any amendment thereto, or to

comply with any requirement of the SEC in connection with the qualification of the applicable indenture under the Trust Indenture Act; *provided, however,* that such modification or amendment does not, in the good faith opinion of our board of directors and the trustee, adversely affect the interests of the holders of such debt securities in any material respect;

to provide for uncertificated debt securities in addition to or in place of certificated debt securities or to provide for bearer debt securities;

to add to or change any of the provisions of the applicable indenture to such extent as shall be necessary to

permit or facilitate the issuance of the debt securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

to change or eliminate any of the provisions of the applicable indenture, *provided, however,* that any such change or elimination shall become effective only when there is no debt security outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;

to establish the form or terms of debt securities of any series as permitted by the applicable indenture; or

to evidence  
and provide  
for the  
acceptance of  
appointment  
by a successor  
trustee with  
respect to the  
debt securities  
of one or more  
series and to  
add to or  
change any of  
the provisions  
of the  
applicable  
indenture as  
shall be  
necessary to  
provide for or  
facilitate the  
administration  
of the trusts  
under the  
applicable  
indenture by  
more than one  
trustee,  
pursuant to the  
requirements  
of the  
applicable  
indenture.



### Events of Default and Notice Thereof

The following events are events of default with respect to any series of debt securities issued hereunder:

- (1) failure to pay interest on any debt securities of such series within 60 days of when due or principal of any debt securities of such series when due (including any sinking fund installment);
- (2) failure to perform any other agreement contained in the debt securities of such series or the indenture relating to such series (other than an agreement relating solely to another series of debt securities) for 60 days after notice; and
- (3) certain events of bankruptcy, insolvency or reorganization with respect to us.

Additional or different events of default, if any, applicable to the series of debt securities in respect of which this prospectus is being delivered will be specified in the applicable prospectus supplement.

The trustee under such indenture shall, within 90 days after the occurrence of any default (the term default to include the events specified above without grace or notice) with respect to any series of debt securities actually known to it,

give to the holders of such debt securities notice of such default; *provided, however*, that, except in the case of a default in the payment of principal of or interest on any of the debt securities of such series or in the payment of a sinking fund installment, the trustee for such series shall be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of such debt securities; and *provided, further*, that in the case of any default of the character specified in clause (2) above with respect to debt securities of such series, no such notice to holders of such debt securities will be given until at least 30 days after the occurrence thereof. We shall certify to the trustee quarterly as to whether any default exists.

In the case that an event of default, other than an event of default resulting from bankruptcy, insolvency or reorganization, with respect to any series of debt securities shall occur and be continuing, the trustee for such series or the holders of at least 25% in aggregate principal amount of the debt securities of such series then outstanding, by notice in writing to us (and to the trustee for such series if given by the holders of the debt securities of such series), will be entitled to declare all unpaid principal of and accrued interest on such debt securities then outstanding to be due and payable immediately.

In the case of an event of default resulting from certain events of bankruptcy, insolvency or reorganization, all unpaid principal of and accrued interest on all debt securities of such series then outstanding shall be due and payable immediately without any declaration or other act on the part of the trustee for such series or the holders of any debt securities of such series.

Such acceleration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal of or interest on the debt securities of such series) may be waived by the holders of a majority in principal amount of the debt securities of such series then outstanding upon the conditions provided in the applicable indenture.

No holder of the debt securities of any series issued thereunder may pursue any remedy under such indenture unless the trustee for such series shall have failed to act after, among other things, notice of an event of default and request by holders of at least 25% in principal amount of the debt securities of such series in respect of which the event of default has occurred and the offer to the trustee for such series of indemnity satisfactory to it; *provided, however*, that such provision does not affect the right to sue for enforcement of any overdue payment on such debt securities.

### **Conversion and Exchange Rights**

The terms and conditions, if any, upon which the debt securities of any series will be convertible into our ordinary shares or preference ordinary shares or upon which the senior debt securities of any series will be exchangeable for another series of our debt securities will be set forth in the prospectus supplement relating thereto. Such terms will include the conversion or exchange

price (or manner of calculation thereof), the conversion or exchange period, provisions as to whether conversion or exchange will be at the option of the holders of such series of debt securities or at our option or automatic, the events requiring an adjustment of the conversion or exchange price and provisions affecting conversion or exchange in the event of the redemption of such series of debt securities. The debt securities, if convertible or exchangeable, will not be convertible into or exchangeable for securities of a third party.

