XL CAPITAL LTD
Form DEF 14A
March 10, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant S

Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement

£ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

S Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Under §240.14a-12

XL CAPITAL LTD
(Name of Registrant as Specified in its Charter)
N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

S No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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£ Fee paid previously with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

March 9, 2010

To Our Ordinary Shareholders:

On April 30, 2010, commencing at 12:30 p.m., Bermuda time, we will hold two special meetings of our ordinary shareholders at our principal executive offices in Bermuda.

At these meetings, you will be asked to vote on a number of proposals, including a proposal for a redomestication that would change the place of incorporation of the ultimate parent holding company of the XL group of companies from the Cayman Islands to Ireland, through a scheme of arrangement under Cayman Islands law.

Our Board of Directors has unanimously determined that changing the place of incorporation of our holding company to Ireland, and the other proposals referenced below, are in the best interests of XL and its shareholders. In summary, our Board of Directors believes that the change of our place of incorporation will reduce certain risks that may impact us and offer us the opportunity to reinforce our reputation, which is one of our key assets. The reasons for the redomestication and the other proposals are discussed in further detail in the accompanying proxy statement.

Completion of the proposed scheme of arrangement will result in an exchange of your ordinary shares in XL Capital Ltd, a Cayman Islands company, for an equal number of ordinary shares of XL Group plc, a new Irish public limited company. Cash will instead be paid for fractional ordinary shares of XL Capital Ltd.

Following completion of the redomestication, our ordinary shares will continue to be listed on the New York Stock Exchange (the NYSE) under the ticker symbol XL. We will continue to be registered with the U.S. Securities and Exchange Commission (the SEC) and be subject to the same SEC reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002 and the applicable corporate governance rules of the NYSE. We will continue to report our financial results in U.S. dollars and under U.S. generally accepted accounting principles.

In addition to the redomestication proposal, we are also asking you to approve the following additional proposals (as more fully described in the accompanying proxy statement):

A proposal to create distributable reserves in XL Group plc, the new Irish parent company described above. Creation of distributable reserves in XL Group plc is being sought in connection with the redomestication so that, under Irish law, we would continue to be able to pay dividends and redeem and buy back shares, before we generate post-redomestication earnings. Although completion of the redomestication is not conditioned on your approval of the distributable reserves proposal, we may decide not to complete the redomestication if this proposal is not approved as described in the accompanying proxy statement.

A proposal to adopt an amendment to our articles of association containing certain new procedural requirements and related clarifying provisions for ordinary shareholder nominations to the Board of Directors of XL. This proposal would be effective for general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting. We believe the new procedural requirements for shareholder nominations of directors will facilitate an orderly process for shareholders to make nominations of directors and give the XL Board and other shareholders a reasonable opportunity to consider nominations to be brought at annual general meetings. If this proposed amendment is approved, the procedural requirements will be replicated in the articles of association of XL Group plc if the redomestication is consummated.

A proposal to change our name from XL Capital Ltd to XL Group Ltd . We believe the change of name is desirable to reflect XL s exclusive focus on providing property, casualty and specialty insurance and reinsurance products for our customers complex risks. If approved, the name change will be implemented even if the redomestication is not consummated.

In connection with our proposed redomestication, we will also seek the approval of the Series C and Series E preference shareholders of XL Capital Ltd to exchange their preference shares for an equal number of preference shares of XL Group plc in the scheme of arrangement. This preference share exchange will occur only if the scheme of arrangement is approved by the requisite vote of our ordinary shareholders and the Grand Court of the Cayman Islands and if all of the conditions are satisfied. However, the redomestication is not conditioned on completion of the preference share exchange or any approval of the scheme of arrangement by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the scheme of arrangement, we expect to complete the redomestication if we obtain the requisite approval of our ordinary shareholders and the Grand Court of the Cayman Islands and if other conditions are satisfied.

The accompanying proxy statement provides important information about the proposals described above. We encourage you to read the entire document carefully, including the Risk Factors section beginning on page 30 of the accompanying proxy statement, before voting by proxy or at the meetings.

Your vote is very important. Your Board of Directors unanimously recommends that you vote FOR all of the above proposals.

To ensure that your ordinary shares are voted in accordance with your wishes, please mark, date, sign and return the accompanying gold proxy card in the enclosed, postage-paid envelope as promptly as possible, or appoint a proxy to vote your ordinary shares by telephone or by using the Internet, as described in the accompanying proxy statement. If you hold your ordinary shares through a bank, broker or other nominee holder, please follow the voting instructions provided to you by such bank, broker or other nominee holder.

If you have any questions about the meetings or require assistance, please call Georgeson Inc., our proxy solicitor, at 1-800-509-1390 (toll-free within the United States) or at +1 (212) 440-9800 (outside the United States).

On behalf of XL Capital Ltd s Board of Directors, thank you for your continued support.

Sincerely,

Michael S. McGavick	Robert R. Glauber
Chief Executive Officer	Chairman of the Board of Directors

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the contemplated share exchanges or determined if the accompanying proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement related to the XL Capital Ltd Class A ordinary shares is dated March 9, 2010 and is first being mailed to XL Capital Ltd s Class A ordinary shareholders on or about March 11, 2010.

SUMMARY OF NOTICES OF THE SPECIAL COURT-ORDERED CLASS MEETING AND THE EXTRAORDINARY GENERAL MEETING OF XL CAPITAL LTD CLASS A ORDINARY SHAREHOLDERS TO BE HELD ON APRIL 30, 2010

To the Class A ordinary shareholders of XL Capital Ltd:

On April 30, 2010, XL Capital Ltd, an exempted company organized under the laws of the Cayman Islands (**XL-Cayman**), will hold a special court-ordered class meeting (the **special scheme meeting**) of the XL Capital Ltd Class A ordinary shareholders (the **ordinary shareholders**), which will commence at 12:30 p.m., Bermuda time, and an extraordinary general meeting of the ordinary shareholders (the **extraordinary general meeting**), which will commence at 1:00 p.m., Bermuda time (or as soon thereafter as the special scheme meeting concludes or is adjourned), in order to approve certain proposals, including proposals related to a scheme of arrangement under Cayman Islands law. We sometimes refer to these meetings together as the **ordinary shareholder special meetings**. Ordinary shareholders are being asked to vote on the following matters:

At the special scheme meeting:

To approve the scheme of arrangement substantially in the form attached as Annex A to the accompanying proxy statement (the **Scheme of Arrangement**). If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect a share exchange (the **Ordinary Share Exchange**) pursuant to which (i) XL Capital Ltd Class A ordinary shares, par value $0.01 per share (the

ordinary shares), will be exchanged for an equal number of ordinary shares of XL Group plc (**XL-Ireland**), a public limited company to be incorporated in Ireland that will be a subsidiary of XL- Cayman (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares), and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

Although approval of the holders of the XL-Cayman Series C preference ordinary shares (the **Series C preference shares**) and the XL-Cayman Series E preference ordinary shares (the **Series E preference shares**) is not required for the Scheme of Arrangement to become effective, if the Scheme of Arrangement becomes effective, and if the requisite approvals are obtained from the holders of the Series C preference shares and the Series E preference shares and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect a share exchange (the **Preference Share Exchange**) pursuant to which the Series C preference shares and the Series E preference shares of XL-Cayman will be exchanged for an equal number of Series C preference shares of XL-Ireland

and Series E preference shares of XL-Ireland, respectively.

We refer to this proposal (Proposal Number One) as the **Scheme of Arrangement Proposal**.

At the extraordinary general meeting:

If the Scheme of Arrangement Proposal is approved by the ordinary shareholders, to approve the creation of distributable reserves in XL-Ireland through a reduction of XL-Ireland s share premium account. We refer to this proposal (Proposal Number Two) as the **Distributable Reserves Proposal** ;

To approve the adoption of an amendment to the articles of association of XL-Cayman with respect to certain procedural requirements for ordinary shareholder nominations to the Board of Directors of XL-Cayman at general meetings of XL-Cayman s ordinary shareholders. If approved, the procedural requirements will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated. We refer to this proposal (Proposal Number Three) as the **Director Nomination Procedures Proposal** ; and

To approve the change of XL Capital Ltd s name to XL Group Ltd. We refer to this proposal (Proposal Number Four) as the **Name Change Proposal**.

At both ordinary shareholder special meetings:

- To approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

The Director Nomination Procedures Proposal and the Name Change Proposal are independent of each other and of the Scheme of Arrangement Proposal and the Distributable Reserves Proposal.

Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective. However, if our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain Irish High Court approval, as required for the creation of distributable reserves. Creation of distributable reserves in XL-Ireland is being sought in connection with the Ordinary Share Exchange and (if approved) the Preference Share Exchange so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-transaction earnings as would otherwise be necessary under Irish law. If the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy, we may decide not to complete the share exchanges contemplated by the Scheme of Arrangement.

The formal notices of the two ordinary shareholder special meetings are provided as attachments to the accompanying proxy statement as Annexes H and I and should be read closely. This summary does not constitute the formal notice in respect of either of those meetings.

If any other matters properly come before either of the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings, the persons named in the proxy card will have the authority to vote the ordinary shares represented by all properly executed proxies in their discretion. The Board of Directors of XL-Cayman currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

The XL-Cayman Board of Directors has set March 5, 2010 as the record date for the special scheme meeting and for the extraordinary general meeting. This means that only those persons who were holders of XL-Cayman ordinary shares at the close of business on the record date will be entitled to receive notice of the ordinary shareholder special meetings and to attend and vote at the ordinary shareholder special meetings and any adjournments thereof.

The special scheme meeting is being held in accordance with an order of the Grand Court of the Cayman Islands (the **Cayman Court**) dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to the accompanying proxy statement. If the XL-Cayman ordinary shareholders approve the Scheme of Arrangement Proposal (and we do not abandon the Scheme of Arrangement), we will proceed to seek the sanction of the Cayman Court in respect of the Scheme of Arrangement. Sanction of the Cayman Court must be obtained as a condition to the Scheme of Arrangement becoming effective. We expect the hearing before the Cayman Court regarding sanction of the Scheme of Arrangement to be held on May 20, 2010. If you are an XL-Cayman ordinary shareholder who wishes to appear in person or by counsel at the Cayman Court hearing and present evidence or arguments in support of or opposition to the Scheme of Arrangement, you may do so. XL-Cayman will not object to the participation in the Cayman Court hearing by any ordinary shareholder who holds shares through a broker.

The accompanying proxy statement and gold proxy card are first being sent to XL-Cayman ordinary shareholders on or about March 11, 2010 and contain additional information on how to attend the ordinary shareholder special meetings and vote any ordinary shares you own in person at the ordinary shareholder special meetings.

Proof of ownership of ordinary shares as of the record date, as well as a form of personal photo identification, must be presented to be admitted to the ordinary shareholder special meetings.

If you hold your XL-Cayman ordinary shares in the name of a bank, broker or other nominee holder of record and you plan to attend the ordinary shareholder special meetings, you must present proof of your ownership of those shares as of the record date, such as a bank or brokerage account statement or letter from your bank or broker, together with a form of personal photo identification, to be admitted to the ordinary shareholder special meetings.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE ORDINARY SHAREHOLDER SPECIAL MEETINGS, PLEASE PROMPTLY RETURN YOUR SIGNED GOLD PROXY CARD IN THE ENCLOSED ENVELOPE OR DIRECT THE VOTING OF YOUR XL-CAYMAN ORDINARY SHARES BY TELEPHONE OR BY INTERNET AS DESCRIBED ON THE ACCOMPANYING GOLD PROXY CARD. IF YOU HOLD YOUR SHARES THROUGH A BANK, BROKER OR OTHER NOMINEE HOLDER, PLEASE FOLLOW THE VOTING INSTRUCTIONS PROVIDED TO YOU BY SUCH BANK, BROKER OR OTHER NOMINEE HOLDER.

The accompanying proxy statement incorporates documents by reference. Please see Where You Can Find More Information beginning on page 148 of the accompanying proxy statement for a listing of documents incorporated by reference. These documents are available to any person, including any beneficial owner, upon request by contacting us at:

Investor Relations
XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 08, Bermuda
Telephone: +1 (441) 292-8515
Fax: +1 (441) 292-5280
Email: investorinfo@xlgroup.com

To ensure timely delivery of these documents, any request should be made by April 16, 2010. The exhibits to these documents will generally not be made available unless such exhibits are specifically incorporated by reference in the accompanying proxy statement.

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XL CAPITAL LTD

PROXY STATEMENT

For the Special Court-Ordered Class Meeting and the Extraordinary General Meeting of the XL Capital Ltd Class A Ordinary Shareholders to be held on April 30, 2010

This proxy statement is furnished to the Class A ordinary shareholders (the **ordinary shareholders**) of XL Capital Ltd, an exempted company organized under the laws of the Cayman Islands (**XL-Cayman**), in connection with the solicitation of proxies on behalf of the Board of Directors of XL-Cayman (the **Board**) to be voted at the special court-ordered class meeting of the ordinary shareholders (the **special scheme meeting**) and the extraordinary general meeting of the ordinary shareholders (the **extraordinary general meeting**) to be held on April 30, 2010, and any adjournments thereof, at the times and place and for the purposes set forth in the accompanying notices of the special scheme meeting and the extraordinary general meeting. We sometimes refer to these meetings together as the **ordinary shareholder special meetings**. The 2010 annual general meeting of XL-Cayman s ordinary shareholders (the **AGM**) will also be held on April 30, 2010. This proxy statement and the accompanying gold proxy card (which applies to both of the ordinary shareholder special meetings but not to the AGM) are first being sent to ordinary shareholders on or about March 11, 2010. Please ***mark, date, sign and return the enclosed gold proxy card*** to ensure that all of your XL-Cayman Class A ordinary shares, par value $0.01 per share (the **ordinary shares**), are represented at the ordinary shareholder special meetings.

Ordinary shares represented by valid proxies will be voted in accordance with instructions contained therein or, in the absence of such instructions, FOR each of the proposals set forth in this proxy statement. You may revoke your proxy at any time before it is exercised at the ordinary shareholder special meetings by timely delivery of a properly executed, later-dated proxy with respect to the ordinary shareholder special meetings (including an Internet or telephone proxy) or by voting in person at the ordinary shareholder special meetings. You may also notify our Secretary in writing before the ordinary shareholder special meetings that you are revoking your proxy with respect to the ordinary shareholder special meetings. If you hold your ordinary shares beneficially though a bank, broker, trustee, custodian or other nominee (which we generally refer to as **brokers**), you must instead follow the procedures required by your broker to revoke a proxy with respect to the ordinary shareholder special meetings. You should contact that firm directly for more information on these procedures.

The Board has set March 5, 2010 as the record date (the **record date**) for the special scheme meeting and for the extraordinary general meeting. This means that only those persons who were shareholders of ordinary shares at the close of business on March 5, 2010 will be entitled to receive notice of the ordinary shareholder special meetings and to attend and vote at the ordinary shareholder special meetings and any adjournments thereof. As of the record date, 342,100,814 ordinary shares were issued and outstanding.

Only holders of ordinary shares as of the record date are invited to attend the ordinary shareholder special meetings. Proof of ownership of ordinary shares as of the record date, as well as a form of personal photo identification, must be presented to be admitted to the ordinary shareholder special meetings. We have enclosed a single gold proxy card that has been divided into two sections corresponding to the two separate ordinary shareholder special meetings. Please complete both sections and sign and return the accompanying gold proxy card.

If you hold your ordinary shares in the name of a broker and you plan to attend either of the ordinary shareholder special meetings, you must present proof of your ownership of those ordinary shares as of the record date, such as a brokerage account statement or letter from your broker, together with a form of personal photo identification, to be admitted to the ordinary shareholder special meetings.

STRUCTURE OF THE TRANSACTION

In Proposal Number One (the **Scheme of Arrangement Proposal**), we are seeking your approval at the special scheme meeting of the scheme of arrangement under Cayman Islands law, substantially in the form attached as Annex A to this proxy statement (the **Scheme of Arrangement**), that, once it becomes effective, will result in you owning ordinary shares of XL Group plc, a public limited company to be incorporated in Ireland (**XL-Ireland**), instead of ordinary shares of XL-Cayman.

If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect a share exchange (the **Ordinary Share Exchange**) pursuant to which (i) your ordinary shares will be exchanged for an equal number of ordinary shares of XL-Ireland (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares) and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Grand Court of the Cayman Islands (the **Cayman Court**) dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. We will hold the special scheme meeting to approve the Scheme of Arrangement on April 30, 2010. If the Scheme of Arrangement is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court s sanction of the Scheme of Arrangement.

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the New York Stock Exchange, Inc. (the **NYSE**) on July 1, 2010, or at such other date and time after such court order filing as the Board may determine (the **Effective Time**). However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;

2. in consideration therefor, XL-Ireland (i) will issue ordinary shares of XL-Ireland (on a

one-for-one basis) to the holders of whole XL-Cayman Class A ordinary shares that are being transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the high and low trading prices of the XL-Cayman Class A ordinary shares on the NYSE on the business day immediately preceding the Effective Time; and

3. all XL-Ireland shares in issue prior to the Ordinary Share Exchange (which will then be held by XL-Cayman

and certain of its subsidiaries) will be redeemed by XL-Ireland at nominal value and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Cayman will become a subsidiary of XL-Ireland. The members of the Board of Directors of XL-Cayman then in office will be the members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

In addition, if the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference ordinary shareholders (the **Series C preference shareholders**), our Series E preference ordinary shareholders (the **Series E preference shareholders**) and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect a share exchange (the **Preference Share Exchange**) pursuant to which the Series C preference ordinary shares of XL-Cayman (the **Series C preference shares**) and the Series E preference ordinary shares of XL-Cayman (the **Series E preference shares**) will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

The Preference Share Exchange will only be consummated if the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction (as defined below) unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

We sometimes use the term **Transaction** in this proxy statement to refer collectively to the Ordinary Share Exchange and, if the requisite approvals of the Series C and Series E preference shareholders and the Cayman Court have been obtained and the other applicable conditions satisfied or, if allowed by law, waived with respect to it, the Preference Share Exchange.

If approved, the Preference Share Exchange will become effective at the Effective Time, and the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Series C and Series E preference ordinary shares will be transferred to XL-Ireland; and

2. in consideration therefor, XL-Ireland will issue Series C and Series E preference shares of

XL-Ireland (on a one-for-one basis), respectively, to the holders of the XL-Cayman Series C and Series E preference ordinary shares that are being transferred to XL-Ireland.

If the Preference Share Exchange is consummated, the Series C and Series E preference shareholders of XL-Cayman will instead become Series C and Series E preference shareholders of XL-Ireland, respectively.

In addition, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, the Series C preference shareholders will also be asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable by XL-Cayman (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate, and have the same liquidation preference, as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend period on the XL-Cayman Series C preference shares beginning prior to the Effective Time for which a Series C preference share dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E preference shares prior to the Effective Time, whether or not a Series E preference share dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL s preference shareholders.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

The following diagram depicts our organizational structure immediately before and after the Transaction. The diagram does not depict any XL-Cayman subsidiaries (other than XL-Ireland prior to the Effective Time).

If the Scheme of Arrangement Proposal is approved, at the extraordinary general meeting we will seek the approval of the XL-Cayman ordinary shareholders with respect to Proposal Number Two (the **Distributable Reserves Proposal**), a proposal regarding the creation of distributable reserves in XL-Ireland through a reduction of its share premium account. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective. However, if our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain Irish High Court approval, as required for the creation of distributable reserves. Creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law. If the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy, we may decide not to complete the Transaction.

We use the terms **XL**, **we**, **our company**, **our** and **us** in this proxy statement to refer to XL Capital Ltd and its subsidiaries prior to the Ordinary Share Exchange and to refer to XL Group plc and its subsidiaries after the Ordinary Share Exchange.

QUESTIONS AND ANSWERS ABOUT THE TRANSACTION AND THE OTHER PROPOSALS

1. **Q: What am I being asked to vote on at the ordinary shareholder special meetings?**

A: Ordinary shareholders are being asked to vote on the following matters:

At the special scheme meeting:

To approve the Scheme of Arrangement. If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect the Ordinary Share Exchange pursuant to which (i) the ordinary shares of XL-Cayman will be exchanged for an equal number of ordinary shares of XL-Ireland (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares) and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

Although approval of the Series C preference shareholders and the Series E preference shareholders is not required for the Scheme of Arrangement to become effective, if the Scheme of Arrangement becomes effective, and if the requisite approvals are obtained from the Series C preference shareholders, the Series E preference shareholders and the Cayman Court, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares and the Series E preference shares of XL-Cayman will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

We refer to this proposal (Proposal Number One) as the **Scheme of Arrangement Proposal**.

At the extraordinary general meeting:

If the Scheme of Arrangement Proposal is approved by the ordinary shareholders, to approve the creation of distributable reserves in XL-Ireland through a reduction of XL-Ireland s share premium account. We refer to this proposal (Proposal Number Two) as the **Distributable Reserves Proposal**.

To approve the adoption of an amendment to the articles of association of XL-Cayman with respect to certain procedural requirements for ordinary shareholder nominations to the Board of Directors of XL-Cayman at general meetings of XL-Cayman s ordinary shareholders. If approved, the procedural requirements will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated. We refer to this proposal (Proposal Number Three) as the **Director Nomination Procedures Proposal**.

To approve the change of XL Capital Ltd s name to XL Group Ltd. We refer to this proposal (Proposal Number Four) as the **Name Change Proposal**.

At both of the ordinary shareholder special meetings:

To approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

Please see Proposal Number One: The Scheme of Arrangement Proposal, Proposal Number Two: The Distributable Reserves Proposal, Proposal Number Three: The Director Nomination Procedures Proposal and Proposal Number Four: The Name Change Proposal.

2. Q: **How does the Board of Directors recommend that I vote?**

A: Our Board of Directors unanimously recommends that our ordinary shareholders vote FOR each of the proposals set forth in this proxy statement.

3. Q: **Who can vote at the ordinary shareholder special meetings?**

A: All persons who were registered holders of ordinary shares at the close of business on March 5, 2010, the record date for the ordinary shareholder special meetings, are shareholders of record for the purposes of the ordinary shareholder special meetings and will be entitled to attend and vote, in person or by proxy, at the ordinary shareholder special meetings and any adjournments thereof. Each ordinary shareholder of record will be entitled to one vote per share at each of the ordinary shareholder special meetings, except that (for purposes of the extraordinary general meeting but not the special scheme meeting) if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares (as defined below) of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Cayman Controlled Shares of such person shall be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman s articles of association.

XL-Cayman Controlled Shares of a person (as defined in XL-Cayman s articles of association) include (1) all XL-Cayman shares owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the Code (as defined below)), and (2) all XL-Cayman shares owned directly, indirectly or constructively by that person or any group of which that person is a part, within the meaning of Section 13(d)(3) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**).

Please see The Meetings Record Date; Voting Rights.

4. Q: **How do I vote if I am a registered shareholder?**

A: You may vote your ordinary shares either by voting in person at the ordinary shareholder special meetings or by submitting a completed proxy. We have enclosed a single gold proxy card that has been divided into two sections corresponding to the two separate ordinary shareholder special meetings. By submitting your proxy, you are legally authorizing another person to vote your ordinary shares by proxy in accordance with your instructions. The enclosed proxy card designates Michael S. McGavick or, failing him, Kirstin Romann Gould to vote your ordinary shares in accordance with the voting instructions you indicate in your proxy at each of the ordinary shareholder special meetings.

In addition, if any other matters (other than the proposals contained in this proxy statement) properly come before either of the ordinary shareholder special meetings or any adjournments of those meetings, the persons named in the proxy card will have the authority to vote your ordinary shares on those matters in their discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

You may submit your proxy either by mail, courier or hand delivery, by telephone (at the number set forth in the accompanying proxy materials) or via the Internet (at https://www.proxyvotenow.com/xlcapital). Please let us know whether you plan to attend each of the ordinary shareholder special meetings by marking the appropriate box on your proxy card or by following the instructions provided when you submit your proxy by telephone or via the Internet. For more details about telephone and Internet proxies, please see The Meetings How You Can Vote. In order for your proxy to be validly submitted and for your ordinary shares to be voted in accordance with your proxy, we must receive your mailed, couriered or hand-delivered proxy prior to the start of the applicable ordinary shareholder special meeting. If you submit a proxy by telephone or via the Internet, then you may submit your voting instructions up until 12:59 a.m., Bermuda time, on April 30, 2010.

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If you do not wish to vote all of your ordinary shares in the same manner on any particular proposal(s), you may specify your vote by clearly hand-marking the proxy card to indicate how you want to vote your ordinary shares. You may not split your vote if you are voting via the Internet or by telephone.

If you do not specify on the enclosed proxy card that is submitted (or when giving your proxy by telephone or via the Internet) how you want to vote your ordinary shares, the proxy holders will vote such unspecified shares FOR each of the proposals set forth in this proxy statement.

Please see The Meetings Proxies and The Meetings How You Can Vote.

5. Q: How can I vote if I hold my shares in the street name of a broker?

Ordinary shareholders who hold their shares in the street name of a broker must vote their ordinary shares by following the procedures established by their broker. This applies to our employees who received, through our employee plans, ordinary shares that are held by Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (**Merrill Lynch**). **Under NYSE Rule 452, brokers who hold ordinary shares on behalf of customers will not have the authority to vote on any of the matters to be considered at the ordinary shareholder special meetings. If you do not instruct your broker on how to vote your ordinary shares prior to the ordinary shareholder special meetings, your ordinary shares will not be voted at the ordinary shareholder special meetings and such ordinary shares will not be considered when determining whether such proposal has received the required approval or considered present for purposes of the relevant quorum requirement.**

If you hold ordinary shares beneficially through your broker, we recommend that you contact your broker. Your broker can instruct you how your ordinary shares can be voted. Your broker will not be able to vote your ordinary shares unless it receives appropriate instructions from you. You may not vote your ordinary shares in person at the ordinary shareholder special meetings unless you obtain a legal proxy from the broker that holds your ordinary shares.

Please see The Meetings How You Can Vote. Please also see The Meetings Votes of Ordinary Shareholders Required for Approval for further information on how shares held in the street name of a broker will be considered for purposes of the majority in number approval requirement.

6. Q: What vote of XL-Cayman ordinary shareholders is required to approve the proposals?

A: The Scheme of Arrangement Proposal requires the approval of the

Scheme of Arrangement by the affirmative vote of a majority in number of the registered holders of XL-Cayman ordinary shares present and voting, in person or by proxy, representing 75% or more in value of the ordinary shares present and voting, in person or by proxy.

In order to approve the Distributable Reserves Proposal, we must obtain the affirmative vote of ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

In order to approve the Director Nomination Procedures Proposal, we must obtain the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

In order to approve the Name Change Proposal, we must obtain the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Please see The Meetings Votes of Ordinary Shareholders Required for Approval.

7. Q:

What quorum is required for action at the ordinary shareholder special meetings?

A: At the special scheme meeting to approve the Scheme of Arrangement Proposal, at least two ordinary shareholders must be present, in person or by proxy, in order for the meeting to proceed. At the extraordinary general meeting to approve the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal, 50% of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the meeting to proceed and in order for the Distributable Reserves Proposal to be considered and voted on at the meeting, but 2/3 of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the Director Nomination Procedures Proposal and the Name Change Proposal to be considered and voted on at the meeting.

For purposes of the ordinary shareholder special meetings, abstentions will be counted as present for purposes of determining whether there is a quorum but ordinary shares held by brokers for which voting instructions are not received will not be counted as present for determining whether there is a quorum.

Please see The Meetings Quorum.

8. Q: Will the ordinary shares be exchanged even if the preference shares are not?

A: Yes. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

Please see Proposal Number One: The Scheme of Arrangement Proposal Conditions to Completion of the

Transaction.

9. Q: When do you expect the Transaction to be consummated?

A: We currently expect to complete the Transaction, if approved and sanctioned, on July 1, 2010. Please see Annex G to this proxy statement for an expected timetable. However, our Board has the authority to cause the Transaction, if approved and sanctioned, to be consummated at such other date and time as it may determine on or after the order of the Cayman Court sanctioning the Scheme of Arrangement has been filed with the Cayman Islands Registrar of Companies. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

Please see Proposal Number One: The Scheme of Arrangement Proposal Effective Date and Time of the Transaction and Proposal Number One: The Scheme of Arrangement Proposal Amendment, Termination or Delay.

10. Q: If all required approvals are obtained and conditions are satisfied or waived, is the Transaction required to be consummated?

A: No. The Transaction may be abandoned or delayed by our Board at any time prior to the Effective Time, even if the Transaction has been approved by the requisite vote of the XL-Cayman shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction have been satisfied or, if allowed by law, waived.

Please see Proposal Number One: The Scheme of Arrangement Proposal Amendment, Termination or Delay.

11. Q: How will ordinary shares of XL-Ireland differ from ordinary shares of XL-Cayman?

A: XL-Ireland ordinary shares will be similar to your existing XL-Cayman ordinary shares. However, there are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman.

We discuss these and other differences in detail under Description of XL Group plc Share Capital and Comparison of Rights of Shareholders and Powers of the Board of Directors. XL-Ireland s memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B.

12. Q: **If the Director Nomination Procedures Proposal is approved, will XL-Cayman s articles of association be amended even if the Transaction is not consummated?**

A: Yes. If the Director Nomination Procedures Proposal is approved, the new procedural requirements for ordinary shareholder nominations of directors will become effective even if the Transaction is not consummated, and will apply to ordinary shareholder nominations of directors at all general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting.

13. Q: How will the procedural requirements for ordinary shareholder nominations of directors change if the Director Nomination Procedures Proposal is approved?

A: If the Director Nomination Procedures Proposal is approved, XL-Cayman s articles of association will be amended so as to require that the nominating ordinary shareholder submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one-year anniversary of the date of the immediately preceding annual general meeting (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the date of the immediately preceding annual general meeting). In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, will be required to include certain additional information about the nominating ordinary shareholder and the nominees that is not currently required under the XL-Cayman articles of association. If the Director Nomination Procedures Proposal is approved, the new procedural requirements and related clarifying provisions will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. If the Director Nomination Procedures Proposal is not approved, XL-Ireland s articles of association will reflect the director nomination procedures currently applicable to ordinary shareholders wishing to make director nominations at general meetings of XL-Cayman s ordinary shareholders. Under the current XL-Cayman articles of association, ordinary shareholder nominations of directors must be made by written notice to XL-Cayman not less than five nor more than twenty-one days before the date appointed for the annual general meeting of ordinary shareholders.

We discuss the Director Nomination Procedures Proposal in detail under Proposal Number Three: The Director Nomination Procedures Proposal.

14. Q: Will the name change take effect if the Name Change Proposal is approved but the Transaction is not consummated?

A: Yes. Regardless of whether the Transaction is consummated, the name change is intended to be made in July 2010 or at such other time as may be determined by XL-Cayman under authority granted by the Board.

15. Q: What are the material tax consequences of the

Transaction?

A: The Transaction should not be a taxable transaction for XL-Cayman or XL-Ireland. Further, under U.S. federal income tax law, holders of ordinary shares of XL-Cayman generally should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional ordinary shares. If the Preference Share Exchange is not consummated, certain 5% or greater ordinary shareholders may, however, be required to timely enter into and maintain a gain recognition agreement to avoid recognizing gain on the exchange of XL-Cayman ordinary shares for XL-Ireland ordinary shares in the Ordinary Share Exchange.

For Irish tax law purposes, holders of ordinary shares of XL-Cayman who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland ordinary shares will not realize a taxable gain on the exchange of such shares for XL-Ireland shares or on the receipt of cash in lieu of fractional ordinary shares in the Transaction.

For a discussion of certain material U.S. federal, Irish and Cayman Islands tax consequences of the Transaction to XL s ordinary shareholders and XL, please see Summary Proposal Number One: The Scheme of Arrangement Proposal Tax Considerations of the Transaction and Material Tax Considerations Relating to the Transaction.

16. Q: **If the Ordinary Share Exchange is approved and consummated, do I have to take any action to participate in the Ordinary Share Exchange?**

A: Not if your ordinary shares are held in book-entry form or by your broker. XL-Cayman ordinary shares so held will automatically be transferred to XL-Ireland at the Effective Time and, in consideration therefor, new XL-Ireland ordinary shares will be issued to you or your broker without any action on your part (and, if you hold any fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares will automatically be paid to you or your broker). Please see Proposal Number One: The Scheme of Arrangement Proposal Exchange of Shares. If you hold your XL-Cayman ordinary shares in certificated form, please see the following question.

17. Q: What happens if I hold share certificates?

A: If you hold your XL-Cayman ordinary shares in certificated form, and the Ordinary Share Exchange is consummated, your ordinary shares will automatically be transferred to XL-Ireland at the Effective Time. Promptly after the Effective Time, our transfer agent will send you a letter of transmittal, which is to be used to surrender your XL-Cayman ordinary share certificates and to give you, in consideration for the transfer of your XL-Cayman ordinary shares, the choice of (i) applying for share certificates evidencing your ownership of ordinary shares in XL-Ireland or (ii) having your ownership of ordinary shares in XL-Ireland evidenced through an electronic book-entry in your name on XL-Ireland s shareholder records (in which case the transfer agent will mail you a statement documenting your ownership of XL-Ireland ordinary shares). The letter of transmittal will contain instructions explaining the procedure for surrendering your XL-Cayman ordinary share certificates and making the election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares. If you return the letter of transmittal with your XL-Cayman share certificates but do not make an election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares, your ordinary shares will be evidenced in book-entry form. **You should not return your XL-Cayman ordinary share certificates with the enclosed proxy card.**

If the Transaction is not consummated, shareholders will not be required to submit their share certificates for exchange as a result of the proposed name change. Your existing share certificates will continue to evidence your ownership in XL Group Ltd if the name change becomes effective but the Transaction is not consummated.

Please see Proposal Number One: The Scheme of Arrangement Proposal Exchange of Shares and Proposal Number Four: The Name Change Proposal. Please also see Summary Proposal Number One: The Scheme of Arrangement Proposal Tax Considerations of the Transaction and Material Tax Considerations Relating to the Transaction Irish Tax Considerations for further information pertaining to Irish stamp duty on transfers by shareholders who choose to hold their XL-Ireland ordinary shares directly registered in their own names on XL-Ireland s shareholder records, whether in certificated or book-entry form.

18. Q: May I revoke my proxy?

A: Any proxy is revocable.

If you hold your ordinary shares in the street name of a broker, you may revoke your proxy only in accordance with the instructions from your broker.

For registered shareholders:

After you have submitted a proxy, you may revoke it by mail, courier or hand delivery before the ordinary shareholder special meetings by sending a written notice to our Secretary at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda. Your written notice must be received a sufficient amount of time before the first ordinary shareholder special meeting to permit the necessary examination and tabulation of the revocation before the votes are taken.

If you wish to revoke your submitted proxy and submit new voting instructions by mail, courier or hand delivery, then you must sign, date and mail, courier or hand-deliver a proxy card with your new voting instructions for the ordinary shareholder special meetings, which we must receive prior to the start of the applicable ordinary shareholder special meeting.

If you wish to revoke your submitted proxy and submit new voting instructions by telephone or via the Internet, then you must submit such new voting instructions for the ordinary special meetings by telephone or via the Internet by 12:59 a.m., Bermuda time, on April 30, 2010.

You also may revoke your proxy in person by completing a written ballot (but only if you are the registered owner of the ordinary shares as of the record date or if you obtain a legal proxy from the registered owner of the ordinary shares as of the record date) and vote your ordinary shares at the ordinary shareholder special meetings.

Attending the ordinary shareholder special meetings without taking one of the actions above will not revoke your proxy.

Please see The Meetings Revoking Your Proxy.

19. Q: How do I attend the ordinary shareholder special meetings?

A: All ordinary shareholders of XL-Cayman as of the record date are invited to attend the special scheme meeting at XL s principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda, which will commence at 12:30 p.m., Bermuda time, on April 30, 2010. All ordinary shareholders of XL-Cayman are also invited to attend the extraordinary general meeting at XL s principal executive offices, which will commence at 1:00 p.m., Bermuda time, on April 30, 2010 (or as soon thereafter as the special scheme meeting concludes or is adjourned). Proof of ownership of XL ordinary shares as of the record date, as well as a form of personal photo identification, must be presented to be admitted to either of the ordinary shareholder special meetings.

If your ordinary shares are not registered in your name but in the street name of a broker, then your name will not appear in XL s register of ordinary shareholders. Those ordinary shares are held in your broker s name or the name of the depository through which your broker holds the shares, on your behalf, and your broker or the depository will be entitled to vote your ordinary shares in accordance with your instructions. This applies to our employees who received, through our employee plans, ordinary shares that are held by Merrill Lynch. In order for you to attend the ordinary shareholder special meetings, you must bring a letter or account statement from your broker showing that you beneficially owned the ordinary shares held by your broker or the depository as of the record date. Note that even if you attend the ordinary shareholder special meetings, you cannot vote the ordinary shares that are held by your broker or the depository unless you obtain a legal proxy from the broker that holds your ordinary shares. Rather, you should submit voting directions to your broker, which will instruct your broker or the depository how to vote those ordinary shares on your behalf.

Please see The Meetings How You Can Vote and the notices of the ordinary shareholder special meetings attached as Annexes H and I to this proxy statement.

20. Q: Is there a separate Annual General Meeting (AGM) to elect directors?

A: Yes, our 2010 annual general meeting of ordinary shareholders, or AGM, at which directors will be elected is also scheduled to take place on April 30, 2010 at XL s principal executive offices and will commence at 8:30 a.m., Bermuda time.

21. Q: Will the proposed procedural requirements with respect to ordinary shareholder nominations of directors apply to the 2010 AGM?

A: No. Even if the Director Nomination Procedures Proposal is approved by XL-Cayman s ordinary shareholders, the new procedural requirements will not apply with respect to ordinary shareholder nominations of directors at the 2010 AGM. If approved, the new disclosure requirements will become effective promptly after the articles of association of XL-Cayman are amended and will apply to ordinary shareholder nominations of directors at all general meetings of our ordinary shareholders subsequent to the 2010 AGM.

22. Q: Do I have to return separate proxy cards in order for my ordinary shares to be voted at the ordinary shareholder special meetings and at the AGM?

A: Yes. Ordinary shareholders must use the gold proxy card, which accompanies this proxy statement and contains the proposals described herein, to vote by proxy at the ordinary shareholder special meetings discussed in this proxy statement. Ordinary shareholders will separately be sent a separate proxy statement with a white proxy card to vote by proxy at the AGM for the election of directors and on other proposals.

23. Q: Can I mail both proxy cards back in the same envelope?

A: Yes, but for ease of administering the vote tally, we ask that you return each proxy card in the envelope supplied with the AGM proxy statement or this proxy statement, respectively.

24. Q: If I am the registered owner of ordinary shares (in certificated or book-entry form) and want to hold my ordinary shares through The Depository Trust Company, how can I do so?

A: You may transfer ownership of your ordinary shares into a brokerage account with a broker (1) that is a direct participant in The Depository Trust Company (a **DTC Participant**) and which will hold your shares on your behalf through The Depository Trust Company (**DTC**) or (2) that maintains, either directly or indirectly, a custodial relationship with a DTC Participant and which will hold your shares through DTC through such custodial relationship. For more information, please contact your broker or Georgeson Inc. at the telephone number set forth in the following question. Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations for more information on the tax consequences of not holding your shares of XL-Ireland through DTC.

25. Q: Whom should I call if I have questions about the ordinary shareholder special meetings or the proposals in this proxy statement?

A: You should contact our proxy solicitor:

Georgeson Inc.
199 Water Street
New York, NY 10038
Toll-free within the United States: 1-800-509-1390
Outside the United States: +1 (212) 440-9800

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. To understand the Transaction and the other proposals more fully, and for a more complete legal description of the Transaction and the other proposals, you should read carefully the entire proxy statement, including the Annexes. The Scheme of Arrangement, substantially in the form attached as Annex A to this proxy statement, is the legal document that governs the Transaction. The memorandum and articles of association of XL-Ireland, substantially in the forms attached to this proxy statement as Annex B, will govern XL-Ireland after the completion of the Ordinary Share Exchange. The form of amended article 81 of XL-Cayman s articles of association, which will replace the current article 81 in XL-Cayman s articles of association if the Director Nomination Procedures Proposal is approved (and will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated), is attached to this proxy statement as Annex E.

Proposal Number One: The Scheme of Arrangement Proposal

Parties to the Transaction

XL Capital Ltd. XL Capital Ltd (which we sometimes refer to as XL-Cayman), through its subsidiaries, is a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis. The registered office of XL-Cayman is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and XL Capital Ltd s telephone number is +1 (441) 292-8515.

XL Group plc. If the Ordinary Share Exchange is consummated, XL Group plc (which we sometimes refer to as XL-Ireland) will become the ultimate parent holding company of the XL group of companies. XL-Ireland will be an Irish public limited company and will be wholly owned, directly and indirectly, by XL-Cayman. XL-Ireland will not engage in any business or other activities other than in connection with its formation and the Transaction. The registered office of XL-Ireland will be located at No. 1 Upper Hatch Street, 4th Floor, Dublin 2, Ireland and XL Capital plc s telephone number will be +353 (1) 405-2033.

The Ordinary Share Exchange

Consummation of the Ordinary Share Exchange will result in you owning ordinary shares of XL-Ireland, a public limited company to be incorporated in Ireland, instead of ordinary shares of XL-Cayman.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Cayman Court dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to this proxy statement. The Cayman Court ordered that its written ruling be included in the definitive proxy statement so that it would be available to you. We recommend that you read the ruling in full, which is included in Annex J. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on April 30, 2010. If the Scheme of Arrangement Proposal is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court s sanction of the Scheme of Arrangement (as discussed below under Court Sanction of the Scheme of Arrangement).

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010 (or at such other date and time after such court order filing as the Board

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may determine), which we refer to as the Effective Time. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;

2. in consideration therefor, XL-Ireland (i) will issue ordinary shares of XL-Ireland (on a one-for-one basis) to the holders of whole XL-Cayman Class A ordinary shares that are being transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the

high and low trading prices of the XL-Cayman Class A ordinary shares on the NYSE on the business day immediately preceding the Effective Time; and

3. all XL-Ireland shares in issue prior to the Ordinary Share Exchange (which will then be held by XL-Cayman and certain of its subsidiaries) will be redeemed by XL-Ireland at nominal value and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Cayman will become a subsidiary of XL-Ireland. The members of the Board of Directors of XL-Cayman then in office will be members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. We do not expect the Transaction to have a material effect on the financial condition or results of operations of XL. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

The completion of the Ordinary Share Exchange will change the governing companies law that applies to us to Irish law from Cayman Islands law. There are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman. Please see Comparison of Rights of Shareholders and Powers of the Board of Directors for a summary of some of these differences.

The Preference Share Exchange

The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived. However, if the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference shareholders, our Series E preference shareholders and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares of XL-Cayman and the Series E preference shares of XL-Cayman will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively. The Preference Share Exchange will only be consummated if the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement.

If the Ordinary Share Exchange is consummated and the Preference Share Exchange is not consummated, the Series C and Series E preference shares will remain in their current form as Series C and Series E preference shares of XL-Cayman, respectively, which will become a subsidiary of XL-Ireland as part of the Ordinary Share Exchange.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

Court Sanction of the Scheme of Arrangement

We cannot complete the Ordinary Share Exchange or the Preference Share Exchange without the sanction of the Scheme of Arrangement by the Cayman Court. Subject to the ordinary shareholders of XL-Cayman approving the Scheme of Arrangement Proposal, a Cayman Court hearing will be required to authorize the Scheme of Arrangement (the **Sanction Hearing**). If we obtain the requisite approval from the XL-Cayman ordinary shareholders (and we do not abandon the Scheme of Arrangement), the Cayman Court will hold the Sanction Hearing on May 20, 2010, at 10:00 a.m., Cayman Islands time. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court s order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Companies Law of the Cayman Islands (2009 Revision), as amended (the **Cayman Companies Law**), we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court s sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of its shareholders which the Cayman Court may think fit to approve or impose. In determining whether to exercise its discretion and authorize the Scheme of Arrangement, the Cayman Court will determine, among other things, whether the Scheme of Arrangement is fair to XL-Cayman s ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, whether the Scheme of Arrangement is fair to XL-Cayman s Series C and Series E preference shareholders, considered as separate classes.

Background and Reasons for the Transaction

Like many companies, we continually explore ways to optimize our corporate structure, including with respect to the jurisdiction of incorporation of our parent holding company. After conducting a thorough review with the help of outside advisors, our Board has determined that a change in place of incorporation is in the best interests of XL and its shareholders.

We are subject to reputational, political, tax and other risks because of negative publicity regarding companies that are incorporated in jurisdictions, including the Cayman Islands, whose economies have low rates of, or no, direct taxation or which do not have a substantial network of double taxation (or similar) treaties with the United States, the European Union or other members of the Organisation for Economic Co-operation and Development (the **OECD**). Our Board believes that changing our place of incorporation will reduce those risks and offer the opportunity to reinforce our reputation, which is one of our key assets, and to better support our legal and business platforms.

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Additionally, there have been, and could be in the future, legislative or regulatory proposals that could increase taxes for companies incorporated in jurisdictions such as the Cayman Islands. Although we do not believe that any proposals under current legislative or regulatory consideration would directly impact us if enacted, our Board believes that the incorporation of our parent holding company in the Cayman Islands increases the risk that legislative or regulatory proposals that might be enacted in the future could materially and adversely affect us.

After considering a number of locations, our Board ultimately selected Ireland as the best available alternative based on many factors, including:

Ireland has strong international relationships as a member of the OECD and the European Union, a long history of international investment, and long-established commercial relationships, trade agreements and tax treaties with the other European Union member states, the United States and other countries around the world. As a result, we believe Ireland offers a stable long-term legal and regulatory environment with the financial sophistication to meet the needs of our global business.

Ireland, like the Cayman Islands, is a common law jurisdiction, which we consider to be less prescriptive than many civil law jurisdictions. As a result, we believe Ireland s legal system to be more flexible (including with respect to the management of our capital structure), predictable and familiar to us than a civil law system.

Irish law, like Cayman Islands law, permits dividends to be paid in U.S. dollars and upon the approval of the Board of Directors without the need for shareholder approval, thereby avoiding currency risk relating to our dividends.

We have maintained operations in Ireland since 1990 and, accordingly, we are familiar with doing business in that jurisdiction. In 2006, we established the first Irish-domiciled reinsurance company authorized pursuant to the EU Reinsurance Directive (which gives EU-based reinsurers a passport to do business throughout Europe), and all three of our EU-regulated platforms are represented in Dublin.

Although changing our place of incorporation to Ireland is not expected to reduce our worldwide effective corporate tax rate, we expect to maintain a competitive worldwide effective corporate tax rate.

We cannot assure you that the anticipated benefits of the Transaction will be realized. In addition to the potential benefits described above, the Transaction will expose you and us to some risks and uncertainties. Please see the discussion under Risk Factors.

Our Board has considered both the potential advantages of the Transaction and the associated risks and uncertainties and has approved the Scheme of Arrangement and unanimously recommends that our shareholders vote FOR the Scheme of Arrangement Proposal.

Tax Considerations of the Transaction

Tax Treatment of the Ordinary Share Exchange. For U.S. federal income tax purposes, holders of ordinary shares of XL-Cayman generally should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional ordinary shares. In the event the Preference Share Exchange is not consummated, certain 5% or greater ordinary shareholders may, however, be required to timely enter into and maintain a gain recognition agreement to avoid recognizing gain on the exchange of XL-Cayman ordinary shares for XL-Ireland ordinary shares in the Ordinary Share Exchange. Please see Material Tax Considerations Relating to the Transaction U.S. Federal Income Tax Considerations Material U.S. Tax Consequences of the Transaction.

For Irish tax law purposes, holders of ordinary shares of XL-Cayman who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland ordinary shares will not realize a taxable gain on the exchange of such ordinary shares for XL-Ireland ordinary shares or on the receipt of cash in lieu of fractional ordinary shares in the Transaction.

Irish Withholding Tax on Dividends Paid by XL-Ireland. Irish dividend withholding tax may arise in respect of dividends paid on XL-Ireland ordinary shares. A number of exemptions from dividend withholding tax exist. Immediately below, we detail the application of dividend withholding tax to certain ordinary shareholders, but please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Withholding Tax on Dividends for details of other exemptions.

Ordinary shares held by U.S. resident shareholders

Dividends paid in respect of XL-Ireland ordinary shares that are owned by U.S. residents and held through DTC will not be subject to dividend withholding tax provided the address of the beneficial owner of the ordinary shares in the records of the broker is in the U.S. and such broker has transmitted this information to a qualifying intermediary appointed by XL-Ireland. We strongly recommend that our ordinary shareholders ensure that their information is properly recorded by their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland).

Dividends paid in respect of XL-Ireland ordinary shares that are owned by residents of the U.S. and held outside of DTC will not be subject to dividend withholding tax if such ordinary shareholders held ordinary shares in XL-Cayman on January 12, 2010 and have provided a valid Form W-9 showing a U.S. address to XL-Ireland s transfer agent. We strongly recommend that our ordinary shareholders ensure that an appropriate Form W-9 has been provided to XL-Ireland s transfer agent.

Dividends paid in respect of XL-Ireland ordinary shares that are owned by residents of the U.S. and held outside of DTC will not be subject to dividend withholding tax, even if such ordinary shareholders did not hold ordinary shares in XL-Cayman on January 12, 2010, if they have completed the appropriate dividend withholding tax forms and such forms remain valid. Such ordinary shareholders must provide the appropriate dividend withholding tax forms to XL-Ireland s transfer agent at least seven business days before the record date for the first dividend payment to which they are entitled. We strongly recommend that our ordinary shareholders complete the appropriate dividend withholding tax forms and provide them to XL-Ireland s transfer agent as soon as possible after acquiring their XL-Ireland ordinary shares.