### **The Trustee**

Subject to the terms of the applicable indenture, the trustee for each series of debt securities is The Bank of New York Mellon. Each indenture contains certain limitations on the right of the trustee, as our creditor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The trustee is permitted to engage in other transactions; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

The trustee may resign at any time with respect to each series of debt securities by giving written notice thereof to us. The trustee may be removed at any time with respect to each series of debt securities by the holders of a majority in principal amount of the outstanding securities of such series delivered to the trustee and to us. In addition, we may also remove the trustee with or without cause if we so notify the trustee thirty days in advance and if no default occurs or is continuing during the thirty-day period.

Subject to the terms of the applicable indenture, the holders of a majority in principal amount of all outstanding debt securities of a series (or if more than one series is affected thereby, of all series so affected, voting as a single class) have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the trustee for such series or all such series so affected.

In case an event of default shall occur (and shall not be cured) under any indenture relating to a series of debt securities and is actually known to a responsible officer of the trustee for such series, such trustee shall exercise such of the rights and powers vested in it by such indenture and use the same degree of care and skill in such exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs. Subject to such provisions, the trustee will not be under any obligation to exercise any of its rights or powers under the applicable indenture at the request of any of the holders of debt securities unless they shall have offered to the trustee security and indemnity satisfactory to it.

### **Governing Law**

The indentures and the debt securities are governed by the laws of the State of New York.

### **Global Securities; Book-Entry System**

We may issue the debt securities of any series in whole or in part in the form of one or more global securities to be deposited with, or on behalf of, a depositary (the "depositary") identified in the prospectus supplement relating to such series. Global securities represent in the aggregate the total principal or face amount of the securities and, once on deposit with a depositary, allow trading of the securities through the depositary's book-entry system (as further described below). Global securities, if any, issued in the United States are expected to be deposited with The Depository Trust Company ("DTC"), as depositary. Global securities will be issued in fully registered form and may be issued in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented thereby, a global security may not be transferred except as a whole by the depositary for such global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any nominee of such depositary to a successor depositary or any nominee of such successor.



The specific terms of the depositary arrangement with respect to any series of debt securities will be described in the prospectus supplement relating to such series. We expect that unless otherwise indicated in the applicable prospectus supplement, the following provisions will apply to depositary arrangements.

Upon the issuance of a global security, the depositary for such global security or its nominee will credit on its book-entry registration and transfer system the respective principal amounts of the individual debt securities represented by such global security to the accounts of persons that have accounts with such depositary ( participants ). Such accounts will be designated by the underwriters, dealers or agents with respect to such debt securities or by us if such debt securities are offered directly by us. Ownership of beneficial interests in such global security will be limited to participants or persons that may hold interests through participants.

We expect that, pursuant to procedures established by DTC, ownership of beneficial interests in any global security with respect to which DTC is the depositary will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to beneficial interests of participants) and records of participants (with respect to beneficial interests of persons who hold through participants). Neither we nor the trustee will have any responsibility or liability for any aspect of the records of DTC or for maintaining, supervising or reviewing any records of DTC or any of its participants relating to beneficial ownership interests in the debt securities. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and laws may impair the ability to own, pledge or transfer beneficial interests in a global security.

So long as the depositary for a global security or its nominee is the registered owner of such global security, such depositary or such nominee, as the case may be, will be considered the sole owner or holder of the debt securities represented by such global security for all purposes under the applicable indenture. Except as described below or in the applicable prospectus supplement, owners of beneficial interests in a global security will not be entitled to have any of the individual debt securities represented by such global security registered in their names, will not receive or be entitled to receive physical delivery of any such debt securities in definitive form and will not be considered the owners or holders thereof under the applicable indenture for any purpose, including with respect to the giving of any directions, instructions or approvals to the trustee thereunder. Accordingly, each person owning a beneficial interest in a global security with respect to which DTC is the depositary must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interests, to exercise any rights of a holder under the applicable indenture. We understand that, under existing industry practice, if it requests any action of holders or if an owner of a beneficial interest in a global security desires to take any action which a holder is entitled to take under the applicable indenture, DTC would authorize the participants holding the relevant beneficial interest to take such action, and such participants would authorize beneficial owners through such participants to take such actions or would otherwise act upon the instructions of beneficial owners holding through them.