If any ordinary shareholder that is resident in the U.S. receives a dividend from which dividend withholding tax has been withheld, the ordinary shareholder should, upon making the necessary application, generally be entitled to obtain a refund of such dividend withholding tax from the Irish Revenue Commissioners.

Ordinary shares held by residents of relevant territories other than the United States

Ordinary shareholders who are residents of relevant territories, other than the U.S. and regardless of when such ordinary shareholders acquired their ordinary shares, must complete the appropriate dividend withholding tax forms in order to receive dividends without suffering dividend withholding tax (for a list of **relevant territories** for Irish dividend withholding tax, please see Annex F to this proxy statement).

If such ordinary shareholders hold their ordinary shares through DTC, they must provide the appropriate dividend withholding tax forms to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled. If such ordinary shareholders hold their ordinary shares outside of DTC, they must provide the appropriate dividend withholding tax forms to XL-Ireland s transfer agent at least seven business days before such record date. We strongly recommend that our ordinary shareholders complete the appropriate dividend withholding tax forms and provide them to their brokers or XL-Ireland s transfer agent, as the case may be, as soon as possible after acquiring their XL-Ireland ordinary shares.

If any ordinary shareholder who is resident in a relevant territory receives a dividend from which dividend withholding tax has been withheld, the ordinary shareholder may be entitled to a refund of such dividend withholding tax from the Irish Revenue Commissioners.

Ordinary shares held by residents of Ireland

Most Irish tax resident or ordinarily resident ordinary shareholders will be subject to dividend withholding tax in respect of dividends paid on their XL-Ireland ordinary shares.

Ordinary shareholders that are residents of Ireland, but that are entitled to receive dividends without dividend withholding tax, must complete the appropriate dividend withholding tax forms and provide them to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled (in the case of ordinary shares held through DTC), or to XL-Ireland s transfer agent at least seven business days before such record date (in the case of ordinary shares held outside of DTC).

Ordinary shares held by other persons

XL-Ireland ordinary shareholders that do not fall within any of the categories specifically referred to above may nonetheless fall within other exemptions from dividend withholding tax. If any ordinary shareholders are exempt from dividend withholding tax, but receive dividends subject to dividend withholding tax, such ordinary shareholders may apply for refunds of such dividend withholding tax from the Irish Revenue Commissioners.

Qualifying intermediary

Prior to paying any dividend on the ordinary shares, XL-Ireland will put in place an agreement with an entity that is recognized by the Irish Revenue Commissioners as a qualifying intermediary, which will provide for certain arrangements relating to distributions in respect of ordinary shares of XL-Ireland that are held through DTC (the **Deposited Securities**). The agreement will provide that the qualifying intermediary shall distribute or otherwise make available to Cede & Co., as nominee for DTC, any cash dividend or other cash distribution with respect to the Deposited Securities, after XL-Ireland delivers or causes to be delivered to the qualifying intermediary the cash to be distributed.

XL-Ireland will rely on information received directly or indirectly from brokers and its transfer agent in determining where its ordinary shareholders reside, whether they have provided the required U.S. tax information and whether they have provided the required dividend withholding tax forms. Ordinary shareholders that are required to file dividend withholding tax forms in order to receive dividends free of dividend withholding tax should note that such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year of the filing of the forms.

Irish Income Tax on Dividends Paid by XL-Ireland. Ordinary shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from XL-Ireland should not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland. Ordinary shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland.

Irish Stamp Duty on the Transfer of XL-Ireland Ordinary Shares.

Ordinary shares held through DTC (directly or through a broker)

A transfer of XL-Ireland ordinary shares effected by means of the transfer of book entry interests in DTC (directly or through a broker) will not be subject to Irish stamp duty. On the basis that most ordinary shares in XL-Ireland are expected to be held through DTC, it is anticipated that most transfers of ordinary shares will be exempt from Irish stamp duty.

Ordinary shares held outside of DTC or transferred into or out of DTC

A transfer of XL-Ireland ordinary shares where any party to the transfer holds such ordinary shares outside of DTC may be subject to Irish stamp duty. Where it arises, Irish stamp duty is generally a liability of the transferee and the current rate of duty is 1%.

Ordinary shareholders wishing to transfer their ordinary shares into (or out of) DTC may do so without giving rise to Irish stamp duty provided:

- there is no change in the beneficial ownership of such ordinary shares; and
- the transfer into DTC is not effected in contemplation of a subsequent sale of such ordinary shares.

Due to the potential Irish stamp duty charge on transfers of XL-Ireland ordinary shares, we strongly recommend that our ordinary shareholders who do not hold their ordinary shares through DTC (or through a broker who in turn holds such ordinary shares through DTC) arrange for the transfer of their ordinary shares into DTC prior to the Effective Time. We also strongly recommend that any person who wishes to acquire XL-Ireland ordinary shares after completion of the Transaction acquire such ordinary shares through DTC (or through a broker who in turn holds such ordinary shares through DTC)).

General. **Please refer to Material Tax Considerations Relating to the Transaction for a description of certain material U.S. federal, Irish and Cayman Islands tax consequences of the Transaction to XL-Cayman ordinary shareholders. Determining the actual tax consequences to you may be complex and will depend on your specific situation. Accordingly, the tax consequences summarized above may not apply to all holders of XL-Cayman ordinary shares and you should consult your own tax advisors regarding the particular U.S. (federal, state and local), Irish, Cayman Islands and other non-U.S. tax consequences of the Transaction and ownership and disposition of the XL-Ireland ordinary shares in light of your particular situation.**

Rights of Ordinary Shareholders

The principal attributes of the XL-Ireland ordinary shares will be similar to the attributes of the XL-Cayman ordinary shares. However, there are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman. We discuss some of these differences in detail under Description of XL Group plc Share Capital and Comparison of Rights of Shareholders and Powers of the Board of Directors. If the Director Nomination Procedures Proposal is approved, the procedural requirements for ordinary shareholder nominations of directors will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. Please also see Proposal Number Three: The Director Nomination Procedures Proposal below and

Proposal Number Three: The Director Nomination Procedures Proposal for more information on the Director Nomination Procedures Proposal and how it will affect the rights of our ordinary shareholders if it is approved. XL-Ireland s memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B and we urge you to read these important documents carefully.

Stock Exchange Listing and Financial Reporting

The Ordinary Share Exchange is not expected to affect the stock exchange listing of our ordinary shares on the NYSE. The XL-Cayman ordinary shares are expected to continue to trade on the NYSE until the Effective Time. Immediately following the Effective Time, the XL-Ireland ordinary shares will be listed on the NYSE under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed.

Upon completion of the Transaction, we will remain subject to U.S. Securities and Exchange Commission (**SEC**) reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002 (**SOX**) and the applicable corporate governance rules of the NYSE, and we will continue to report our consolidated financial results in U.S. dollars and in accordance with U.S. generally accepted accounting principles (**U.S. GAAP**). Under current Irish law, annual financial statements complying with Irish requirements would also be required to be made available to XL-Ireland s shareholders (in addition to the information they currently receive) commencing with respect to XL-Ireland s 2014 fiscal year.

No Appraisal Rights

Under Cayman Islands law, neither the ordinary shareholders nor the Series C or Series E preference shareholders of XL-Cayman have any right to an appraisal of the value of their shares or payment for them in connection with the Transaction whether or not the Preference Share Exchange is consummated.

Accounting Treatment of the Transaction

Under U.S. GAAP, the Transaction represents transactions between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of XL-Ireland will be reflected at their carrying amounts in the accounts of XL-Cayman at the Effective Time.

Proposal Number Two: The Distributable Reserves Proposal

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts 1963 to 2009, and all statutory instruments which are to be read as one with, or construed, or to be read together with such Acts (the **Irish Companies Acts**), and applicable accounting standards to enable it to pay dividends and redeem or buy back shares. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves because it will be a newly formed holding company which will have no distributable reserves unless and until we generate earnings after the Effective Time. Therefore, creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

In connection with the Transaction, the initial shareholders of XL-Ireland (which will be XL-Cayman and certain of its subsidiaries) are expected to pass a resolution that would create distributable reserves, subject to Irish High Court approval (as discussed below), following the Transaction by reducing the amount of XL-Ireland s share premium account. Such reduction would be achieved by cancelling the whole of the share premium account of XL-Ireland resulting from the issuance of shares in the Transaction in excess of $500 million, with an amount equal to the cancelled amount of the share premium account to be treated as distributable reserves in accordance with Irish law. If the Scheme of Arrangement Proposal has been approved, the ordinary shareholders of XL-Cayman will also be asked at the extraordinary general meeting to approve such reduction of XL-Ireland s share premium account to create distributable reserves.

In order to approve the Distributable Reserves Proposal, we must obtain the affirmative vote of ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the

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Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

If the ordinary shareholders of XL-Cayman approve the Distributable Reserves Proposal and the Ordinary Share Exchange is consummated, we will seek to obtain (as soon as practicable following the Effective Time) the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland s share premium account. The approval of the Irish High Court cannot be sought prior to the Effective Time. Although we are not aware of any reason why the Irish High Court would not grant its approval (and we expect such approval would be obtained within three months of the Effective Time), the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when Irish High Court approval will be obtained. If the Scheme of Arrangement becomes effective but our ordinary shareholders do not approve the Distributable Reserves Proposal, or if the Irish High Court does not approve the reduction of XL-Ireland s share premium account, XL-Ireland will not be able to pay dividends or buy back or redeem shares unless and until we generate earnings after the Effective Time, and only to the extent of such earnings.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Distributable Reserves Proposal.

Please see Description of XL Group plc Share Capital Dividends, Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions, Risk Factors and Proposal Number Two: The Distributable Reserves Proposal for more information.

Proposal Number Three: The Director Nomination Procedures Proposal

If the Director Nomination Procedures Proposal is approved, XL-Cayman s articles of association will be amended so as to require that a nominating ordinary shareholder submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one-year anniversary of the date of the immediately preceding annual general meeting (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the date of the immediately preceding annual general meeting). In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, would be required to include certain additional information about the nominating ordinary shareholder and nominees that is not currently required under the XL-Cayman articles of association. If the Director Nomination Procedures Proposal is approved, the new procedural requirements and related clarifying provisions will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. If the Director Nomination Procedures Proposal is not approved, XL-Ireland s articles of association will reflect the director nomination procedures currently applicable to ordinary shareholders wishing to make director nominations at general meetings of XL-Cayman s ordinary shareholders. Under the current XL-Cayman articles of association, ordinary shareholder nominations of directors must be made by written notice to XL-Cayman not less than five nor more than twenty-one days before the date appointed for the annual general meeting of ordinary shareholders.

The Board has concluded that the amendments to the procedural requirements for ordinary shareholder nominations of directors are in the best interests of XL and its shareholders because these new procedures will facilitate an orderly process for ordinary shareholders to make nominations of directors at general meetings of our ordinary shareholders and give the Board and other ordinary shareholders a reasonable opportunity to consider nominations to be brought at such meetings. The new procedures will also allow sufficient time, and a designated process, for full, accurate and complete information to be distributed to ordinary shareholders with respect to nominations of directors by other ordinary shareholders, including as to potential conflicts of interest with respect to such ordinary shareholders nominees. The Board has determined that the proposed notice period provides an appropriate time period during which the Board, in the exercise of its fiduciary duties, can evaluate the candidates proposed to be nominated by an ordinary shareholder

at an annual general meeting and prepare and disseminate proxy materials to all ordinary shareholders that clearly articulate the Board s position on the nominees. This process also will allow ordinary shareholders who wish to nominate a candidate for director to be able to do so while ensuring that all other ordinary shareholders have sufficient time to consider the matters to be presented prior to casting their votes. These procedures are expected to promote and ensure an orderly meeting and clearer communications with ordinary shareholders.

We are seeking the approval of our ordinary shareholders with respect to the Director Nomination Procedures Proposal at the extraordinary general meeting. The Transaction is not conditioned on approval of the Director Nomination Procedures Proposal, and the Director Nomination Procedures Proposal is not conditioned on approval of any of the other proposals. If approved, the new procedural requirements will become effective even if the Transaction is not consummated, and will apply to ordinary shareholder nominations of directors at all general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Director Nomination Procedures Proposal.

Please see Proposal Number Three: The Director Nomination Procedures Proposal and Comparison of Rights of Shareholders and Powers of the Board of Directors Director Nominations; Proposals of Shareholders for more information.

Proposal Number Four: The Name Change Proposal

The Board has unanimously approved the change of XL Capital Ltd s name to XL Group Ltd. In the judgment of the Board, the change of name is desirable to reflect XL s exclusive focus on providing property, casualty and specialty insurance and reinsurance products for our customers complex risks and is in the best interest of XL and its shareholders. If shareholders approve the Name Change Proposal at the extraordinary general meeting, XL-Cayman will implement the name change by making the necessary filing with the Cayman Islands Registrar of Companies to reflect the name change. Regardless of whether the Transaction is consummated, the name change is intended to be made in July 2010 or at such other time as may be determined by XL-Cayman under authority granted by the Board.

We are seeking the approval of our ordinary shareholders with respect to the Name Change Proposal at the extraordinary general meeting. The Transaction is not conditioned on approval of the Name Change Proposal, and the Name Change Proposal is not conditioned on approval of any of the other proposals.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Name Change Proposal.

Please see Proposal Number Four: The Name Change Proposal for more information.

Market Price and Dividend Information

On January 11, 2010, the last trading day before the public announcement of the Transaction, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was $18.28 per share. On March 8, 2010, the most recent practicable date before the date of this proxy statement, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was $19.35 per share.

Ordinary Shareholder Special Meetings

Time, Place, Date and Purpose of the Ordinary Shareholder Special Meetings. The ordinary shareholder special meetings are scheduled to be held on April 30, 2010 at XL s principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda.

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The special scheme meeting is scheduled to commence at 12:30 p.m., Bermuda time, on that date. At the extraordinary general meeting, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to vote on:

Proposal Number One the Scheme of Arrangement Proposal.

The extraordinary general meeting is scheduled to commence at 1:00 p.m., Bermuda time, on that date (or as soon thereafter as the special scheme meeting concludes or is adjourned). At that meeting, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to vote on:

Proposal Number Two the Distributable Reserves Proposal;

Proposal Number Three the Director Nomination Procedures Proposal; and

Proposal Number Four the Name Change Proposal.

Also, at both ordinary shareholder special meetings, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

If any other matters properly come before the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings, the persons named on the enclosed gold proxy card will have the authority to vote the ordinary shares represented by all properly executed proxies in their discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

Record Date. Only shareholders of XL-Cayman ordinary shares on March 5, 2010 are entitled to notice of and to vote at the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings.

Quorum. At the special scheme meeting to approve the Scheme of Arrangement Proposal, at least two ordinary shareholders must be present, in person or by proxy, in order for the meeting to proceed. At the extraordinary general meeting to approve the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal, 50% of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the meeting to proceed and in order for the Distributable Reserves Proposal to be considered and voted on at the meeting, but 2/3 of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the Director Nomination Procedures Proposal and the Name Change Proposal to be considered and voted on at the meeting.

Required Votes of Ordinary Shareholders

Scheme of Arrangement. The Scheme of Arrangement, which will effect the Ordinary Share Exchange and (if approved by the Series C and Series E preference shareholders) the Preference Share Exchange, requires approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman ordinary shares representing 75% or more in value of the ordinary shares present and voting, in person or by proxy. The approval of the Series C or Series E preference shareholders is not needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

For the purpose of calculating the majority in number requirement for the approval of the Scheme of Arrangement Proposal, each registered ordinary shareholder, voting in person or by proxy, will be counted as a single ordinary shareholder, regardless of the number of ordinary shares voted by that shareholder. Only ordinary shareholders whose names are recorded on XL-Cayman s register of members will be counted for purposes of the majority-in-number requirement. As such, where shares are held through DTC (including ordinary shares held in street name by brokers through DTC) or other nominees on behalf of beneficial owners, and DTC (or such other nominee) is listed as the registered holder of such shares on XL-Cayman s register of members, the Cayman Court will not look through the nominee to determine how the beneficial owners of shares instructed those shares to be voted. Accordingly, DTC and other nominee holders of ordinary shares who are registered shareholders will each be counted as one ordinary shareholder for the purpose of calculating the majority in number requirement. If a registered shareholder (including DTC or other nominee holder of ordinary shares) elects (or is directed) to vote a portion of such registered shareholder s ordinary shares FOR the Scheme of Arrangement Proposal, and a portion AGAINST the Scheme of Arrangement Proposal, then that registered shareholder will be counted as one ordinary shareholder voting FOR the Scheme of Arrangement Proposal and as one ordinary shareholder voting AGAINST the Scheme of Arrangement Proposal, thereby effectively cancelling out that registered shareholder s vote for the purposes of the majority in number calculation (but not for purposes of the 75% or more in value calculation).

Distributable Reserves Proposal. The Distributable Reserves Proposal requires the affirmative vote of XL-Cayman s ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

Director Nomination Procedures Proposal. The Director Nomination Procedures Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Name Change Proposal. The Name Change Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Effect of Abstentions and Shares Not Voted

Abstentions will be counted as present for purposes of determining whether there is a quorum but will not count as votes FOR or AGAINST the proposals. An abstention on any proposal has the effect of a vote not being cast with respect to the relevant shares in relation to that proposal. Although considered present for purposes of the relevant quorum requirement, such shares will not be considered when determining whether the proposal has received the required approval.

For purposes of determining whether the required approval has been obtained for any of the proposals described in this proxy statement, shares that are not voted at the applicable ordinary shareholder special meeting will not be considered.

If you hold your ordinary shares through a broker and you do not instruct your broker on how to vote your ordinary shares prior to the ordinary shareholder special meetings, your broker, or the depository through which your broker holds your shares, will not be able to vote your ordinary shares at the ordinary shareholder special meetings, and your ordinary shares will not be counted as present for purposes of the relevant quorum requirement or affect the outcome of the vote, which is based on shares voting. Under NYSE Rule 452, brokers who hold shares on behalf of customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for non-routine matters. We believe that the proposals described in this proxy statement are proposals for non-routine matters.

Proxies

General. One gold proxy card for both of the ordinary shareholder special meetings is being sent to each ordinary shareholder as of the record date.

If you properly received a proxy card, you may grant a proxy to vote on the proposals by marking your proxy card appropriately, executing it in the space provided, dating it and returning it to us. **If you are a registered shareholder and if you do not specify on the enclosed gold proxy card that is submitted (or when giving your proxy by telephone or via the Internet) how you want to vote your ordinary shares, the proxy holders will vote such unspecified ordinary shares FOR each of the proposals set forth in this proxy statement.**

If you hold your ordinary shares beneficially in the name of a broker, you must instead follow the instructions provided by your broker when voting your ordinary shares. **Your broker, or the depository though which your broker holds your shares, will not be able to vote your ordinary shares unless it receives appropriate instructions from you.**

If you have timely submitted a properly executed proxy card or properly appointed your proxy and provided your voting instructions via the Internet or by telephone, your ordinary shares will be voted as indicated.

Revocation. You may revoke your proxy at any time before it is exercised at the ordinary shareholder special meetings by one of the following means. If you are a registered shareholder, you may revoke your proxy by:

sending a written notice to our Secretary at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda specifying that you are revoking your proxy with respect to the ordinary shareholder special meetings. Your written notice must be received a sufficient amount of time before the first ordinary shareholder special meeting to permit the necessary examination and tabulation of the revocation before the votes are taken;

submitting a proxy card with respect to the ordinary shareholder special meetings with a later date than the proxy you last submitted;

submitting new voting instructions by telephone or via the Internet, which will replace the last proxy received; or

if you are a registered holder (or if you obtain a legal proxy from the registered owner of the ordinary shares), voting in person at the ordinary shareholder special meetings.

If you hold your XL-Cayman ordinary shares through a broker, you may revoke your proxy only in accordance with the instructions from your broker.

Attending the ordinary shareholder special meetings without taking one of the actions above will not revoke your proxy.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following table presents selected historical financial and other data for XL-Cayman. The income statement data for fiscal years 2009, 2008, 2007, 2006 and 2005 and the balance sheet data as of December 31, 2009, 2008, 2007, 2006 and 2005 are derived from our consolidated financial statements. The selected historical financial and other data presented below should be read in conjunction with the financial statements and accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in XL-Cayman s Annual Report on Form 10-K for the year ended December 31, 2009 and other financial information incorporated by reference in this proxy statement. Historical financial information may not be indicative of XL-Ireland s future performance.

We have included no data for XL-Ireland because this entity was not in existence during any of the periods shown below.

	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
			(U.S. dollars in thousands)		
Income Statement Data					
Net premiums earned	$ 5,706,840	$ 6,640,102	$ 7,205,356	$ 7,569,518	$ 9,365,4
Net investment income	1,319,823	1,768,977	2,248,807	1,978,184	1,475,0
Net realized (losses) gains on investments	(921,437)	(962,054)	(603,268)	(116,458)	241,8
Net realized and unrealized (losses) gains on derivative instruments	(33,647)	(73,368)	(55,451)	101,183	28,8
Fee income and other	43,201	52,158	14,271	31,732	19,2
Net losses and loss expenses incurred (2)	3,168,837	3,962,898	3,841,003	4,201,194	7,434,3
Claims and policy benefits life operations	677,562	769,004	888,658	807,255	2,510,0
Acquisition costs, operating expenses and foreign exchange gains and losses	1,994,194	1,921,940	2,188,889	2,374,358	2,188,3

Interest expense	216,504		351,800		621,905		552,275		403,8
Extinguishment of debt			22,527						
Impairment of goodwill			989,971						
Amortization of intangible assets	1,836		2,968		1,680		2,355		10,7
(Loss) income before non-controlling interests, net income from operating affiliates and income tax expense	134,714		(872,989)		1,593,587		1,895,758		(1,261,9
(Loss) income from operating affiliates (1)(2)	60,480		(1,458,246)		(1,059,848)		111,670		67,4
Provision for income tax	(120,307)		(222,578)		(233,922)		(219,645)		(49,2
Preference share dividends	80,200		78,645		69,514		40,322		40,3
Gain on redemption of Series C Preference Ordinary Shares	211,816								
Net (loss) income available to ordinary shareholders	206,607	$	(2,632,458)	$	206,375	$	1,722,445	$	(1,292,2

(1) XL-Cayman generally records the income related to alternative fund affiliates on a one-month lag and the private

investment fund affiliates on a three-month lag in order for the company to meet the accelerated filing deadlines. XL-Cayman generally records the income related to operating affiliates on a three-month lag.

(2) In 2008, net loss from operating affiliates includes losses totaling approximately $1.4 billion related to the closing of the Master Commutation, Release and Restructuring Agreement, dated as of July 28, 2008 (the Master Agreement), with Syncora Holdings Ltd. and certain of its subsidiaries (Syncora) as well as losses recorded throughout 2008 and up until the closing of the Master Agreement

that were associated with previous reinsurance and guarantee agreements with Syncora. In 2007, $351.0 million of financial guarantee reserves related to reinsurance agreements with Syncora were recorded within net loss from operating affiliates.

	Year Ended December 31,								
	2009		2008		2007		2006		2005
Other Financial Data									
Earnings (loss) per ordinary share (3)(4):									
Basic	0.61	$	(10.94)	$	1.14	$	9.55	$	(9.06)
Diluted	0.61	$	(10.94)	$	1.14	$	9.53	$	(9.06)
Cash dividends per ordinary share	0.40	$	1.14	$	1.52	$	1.52	$	2.00

(3) Effective for the fiscal year beginning January 1, 2009 and for all interim periods within 2009, XL-Cayman adopted final authoritative guidance that addresses whether instruments granted in

share-based payment transactions may be participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing basic earnings per share (EPS) pursuant to the two-class method described in EPS guidance. A share-based payment award that contains a non-forfeitable right to receive cash when dividends are paid to ordinary shareholders irrespective of whether that award ultimately vests or remains unvested shall be considered a participating security as these rights to dividends provide a non-contingent transfer of value to the holder of the share-based payment award. Accordingly, these awards should be included in the computation of basic EPS pursuant to the two-class method. Under the terms of XL-Cayman s restricted stock awards, grantees are entitled to the right to receive dividends on the unvested portions of their awards. There is no requirement to return these dividends in the event the unvested awards are forfeited in the future. Accordingly, this guidance had an impact on XL-Cayman s EPS calculations. All prior period EPS data presented has been adjusted retrospectively to conform to the provisions of this guidance. The adoption of this guidance reduced basic loss per ordinary share for fiscal 2008 and fiscal 2005 by $0.08 and $0.08, respectively, and reduced basic earnings per ordinary share by $0.02 and $0.08 for fiscal 2007 and fiscal 2006, respectively, and reduced diluted loss per ordinary share for fiscal 2008 and fiscal 2005 by $0.08 and $0.08, respectively, and reduced diluted earnings per ordinary share by $0.01 and $0.07 for fiscal 2007 and fiscal 2006, respectively.

(4) Effective April 1, 2009, XL-Cayman adopted final authoritative guidance that addressed the treatment of credit losses on investments. This guidance was not applied retroactively.