Payments of principal of, and any interest on, individual debt securities represented by a global security registered in the name of a depositary or its nominee will be made to or at the direction of the depositary or its nominee, as the case may be, as the registered owner of the global security under the applicable indenture. Under the terms of the applicable indenture, we and the trustee may treat the persons in whose name debt securities, including a global security, are registered as the owners thereof for the purpose of receiving such payments. Consequently, neither we nor the trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of debt securities (including principal and interest). We believe, however, that it is currently the policy of DTC to immediately credit the accounts of relevant participants with such payments, in amounts proportionate to their respective holdings of beneficial interests in the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in such global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name, and will be the responsibility of such participants. Redemption notices with respect to any debt securities



represented by a global security will be sent to the depositary or its nominee. If less than all of the debt securities of any series are to be redeemed, we expect the depositary to determine the amount of the interest of each participant in such debt securities to be redeemed by lot. None of us, the trustee, any paying agent or the registrar for such debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such debt securities or for maintaining any records with respect thereto.

Neither we nor the trustee will be liable for any delay by the holders of a global security or the depositary in identifying the beneficial owners of debt securities and we and the trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of a global security or the depositary for all purposes. The rules applicable to DTC and its participants are on file with the SEC.

If a depositary for any debt securities is at any time unwilling, unable or ineligible to continue as depositary and a successor depositary is not appointed by us within 90 days, we will issue individual debt securities in exchange for the global security representing such debt securities.

All moneys paid by us to a paying agent or a trustee for the payment of the principal of or interest on any debt security which remain unclaimed at the end of two years after such payment has become due and payable will be repaid to us, and the holder of such debt security thereafter may look only to us for payment thereof.

## DESCRIPTION OF XL FINANCE SENIOR DEBT SECURITIES

### General

In this section, references to XL Finance, we, our or us refer solely to XL Capital Finance (Europe) plc.

XL Finance may issue senior debt securities from time to time in one or more series, under one or more indentures, each dated as of a date on or prior to the issuance of the senior debt securities to which it relates. Senior debt securities may be issued pursuant to a senior indenture between us and a trustee qualified under the Trust Indenture Act. Such indenture is subject to such amendments or supplements as may be adopted from time to time. The senior indenture, as amended or supplemented from time to time, is sometimes referred to as an indenture. The indenture is subject to and governed by the Trust Indenture Act. The aggregate principal amount of senior debt securities which may be issued under the indenture is unlimited and the indenture provides that the specific terms of any series of senior debt securities will be set forth in, or determined pursuant to, an authorizing resolution, as defined in the applicable prospectus supplement, and/or a supplemental indenture, if any, relating to such series.

The statements made below relating to the senior debt securities and the indenture are summaries of the material provisions thereof and are subject to, and are qualified by reference to, all of the provisions of the indenture and any applicable U.S. federal income tax considerations as well as any applicable supplements to the terms described below in the applicable prospectus supplement. The applicable prospectus supplement may also state that any of the terms set forth herein are inapplicable to such series of senior debt securities; *provided*, that the information set forth in such prospectus supplement does not constitute material changes to the information herein such that it alters the nature of the offering or the securities offered.

### Terms

The senior debt securities will be the direct, unsecured and unsubordinated obligations of XL Finance and will be fully and unconditionally guaranteed by XL Capital, the guarantor. The senior debt securities will rank equal in right of payment with all of XL Finance's other unsecured and unsubordinated indebtedness.

The specific terms of each series of senior debt securities will be set forth in the applicable prospectus supplement relating thereto, including the following, as applicable:



- (1) the title of such senior debt securities;
- (2) the aggregate principal amount of such senior debt securities and any limit on such aggregate principal amount;
- (3) the price (expressed as a percentage of the principal amount thereof) at which such senior debt securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity thereof;
- (4) the date(s), or the method for determining such date or dates, on which the principal of such senior debt securities

will be payable and, if applicable, the terms on which such maturity may be extended;

- (5) the rate(s) (which may be fixed or floating), or the method by which such rate or rates shall be determined, at which such senior debt securities will bear interest, if any, including if applicable, that such debt securities will bear interest at an increased rate (up to a specified maximum) upon the occurrence of an event of default and/or under certain circumstances described in the applicable prospectus supplement (which may include, among other things, a reduction in the trading price of XL Capital s ordinary shares below

certain levels  
for a minimum  
period of  
time);

- (6) the date(s), or the method for determining such date or dates, from which any such interest will accrue, the dates on which any such interest will be payable, the record dates for such interest payment dates, or the method by which such dates shall be determined, the persons to whom such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;
- (7) the place(s) where the principal of and interest, if any, on such senior debt securities will be payable, where such senior debt

securities may be surrendered for registration of transfer or exchange and where notices or demands to or upon XL Finance in respect of such senior debt securities and the indenture may be served;

- (8) the period(s), if any, within which, the price or prices at which and the other terms and conditions upon which such senior debt securities may, pursuant to any optional or mandatory redemption provisions, be redeemed, as a whole or in part, at XL Finance's option;

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