	As of December 31,				
	2009	2008	2007	2006	2005
	(U.S. dollars in thousands, except per ordinary share amounts)				
Balance Sheet Data					
Total investments available for sale	$ 29,307,171	$ 27,464,510	$ 36,265,803	$ 39,350,983	$ 35,724,439
Cash and cash equivalents	3,643,697	4,353,826	3,880,030	2,223,748	3,693,475
Investments in affiliates	1,185,604	1,552,789	2,611,149	2,308,781	2,046,721
Unpaid losses and loss expenses recoverable	3,584,028	3,997,722	4,697,471	5,027,772	6,441,522
Premiums receivable	2,597,602	3,135,985	3,637,452	3,591,238	3,799,041
Total assets	45,579,675	45,648,814	57,762,264	59,308,870	58,454,901
Unpaid losses and loss expenses	20,823,524	21,650,315	23,207,694	22,895,021	23,597,815
Future policy benefit reserves	5,490,119	5,452,865	6,772,042	6,476,057	5,776,318
Unearned premiums	3,651,310	4,217,931	4,681,989	5,652,897	5,388,996
Notes payable and debt	2,451,417	3,189,734	2,868,731	3,368,376	3,412,698
Shareholders equity (5)	9,432,417	6,116,831	9,950,561	10,693,287	8,526,200
Book value per ordinary share	24.60	15.46	50.29	50.01	44.31

(5) Effective for the fiscal year beginning January 1, 2009 and for all interim periods within 2009, XL-Cayman adopted final authoritative guidance regarding noncontrolling interests in consolidated financial statements to establish accounting and reporting standards for the noncontrolling interest in a subsidiary. This guidance requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s equity. It also requires the amount of consolidated net income attributable to the parent and to the

noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; requires any changes in ownership interest of the subsidiary be accounted for as equity transactions; and requires that when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. All prior period shareholders equity data presented has been adjusted retrospectively to conform to the provisions of this guidance. The adoption of this guidance resulted in increased total shareholders equity of $1,598, $2,419, $562,121 and $54,389 for

2008, 2007,
2006 and 2005,
respectively.

UNAUDITED SUMMARY PRO FORMA FINANCIAL INFORMATION

Pro forma consolidated financial statements for XL-Ireland are not presented in this proxy statement because no significant pro forma adjustments are required to be made to show the impact of the Transaction to the historical income statement of XL-Cayman for the year ended December 31, 2009 or the historical balance sheet as of December 31, 2009. Those financial statements are included in XL-Cayman s Annual Report on Form 10-K for the year ended December 31, 2009.

RISK FACTORS

Before you decide how to vote your ordinary shares, you should consider carefully the following risk factors related to the proposals set forth in this proxy statement, in addition to the other information contained in this proxy statement and the documents incorporated by reference, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2009, and any subsequent filings we make with the SEC prior to the date of the ordinary shareholder special meetings.

Your rights as an ordinary shareholder will change as a result of the Ordinary Share Exchange due to differences between Irish law and Cayman Islands law.

Because of differences between Irish law and Cayman Islands law, we will become subject to new legal requirements if the Ordinary Share Exchange is consummated. In addition, your rights as an ordinary shareholder will change if the Ordinary Share Exchange is consummated.

We discuss some of these differences in detail under Description of XL Group plc Share Capital and Comparison of Rights of Shareholders and Powers of the Board of Directors. XL-Ireland s memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B.

Legislative or regulatory action could materially and adversely affect us after the Transaction or eliminate or reduce some of the anticipated benefits of the Transaction.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Ireland, the United States and other jurisdictions following the Transaction, and such changes may be more likely or become more likely in view of recent economic trends in such jurisdictions, particularly if such trends continue. For example, Ireland has suffered from the consequences of worldwide adverse economic conditions and the credit ratings on its debt have been downgraded. Such changes could cause a material and adverse change in our worldwide effective tax rate and we may have to take further action, at potentially significant expense, to seek to mitigate the effect of such changes. Any future amendments to the current double taxation treaties between Ireland and other jurisdictions, including the United States, could subject us to increased taxation and/or potentially significant expense. We cannot assure you that the Transaction will eliminate the risk that these changes, if made, will apply to us.

As an Irish company following the Ordinary Share Exchange, we will be required to comply with numerous Irish and European Union laws and regulations as from time to time in effect, which may have a material and adverse effect on XL s financial condition and results of operations.

The Transaction may not allow us to maintain a competitive worldwide effective corporate tax rate.

We believe the Transaction should permit us to maintain a competitive worldwide effective tax rate. However, we cannot provide any assurance as to what our worldwide effective tax rate will be after the Transaction because of, among other things, uncertainty regarding the amount of business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions. Our actual worldwide effective tax rate may vary from our expectation and that variation may be material.

If the Transaction becomes effective but our ordinary shareholders do not approve the Distributable Reserves Proposal, or if the Irish High Court does not approve the creation of distributable reserves in XL-Ireland, XL-Ireland will not be able to pay dividends or redeem or buy back shares following the Transaction unless and until we generate earnings after the Effective Time, and only to the extent of such earnings.

Under Irish law, dividends must be paid and share redemptions and buy backs generally must be funded out of "distributable reserves," which XL-Ireland will not have immediately following the Effective Time. If the Scheme of Arrangement Proposal is approved, the XL-Cayman ordinary shareholders will also be asked at the extraordinary general meeting to approve the creation of distributable reserves in XL-Ireland. Creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

If our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland s share premium account. Although we are not aware of any reason why the Irish High Court would not approve the creation of distributable reserves, the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when such approval will be obtained. Even if the Irish High Court does approve the creation of distributable reserves, it may take substantially longer than we anticipate and the Irish High Court may not approve the reduction of the share premium account in the entire amount sought by XL.

Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective, but in the absence of Irish High Court approval of the creation of distributable reserves, we would not continue to be able to pay dividends and redeem and buy back shares before we generate sufficient post-Transaction earnings, as would otherwise be necessary under Irish law. Further, we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law.

If the XL-Cayman ordinary shareholders approve the Scheme of Arrangement Proposal but do not approve the Distributable Reserves Proposal and the Transaction is consummated, or if the Irish High Court does not approve the creation of distributable reserves, XL-Ireland will not have sufficient distributable reserves to pay dividends or to buy back or redeem shares unless and until we generate earnings after the Effective Time, and only to the extent of such earnings. In addition, the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

Please see Proposal Number Two: The Distributable Reserves Proposal, Description of XL Group plc Share Capital Dividends and Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions.

As a result of different shareholder voting requirements in Ireland relative to the Cayman Islands, we will have less flexibility with respect to certain aspects of capital management.

Under Cayman Islands law, our Board may issue, without shareholder approval, any shares authorized in our memorandum of association that are not already issued. Irish law allows shareholders to authorize a Board of Directors to subsequently issue shares without shareholder approval, but this authorization must be renewed after five years. Additionally, subject to specified exceptions, Irish law grants statutory pre-emption rights to existing ordinary shareholders to subscribe for new issuances of shares for cash, but allows such shareholders to authorize the waiver of such statutory pre-emption rights for five years. Prior to the Effective Time, the articles of association of XL-Ireland will provide such authority to the Board of Directors of XL-Ireland to issue shares without further shareholder approval and a waiver of these statutory pre-emption rights for a period of five years in each such case. These authorizations expire after five years, unless renewed by XL-Ireland s shareholders, and we can provide no assurance that these authorizations and waivers will always be renewed, which could limit our ability to issue equity in the future. While we do not believe that the differences between Cayman Islands law and Irish law relating to our capital management will have a material and adverse effect on us, situations may arise where the flexibility we now have in the Cayman Islands would have provided benefits to our shareholders that will not be available in Ireland.

As a result of different shareholder voting requirements in Ireland relative to the Cayman Islands, we will have less flexibility with respect to our ability to amend our constituent documents and to take other actions requiring a special resolution of our shareholders than we now have.

Under Cayman Islands law and our current articles of association, our memorandum and articles of association may be amended by a special resolution of our ordinary shareholders, which requires approval by not less than 2/3 of the votes cast by XL-Cayman s ordinary shareholders at a general meeting of such shareholders at which holders of at least 2/3 of all ordinary shares are present. Under Irish law and the XL-Ireland articles of association, the special resolution required to amend XL-Ireland s memorandum and articles of association will require the approval of not less than 75% of the votes cast by XL-Ireland s ordinary shareholders at a general meeting of such shareholders at which holders of at least 2/3 of all XL-Ireland ordinary shares are present. Additional corporate actions that require approval by special resolution in both the Cayman Islands and Ireland include, but are not limited to, approval of a name change, approval of a reduction in share capital and approval of the winding-up of a company. As a result of the increased approval requirement for passage of a special resolution in Ireland, situations may arise where the flexibility we now have in the Cayman Islands would have provided benefits to our shareholders that will not be available in Ireland.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Voting.

We may be required to pay additional amounts in respect of dividends on our preference shares or interest payments on our debt after completion of the Transaction.

After the Transaction, XL-Ireland and/or its subsidiaries may have an obligation to pay additional amounts to our preference shareholders and holders of our debt under certain circumstances whether or not the Preference Share Exchange is consummated. Specifically, under Irish tax law, and subject to exceptions, dividends and interest are generally subject to a withholding tax (currently at 20%), which could trigger an obligation to pay additional amounts with respect to our preference shares and debt obligations pursuant to their respective terms. We do not expect such obligations to be material, as we believe our current preference shareholders and the holders of our debt generally should qualify for dividend and interest withholding tax exceptions, respectively. However, we are unable to predict the costs of such obligations or exclude as a possibility that the obligations to pay additional amounts could be material at some time in the future.

If the Cayman Court does not sanction the Scheme of Arrangement, XL-Cayman will not have the ability to effect the Transaction.

We cannot proceed with the Transaction unless the Cayman Court sanctions the Scheme of Arrangement after conducting a hearing. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court s order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Cayman Companies Law, we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court s sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

If the Cayman Court does not sanction the Scheme of Arrangement, XL-Cayman will be unable to effect the Transaction as contemplated under the Scheme of Arrangement (even if the requisite ordinary shareholders have approved the Scheme of Arrangement). In addition, the Cayman Court may impose such conditions, modifications or amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. If such conditions, modifications or amendments are imposed, XL will be unable to effect the Transaction without amending the Scheme of Arrangement, which, depending on the nature of such conditions, modifications or amendments, might require new shareholder approvals.

Please see Proposal Number One: The Scheme of Arrangement Proposal Court Approval of the Scheme of Arrangement.

After the Transaction, attempted takeovers of XL-Ireland will be subject to the Irish Takeover Rules and subject to review by the Irish Takeover Panel.

After the Transaction, we will become subject to the Irish Takeover Rules, under which the Board of Directors of XL-Ireland will not be permitted to take any action which might frustrate an offer for the XL-Ireland shares once the Board of Directors has received an offer, or has reason to believe an offer is or may be imminent, without the approval of more than 50% of shareholders entitled to vote at a general meeting of XL-Ireland s shareholders and/or the consent of the Irish Takeover Panel. This could limit the ability of the Board of Directors of XL-Ireland to take defensive actions even if the Board of Directors believes that such defensive actions would be in the best interests of XL and its shareholders.

The Irish Takeover Rules also could discourage an investor from acquiring 30% or more of the outstanding ordinary shares of XL-Ireland unless such investor were prepared to make a bid to acquire all outstanding ordinary shares. Further, it could be more difficult for XL-Ireland to obtain shareholder approval for a merger or negotiated transaction after the Transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law than under Cayman Islands law.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Shareholder Approval of Business Combinations, Comparison of Rights of Shareholders and Powers of the Board of Directors Appraisal Rights, Comparison of Rights of Shareholders and Powers of the Board of Directors Disclosure of Interests in Shares and Comparison of Rights of Shareholders and Powers of the Board of Directors Other Anti-Takeover Measures.

After the Transaction, a future transfer of your XL-Ireland ordinary shares, other than one effected by means of the transfer of book entry interests in DTC, may be subject to Irish stamp duty.

Transfers of XL-Ireland ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty. It is anticipated that the majority of XL-Ireland ordinary shares will be traded through DTC, either directly or through brokers who hold such ordinary shares on behalf of customers through DTC. However, if you hold your XL-Ireland ordinary shares directly rather than beneficially through DTC (or through a broker that holds your ordinary shares through DTC), any transfer of your XL-Ireland ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the ordinary shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty could adversely affect the price of our ordinary shares.

Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Stamp Duty.

After the Transaction, dividends you receive may be subject to Irish dividend withholding tax and Irish income tax.

Dividend withholding tax (currently at a rate of 20%) may arise in respect of dividends paid on XL-Ireland ordinary shares. However, a number of exemptions from dividend withholding tax exist such that ordinary shareholders resident in the U.S. and ordinary shareholders resident in the countries listed in Annex F attached to this proxy statement may be entitled to exemptions from dividend withholding tax.

Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Withholding Tax on Dividends and, in particular, please note the requirement to complete certain dividend withholding tax forms in order to qualify for many of the exemptions.

Ordinary shareholders resident in the U.S. that hold their ordinary shares through DTC will not be subject to dividend withholding tax provided the addresses of the beneficial owners of such ordinary shares in the records of the brokers holding such ordinary shares are in the U.S. (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland). Similarly, ordinary shareholders resident in the U.S. that hold their ordinary shares outside of DTC will not be subject to dividend withholding tax if such ordinary shareholders held ordinary shares in XL-Cayman on January 12, 2010 and they have provided a valid Form W-9 showing a U.S. address to XL-Ireland s transfer agent. However, other ordinary shareholders may be subject to dividend withholding tax, which could adversely affect the price of our ordinary shares. Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Withholding Tax on Dividends.

In addition, ordinary shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from XL-Ireland should not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their ordinary shareholding in XL- Ireland. Ordinary shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland. Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Income Tax on Dividends Paid on XL-Ireland Shares.

XL recommends that each ordinary shareholder consult his or her own tax advisor as to the tax consequences of holding ordinary shares in and receiving dividends from XL-Ireland.

The anticipated benefits of the Transaction may not be realized.

We may not realize the benefits we anticipate from the Transaction. Our failure to realize those benefits could have a material and adverse effect on our business, results of operations or financial condition.

Please see Proposal Number One: The Scheme of Arrangement Proposal Background and Reasons for the Transaction.

The Transaction will result in additional direct and indirect costs, even if it is not consummated.

We will incur additional costs and expenses in connection with and as a result of the Transaction. These costs and expenses include professional fees to comply with Irish corporate and tax laws and financial reporting requirements (including the need to provide annual financial statements complying with Irish requirements commencing with respect to XL-Ireland s 2014 fiscal year), costs and expenses incurred in connection with holding a majority of the meetings of the XL-Ireland Board of Directors and certain executive management meetings in Ireland, as well as any additional costs we may incur going forward as a result of our new corporate structure. In addition, we have incurred and expect to incur further legal, accounting, filing and possible other fees and mailing, financial printing and other expenses in connection with the Transaction, even if the Scheme of Arrangement Proposal is not approved or the Transaction is not consummated.

The market for the XL-Ireland ordinary shares may differ from the market for the XL-Cayman ordinary shares.

We will continue to list our ordinary shares on the NYSE under the symbol XL , the same trading symbol as the XL-Cayman ordinary shares. The market price, trading volume or volatility of the XL-Ireland ordinary shares could be different from those of the XL-Cayman ordinary shares.

Based on the recent experience of other companies, the change in our place of incorporation will likely result in XL being removed from the S&P 500 index and certain other indices, which could result in a negative impact on our ordinary share price if index-modeled shareholders are required to sell our ordinary shares.

FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the **Securities Act**), and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 (**PSLRA**) provides a safe harbor for forward-looking statements.

Statements that are not historical facts, including statements about our beliefs, plans or expectations, are forward-looking statements. Such statements include forward-looking statements both with respect to us in general, and to the insurance and reinsurance sectors in particular (both as to underwriting and investment matters). These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. Words such as may, will, should, likely, anticipates, expects, intends, plan believes, estimates and similar expressions are used to identify these forward-looking statements for purposes of the PSLRA or otherwise.

The factors that could cause actual future results to differ materially from current expectations include, but are not limited to, our ability to obtain approval of the XL-Cayman ordinary shareholders and the Cayman Court for, and to satisfy the other conditions to, the Transaction within the expected timeframe or at all, our ability to obtain approval of the XL-Cayman ordinary shareholders and the Irish High Court for the creation of distributable reserves in XL-Ireland within the expected timeframe or at all, our ability to realize the expected benefits from the Transaction, the occurrence of difficulties in connection with the Transaction, any unanticipated costs in connection with the Transaction and changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Ireland, the United States and other jurisdictions following the Transaction.

The foregoing factors are in addition to those factors discussed under Risk Factors and Proposal Number One: The Scheme of Arrangement Proposal Background and Reasons for the Transaction and elsewhere in this proxy statement, as well as those in the documents that we incorporate by reference into this proxy statement (including, without limitation, the Risk Factors sections of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other documents on file with the SEC prior to the date of the ordinary shareholder special meetings). There may be other risks and uncertainties that we are unable to predict at this time. We expressly disclaim any obligation to update or revise these forward-looking statements whether as a result of new information, future developments or otherwise.

PROPOSAL NUMBER ONE: THE SCHEME OF ARRANGEMENT PROPOSAL

The Ordinary Share Exchange

Consummation of the Ordinary Share Exchange will result in you owning ordinary shares of XL-Ireland, a public limited company to be incorporated in Ireland, instead of ordinary shares of XL-Cayman.

As explained in more detail below, the Scheme of Arrangement, which we are asking you to vote on, will effect the Ordinary Share Exchange.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Cayman Court dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to this proxy statement. The Cayman Court ordered that its written ruling be included in the definitive proxy statement so that it would be available to you. We recommend that you read the ruling in full, which is included in Annex J. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on April 30, 2010. If the Scheme of Arrangement Proposal is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court s sanction of the Scheme of Arrangement.

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010, or at such other date and time after such court order filing as the Board may determine, which we refer to as the Effective Time. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;

2. in consideration therefor, XL-Ireland (i) will issue ordinary shares of XL-Ireland (on a one-for-one

basis) to the holders of whole XL-Cayman Class A ordinary shares that are being transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the high and low trading prices of the XL-Cayman Class A ordinary shares on the NYSE on the business day immediately preceding the Effective Time; and

3. all XL-Ireland shares in issue prior to the Ordinary Share Exchange (which will then be held by XL-Cayman and certain of

its subsidiaries) will be redeemed by XL-Ireland at nominal value and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Ireland will own all of the outstanding ordinary shares of XL-Cayman. The members of the Board of Directors of XL-Cayman then in office will be members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. We do not expect the Transaction to have a material effect on the financial condition or results of operations of XL. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

In connection with the Transaction, whether or not the Preference Share Exchange is consummated, XL-Cayman expects to become a tax resident of Ireland and to form a new, wholly owned Swiss subsidiary and transfer all of the equity XL-Cayman owns in its other subsidiaries as well as cash and certain investment securities to that new Swiss subsidiary.

The Preference Share Exchange

The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

If the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference shareholders, our Series E preference shareholders and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares and the Series E preference shares will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

If approved, the Preference Share Exchange will become effective at the Effective Time, and the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Series C and Series E preference ordinary shares will be transferred to XL-Ireland; and

2. in consideration therefor, XL-Ireland will issue Series C and Series E preference shares of XL-Ireland (on a

one-for-one basis), respectively, to the holders of the XL-Cayman Series C and Series E preference ordinary shares that are being transferred to XL-Ireland.

If the Preference Share Exchange is consummated, the Series C and Series E preference shareholders of XL-Cayman will instead become Series C and Series E preference shareholders of XL-Ireland, respectively.

In addition, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, the Series C preference shareholders will also be asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable by XL-Cayman (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate, and have the same liquidation preference, as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend period on the XL-Cayman Series C preference shares beginning prior to the Effective Time for which a Series C preference share dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E preference shares prior to the Effective Time, whether or not a Series E preference share dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL s preference shareholders.

The Preference Share Exchange will only be consummated if the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement.

If the Ordinary Share Exchange is approved and consummated, XL-Ireland will become the ultimate parent holding company of the XL group of companies (including XL-Cayman) whether or not the Preference Share Exchange is approved. If the Ordinary Share Exchange is consummated and the Preference Share Exchange is not consummated, the Series C and Series E preference shares will remain in their current form as Series C and Series E preference shares of XL-Cayman, respectively, which will become a subsidiary of XL-Ireland as part of the Ordinary Share Exchange.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

Court Sanction of the Scheme of Arrangement

Pursuant to Section 86 of the Cayman Companies Law, the Scheme of Arrangement must be sanctioned by the Cayman Court. This required XL-Cayman to file a petition in connection with the Scheme of Arrangement with the Cayman Court. Prior to the mailing of this proxy statement, XL- Cayman obtained an order from the Cayman Court providing for the convening of the special class meetings of XL-Cayman shareholders and other procedural matters regarding those meetings and the Cayman Court proceeding, including a date upon which the Cayman Court will hold the Sanction Hearing. Subject to the ordinary shareholders approving the Scheme of Arrangement Proposal with the vote required by the Cayman Companies Law (and assuming we do not abandon the Scheme of Arrangement), the Cayman Court will hold the Sanction Hearing, hear the application and, we expect, authorize the Scheme of Arrangement.

Subject to the Series C and Series E preference shareholders of XL-Cayman each approving the Scheme of Arrangement, the Cayman Court will also consider the portions of the Scheme of Arrangement that will govern the Preference Share Exchange at the Sanction Hearing.

At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of the XL-Cayman shareholders which the Cayman Court may think fit to approve or impose. In determining whether to exercise its discretion and authorize the Scheme of Arrangement, the Cayman Court will determine, among other things, whether the Scheme of Arrangement is fair to XL-Cayman s ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, whether the Scheme of Arrangement is fair to XL- Cayman s Series C and Series E preference shareholders, considered as separate classes.

We expect the Sanction Hearing to be held on May 20, 2010 at the Cayman Court on Grand Cayman Island. If you are an ordinary shareholder who wishes to appear in person or by counsel at the Sanction Hearing and present evidence or arguments in support of or opposition to the Scheme of Arrangement, you may do so. XL-Cayman will not object to the participation in the Sanction Hearing by any ordinary shareholder who holds shares through a broker. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court s order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Cayman Companies Law, we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court s sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

If the Scheme of Arrangement is sanctioned by the Cayman Court, we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Scheme of Arrangement to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010, or at such other date and time after such court order filing as the Board may determine, which we refer to as the Effective Time.

If the ordinary shareholders approve the Scheme of Arrangement Proposal (and we do not abandon the Scheme of Arrangement), then XL-Cayman will apply for sanction of the Scheme of Arrangement at the Sanction Hearing. We encourage you to read the Scheme of Arrangement in its entirety for a complete understanding of its terms and conditions. The Scheme of Arrangement will be substantially in the form attached as Annex A to this proxy statement.

Once the Scheme of Arrangement is effective, the Cayman Court will have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which arises out of or is connected with the terms of the Scheme of Arrangement or its implementation or out of any action taken or omitted to be taken under the Scheme of Arrangement or in connection with the administration of the Scheme of Arrangement. After the Effective Time, no shareholder may commence a proceeding against XL-Ireland or XL-Cayman in respect of or arising from the Scheme of Arrangement except to enforce its rights under the Scheme of Arrangement where a party has failed to perform its obligations under the Scheme of Arrangement.

Please see Conditions to Completion of the Transaction below for more information on the conditions to the Transaction.

Background and Reasons for the Transaction

Like many companies, we continually explore ways to optimize our corporate structure, including with respect to the jurisdiction of incorporation of our parent holding company. After conducting a thorough review with the help of outside advisors, our Board has determined that a change in place of incorporation is in the best interests of XL and its shareholders.

We are subject to reputational, political, tax and other risks because of negative publicity regarding companies that are incorporated in jurisdictions, including the Cayman Islands, whose economies have low rates of, or no, direct taxation or which do not have a substantial network of double taxation (or similar) treaties with the United States, the European Union or other members of the OECD. Our Board believes that changing our place of incorporation will reduce those risks and offer the opportunity to reinforce our reputation, which is one of our key assets, and to better support our legal and business platforms.

Additionally, there have been, and could be in the future, legislative or regulatory proposals that could increase taxes for companies incorporated in jurisdictions such as the Cayman Islands. Although we do not believe that any proposals under current legislative or regulatory consideration would directly impact us if enacted, our Board believes that the incorporation of our parent holding company in the Cayman Islands increases the risk that legislative or regulatory proposals that might be enacted in the future could materially and adversely affect us.

After considering a number of locations, our Board ultimately selected Ireland as the best available alternative based on many factors, including:

Ireland has strong international relationships as a member of the OECD and the European Union, a long history of international investment, and long-established commercial relationships, trade agreements and tax treaties with the other European Union member states, the United States and other countries around the world. As a result, we believe Ireland offers a stable long-term legal and regulatory environment with the financial sophistication to meet the needs of our global business.

Ireland, like the Cayman Islands, is a common law jurisdiction, which we consider to be less prescriptive than many civil law jurisdictions. As a result, we believe Ireland s legal system to be more flexible (including with respect to the management of our capital structure), predictable and familiar to us than a civil law system.

Irish law, like Cayman Islands law, permits dividends to be paid in U.S. dollars and upon the approval of the Board of Directors without the need for shareholder approval, thereby avoiding currency risk relating to our dividends.

We have maintained operations in Ireland since 1990 and, accordingly, we are familiar with doing business in that jurisdiction. In 2006, we established the first Irish-domiciled reinsurance company authorized pursuant to the EU Reinsurance Directive (which gives EU-based reinsurers a passport to do business throughout Europe), and all three of our EU-regulated platforms are represented in Dublin.

Although changing our place of incorporation to Ireland is not expected to reduce our worldwide effective corporate tax rate, we expect to maintain a competitive worldwide effective corporate tax rate.

We cannot assure you that the anticipated benefits of the Transaction will be realized. In addition to the potential benefits described above, the Transaction will expose you and us to some risks and uncertainties. Please see the discussion under Risk Factors.

Our Board has considered both the potential advantages of the Transaction and the associated risks and uncertainties and has approved the Scheme of Arrangement and unanimously recommends that our shareholders vote FOR the Scheme of Arrangement Proposal.

Amendment, Termination or Delay

Subject to applicable Cayman Islands law and any other applicable laws, the Scheme of Arrangement may be amended, modified or supplemented at any time before or after its approval by the ordinary shareholders of XL-Cayman at the special scheme meeting. At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of the ordinary shareholders or the Series C or Series E preference shareholders which the Cayman Court may think fit to approve or impose. After approval of the Scheme of Arrangement by any class of XL-Cayman shareholders, no amendment, modification or supplement to the Scheme of Arrangement may be made or effected that legally requires further approval by that class of XL-Cayman shareholders without obtaining that approval.

The Board may abandon the Scheme of Arrangement and the Transaction, delay the Transaction or engage in corporate restructuring related to the Transaction at any time prior to the Effective Time, without obtaining the approval of XL-Cayman s shareholders, even though the Scheme of Arrangement may have been approved by the requisite vote of the shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction may have been satisfied or, if allowed by law, waived. The Board will not, however, proceed with the Ordinary Share Exchange but abandon the Preference Share Exchange if the Preference Share Exchange has been approved by the XL-Cayman Series C and Series E preference shareholders and the Cayman Court and the other conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived.

Unless the Scheme of Arrangement has become effective on or before December 31, 2010 (unless extended with the approval of the Cayman Court), the Scheme of Arrangement will lapse by its terms and not come into effect.

Conditions to Completion of the Transaction

The Ordinary Share Exchange will not be consummated unless the following conditions are satisfied or, if allowed by law, waived:

1. the Scheme of Arrangement Proposal is approved by the requisite vote of the ordinary shareholders of XL-Cayman, voting as a class;

2. the requisite court order sanctioning the Scheme of Arrangement, insofar as it relates to the Ordinary Share Exchange, is obtained from the Cayman Court;

3. there is no threatened or pending litigation relating to, or effective decree, order, injunction or other legal restraint prohibiting the consummation of, the Ordinary Share Exchange;

4. all consents and governmental authorizations that are necessary, desirable or appropriate in connection with

the Ordinary Share Exchange are obtained on terms acceptable to XL-Cayman and are in full force and effect;

5. we receive an opinion from Baker & McKenzie LLP, in form and substance reasonably satisfactory to us, confirming, as of the effective date of the Scheme of Arrangement, the matters discussed under Material Tax Considerations Relating to the Transaction U.S. Federal Income Tax Considerations ;

6. we receive an opinion from Matheson Ormsby Prentice, Solicitors, in form and substance reasonably satisfactory to us, confirming, as of the effective date of the Scheme of Arrangement, the matters discussed under Material Tax Considerations Relating to the

Transaction Irish Tax Considerations ; and

7. the XL-Ireland ordinary shares to be issued pursuant to the Ordinary Share Exchange are authorized for listing on the NYSE, subject to official notice of issuance.

The Preference Share Exchange will not be consummated unless the following conditions are satisfied or, if allowed by law, waived:

1. all of the conditions set out above with respect to completion of the Ordinary Share Exchange are satisfied or, if allowed by law, waived, and the Ordinary Share Exchange is concurrently consummated;

2. the Scheme of Arrangement is approved by the requisite vote of the Series C preference shareholders of XL-Cayman, voting as a class;

3. the Scheme of Arrangement is

approved by the requisite vote of the Series E preference shareholders of XL-Cayman, voting as a class;

4. the proposal to vary the terms of the Series C preference shares with respect to payment of the dividend that would otherwise be payable on July 15, 2010 is approved by the requisite vote of the Series C preference shareholders of XL-Cayman, voting as a class;

5. the requisite court order authorizing the Scheme of Arrangement, insofar as it relates to the Preference Share Exchange, is obtained from the Cayman Court;

6. there is no threatened or pending litigation relating to, or

effective decree, order, injunction or other legal restraint prohibiting the consummation of, the Preference Share Exchange;

7. all consents and governmental authorizations that are necessary, desirable or appropriate in connection with the Preference Share Exchange are obtained on terms acceptable to XL-Cayman and are in full force and effect; and

8. we receive opinions from Baker & McKenzie LLP and Matheson Ormsby Prentice, Solicitors, in form and substance reasonably satisfactory to us, confirming, as of the effective date of the Scheme of Arrangement,

certain tax matters relating to the Preference Share Exchange.

The Preference Share Exchange will only be consummated if the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

Federal Securities Law Consequences; Resale Restrictions

The issuance of XL-Ireland shares to XL-Cayman shareholders in the Ordinary Share Exchange will not be registered under the Securities Act in reliance upon Section 3(a)(10) of the Securities Act. That section exempts from registration securities issued solely in exchange for outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have a right to appear and to whom adequate notice of the hearing has been given. In determining whether it is appropriate to authorize the Scheme of Arrangement, the Cayman Court will consider at the Sanction Hearing whether the terms and conditions of the Scheme of Arrangement are fair to XL-Cayman s ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, whether the Scheme of Arrangement as it relates to the Preference Share Exchange is fair to XL-Cayman s Series C and Series E preference shareholders, considered as separate classes. The Cayman Court has fixed the date and time for the Sanction Hearing, which is scheduled to be held at the Cayman Court on Grand Cayman Island on May 20, 2010, at 10:00 a.m., Cayman Islands time.

The XL-Ireland ordinary shares issued to XL-Cayman ordinary shareholders in connection with the Transaction will be freely transferable, except as follows:

Persons who are affiliates of XL-Cayman or have been affiliates within 90 days prior to reselling any XL-Ireland ordinary shares may resell any XL-Ireland ordinary shares in the manner permitted by Rule 144 promulgated under the Securities Act. In computing the holding period of the XL- Ireland ordinary shares for the purposes of Rule 144(d), such persons will be permitted to tack the holding period of their XL-Cayman ordinary shares held prior to the Effective Time.

Persons whose XL-Cayman ordinary shares bear a legend restricting transfer will receive XL-Ireland ordinary shares that are subject to the same restrictions.

Persons who may be deemed to be affiliates of XL-Cayman or XL-Ireland for these purposes generally include individuals or entities that control, are controlled by, or are under common control with, XL-Cayman or XL-Ireland, and would generally not be expected to include ordinary shareholders who are not executive officers, directors or significant ordinary shareholders of XL-Cayman or XL-Ireland.

Upon consummation of the Ordinary Share Exchange, the XL-Ireland ordinary shares will be deemed to be registered under Section 12(b) of the Exchange Act, by virtue of Rule 12g-3 under the Exchange Act, without the filing of any Exchange Act registration statement and XL-Ireland will be deemed to be the successor issuer of the registered ordinary shares.

Effective Date and Time of the Transaction

If the Scheme of Arrangement Proposal is approved by the requisite vote of the ordinary shareholders and sanctioned by the Cayman Court and all of the other conditions to the consummation of the Ordinary Share Exchange are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective at the Effective Time, which is expected to be before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010 (or at such other date and time after such court order filing as the Board may determine), at which time the various steps of the Ordinary Share Exchange will occur effectively simultaneously. Subject to any order to the contrary by the Cayman Court, the Effective Time must be on or before December 31, 2010.

If the Preference Share Exchange is approved by the requisite vote of the Series C and Series E preference shareholder class votes and sanctioned by the Cayman Court and all of the other conditions to the consummation of the Preference Share Exchange are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), the various steps of the Preference Share Exchange will occur effectively simultaneously with the various steps of the Ordinary Share Exchange at the Effective Time.

The expected timetable for the Transaction is set forth in Annex G to this proxy statement.

In the event the conditions to the Transaction are not satisfied or, if allowed by law, waived, the Transaction may be abandoned or delayed, even after approval by the requisite vote of the XL-Cayman shareholders and the authorization of the Cayman Court. In addition, the Transaction may be abandoned or delayed by our Board at any time prior to the Effective Time, without obtaining the approval of the XL-Cayman shareholders, even though the Scheme of Arrangement may have been approved by the requisite vote of the XL-Cayman shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction may have been satisfied or, if allowed by law, waived. The Board will not, however, proceed with the Ordinary Share Exchange but abandon the Preference Share Exchange if the Preference Share Exchange has been approved by the XL-Cayman Series C and Series E preference shareholders and the Cayman Court and the other conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived.

Please see Amendment, Termination or Delay above.

Management of XL-Ireland

If the Transaction is consummated, the executives and directors of XL-Cayman immediately prior to the Effective Time are expected to be the executives and directors of XL-Ireland. XL-Ireland s memorandum and articles of association provide for three classes of directors, just as XL-Cayman currently has, and XL-Ireland s Class I, Class II and Class III directors will be subject to re-election at the 2011, 2012 and 2013 annual general meetings of XL-Ireland, respectively.

Exculpation and Indemnification

XL-Cayman s articles of association contain provisions which release the directors and officers from liability absent their willful neglect or default. In general, a Cayman Islands court will enforce such a provision except to the extent that enforcement may be held to be contrary to public policy. The articles of association of XL-Ireland contain an exemption from liability for its directors and executives that is substantially similar to the exemption from liability described above with respect to XL-Cayman. However, under the Irish Companies Acts, a company may not exempt its directors or corporate secretary from liability for negligence or a breach of duty or trust. Where a breach of duty has been established, directors and the corporate secretary may be statutorily exempted by an Irish court from personal liability for negligence or breach of duty if, among other things, the court determines that they have acted honestly and reasonably, and that they may fairly be excused as a result.

XL-Cayman s articles of association also contain provisions that indemnify its directors and officers against liabilities (except in the case of claims by or in the right of XL-Cayman) and expenses they may incur in their capacity as directors and officers, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of XL-Cayman and, with respect to any criminal action or proceeding, had no reasonable cause to believe their actions were unlawful. In addition, to the extent that a director or officer is successful on the merits or otherwise in defense of any relevant legal proceeding, the articles of association of XL-Cayman provide that he or she will be indemnified against expenses actually and reasonably incurred by him or her in connection with that legal proceeding. The indemnity provisions do not extend to situations involving claims by or in the right of XL-Cayman in which a court determines that a director or officer is liable for willful neglect or default in the performance of his or her duty to XL-Cayman. In addition, as a matter of Cayman Islands law, an indemnification provision would not be enforceable if held by a Cayman Islands court to be contrary to public policy. For instance, an indemnification provision that purported to provide indemnification for liabilities incurred as a result of committing a crime or actual fraud might be held to be contrary to public policy under Cayman Islands law.

XL-Ireland s articles of association confer an indemnity on its directors and officers that is substantially the same as the indemnity in XL-Cayman s articles of association, subject to the limitations imposed by the Irish Companies Acts. The Irish Companies Acts prescribe that an advance commitment to indemnify only permits a company to pay the costs or discharge the liability of a director or corporate secretary where judgment is given in favor of the director or corporate secretary in any civil or criminal action in respect of such costs or liability, or where an Irish court grants relief because the director or corporate secretary acted honestly and reasonably and ought fairly to be excused. Any provision whereby an Irish company seeks to commit in advance to indemnify its directors or corporate secretary over and above the limitations imposed by the Irish Companies Acts will be void under Irish law, whether contained in its articles of association or any contract between the company and the director or corporate secretary. As a result, to the extent the indemnification provisions in XL-Ireland s articles of association apply to directors and the corporate secretary of XL-Ireland, the indemnity is more limited than the indemnity in XL-Cayman s articles of association. This restriction does not apply to executives who are not directors or the corporate secretary, or other persons who would not be considered officers within the meaning of that term under the Irish Companies Acts, of XL-Ireland.

In order to continue to retain and attract highly experienced and capable persons to serve as directors and executives of XL, we intend that XL-Cayman will enter into arrangements (in the form of agreements and/or a deed poll) in connection with the Scheme of Arrangement providing for the indemnification of, and advancement of expenses to, the directors, corporate secretary and certain other executives of XL-Ireland. We expect that the indemnification and expense advancement provided under these arrangements will be substantially similar to the indemnity currently afforded by XL- Cayman under its articles of association to its directors and officers, except that these arrangements will provide for additional procedural protections intended to help ensure that such indemnification and expense advancement rights will be available to the directors, corporate secretary and such executives of XL-Ireland. XL-Ireland also expects to continue to maintain liability insurance policies similar to those currently maintained by XL-Cayman.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Indemnification of Directors and Officers; Insurance.

Interests of Certain Persons in the Transaction

Except for the indemnification arrangements described above, no person who has been a director or executive officer of XL-Cayman at any time since the beginning of our last fiscal year, or any associate of any such person, has any substantial interest in the Transaction, except for any interest arising from his or her ownership of securities of XL-Cayman. No such person is receiving any extra or special benefit not shared on a *pro rata* basis by all other holders of XL-Cayman ordinary shares.

Required Votes

The Scheme of Arrangement, which will effect the Ordinary Share Exchange and the Preference Share Exchange, requires approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman ordinary shares present and voting, in person or by proxy, representing 75% or more in value of the ordinary shares present and voting, in person or by proxy. The approval of the Series C or Series E preference shareholders is not needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

In order to effect the Preference Share Exchange, the Scheme of Arrangement also requires (1) approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series C preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series C preference shareholders, representing 75% or more in value of the Series C preference shares present and voting, in person or by proxy; and (2) approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series E preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series E preference shareholders, representing 75% or more in value of the Series E preference shares present and voting, in person or by proxy.

Approval of the variation to the terms of the Series C preference shares (as described under Payment of Series C Preference Share Dividend) is a condition to the effectiveness of the Scheme of Arrangement with respect to the Preference Share Exchange and therefore is required in order for us to carry out the Preference Share Exchange. The variation to the terms of the Series C preference shares requires the affirmative vote of XL-Cayman s Series C preference shareholders representing at least 2/3 of all Series C preference shares present and voting, in person or by proxy, at the extraordinary general meeting of Series C preference shareholders at which holders of at least 2/3 of all Series C preference shares are present, either in person or by proxy. The approval of the Series C preference shareholders is not, however, needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

Please see The Meetings Votes of Ordinary Shareholders Required for Approval and The Meetings Votes of Preference Shareholders Required for Preference Share Exchange Approval for more information on the votes required.

Board Recommendation

Our Board has approved the Scheme of Arrangement and unanimously recommends that our ordinary shareholders vote FOR approval of the Scheme of Arrangement Proposal.

Regulatory Matters

We will be required to obtain an exemption from the acquisition of control (**Form A**) application and approval requirements from insurance regulatory authorities in Delaware, Illinois, New York, North Dakota and Texas (the domiciliary regulators of the U.S. insurance subsidiaries of XL). If one or more domiciliary state regulators refuses to grant our exemption request, we will be required to make a Form A application or similar filing in such state, and obtain approval of that application, prior to the Effective Time.

We also will be required to obtain the prior approval of, or make filings with, certain insurance regulators in several non-U.S. jurisdictions in which our insurance subsidiaries conduct business.

No Appraisal Rights

Under Cayman Islands law, none of the shareholders of XL-Cayman has any right to an appraisal of the value of their shares or payment for them in connection with the Transaction whether or not the Preference Share Exchange is consummated.

Exchange of Shares

Assuming the Ordinary Share Exchange becomes effective, if your ordinary shares are held in book-entry form or by your broker, XL-Cayman ordinary shares so held will automatically be transferred to XL-Ireland at the Effective Time and, in consideration therefor, fully paid and non-assessable XL-Ireland ordinary shares will be issued to you or your broker without any action on your part (and, if you hold any fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares will automatically be paid to you or your broker). If you hold your XL-Cayman ordinary shares in certificated form, and the Ordinary Share Exchange is consummated, your ordinary shares will automatically be transferred to XL-Ireland at the Effective Time. Soon after the

Effective Time, our transfer agent will send you a letter of transmittal, which is to be used to surrender your XL-Cayman ordinary share certificates and to give you, in consideration for the transfer of your XL-Cayman ordinary shares, the choice of (i) applying for share certificates evidencing your ownership of ordinary shares in XL-Ireland or (ii) having your ownership of ordinary shares in XL-Ireland evidenced through an electronic book-entry in your name on XL-Ireland s shareholder records (in which case the transfer agent will mail you a statement documenting your ownership of XL-Ireland ordinary shares). The letter of transmittal will contain instructions explaining the procedure for surrendering your XL-Cayman ordinary share certificates and making the election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares. If you return the letter of transmittal with your XL-Cayman share certificates but do not make an election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares, your ordinary shares will be evidenced in book-entry form. **You should not return your XL-Cayman ordinary share certificates with the enclosed proxy card.**

Ordinary shares of XL-Ireland issued pursuant to the Ordinary Share Exchange and Series C and Series E preference shares of XL-Ireland issued pursuant to the Preference Share Exchange will be fully paid and non-assessable.

Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Stamp Duty for further information pertaining to Irish stamp duty on transfers by shareholders who choose to hold their XL-Ireland ordinary shares directly registered in their own names on XL-Ireland s shareholder records, whether in certificated or book-entry form.

Payment of Series C Preference Share Dividend

Pursuant to the terms of the Series C preference shares, when, as and if declared by our Board, dividends on the Series C preference shares are currently paid semi-annually on a cumulative basis on January 15 and July 15 of each year.

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts and applicable accounting standards to enable it to pay dividends. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves because it will be a newly formed holding company with no distributable reserves unless and until it generates earnings after the Effective Time. While we plan to create these reserves by reducing XL-Ireland s share premium account if the Distributable Reserves Proposal is approved, the creation of these reserves also must be approved by the Irish High Court. We may not be able to obtain the approval of the Irish High Court until after July 15, 2010 or at all.

As a result, if the Preference Share Exchange occurs, XL-Ireland may not have sufficient distributable reserves to permit it to pay the scheduled Series C preference share dividend on July 15, 2010. To avoid a potential delay in paying this dividend, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, the Series C preference shareholders are being asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable by XL-Cayman (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate, and have the same liquidation preference, as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend

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period on the XL-Cayman Series C Preference Shares beginning prior to the Effective Time for which a Series C preference share dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E preference shares prior to the Effective Time, whether or not a Series E preference share dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL s preference shareholders.

Equity Incentive Plans

If the Transaction is consummated, XL-Ireland will assume the existing obligations of XL-Cayman in connection with awards granted under XL-Cayman s equity incentive plans. Those plans will be amended as necessary to comply with Irish law and give effect to the Transaction, including to provide (1) that XL-Ireland ordinary shares will be issued, held, available or used to measure or satisfy benefits as appropriate under the plans, in substitution for XL-Cayman ordinary shares; and (2) for the appropriate substitution of XL-Ireland for XL-Cayman in those plans.

XL-Ireland intends to file new registration statements and/or post-effective amendments to certain effective registration statements of XL-Cayman concurrently with the completion of the Transaction in connection with its assumption of the existing obligations of XL-Cayman in connection with awards granted under XL-Cayman s equity incentive plans.

Effect on Employees

In connection with consummation of the Transaction, all outstanding employment agreements entered into with XL-Cayman s senior executives are expected to be assumed by XL-Ireland. We expect there will be minimal effect on our employees globally as a result of the Transaction.

Equity Security Units

In August 2008, XL-Cayman issued 23 million of its 10.75% Equity Security Units (the **ESUs**) in a public offering. Each ESU has a stated amount of $25 and consists of (a) a purchase contract pursuant to which the holder agreed to purchase, for $25, a variable number of shares of XL-Cayman s ordinary shares on August 15, 2011, and (b) a one-fortieth, or 2.5%, ownership interest in a senior note issued by XL-Cayman due August 15, 2021, with a principal amount of $1,000. The maximum number of ordinary shares to be issued under the purchase contracts is approximately 35.9 million. The ESUs are listed on the NYSE.

If the Transaction is consummated, XL-Ireland will agree to issue its ordinary shares to the holders of the ESUs upon settlement of the associated purchase contracts, in lieu of XL-Cayman ordinary shares (as required by the terms of the ESUs). XL-Cayman or another subsidiary of the XL group of companies will be the issuer of the ESUs, which are expected to continue to be listed on the NYSE after the Transaction.

Outstanding Debt and Effect on Access to Capital and Credit Markets

We do not believe that the Transaction will have any material effect on our credit facilities or senior notes. Following the Transaction, all of our outstanding debt will remain outstanding and XL-Cayman or one or more its subsidiaries will continue to be the borrowers, issuers and guarantors of such debt.

In addition, we do not expect that the Transaction will have any adverse effect on our ability to access the capital markets or bank credit markets.

Stock Exchange Listing and Reporting Obligations

Our ordinary shares are expected to continue to trade on the NYSE until the Effective Time.

We intend to make application so that, immediately following the Effective Time, the XL-Ireland ordinary shares (for which there is currently no established public trading market) will be listed on the NYSE under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed. XL-Ireland ordinary shares are also expected to be listed on the Bermuda Stock Exchange following the Effective Time under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed. We do not currently intend to list the XL-Ireland ordinary shares on the Irish Stock Exchange or any other stock exchange.

Upon completion of the Transaction, we will remain subject to SEC reporting requirements, the mandates of SOX and the corporate governance rules of the NYSE, and we will continue to report our consolidated financial results in U.S. dollars and in accordance with U.S. GAAP. Under current Irish law, annual financial statements complying with Irish requirements would also be required to be made available to XL-Ireland s shareholders (in addition to the information they currently receive) commencing with respect to XL-Ireland s 2014 fiscal year.

Accounting Treatment of the Transaction

Under U.S. GAAP, the Transaction represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of XL-Ireland will be reflected at their carrying amounts in the accounts of XL-Cayman at the Effective Time.

Effect of the Transaction on Potential Future Status as a Foreign Private Issuer

Under SEC rules, companies organized outside of the United States that qualify as foreign private issuers remain subject to SEC regulation, but are exempt from certain requirements that apply to U.S. reporting companies. XL-Cayman is not a foreign private issuer. Even if XL-Ireland meets the tests for a foreign private issuer, we do not currently intend to avail ourselves of the benefits of being a foreign private issuer.

PROPOSAL NUMBER TWO: THE DISTRIBUTABLE RESERVES PROPOSAL

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts and applicable accounting standards to enable it to pay dividends and redeem or buy back shares. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves, because it will be a newly formed holding company which will have no distributable reserves unless and until we generate earnings after the Effective Time. Immediately after the Effective Time, shareholders equity in the unconsolidated balance sheet of XL-Ireland will consist only of (1) share capital, which is equal to the aggregate nominal value of the XL-Ireland shares issued in the Transaction; and (2) share premium account equal to: for the XL-Ireland ordinary shares, (a) the market value of the XL- Cayman ordinary shares outstanding immediately prior to the Effective Time, determined as of the close of trading on the NYSE on the business day immediately preceding the Effective Time, less (b) the nominal value of the XL-Ireland ordinary shares issued in the Transaction, and, if the Preference Share Exchange is consummated, for the XL-Ireland Series C and Series E preference shares, respectively, (a) the fair market value of the XL-Cayman Series C and Series E preference shares outstanding immediately prior to the Effective Time (as determined by XL) less (b) the nominal value of the XL-Ireland Series C and Series E preference shares issued in the Transaction. Therefore, creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

In connection with the Transaction, the initial shareholders of XL-Ireland (which will be XL-Cayman and certain of its subsidiaries) are expected to pass a resolution that would create distributable reserves, subject to Irish High Court approval (as discussed below), following the Transaction by reducing the amount of XL-Ireland s share premium account. Such reduction would be achieved by cancelling the whole of the share premium account of XL-Ireland resulting from the issuance of shares in the Transaction in excess of $500 million, with an amount equal to the cancelled amount of the share premium account to be treated as distributable reserves in accordance with Irish law. If the Scheme of Arrangement Proposal has been approved, the ordinary shareholders of XL-Cayman will also be asked at the extraordinary general meeting to approve such reduction of XL-Ireland s share premium account to create distributable reserves.

In order to approve the Distributable Reserves Proposal, we must obtain the affirmative vote of ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

If the ordinary shareholders of XL-Cayman approve the Distributable Reserves Proposal and the Ordinary Share Exchange is consummated, we will seek to obtain (as soon as practicable following the Effective Time) the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland s share premium account. The approval of the Irish High Court cannot be sought prior to the Effective Time. Although we are not aware of any reason why the Irish High Court would not grant its approval (and we expect such approval would be obtained within three months of the Effective Time), the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when Irish High Court approval will be obtained. If the Scheme of Arrangement becomes effective but our

ordinary shareholders do not approve the Distributable Reserves Proposal, or if the Irish High Court does not approve the reduction of XL-Ireland s share premium account, XL-Ireland will not be able to pay dividends or buy back or redeem shares unless and until we generate earnings after the Effective Time, and only to the extent of such earnings.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Distributable Reserves Proposal.

Please see Risk Factors, Description of XL Group plc Share Capital Dividends and Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions.

PROPOSAL NUMBER THREE: THE DIRECTOR NOMINATION PROCEDURES PROPOSAL

The form of amended article 81 of XL-Cayman s articles of association attached to this proxy statement as Annex E provides for advance notice procedures an ordinary shareholder must follow to properly present director nominations at any general meeting of ordinary shareholders. Amended article 81, which will be adopted if the Director Nomination Procedures Proposal is approved, provides for new advance notice procedures an ordinary shareholder must follow to properly present director nominations before a general meeting of XL-Cayman s ordinary shareholders and related clarifying provisions. Amended article 81 provides, in general, that a nominating ordinary shareholder will be required to submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one-year anniversary of the date of the immediately preceding annual general meeting of XL (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the date of the immediately preceding annual general meeting). In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, will be required to include, among other things, (1) the name and address of such ordinary shareholder and any beneficial owner on whose behalf the nomination is made; (2) the class and number of shares of XL-Cayman directly or indirectly owned by the ordinary shareholder, by any such beneficial owner and by their respective affiliates; (3) a description of the material terms of any agreement, arrangement or understanding (including any derivative or short positions) to which such ordinary shareholder, beneficial owner and nominated person and their respective affiliates is a party with respect to the ordinary shares or other securities of XL-Cayman; (4) any other information relating to such ordinary shareholder, beneficial owner and nominated person that would be required to be disclosed in a proxy statement in connection with a solicitation of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; (5) a representation that the ordinary shareholder is a holder of record of ordinary shares entitled to vote at the relevant general meeting and intends to appear in person or by proxy at the relevant general meeting to nominate the person or persons specified in the notice; (6) a description of all arrangements or understandings between such ordinary shareholder, beneficial owner and their respective affiliates, on the one hand, and the nominated person or any other person or persons pursuant to which the nomination is to be made by the ordinary shareholder, on the other hand; (7) the written consent of the nominated person with respect to being nominated and his or her willingness to serve as a director, if elected; and (8) an undertaking to notify XL- Cayman of any changes in the information provided in the notice and to update such information.

We are asking our ordinary shareholders to approve the Director Nomination Procedures Proposal to include these new procedures for advance notice of director nominations at general meetings of XL-Cayman s ordinary shareholders and related clarifying provisions in XL-Cayman s articles. The proposed procedures would impose an earlier time period in which an ordinary shareholder must provide us notice of their intended nomination at annual general meetings of XL-Cayman s ordinary shareholder and other new requirements, as summarized above, that need to be followed in order for an ordinary shareholder to be permitted to nominate a candidate for election to the Board at all general meetings of XL-Cayman s ordinary shareholders.

If the Director Nomination Procedures Proposal is approved, the new procedural requirements and related clarifying provisions contained in amended article 81 will be replicated in substantially the same form in the articles of association of XL-Ireland if the Transaction is consummated. If the Director Nomination Procedures Proposal is not approved, XL-Ireland s articles of association will reflect the director nomination procedures currently contained in article 81 of XL-Cayman s articles of association. Article 81 of the XL-Cayman articles of association currently provides that an ordinary shareholder may nominate a person to be elected as a director at an annual general meeting of ordinary shareholders if such shareholder is qualified to vote at such annual general meeting and delivers to the registered office of XL-Cayman, not less than five nor more than twenty-one days before the date appointed for the meeting, a written notice that the nominating shareholder intends to propose such person for election. Such proposed director must sign the notice

indicating his or her willingness to be elected. These alternative provisions are set forth in article 61 of the form of XL-Ireland s articles of association attached to this proxy statement as Annex B.

If the Director Nomination Procedures Proposal is approved, the new director nomination procedural requirements will govern future elections of directors at future general meetings of our ordinary shareholders and the proposed new advance notice period will govern nominations of directors at future annual general meetings of our ordinary shareholders, beginning with the 2011 annual general meeting, whether or not the Transaction is consummated.

The Board has concluded that the amendments to the procedural requirements for ordinary shareholder nominations of directors are in the best interests of XL and its shareholders because these new procedures will facilitate an orderly process for ordinary shareholders to make nominations of directors at general meetings of our ordinary shareholders and give the Board and other ordinary shareholders a reasonable opportunity to consider nominations to be brought at such meetings. The new procedures will also allow sufficient time, and a designated process, for full, accurate and complete information to be distributed to ordinary shareholders with respect to nominations of directors by other ordinary shareholders, including as to potential conflicts of interest with respect to such ordinary shareholders nominees. The Board has determined that the proposed notice period provides an appropriate time period during which the Board, in the exercise of its fiduciary duties, can evaluate the candidates proposed to be nominated by an ordinary shareholder at an annual general meeting and prepare and disseminate proxy materials to all ordinary shareholders that clearly articulate the Board s position on the nominees. This process also will allow ordinary shareholders who wish to nominate a candidate for director to be able to do so while ensuring that all other ordinary shareholders have sufficient time to consider the matters to be presented prior to casting their votes. These procedures are expected to promote and ensure an orderly meeting and clearer communications with ordinary shareholders.

Boards of directors of companies incorporated in Delaware and many other states of the United States can, and often do, adopt director nomination procedures similar to the one being proposed by the Board by amending their by-laws without needing or seeking the consent of such companies shareholders. Under Cayman Islands law and the XL-Cayman articles of association, the Board is not able to amend the director nomination procedures in XL-Cayman s articles of association without the approval of XL-Cayman s ordinary shareholders. As such, the Director Nomination Procedures Proposal must be approved by the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

This description of the proposed director nomination procedural requirements is only a summary of the material terms of those provisions and is qualified by reference to the actual text of proposed amended article 81 of XL-Cayman s articles of association as set forth in Annex E to this proxy statement.

The Transaction is not conditioned on approval of the Director Nomination Procedures Proposal, and the Director Nomination Procedures Proposal is not conditioned on approval of any of the other proposals.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Director Nomination Procedures Proposal.

PROPOSAL NUMBER FOUR: THE NAME CHANGE PROPOSAL

The Board has unanimously approved the change of XL-Capital Ltd s name to XL Group Ltd. In the judgment of the Board, the change of name is desirable to reflect XL s exclusive focus on providing property, casualty and specialty insurance and reinsurance products for our customers complex risks and is in the best interest of XL and its shareholders.

Under Cayman Islands law and the XL-Cayman articles of association, the Board is not able to effect the name change with the Cayman Islands Registrar of Companies without the approval of a special majority of XL-Cayman s ordinary shareholders. As such, the Name Change Proposal must be approved by the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

If shareholders approve the Name Change Proposal at the extraordinary general meeting, XL-Cayman will implement the name change by making the necessary filing with the Cayman Islands Registrar of Companies to reflect the name change. Regardless of whether the Transaction is consummated, the name change is intended to be made in July 2010 or at such other time as may be determined by XL-Cayman under authority granted by the Board.

Shareholders will not be required to submit their share certificates for exchange as a result of this proposed name change. Following the effective date of the change of XL-Cayman s name to XL Group Ltd, all new share certificates issued by XL-Cayman will bear the new XL Group Ltd name.

The Transaction is not conditioned on approval of the Name Change Proposal, and the Name Change Proposal is not conditioned on approval of any of the other proposals.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Name Change Proposal.

MATERIAL TAX CONSIDERATIONS RELATING TO THE TRANSACTION

This section contains a general discussion of certain material tax consequences of (1) the Transaction, (2) post-Transaction ownership and disposition of XL-Ireland ordinary shares and (3) post-Transaction operations of XL.

The discussion under the caption U.S. Federal Income Tax Considerations addresses certain material U.S. federal income tax consequences to (1) XL-Cayman and XL-Ireland of the Transaction and post-Transaction operations, and (2) U.S. holders and non-U.S. holders (each as defined below) of exchanging XL-Cayman ordinary shares for XL-Ireland ordinary shares (and of receiving cash in lieu of fractional ordinary shares) in the Transaction and owning and disposing of XL-Ireland ordinary shares received in the Transaction.

The discussion under the caption Irish Tax Considerations addresses certain material Irish tax consequences to ordinary shareholders of the Transaction and of ownership and disposition of the XL-Ireland ordinary shares.

The discussion under the caption Cayman Islands Tax Considerations addresses the Cayman Islands income tax consequences of the Transaction.

The below discussion applies to the ordinary shareholders who receive XL-Ireland ordinary shares (and, if applicable, cash in lieu of fractional ordinary shares) through the Ordinary Share Exchange. The discussion does not apply to the receipt of XL-Ireland preference shares in the Preference Share Exchange, or the ownership or disposition of such shares after the Preference Share Exchange. Additionally, the below discussion is not a substitute for an individual analysis of the tax consequences of the Transaction, post-Transaction ownership and disposition of XL-Ireland ordinary shares or post- Transaction operations of XL. **You should consult your own tax advisors regarding the particular U.S. (federal, state and local), Irish, Cayman Islands and other non-U.S. tax consequences of these matters in light of your particular situation.**

U.S. Federal Income Tax Considerations

Scope of Discussion

This discussion generally does not address any aspects of U.S. taxation other than U.S. federal income taxation, is not a complete analysis or listing of all potential tax consequences of the Transaction or of holding and disposing of XL-Ireland ordinary shares, and does not address all tax considerations that may be relevant to XL-Cayman ordinary shareholders. In particular, the below discussion addresses tax consequences to holders who hold their XL-Cayman ordinary shares, and who will hold their XL-Ireland ordinary shares solely as capital assets, which generally means as property held for investment. The below discussion does not address any tax consequences to XL-Cayman or XL-Ireland ordinary shareholders, as applicable, who, for U.S. federal tax purposes, are subject to special rules, such as:

- banks, financial institutions or insurance companies;
- tax-exempt entities;
- persons who hold shares

as part of a straddle, hedge, integrated transaction or conversion transaction;

persons who have been, but are no longer, citizens or residents of the United States;

persons holding shares through a partnership or other fiscally transparent person;

dealers or traders in securities, commodities or currencies;

grantor trusts;

persons subject to the alternative minimum tax;

U.S. persons whose functional currency is not the U.S. dollar;

regulated investment

companies and real estate investment trusts;

persons whose XL-Cayman shares constitute "Section 306 stock" (as defined in the Code);

persons who received the XL-Cayman shares through exercise of employee share options or otherwise as compensation or through a tax qualified retirement plan;

persons who, at any time within the five-year period ending on the date of the Transaction, have owned (directly, indirectly or through attribution) 10% or more of the total combined voting power of all classes of shares of XL-Cayman entitled to vote; or

persons who, immediately after the Transaction, will own (directly, indirectly or through attribution) 10% or more of the total combined voting power of all classes of shares of XL-Ireland entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the **Code**, the Treasury regulations promulgated thereunder, which we refer to as the **Treasury Regulations**, judicial and administrative interpretations thereof and the Convention Between the Government of the United States of America and the Government of Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains (the **Ireland-U.S. Tax Treaty**), in each case as in effect and available on the date of this proxy statement. All of the foregoing are subject to change, which change could apply with retroactive effect and could affect the tax consequences described in this proxy statement. The discussion assumes, as is the case under current law, that XL-Cayman and XL-Ireland are treated as foreign persons for U.S. federal tax purposes and will be so treated as of and after the Effective Time (except to the extent XL-Cayman becomes a disregarded entity for U.S. federal tax purposes as previously mentioned herein). Neither XL-Cayman nor XL-Ireland will request a ruling from the United States Internal Revenue Service, which we refer to as the **IRS**, as to the U.S. federal tax consequences of the Transaction, post-Transaction ownership and disposition of XL-Ireland shares or any other matter. There can be no assurance that the IRS will not challenge any of the U.S. federal tax consequences described below.

For purposes of this discussion, a **U.S. holder** is a beneficial owner of XL-Cayman ordinary shares or, after the completion of the Transaction, XL-Ireland ordinary shares, that for U.S. federal income tax purposes is:

an individual citizen or resident alien of the United States;

a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust, if such trust validly has elected to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a U.S. court can exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of the trust.

A **non-U.S. holder** is a beneficial owner of XL-Cayman ordinary shares or, after the completion of the Transaction, XL-Ireland ordinary shares, other than a U.S. holder or an entity or arrangement treated as a partnership for U.S. federal income tax purposes, which we refer to as a **Partnership**. If a Partnership is a beneficial owner of XL-Cayman ordinary shares or XL-Ireland ordinary shares, the tax treatment of a partner in that Partnership will generally depend on the status of the partner and the activities of the Partnership. Holders of XL-Cayman ordinary shares or XL-Ireland ordinary shares that are Partnerships and partners in such Partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them of the Transaction and the ownership and disposition of XL-Ireland ordinary shares. For purposes of this tax discussion, holder or shareholder means either a U.S. holder or a non-U.S. holder or both, as the context may require.

Material U.S. Tax Consequences of the Transaction

XL-Cayman and XL-Ireland

Neither XL-Cayman nor XL-Ireland should be subject to U.S. federal income tax as a result of the Transaction. If both the Ordinary Share Exchange and the Preference Share Exchange are consummated and taking into account the election to treat XL-Cayman as a disregarded entity for U.S. federal income tax purposes, the Transaction should qualify as a Section 368(a)(1)(F) reorganization. If the Preference Share Exchange is not consummated, the Transaction should qualify as an exchange under Section 351 of the Code. The below discussion describes the general consequences to U.S. holders and non-U.S. holders of the Transaction qualifying as a Section 368(a)(1)(F) reorganization or an exchange under Section 351 of the Code, as applicable.

U.S. Holders

Both Ordinary Share Exchange and Preference Share Exchange Consummated

If both the Ordinary Share Exchange and the Preference Share Exchange are consummated, a U.S. holder who receives XL-Ireland shares in the Transaction should not recognize any gain or loss solely as a result of the Transaction, except with respect to any cash received in lieu of fractional shares. The tax basis of the XL-Ireland shares received in exchange for XL-Cayman shares will be equal to the basis of the XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received. U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will carry over the tax basis (and thus the inherent loss) of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. The holding period for the XL-Ireland shares received in the Transaction will include the holding period for the XL-Cayman shares surrendered in the Transaction. Under applicable Treasury Regulations, a U.S. holder should not be required to file a gain recognition agreement, which we refer to as a **GRA**, with the IRS solely as a result of the Transaction, even if such U.S. holder owns five percent or more of the shares of XL-Ireland immediately after the Transaction. U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

Ordinary Share Exchange, but Not Preference Share Exchange, Consummated

If the Ordinary Share Exchange, but not the Preference Share Exchange, is consummated, the tax consequences to certain U.S. holders will depend on whether they own five percent or more of XL-Ireland immediately after the Transaction, as described below.

U.S. Holders Owning Less Than Five Percent of XL-Ireland. Under Section 367(a) of the Code and the Treasury Regulations thereunder, U.S. holders who own (applying ownership attribution rules) less than five percent (of total voting power and total value) of the shares of XL-Ireland immediately after the Transaction should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional shares. The tax basis of the XL-Ireland shares received by U.S. holders in exchange for their XL-Cayman shares will be equal to the tax basis of their XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received. U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will carry over the tax basis (and thus the inherent loss) of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. The holding period of the XL-Ireland shares received by U.S. holders will include the period those holders held their XL-Cayman shares. U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

U.S. Holders Owning Five Percent or More of XL-Ireland. Under Section 367(a) of the Code and the Treasury Regulations thereunder, U.S. holders who own (applying ownership attribution rules) five percent or more (of total voting power or total value) of the shares of XL-Ireland immediately after the Transaction generally will be required to timely file and maintain with the IRS a GRA (which is an agreement to recognize gain upon the occurrence of certain future events as specified in the Treasury Regulations) in order to defer gain, if any, realized upon the exchange of their XL-Cayman shares for XL-Ireland shares. U.S. holders should consult their own tax advisor to determine whether and when to file a GRA and the tax implications thereof. Five percent or greater U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will not recognize loss, however, they will carry over the tax basis (and thus the inherent loss), as well as the holding period, of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. Provided a five percent or greater U.S. holder with gain in its XL-Cayman shares at the time of the Transaction timely files and maintains a GRA, (1) such U.S. holder should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional shares, (2) the tax basis of the XL-Ireland shares received by the U.S. holder in exchange for its XL-Cayman shares will be equal to the tax basis of such U.S. holder s XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received and (3) the holding period of the XL-Ireland shares received by the U.S. holder will include the period that holder held its XL-Cayman shares. Five percent or greater U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods, or who recognize gain in the Transaction as a result of not timely filing or maintaining a GRA, are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

Cash Received in Lieu of Fractional Shares (whether or not the Preference Share Exchange is consummated)

A U.S. holder that receives cash in lieu of a fractional share of XL-Ireland should generally recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the portion of the holder s tax basis in the XL-Cayman shares that was allocable to the fractional share. Any capital gain or loss will be long-term capital gain or loss if the holding period for the fractional share is more than one year as of the date of the Transaction.

Non-U.S. Holders

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on gain realized, if any, on the receipt of XL-Ireland shares in exchange for their XL-Cayman shares.

Material U.S. Tax Considerations Post-Transaction to XL

U.S. Income and Branch Profits Tax. A foreign corporation deemed to be engaged in the conduct of a trade or business in the U.S. will generally be subject to U.S. federal income tax, as well as a branch profits tax in certain circumstances, on its income which is treated as effectively connected with the conduct of that trade or business unless the corporation is entitled to relief under an applicable income tax treaty, as discussed below. Such tax, if imposed, would be based on effectively connected income computed in a manner generally analogous to that applied to the income of a U.S. corporation, except that a foreign corporation is entitled to deductions and credits only if it timely files a U.S. federal income tax return. Whether a trade or business is being conducted in the United States is an inherently factual determination. Because the Code, Treasury Regulations and court decisions fail to identify definitively activities that constitute being engaged in a trade or business in the United States, we cannot assure you that the IRS will not contend successfully that XL-Ireland and/or certain of its non-U.S. subsidiaries are or will be engaged in a trade or business in the United States. XL-Cayman believes it and its non-U.S. subsidiaries have operated, and XL-Ireland and its non-U.S. subsidiaries intend to continue to operate, in such a manner that they will not be considered to be conducting a trade or business within the United States for purposes of U.S. federal income taxation, except with regard to XL s business conducted

through Lloyd s of London (the **Lloyd s Business**), which is governed by a negotiated closing agreement between the IRS and Lloyd s of London, pursuant to which certain of XL s income related to the Lloyd s Business is subject to U.S. tax. XL-Cayman and certain of its non-U.S. subsidiaries have, and XL-Ireland and certain of its non-U.S. subsidiaries intend, to file protective U.S. federal income tax returns on a timely basis in order to preserve the right to claim income tax deductions and credits if it is ever determined that they are subject to U.S. federal income tax.

A corporation resident in Ireland generally will be entitled to the benefits of the Ireland-U.S. Tax Treaty if the corporation: (1) is a resident of Ireland as defined under the Residence article of the Ireland-U.S. Tax Treaty, and (2) qualifies under the Limitation on Benefits article of the Ireland-U.S. Tax Treaty. XL-Ireland expects to be entitled to the benefits of the Ireland-U.S. Tax Treaty. Assuming XL-Ireland is entitled to benefits under the Ireland-U.S. Tax Treaty, it will not be subject to U.S. federal income tax on any business income found to be effectively connected with a U.S. trade or business unless that trade or business is conducted through a permanent establishment in the United States, and then only on income attributable to that permanent establishment. Whether business is being conducted in the United States through a permanent establishment is an inherently factual determination. XL-Ireland intends to continue to conduct its activities so as not to have a permanent establishment in the United States, although we cannot assure you that it will achieve this result.

Some of XL-Ireland s non-U.S. subsidiaries may be entitled to the benefits of a tax treaty with the United States and the country where those subsidiaries are resident. In those cases, the non-U.S. subsidiaries may have additional protections against U.S. taxation. For example, XL believes the non- U.S. insurance subsidiaries organized under the laws of Bermuda, which we refer to as the **Bermuda Insurance Subsidiaries**, are entitled to the benefits under the Convention between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland (on behalf of the Government of Bermuda) relating to the Taxation of Insurance Enterprises and Mutual Assistance in Tax Matters, which we refer to as the **U.S.-Bermuda Treaty**. Accordingly, each such Bermuda Insurance Subsidiary would not be subject to U.S. income tax on any income found to be effectively connected with a U.S. trade or business unless that trade or business is conducted through a permanent establishment in the United States and such income is attributable to such permanent establishment. Each Bermuda Insurance Subsidiary has conducted and intends to conduct its activities so that it does not have a permanent establishment in the United States, although we cannot be certain that they will achieve this result.

Foreign corporations also are subject to U.S. withholding tax at a rate of 30% of the gross amount of certain fixed or determinable annual or periodical gains, profits and income derived from sources within the United States (such as dividends and certain interest on investments), to the extent such amounts are not effectively connected with the foreign corporation s conduct of a trade or business in the United States. The tax rate is subject to reduction by applicable treaties.

U.S. subsidiaries of XL-Ireland are and will continue to be subject to taxation in the United States on their worldwide income at regular corporate rates.

Sections 482 and 845 of the Code give the IRS broad authority to reallocate income, deductions and credits from transactions (in the case of Section 845 of the Code, reinsurance transactions) between related parties. XL-Cayman believes that all agreements it or its subsidiaries entered into, and XL- Ireland believes that all agreements it or its subsidiaries intend to enter into, whether with related or unrelated parties, are and will remain at arm s-length. Nevertheless, no assurance can be given that the Internal Revenue Service will not assert its authority under Sections 482 or 845 of the Code in a manner that would increase the tax liability of XL-Ireland s U.S. subsidiaries.

The United States also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the United States. The rate of tax applicable to premiums paid to XL-Ireland s Bermuda subsidiaries is 4% for direct, non-life insurance premiums and 1% for reinsurance and direct, life insurance premiums. The excise tax is waived, pursuant to the Ireland-U.S. Tax Treaty, with respect to U.S. premiums paid to insurers and reinsurers who are resident in Ireland, to the extent those risks are not reinsured with a non-U.S. reinsurer which is not entitled to the benefits of a U.S. treaty which waives the excise tax.

Post-Transaction Consequences to U.S. Holders

Receiving Distributions on XL-Ireland Shares. Subject to the discussion below under Special Rules Controlled Foreign Corporations, Special Rules Related Person Insurance Income and Special Rules Passive Foreign Investment Company Provisions, U.S. holders will be required to include in gross income the gross amount of any distribution received on the XL-Ireland shares to the extent that the distribution is paid out of XL-Ireland s current or accumulated earnings and profits as determined for U.S. federal income tax purposes, which we refer to as a dividend. With respect to non-corporate U.S. holders, certain dividends received in taxable years beginning before January 1, 2011 from a qualified foreign corporation will be subject to U.S. federal income tax at a maximum rate of 15%. As long as the XL-Ireland shares are listed on the NYSE (or certain other stock exchanges) and/or XL- Ireland qualifies for benefits under the Ireland-U.S. Tax Treaty and XL-Ireland is not a passive foreign investment company, XL-Ireland will be treated as a qualified foreign corporation for this purpose. This reduced rate will not be available in all situations, and U.S. holders should consult their own tax advisor regarding the application of the relevant rules to their particular circumstances. Dividends from XL-Ireland will not be eligible for the dividends-received deduction under the Code, which is generally allowed to U.S. corporate shareholders on dividends received from certain domestic and foreign corporations.

Distributions in excess of the current and accumulated earnings and profits of XL-Ireland will be applied first to reduce the U.S. holder s tax basis in its XL-Ireland shares, and thereafter will constitute gain from the sale or exchange of such shares. In the case of a non-corporate U.S. holder, the maximum U.S. federal income tax rate applicable to such gain is 15% under current law if the holder s holding period for such XL-Ireland shares exceeds twelve months. This reduced rate is scheduled to expire effective for taxable years beginning after December 31, 2010. Special rules not here described may apply to U.S. holders who do not have a uniform tax basis and holding period in all of their XL-Ireland shares, and any such U.S. holders are urged to consult their own tax advisor with regard to such rules.

Dispositions of XL-Ireland Shares. Subject to the discussion below under Repurchase of Shares by XL-Ireland, Special Rules Related Person Insurance Income and Special Rules Passive Foreign Investment Company Provisions, U.S. holders of XL-Ireland shares generally should recognize capital gain or loss for U.S. federal income tax purposes on the sale, exchange or other taxable disposition of XL-Ireland shares in an amount equal to the difference between the amount realized from such sale, exchange or other taxable disposition and the U.S. holders tax basis in such shares. In the case of a non-corporate U.S. holder, the maximum U.S. federal income tax rate applicable to such gain is 15% under current law if the holder s holding period for such XL-Ireland shares exceeds twelve months. This reduced rate is scheduled to expire effective for taxable years beginning after December 31, 2010. The deductibility of capital losses is subject to limitations.

Repurchase of Shares by XL-Ireland. A repurchase of shares by XL-Ireland generally will be treated as a dividend to the extent of XL-Ireland s current and accumulated earnings and profits unless it satisfies one of the alternative tests under Section 302(b) of the Code to be treated as a sale or exchange, subject to the potential application of the CFC, RPII and PFIC rules as discussed in Post-Transaction Special Rules below. The tests for determining whether a repurchase of shares will qualify as a sale or exchange under Section 302(b) of the Code include whether a repurchase (i) is substantially disproportionate, (ii) constitutes a complete termination of the holder s stock interest in XL-Ireland or (iii) is not essentially equivalent to a dividend, each within the meaning of Section 302(b) of the Code. In determining whether any of the tests under Section 302(b) of the Code are met, including the tests mentioned in the preceding sentence, shares considered to be owned by the U.S. holder under certain constructive ownership rules, as well as shares actually owned, generally must be taken into account. Because the determination of whether any of the alternative tests of Section 302(b) of the Code is satisfied with respect to a particular U.S. holder will depend on the particular facts and circumstances at the time the determination is made, U.S. holders are advised to consult their own tax advisors to determine their tax treatment in light of their own particular circumstances.

Treatment of Certain Irish Taxes. For U.S. tax purposes, any Irish stamp duty or Irish capital acquisitions tax imposed on a U.S. holder, as described below under the headings Irish Tax Considerations Stamp Duty and Irish Tax Considerations Capital Acquisitions Tax, will not be creditable against U.S. federal income taxes. U.S. holders should consult their tax advisors regarding the treatment of these Irish taxes.

Post-Transaction Consequences to Non-U.S. Holders

Consequences of Owning XL-Ireland Shares. A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends from XL-Ireland unless: (1) the dividends are effectively connected with the holder s conduct of a trade or business in the United States (or, if a tax treaty applies, the dividends are attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States); or (2) such non-U.S. holder is subject to backup withholding.

Consequences of Disposing of XL-Ireland Shares. A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, exchange or other disposition of XL-Ireland shares unless: (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (or, if a tax treaty applies, is attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States); (2) in the case of certain capital gains recognized by a non-U.S. holder that is an individual, such individual is present in the United States for 183 days or more during the taxable year in which the capital gain is recognized and certain other conditions are met; or (3) the non-U.S. holder is subject to backup withholding.

Post-Transaction Special Rules

Classification of XL-Ireland or its Non-U.S. Subsidiaries as Controlled Foreign Corporations. In general, a foreign corporation is considered a controlled foreign corporation, or **CFC**, if 10% U.S. Shareholders own (directly, indirectly through non-U.S. entities or by application of the constructive ownership rules of Section 958(b) of the Code (i.e., **constructively**)) more than 50% of the total combined voting power of all classes of voting stock of such foreign corporation, or more than 50% of the total value of all stock of such corporation. A **10% U.S. Shareholder** is a U.S. Person (as defined in Section 957(c) of the Code) who owns (directly, indirectly through non-U.S. entities or constructively) at least 10% of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. Each 10% U.S. Shareholder of a foreign corporation that is a CFC for an uninterrupted period of 30 days or more during a taxable year and owns shares in that CFC directly or indirectly through foreign entities on the last day of the foreign corporation s taxable year on which it is a CFC must include in its gross income for U.S. federal income tax purposes its pro rata share (based on its actual direct and indirect, through foreign entities, ownership) of the CFC s subpart F income, even if the subpart F income is not distributed. Subpart F income generally includes, among other things, investment income such as dividends, interest and capital gains, and income from insuring risks located outside the insurer s country of incorporation. For purposes of taking into account insurance income, a CFC also includes a foreign corporation in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned by 10% U.S. Shareholders on any day during the taxable year of such corporation, if certain premium tests are met. It is expected that all of the income of XL-Ireland s insurance and reinsurance subsidiaries in Bermuda, and a portion of the income of XL-Ireland s other non-U.S. insurance and reinsurance subsidiaries, would be considered subpart F income if such subsidiary were to be considered a CFC. In addition, a non-U.S. insurance subsidiary of XL-Ireland may be considered a CFC under the RPII rules discussed below.

Due to the dispersion of XL-Ireland s share ownership among holders, the provisions in its articles of association that impose limitations on the concentration of voting power of its voting shares, and other factors, XL-Ireland believes that no U.S. Person that owns shares in XL-Ireland directly, indirectly through foreign entities or constructively should be subject to treatment after the Transaction as a 10% U.S. Shareholder of a CFC. These provisions of our articles of association are

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described in Description of XL Group plc Share Capital. We cannot assure you, however, that the IRS will not challenge the effectiveness of these provisions for purposes of preventing CFC and 10% U.S. Shareholder status and that a court will not sustain such challenge.

Related Person Insurance Income

Generally. The CFC rules described above also apply (with certain modifications) to certain insurance companies that earn related person insurance income, which we refer to as **RPII**. For purposes of applying the CFC rules to foreign corporations that earn RPII, a foreign corporation will be treated as a CFC if RPII Shareholders collectively own (directly, indirectly through foreign entities or by application of the constructive ownership rules) 25% or more of the stock of the corporation by vote or value. The term **RPII Shareholder** means any U.S. Person (as defined in Section 957(c) of the Code) who owns, directly or indirectly through foreign entities, any amount (rather than stock possessing 10% or more of the total combined voting power) of the foreign corporation s stock.

RPII is defined as any insurance income attributable to policies of insurance or reinsurance with respect to which the person (directly or indirectly) insured is a RPII Shareholder of the foreign corporation or a related person to such RPII Shareholder. In general, and subject to certain limitations, insurance income is income (including premium and investment income) attributable to the issuing of any insurance or reinsurance contract which would be taxed under the provisions of the Code relating to insurance companies if the income were the income of a domestic insurance company.

For purposes of the RPII rules, related person means someone who controls or is controlled by the RPII Shareholder or someone who is controlled by the same person or persons that control the RPII Shareholder. Control is measured by either more than 50% in value or more than 50% in voting power of stock, applying constructive ownership principles. A corporation s pension plan is ordinarily not a related person with respect to the corporation unless the pension plan owns, directly or indirectly through the application of constructive ownership rules, more than 50%, measured by vote or value, of the stock of the corporation. In the case of a partnership, trust or estate, control means the ownership, directly or indirectly, of more than 50% (by value) of the beneficial interests in such partnership, estate or trust.

If none of the exceptions described below applies, each U.S. Person who owns shares in XL-Ireland (and therefore, indirectly in its non-U.S. insurance subsidiaries) on the last day of the tax year in which a non-U.S. subsidiary is an RPII CFC would be required to include in its gross income for U.S. federal income tax purposes its share of RPII of that non-U.S. subsidiary for the U.S. Person s taxable year that includes the end of that non-U.S. subsidiary s taxable year. This inclusion generally would be determined as if such RPII were distributed proportionately only to such U.S. Persons holding shares at that date. The inclusion would be limited to the current-year earnings and profits of that non-U.S. subsidiary reduced by the shareholder s pro rata share, if any, of certain prior-year deficits in earnings and profits. Even if one or more of the exceptions to the RPII rules applies, the general CFC rules described earlier may still apply to require 10% U.S. Shareholders to include in income their pro rata share of RPII, among other things.

RPII Exceptions. The special RPII rules described above will not apply to a non-U.S. subsidiary if (1) direct or indirect insureds and persons related to such insureds, whether or not U.S. Persons, own, at all times during that non-U.S. subsidiary s taxable year directly or indirectly, less than 20% of the voting power and less than 20% of the value of the stock of that non-U.S. subsidiary (the **20% Ownership Exception**), (2) RPII, determined on a gross basis, is less than 20% of that non-U.S. subsidiary s gross insurance income for the taxable year (the **20% Gross Income Exception**), (3) that non-U.S. subsidiary elects to be taxed on its RPII as if the RPII were effectively connected with the conduct of a U.S. trade or business and to waive all treaty benefits with respect to RPII and meets certain other requirements or (4) that non-U.S. subsidiary elects to be treated as a U.S. corporation for U.S. tax purposes. XL-Ireland intends to monitor its share ownership in order to operate in a manner that is designed to ensure that its non-U.S. subsidiaries qualify for the 20% Gross Income Exception and the 20% Ownership Exception. XL-Ireland will not always be able to

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determine who all of its shareholders or direct or indirect insureds are. Accordingly, it is possible that the IRS will assert that 20% or more of the vote or value of the shares of a non-U.S. insurance subsidiary of XL-Ireland are owned by insureds of that non-U.S. subsidiary of XL-Ireland or their related persons or that RPII constitutes 20% or more of the gross insurance income of that insurance subsidiary for the taxable year, and that XL-Ireland may be unable to prove otherwise.

Computation of RPII. In order to determine how much RPII each of its non-U.S. insurance subsidiaries has earned in each taxable year, XL-Cayman may obtain, and XL-Ireland may obtain and rely upon information from its insureds and reinsureds to determine whether any of the insureds, reinsureds or other persons related to such insureds or reinsureds own XL-Ireland shares and are U.S. Persons. XL-Ireland may not be able to determine whether any of the underlying insureds of the insurance companies to which its non-U.S. subsidiaries provides insurance or reinsurance are RPII shareholders or related persons to such shareholders. Consequently, XL-Ireland may not be able to determine accurately the gross amount of RPII earned by its non-U.S. subsidiaries in a given taxable year. XL-Ireland may also seek information from its shareholders to determine whether direct or indirect owners of XL-Ireland s shares at the end of the year are U.S. Persons so that the RPII may be determined and apportioned among such persons. To the extent XL-Ireland is unable to determine whether a direct or indirect owner of shares is a U.S. Person, XL-Ireland may assume that such owner is not a U.S. Person, thereby increasing the per share RPII amount for all shareholders identified as U.S. Persons.

Uncertainty as to Application of RPII. Treasury Regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these Treasury Regulations will be adopted in their proposed form or what changes might ultimately be made or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts or otherwise, might have retroactive effect. Accordingly, the meaning of the RPII provisions and their application to XL-Ireland is uncertain. These provisions include the grant of authority to the U.S. Treasury to prescribe such regulations as may be necessary to carry out the purposes of this subsection, including . . . regulations preventing the avoidance of this subsection through cross insurance arrangements or otherwise. In addition, we cannot assure you that the IRS will not challenge any determinations by XL-Ireland as to the amount, if any, of RPII that should be includible in income or that the amounts of the RPII inclusions will not be subject to adjustment based upon subsequent IRS examination. U.S. holders should consult their tax advisors as to the effects of these uncertainties.

Basis Adjustments for RPII. A U.S. shareholder s tax basis in its XL-Ireland shares will be increased by the amount of any subpart F income that the shareholder includes in income, including any RPII included in income by an RPII shareholder. Any distributions made by XL-Ireland out of previously taxed subpart F income, including RPII income, will be exempt from further U.S. income tax in the hands of the U.S. shareholder. The U.S. shareholder s tax basis in its XL-Ireland shares will be reduced by the amount of any distributions that are excluded from income under this rule.

Information Reporting. Under certain circumstances, U.S. Persons owning stock in a foreign corporation are required to file IRS Form 5471 with their U.S. federal income tax returns. Generally, information reporting on IRS Form 5471 is required with respect to (1) a person who is treated as an RPII Shareholder, and (2) certain 10% U.S. Shareholders. For any taxable year in which XL-Ireland determines that the 20% Gross Income Exception and the 20% Ownership Exception do not apply, XL-Ireland intends to mail to all U.S. Persons registered as holders of its shares IRS Form 5471, completed with information from XL-Ireland, for attachment to the U.S. federal income tax returns of such shareholders.

Dispositions of Shares and Code Section 1248. Section 1248 of the Code provides that if a U.S. Person sells or exchanges stock in a foreign corporation and such person owned directly, indirectly through certain foreign entities or constructively 10% or more of the voting power of the corporation at any time during the five-year period ending on the date of disposition when the corporation was a CFC, any gain from the sale or exchange of the shares will be treated as a dividend to the extent of the CFC s earnings and profits (determined under U.S. federal income tax principles) during the period that the shareholder held the shares and while the corporation was a

CFC (with certain adjustments). A 10% U.S. Shareholder may in certain circumstances be required to report a disposition of shares of a CFC by attaching IRS Form 5471 to the U.S. federal income tax or information return that it would normally file for the taxable year in which the disposition occurs.

Section 1248 of the Code also applies to the sale or exchange of shares in a foreign corporation if the foreign corporation would be treated as a CFC for RPII purposes and would be taxed as an insurance company if it were a domestic corporation, regardless of whether the shareholder is a 10% U.S. Shareholder or whether the 20% Gross Income Exception or the 20% Ownership Exception applies. Existing Treasury Regulations do not address whether section 1248 of the Code would apply if a foreign corporation is not a CFC but the foreign corporation has a subsidiary that is a CFC or that would be taxed as an insurance company if it were a domestic corporation. U.S. holders should consult their tax advisors regarding the effects of these rules on a disposition of shares.

Passive Foreign Investment Company Provisions

The treatment of U.S. holders of XL-Ireland shares in some cases could be materially different from that described above if, at any relevant time, XL-Cayman or XL-Ireland were a passive foreign investment company, which we refer to as a **PFIC**.

For U.S. tax purposes, a foreign corporation will generally be classified as a PFIC for any taxable year if either (1) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) or (2) the average percentage of assets held by such corporation which produce passive income or which are held for the production of passive income is at least 50%. For purposes of applying the tests in the preceding sentence, a look-through rule applies and the foreign corporation is deemed to own its proportionate share of the assets, and to receive directly the proportionate share of the income, of any other corporation of which the foreign corporation owns, directly or indirectly, at least 25% by value of the stock. In addition, the PFIC statutory provisions also contain an express exception for income derived in the active conduct of an insurance business by a corporation that is predominantly engaged in an insurance business. This exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business.

XL believes that it is not a PFIC, and has not been a PFIC in any prior taxable year. XL further believes that XL-Ireland will not be a PFIC following the Transaction. The tests for determining PFIC status are applied annually and it is difficult to accurately predict future income and assets relevant to this determination. In addition, there are currently no Treasury Regulations regarding the application of the PFIC provisions to an insurance company and Treasury Regulations or pronouncements interpreting or clarifying these rules may be forthcoming. Accordingly, no assurance can be given that the IRS would not challenge this position or that a court would not sustain such challenge.

If XL-Ireland should determine in the future that it is a PFIC, it will endeavor to so notify U.S. holders of XL-Ireland shares, although there can be no assurance that it will be able to do so in a timely and complete manner.

U.S. holders of XL-Ireland shares should consult their own tax advisor about the PFIC rules, including the availability of certain elections.

Information Reporting and Backup Withholding

If both the Ordinary Share Exchange and Preference Share Exchange are consummated, U.S. holders that own at least five percent (of total voting power or total value) of XL-Cayman immediately before the Transaction will be required to file a Section 368(a) statement. If only the Ordinary Share Exchange is consummated, U.S. holders that own at least five percent (of total voting power or total value) of XL-Ireland immediately after the Transaction (i) will be required to file a Section 351 statement, and (ii) to the extent such U.S. holders do not file a GRA, may be required to report the Transaction on IRS Form 926. A U.S. holder that is required to file IRS

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Form 926 may be subject to penalties if that holder fails to timely file such form. Other information reporting could also apply to the Transaction. Shareholders of XL-Cayman should consult their own tax advisor about the information reporting requirements that could be applicable to the exchange of XL-Cayman shares for XL-Ireland shares in the Transaction.

Dividends on XL-Ireland shares paid within the United States or through certain U.S.-related intermediaries are subject to information reporting unless the holder is a corporation, other exempt recipient or non-U.S. holder who establishes such foreign status. Dividends subject to information reporting are subject to backup withholding (currently at a rate of 28%) unless the payee furnishes the payor with a taxpayer identification number and satisfies certain certification requirements. Information reporting requirements and backup withholding may also apply to the payment of proceeds from a sale of XL-Ireland shares within the United States or through certain U.S.-related intermediaries. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder s U.S. federal income tax liability, provided that the holder furnishes certain required information to the IRS.

If a U.S. holder of XL-Ireland shares does not provide us (or our paying agent) with the holder s correct taxpayer identification number or other required information, the holder may be subject to penalties imposed by the IRS.

In order for a non-U.S. holder to not be subject to backup withholding tax on a subsequent disposition of XL-Ireland shares, or dividends paid on those shares, a non-U.S. holder may be required to provide a taxpayer identification number, certify the holder s foreign status or otherwise establish an exemption.

Holders should consult their tax advisor regarding the application of information reporting and backup withholding to their particular situations.

THE U.S. FEDERAL INCOME TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH XL-CAYMAN SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Irish Tax Considerations

Scope of Discussion

The following is a summary of the material Irish tax considerations for ordinary shareholders of the Transaction and of owning and disposing of XL-Ireland ordinary shares. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each of the ordinary shareholders. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this proxy statement and on discussions and correspondence with the Irish Revenue Commissioners. Changes in law and/or administrative practice may result in alteration of the tax considerations described below.

The summary does not constitute tax advice and is intended only as a general guide. The summary is not exhaustive and ordinary shareholders should consult their own tax advisers about the Irish tax consequences and tax consequences under the laws of other relevant jurisdictions of the Transaction and the acquisition, ownership and disposal of XL-Ireland ordinary shares. The summary applies only to ordinary shareholders who will own XL-Ireland ordinary shares as capital assets and does not apply to other categories of ordinary shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes and ordinary shareholders who have, or who are deemed to have, acquired their XL-Ireland ordinary shares by virtue of an office or employment.

Irish Tax on Chargeable Gains

The rate of tax on chargeable gains in Ireland is 25%. Shareholders that are not resident or ordinarily resident in Ireland for Irish tax purposes and that do not hold their shares in connection with a trade or business carried on by such shareholders through an Irish branch or agency:

- will not be within the charge to Irish tax on chargeable gains on the transfer of their XL-Cayman shares to XL-Ireland in return for the receipt of XL-Ireland shares pursuant to the Ordinary Share Exchange;
- will not be within the charge to Irish tax on chargeable gains on the transfer of any fractional XL-Cayman shares to XL-Ireland in return for cash; and
- should not be liable for Irish tax on chargeable gains realized on a subsequent disposal of their XL-Ireland shares.

Shareholders that are resident or ordinarily resident in Ireland for Irish tax purposes, or shareholders that hold their shares in connection with a trade or business carried on by such persons through an Irish branch or agency:

will be within the charge to Irish tax on chargeable gains on the Ordinary Share Exchange, but the Ordinary Share Exchange should be treated as falling within specific relieving provisions applicable to certain reorganizations and, accordingly, such shareholders should not recognize any taxable gain or loss as a result of the Ordinary Share Exchange and the XL-Ireland shares received pursuant to the Ordinary Share Exchange should be treated as the same asset as their transferred XL-Cayman shares;

will be within the charge to Irish tax on chargeable gains on the transfer of any fractional XL-Cayman shares to XL-Ireland in return for cash and may, therefore, realize a chargeable gain on such transfer; and

will, subject to the availability of any exemptions and reliefs, generally be within the charge to Irish tax on chargeable gains in respect of a gain or loss made on the sale or other disposal of XL-Ireland shares.

A shareholder of XL-Ireland who is an individual and who is temporarily non-resident in Ireland may, under Irish anti-avoidance legislation, still be liable to Irish tax on any chargeable gain realized.

Stamp Duty

The rate of stamp duty (where applicable) on transfers of shares of Irish incorporated companies is 1%. Where it arises Irish stamp duty is generally a liability of the transferee.

The Ordinary Share Exchange will be within the charge to Irish stamp duty, but the Ordinary Share Exchange should be treated as falling within specific relieving provisions applicable to certain reorganizations and, accordingly, the Ordinary Share Exchange should not give rise to Irish stamp duty charges.

Irish stamp duty may, depending on the manner in which the shares in XL-Ireland are held, be payable in respect of transfers of XL-Ireland shares after completion of the Transaction.

Shares Held Through DTC (directly or through a broker)

A transfer of XL-Ireland shares effected by means of the transfer of book entry interests in DTC (directly or through a broker) will not be subject to Irish stamp duty. On the basis that most ordinary shares in XL-Ireland are expected to be held through DTC, it is anticipated that most transfers of ordinary shares will be exempt from Irish stamp duty.

Shares Held Outside of DTC or Transferred Into or Out of DTC

A transfer of XL-Ireland shares where any party to the transfer holds such shares outside of DTC may be subject to Irish stamp duty. Shareholders wishing to transfer their shares into (or out of) DTC may do so without giving rise to Irish stamp duty provided:

there is no change in the beneficial ownership of such shares; and

the transfer into DTC is not effected in contemplation of a subsequent sale of such shares.

Due to the potential Irish stamp duty charge on transfers of XL-Ireland shares, XL strongly recommends that those shareholders who do not hold their shares through DTC (or through a broker who in turn holds such shares through DTC) arrange for the transfer of their shares into DTC prior to the Effective Time. XL also strongly recommends that any person who wishes to acquire XL-Ireland shares after completion of the Transaction acquires such shares through DTC (or through a broker who in turn holds such shares through DTC).

Withholding Tax on Dividends

Distributions made by XL-Ireland will, absent the application of one of many exemptions, generally be subject to Irish dividend withholding tax, which we refer to as **DWT**, at a rate of 20%.

For DWT purposes, a distribution includes any distribution that may be made by XL-Ireland to its shareholders, including cash dividends, non-cash dividends and additional stock or units taken in lieu of a cash dividend. Where an exemption does not apply in respect of a distribution made to a particular shareholder, XL-Ireland is responsible for withholding DWT prior to making such distribution.

General Exemptions

Irish domestic law provides that a non-Irish resident shareholder is not subject to DWT on dividends received from XL-Ireland if such shareholder is beneficially entitled to the dividend and is either:

- an individual resident for tax purposes in a relevant territory and is neither resident nor ordinarily resident in Ireland (for a list of relevant territories for DWT purposes, please see Annex F to this proxy statement);

- a company resident for tax purposes in a relevant territory, provided such company is not under the control, whether directly or indirectly, of a person or persons who is or are resident in Ireland;

a company, wherever resident, that is controlled, directly or indirectly, by persons resident in a relevant territory and who is or are (as the case may be) not controlled by, directly or indirectly, persons who are not resident in a relevant territory ;

a company, wherever resident, whose principal class of shares (or those of its 75% direct or indirect parent) is substantially and regularly traded on a recognized stock exchange either in a relevant territory or on such other stock exchange approved by the Irish Minister for Finance; or

a company, wherever resident, that is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a recognized stock exchange in a relevant territory or on such other stock exchange approved by the Irish Minister for Finance;

and provided, in all cases noted above, the shareholder has furnished the relevant Irish Revenue Commissioners DWT forms (the **DWT Forms**) to:

its broker (and the relevant information is further transmitted to XL-Ireland or any qualifying intermediary appointed by XL-Ireland) before the record date for the dividend if its shares are held through DTC, or

to XL-Ireland s transfer agent at least seven business days before such record date if its shares are held outside of DTC.

Links to the various DWT Forms are available at:

http://www.revenue.ie/en/tax/dwt/forms/index.html.

For shareholders that cannot avail themselves of one of Ireland s domestic law exemptions from DWT, it may be possible for such shareholders to rely on the provisions of a double tax treaty to which Ireland is party to reduce the rate of DWT.

Shares Held by U.S. Resident Shareholders

Dividends paid in respect of XL-Ireland shares that are owned by U.S. residents and held through DTC will not be subject to DWT provided the addresses of the beneficial owners of such shares in the records of the broker holding such shares are in the U.S. and such broker has transmitted this information to a qualifying intermediary appointed by XL-Ireland. XL strongly recommends that such shareholders ensure that their information is properly recorded by their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland).

Dividends paid in respect of XL-Ireland shares held outside of DTC will not be subject to DWT if such shareholders held shares in XL-Cayman on January 12, 2010 and have provided a valid Form W-9 showing a U.S. address to XL-Ireland s transfer agent. XL strongly recommends that such shareholders ensure that an appropriate Form W-9 has been provided to XL-Ireland s transfer agent.

Dividends paid in respect of XL-Ireland shares that are owned by residents of the U.S. and held outside of DTC will not be subject to DWT, even if such shareholders did not hold shares in XL-Cayman on January 12, 2010, if such shareholders satisfy the conditions of one of the exemptions referred to above under the heading General Exemptions, including the requirements to furnish completed DWT Forms and that such forms remain valid. Such shareholders must provide the appropriate DWT Forms to XL-Ireland s transfer agent at least seven business days before the record date for the first dividend payment to which they are entitled. XL strongly recommends that such shareholders complete the appropriate DWT Forms and provide them to XL-Ireland s transfer agent as soon as possible after acquiring their shares.

If any shareholder that is resident in the U.S. receives a dividend from which DWT has been withheld, the shareholder should, upon making the necessary application, generally be entitled to obtain a refund of such DWT from the Irish Revenue Commissioners.

Shares Held by Residents of Relevant Territories Other Than the U.S.

Shareholders who are residents of relevant territories, other than the U.S. and regardless of when such shareholders acquired their shares, must satisfy the conditions of one of the exemptions referred to above under the heading General Exemptions, including the requirement to furnish completed DWT Forms, in order to receive dividends without suffering DWT.

If such shareholders hold their shares through DTC, they must provide the appropriate DWT Forms to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled. If such shareholders hold their shares outside of DTC, they must provide the appropriate DWT forms to XL-Ireland s transfer agent at least seven business days before such record date. XL strongly recommends that such shareholders complete the appropriate DWT Forms and provide them to their brokers or XL-Ireland s transfer agent, as the case may be, as soon as possible after acquiring their XL-Ireland ordinary shares.

If any shareholder who is resident in a relevant territory receives a dividend from which DWT has been withheld, the shareholder may be entitled to a refund of such DWT from the Irish Revenue Commissioners.

Shares Held by Residents of Ireland

Most Irish tax resident or ordinarily resident shareholders will be subject to DWT in respect of dividends paid on their XL-Ireland shares.

Shareholders that are residents of Ireland but that are entitled to receive dividends without DWT must complete the appropriate DWT Forms and provide them to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled (in the case of shares held through DTC), or to XL-Ireland s transfer agent at least seven business days before such record date (in the case of shares held outside of DTC).

Shares Held by Other Persons

XL-Ireland shareholders that do not fall within any of the categories specifically referred to above may nonetheless fall within other exemptions from DWT. If any shareholders are exempt from DWT, but receive dividends subject to DWT, such shareholders may apply for refunds of such DWT from the Irish Revenue Commissioners.

Qualifying Intermediary

Prior to paying any dividend, XL-Ireland will put in place an agreement with an entity that is recognized by the Irish Revenue Commissioners as a qualifying intermediary, which will provide for certain arrangements relating to distributions in respect of shares of XL-Ireland that are held through DTC, which we refer to as the Deposited Securities. The agreement will provide that the qualifying intermediary shall distribute or otherwise make available to Cede & Co., as nominee for DTC, any cash dividend or other cash distribution with respect to the Deposited Securities after XL-Ireland delivers or causes to be delivered to the qualifying intermediary the cash to be distributed.

XL-Ireland will rely on information received directly or indirectly from brokers and its transfer agent in determining where shareholders reside, whether they have provided the required U.S. tax information and whether they have provided the required DWT Forms. Shareholders that are required to file DWT Forms in order to receive dividends free of DWT should note that such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year of the filing of the forms.

Income Tax on Dividends Paid on XL-Ireland Shares

Irish income tax may arise in respect of dividends received from Irish resident companies.

A shareholder that is not resident or ordinarily resident in Ireland and that is entitled to an exemption from DWT generally has no liability to Irish income tax or the income and health levies on a dividend from XL-Ireland. An exception to this position may apply where such shareholder holds XL- Ireland shares through a branch or agency in Ireland through which a trade is carried on.

A shareholder that is not resident or ordinarily resident in Ireland and that is not entitled to an exemption from DWT generally has no additional Irish income tax liability or a liability to the levies. An exception to this position may apply where the shareholder holds XL-Ireland shares through a branch or agency in Ireland through which a trade is carried on. The DWT deducted by XL-Ireland discharges the liability to income tax.

Irish resident or ordinarily resident shareholders may be subject to Irish tax and/or levies on dividends received from XL-Ireland.

Repurchase of Shares by XL-Ireland

Chargeable gains

A repurchase of shares by XL-Ireland under current legislation should be treated as a capital event for Irish tax purposes and, as a result, Irish tax on chargeable gains (which is currently at a rate of 25%) will be relevant to a gain realized on any such repurchase. Holders of shares of XL-Ireland who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland shares should not realize a taxable gain on the repurchase of such shares. Please see Irish Tax on Chargeable Gains above for a more detailed description of Irish tax on chargeable gains. Draft legislation has been published, which, if enacted in its current form, will provide that a repurchase forming part of a scheme to enable shareholders to participate in the profits of XL-Ireland or its subsidiaries without receiving a dividend may be re-characterized for Irish tax purposes as a dividend from XL-Ireland. If such re-characterization were to apply, the discussions under Withholding Tax on

Dividends and Income Tax on Dividends Paid on XL-Ireland Shares above would be relevant such that our shareholders falling within one of the exemptions from DWT (which should include residents of the

U.S. and residents of the countries listed in Annex F attached to this proxy statement provided relevant documentation supporting the exemption has been put in place) should not be subject to Irish tax by reference to a re-characterized repurchase of shares by XL-Ireland.

Stamp duty

A repurchase of shares by XL-Ireland may, depending on the method by which the repurchase is effected, be subject to Irish stamp duty; however, any stamp duty arising on such a repurchase would generally be a liability of XL and not of the shareholder.

Capital Acquisitions Tax

Irish capital acquisitions tax, which we refer to as **CAT**, comprises principally gift tax and inheritance tax. CAT could apply to a gift or inheritance of XL-Ireland shares irrespective of the place of residence, ordinary residence or domicile of the parties. This is because XL-Ireland shares are regarded as property situated in Ireland as the share register of XL-Ireland must be held in Ireland. The person who receives the gift or inheritance has primary liability for CAT.

CAT is levied at a rate of 25% above certain tax-free thresholds. The appropriate tax-free threshold is dependent upon (1) the relationship between the donor and the donee and (2) the aggregation of the values of previous gifts and inheritances received by the donee from persons within the same group threshold. Gifts and inheritances passing between spouses are exempt from CAT.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH XL-CAYMAN SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Cayman Islands Tax Considerations

The Transaction will not result in any income tax consequences under Cayman Islands law to XL-Cayman, XL-Ireland or their shareholders.

DESCRIPTION OF XL GROUP PLC SHARE CAPITAL

The following description of XL-Ireland s share capital is a summary. This summary is subject to the Irish Companies Acts and to the complete text of XL-Ireland s memorandum and articles of association (which will be adopted by XL-Ireland substantially in the form attached as Annex B prior to the Effective Time) and the terms of issue of the XL-Ireland Series C preference shares and the XL-Ireland Series E preference shares (which, if the Preference Share Exchange is consummated, will be adopted by the XL-Ireland Board of Directors substantially in the forms attached as Annexes C and D immediately prior to the Effective Time). We encourage you to read those laws and documents carefully. There are differences between XL-Cayman s memorandum and articles of association and XL-Ireland s memorandum and articles of association. However, there are no material differences between those documents, except:

(1) for changes that are required by Irish law (i.e., certain provisions of the XL-Cayman articles of association will not be replicated in the XL-Ireland articles of association because Irish law would not permit such replication, and certain provisions will be included in the XL-Ireland articles of association although they were not in the XL-Cayman articles of association because they reflect the relevant Irish legal provisions or Irish law requires such provisions to

be included in the articles of association of an Irish public limited company);

(2) for changes that eliminate certain provisions that are no longer applicable due to the passage of time;

(3) for changes that are necessary in order to preserve the current rights of shareholders and powers of the Board of Directors of XL following the Transaction; and

(4) if the amendments to the XL-Cayman articles of association described in the Director Nomination Procedures Proposal are approved by our ordinary shareholders, the new procedural requirements relating to shareholder nominations of

directors will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. Please see Proposal Number Three: The Director Nomination Procedures Proposal.

See Comparison of Rights of Shareholders and Powers of the Board of Directors. Except where otherwise indicated, the description below reflects XL-Ireland s memorandum and articles of association and the terms of issue of the XL-Ireland Series C and Series E preference shares substantially as those documents will be in effect upon consummation of the Transaction.

Capital Structure

Authorized Share Capital

The authorized share capital of XL-Ireland will be 40,000 divided into 40,000 subscriber shares with a nominal value of 1 per share (the **subscriber shares**) and US$9,999,900, divided into 500,000,000 ordinary shares with a nominal value of US$0.01 per share (the **XL-Ireland ordinary shares**), and 499,990,000 undesignated shares with a nominal value of US$0.01 per share (the **undesignated shares**). The authorized share capital includes 40,000 subscriber shares with a nominal value of 1 per share in order to satisfy statutory requirements for all newly formed Irish public limited companies.

If the Preference Share Exchange is consummated, the Board of Directors of XL-Ireland will adopt, effective immediately prior to the Effective Time, the terms of issue setting forth the special rights of the Series C preference shares and Series E preference shares of XL-Ireland to be issued in the Preference Share Exchange, substantially in the forms attached to this proxy statement as Annexes C and D. The issuance of the Series C preference shares and the Series E preference shares of XL-Ireland will reduce the number of authorized but unissued undesignated shares. There will be no material differences between the terms and rights of the Series C and Series E preference shares of XL-Cayman and those of the Series C preference shares and the Series E preference shares of XL-Ireland, except for changes that are required by Irish law and the changes described below under Dividends. Except for the limited voting rights described below under Voting Voting Rights of Series C and E Preference Shares the Series C and Series E preference shares of

XL-Ireland, if issued, will be non-voting shares. Accordingly, holders of those preference shares will not have the right to attend and vote generally at general meetings of the shareholders of XL-Ireland.

Except as otherwise specified below, references to voting by shareholders of XL-Ireland contained in this Description of Share Capital are references to voting by holders of shares entitled to attend and vote generally at general meetings of the shareholders of XL-Ireland. Immediately after the Effective Time, the only such shares of XL-Ireland issued and outstanding will be the XL-Ireland ordinary shares.

XL-Ireland has the authority, pursuant to its articles of association, to increase its authorized but unissued share capital by ordinary resolution by creating additional XL-Ireland shares of any class or series. An **ordinary resolution** of XL-Ireland requires more than 50% of the votes cast at a shareholders meeting by shareholders entitled to vote at that meeting.

As a matter of Irish law, the board of directors of a company may issue authorized but unissued new shares without shareholder approval once authorized to do so by the articles of association of the company or by an ordinary resolution adopted by the shareholders at a general meeting. The authority conferred can be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution. Because of this requirement of Irish law, the articles of association of XL-Ireland authorize the Board of Directors of XL-Ireland to issue new shares up to the amount of XL-Ireland s authorized but unissued share capital without shareholder approval for a period of five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek to renew such general authority at an annual general meeting before the end of that five-year period.

XL-Ireland s articles of association authorize its Board of Directors, without shareholder approval, to determine the terms of the undesignated shares issued by XL-Ireland. The XL-Ireland Board of Directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of that class or series of shares, to provide from time to time for the issuance of ordinary shares or other classes or series of shares and to establish the characteristics of each such other class or series, including the number of shares and their preferred or deferred or other special rights and privileges or limitations, conditions and restrictions, whether in regard to dividend, voting, return of capital, conversion, redemption or otherwise.

Unlike Cayman Islands law, Irish law does not recognize fractional shares held of record. Accordingly, XL-Ireland s articles of association do not provide for the issuance of fractional XL-Ireland shares and the official register of XL-Ireland will not reflect any fractional shares. Whenever as a result of an alteration or reorganization of the share capital of XL-Ireland any shareholder would become entitled to fractions of a share, the Board of Directors may, on behalf of those shareholders, sell the shares representing the fractions and distribute the proceeds of sale among those shareholders (or, if those proceeds are less than an amount fixed by the Board of Directors, retain them for the benefit of the company). This ability of the Board of Directors of XL-Ireland to dispose of fractional shares is required in order to comply with the Irish law prohibition on fractional shares held of record.

Issued Share Capital

Immediately prior to the Transaction, the issued share capital of XL-Ireland will be 40,000, consisting of 40,000 subscriber shares, with nominal value of 1 per share. At the Effective Time, the subscriber shares will be redeemed at their nominal value by XL-Ireland and cancelled. Also at the Effective Time, XL-Ireland will issue a number of its ordinary shares that is equal to the number of whole XL-Cayman ordinary shares that will be transferred to XL-Ireland as part of the Transaction.

If the Preference Share Exchange is consummated, then at the Effective Time, XL-Ireland also will issue a number of Series C preference shares that is equal to the number of XL-Cayman Series C preference shares that will be transferred to XL-Ireland as part of the Transaction and a number

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of Series E preference shares that is equal to the number of XL-Cayman Series E preference shares that will be transferred to XL-Ireland as part of the Transaction.

XL-Ireland shares issued pursuant to the Transaction will be issued credited as fully paid up and will be non-assessable.

Pre-emption Rights, Share Warrants and Share Options

Under Irish law, certain statutory pre-emption rights apply automatically in favor of XL-Ireland ordinary shareholders when XL-Ireland shares are issued for cash. However, XL-Ireland has opted out of these pre-emption rights in its articles of association as permitted under Irish law. Irish law requires this opt-out to be renewed at least every five years by a special resolution of the shareholders. A **special resolution** requires not less than 75% of the votes cast by XL-Ireland shareholders at a meeting of shareholders. We expect that XL-Ireland will seek renewal of the opt-out at an annual general meeting within five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. If the opt-out expires and is not renewed, shares issued for cash must be offered to pre-existing ordinary shareholders of XL-Ireland pro rata to their existing shareholding before the shares can be issued to any new shareholders or pre-existing shareholders in an amount greater than their pro rata entitlements. The statutory pre-emption rights:

- generally do not apply where shares are issued for non-cash consideration;

- do not apply to the issuance of non-equity shares (that is, shares that have the right to participate only up to a specified amount in any dividend and capital distribution, which are sometimes referred to as non-participating shares); and

- do not apply to the issuance of shares pursuant to certain employee compensation plans (but the XL 1991

Performance Incentive Program and the XL Directors Stock and Option Plan, both of which permit grants to non-employee directors, do not fit within this exception).

Holders of Series C preference shares and Series E preference shares of XL-Ireland will not have pre-emption rights.

The Irish Companies Acts provide that directors may issue share warrants or options without shareholder approval once authorized to do so by the articles of association or an ordinary resolution of shareholders. This authority can be granted for a maximum period of five years, after which it must be renewed by the shareholders by an ordinary resolution. The articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland is authorized to grant, upon such terms as the Board of Directors deems advisable, options to purchase (or commitments to issue at a future date) XL- Ireland shares of any class or series, and to cause warrants or other appropriate instruments evidencing such options or commitments to be issued. This authority under the articles will lapse after five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek renewal of this authority at an annual general meeting before the end of that five-year period. Under the same authority, the Board of Directors may issue shares upon exercise of warrants or options or other commitments without shareholder approval or authorization (up to the relevant authorized but unissued share capital). Statutory pre-emption rights will apply to the issuance of warrants and options issued by XL-Ireland unless an opt-out applies or shareholder approval for an opt-out is obtained in the same manner described directly above for XL- Ireland ordinary shares.

XL-Ireland will be subject to the rules of the NYSE requiring shareholder approval of certain share issuances. The Irish Takeover Rules may be applicable in certain circumstances and can impact on XL-Ireland s ability to issue shares. Please see Risk Factors.

Dividends

Under Irish law, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realized profits of XL-Ireland less accumulated realized losses of XL-Ireland on a standalone basis. In addition, no dividend or distribution may be made unless the net assets of XL-Ireland are not less than the aggregate of XL-Ireland s share capital plus undistributable reserves and the distribution does not reduce XL-Ireland s net assets below such aggregate. Undistributable reserves include the share premium account, the capital redemption reserve fund and the amount by which XL-Ireland s accumulated unrealized profits, so far as not previously utilized by any capitalization, exceed XL-Ireland s accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital.

The determination as to whether or not XL-Ireland has sufficient distributable reserves to fund a dividend must be made by reference to relevant accounts of XL-Ireland. The relevant accounts are either the last set of unconsolidated annual audited financial statements or unaudited financial statements prepared in accordance with the Irish Companies Acts, which give a true and fair view of XL-Ireland s unconsolidated financial position in accordance with accepted accounting practice in Ireland. These relevant accounts must be filed in the Companies Registration Office (the official public registry for companies in Ireland).

XL-Ireland will not have any distributable reserves from which to make distributions immediately following the Effective Time. Please see Risk Factors and Proposal Number Two: The Distributable Reserves Proposal.

XL-Ireland s articles of association authorize the Board of Directors of XL-Ireland to declare such dividends as appear justified from the profits of XL-Ireland without the approval of the shareholders. The dividends can be declared and paid in the form of cash or non-cash assets, subject to applicable law. XL-Ireland may pay dividends in any currency but intends to do so in U.S. dollars. The Board of Directors of XL-Ireland may deduct from any dividend or other moneys payable to any shareholder all sums of money, if any, due from the shareholder to XL-Ireland in respect of shares of the company.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate, and have the same liquidation preference, as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the dividend payment date for the last dividend period on the XL-Cayman Series C preference shares beginning prior to the Effective Time for which a Series C preference share dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E preference shares prior to the Effective Time, whether or not a Series E preference share dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL s preference shareholders. If the Preference Share Exchange is consummated, the Series C and Series E preference shares of XL- Ireland will rank senior to the XL-Ireland ordinary shares in terms of dividends. Further, subject to certain limited exceptions, no dividends may be paid on the XL-Ireland ordinary shares unless full cumulative dividends on the XL-Ireland Series C preference shares and full dividends with respect to the then-current dividend period for the XL-Ireland Series E preference shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof set apart for payment.

The Board of Directors of XL-Ireland is also authorized to issue shares in the future with preferred rights to participate in dividends declared by XL-Ireland. The holders of such preference shares may, depending on their terms, rank senior to the holders of the ordinary shares of XL-Ireland with respect to dividends.

For information about the Irish tax considerations relating to dividend payments, please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations.

Share Repurchases, Redemptions and Conversions

Repurchases and Redemptions by XL-Ireland

Under Irish law and subject to certain restrictions, a company can issue redeemable shares and redeem or repurchase them out of distributable reserves (which are described above under Dividends) or the proceeds of a new issue of shares made for that purpose. XL-Ireland will not have any distributable reserves from which to make redemptions or repurchases immediately following the Effective Time because it will be a newly formed holding company with no retained earnings. Please see Proposal Number Two: The Distributable Reserves Proposal with respect to our plan to create such distributable reserves. The issue or redemption of redeemable shares may only be made by XL-Ireland where the nominal value of the issued share capital that is not redeemable is at least 10% of the nominal value of the total issued share capital of XL-Ireland. No share may be redeemed unless it is fully paid up and the terms of redemption of the shares must provide for payment on redemption. Subject to certain limitations imposed by Irish law, shareholder approval will not be required to redeem XL-Ireland shares.

XL-Ireland s articles of association provide that any ordinary share of XL-Ireland will be automatically converted into a redeemable share at the time of the existence or creation of an agreement, transaction or trade pursuant to which XL-Ireland acquires or will acquire its ordinary shares or an interest in its ordinary shares from a person, unless the ordinary shares are listed on a recognized stock exchange as defined in the Irish Companies Acts and the Board of Directors of XL-Ireland determines to treat the acquisition as a purchase. Accordingly, for Irish law purposes, it is intended that the repurchase of ordinary shares by XL-Ireland can technically be consummated as a redemption of those shares as described in the preceding paragraph. If the articles of association of XL-Ireland did not contain such provisions, repurchases by XL-Ireland would be subject to many of the same rules that apply to purchases of XL-Ireland shares by subsidiaries described below under Purchases by Subsidiaries of XL-Ireland, including the shareholder approval requirements described below and the requirement that any on-market purchases be consummated on a recognized stock exchange. Except where otherwise noted, when we refer elsewhere in this proxy statement to repurchasing or buying back XL-Ireland shares, we are referring to the redemption of shares by XL-Ireland pursuant to such provision of the articles of association.

XL-Ireland s articles of association also provide it with an additional general authority to purchase its own shares on-market that would take effect on substantially the same terms and be subject to substantially the same conditions applicable to purchases by XL-Ireland s subsidiaries, as described below.

If the Preference Share Exchange is consummated, XL-Ireland will have certain rights and obligations to redeem the XL-Ireland Series C and Series E preference shares as generally described below. XL-Ireland will have the right to redeem the XL-Ireland Series C preference shares, in whole or in part, on or after July 15, 2013, at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Ireland will have the right, under certain circumstances, to redeem the XL-Ireland Series C preference shares prior to July 15, 2013, at specified redemption prices, plus accrued and unpaid dividends to the date of redemption. The XL-Ireland Series C preference shares will be redeemable at the option of the holders from and after July 15, 2033 to but excluding the 45th day thereafter (subject to extension under certain circumstances), at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Ireland will have the right to redeem the XL-Ireland Series E preference shares, in whole or in part, on or after April 15, 2017, at a redemption price of $1,000 per share, plus declared but unpaid dividends with respect to the then- current dividend period to the date of redemption. XL-Ireland will have the right, under certain circumstances, to redeem the XL-Ireland Series E preference shares prior to April 15, 2017, at specified redemption prices, plus declared but unpaid dividends with respect to the then-current dividend period to the date of redemption. Holders of the Series E preference shares will not have any rights to require XL-Ireland to redeem their Series E preference shares at any time.

In addition, subject to certain limitations contained in the terms of issue of such shares, XL-Ireland will have the right to repurchase the XL-Ireland Series C and Series E preference shares

in the open market, by tender to all holders of the relevant series of preference shares, by private agreement or otherwise as the XL-Ireland Board of Directors sees fit. The terms of issue of the XL-Ireland Series C and Series E preference shares provide that any such repurchase can technically be effected as a redemption of those shares, on the terms agreed with the holder or holders. A redemption effected pursuant to the terms of the XL-Ireland Series C or Series E preference shares governing repurchases will not be subject to the other terms of those shares relating to redemptions described in the preceding paragraph.

Whether or not the Preference Share Exchange is consummated, the Board of Directors of XL-Ireland will also have the authority to issue other preference or other classes or series of shares that may be redeemed at the option of either XL-Ireland or the holder, depending on the terms of such shares. Please see Capital Structure Authorized Share Capital above for additional information on preference shares.

Repurchased and redeemed XL-Ireland shares may be cancelled or held as treasury shares. The nominal value of treasury shares held by XL-Ireland at any time must not exceed 10% of the nominal value of the company s total issued share capital. While XL-Ireland holds shares as treasury shares, it cannot exercise any voting rights in respect of those shares and no dividend or other payment can be paid to XL-Ireland in respect of those shares. Treasury shares may be cancelled by XL-Ireland or re-issued subject to certain conditions.

Please see Risk Factors and Proposal Number Two: The Distributable Reserves Proposal.

Purchases by Subsidiaries of XL-Ireland

Under Irish law, it may be permissible for a subsidiary to purchase XL-Ireland shares either on-market or off-market. In order for a subsidiary of XL-Ireland to make an on-market purchase of XL-Ireland s shares, such shares must be purchased on a recognized stock exchange. The NYSE, on which the XL-Ireland ordinary shares will be listed following the Transaction, is not currently specified as a recognized stock exchange for this purpose by Irish law. We understand, however, that it is likely that the Irish authorities will take appropriate steps in the near future to add the NYSE to the list of recognized stock exchanges; legislation has been passed by the Irish Parliament and new regulations are currently being considered by the Irish authorities to facilitate this addition and enable Irish companies to make overseas market purchases.

A general authority of the shareholders of XL-Ireland is required to allow a subsidiary of XL-Ireland to make on-market purchases of XL-Ireland shares; however, as long as this general authority has been granted, no specific shareholder authority is required for a particular on-market purchase. This general authority must expire no later than 18 months after the date it was granted. We expect that, prior to the Effective Time, XL-Cayman and certain of its subsidiaries, which will then constitute all the shareholders of XL-Ireland, will grant such an authority, to be effective on the later of (1) the Effective Time and (2) the date on which the NYSE becomes a recognized stock exchange for this purpose. XL-Ireland expects to seek to renew such general authority of the shareholders at the annual general meeting of XL-Ireland in 2011 and at subsequent annual general meetings.

For an off-market purchase of XL-Ireland shares, the proposed purchase contract must be authorized by special resolution of the shareholders of XL-Ireland before the contract is entered into. The person whose shares are to be purchased cannot vote in favor of the special resolution and, for at least 21 days prior to the special resolution, the purchase contract must be on display or must be available for inspection by shareholders at the registered office of XL-Ireland.

The number of XL-Ireland shares held by its subsidiaries at any time will count as treasury shares for the purposes of the permitted treasury share threshold of 10% of the nominal value of the issued share capital of XL-Ireland set by the Irish Companies Act. While a subsidiary holds XL-Ireland shares, it cannot exercise any voting rights in respect of those shares. The acquisition of XL-Ireland shares by a subsidiary must be funded out of distributable reserves of the subsidiary.

Existing Share Repurchase Program

The Board of Directors of XL-Cayman has previously authorized a program to repurchase up to $500 million of the ordinary shares, under which there remained, as of March 5, 2010, authorization to repurchase up to $375.5 million of the ordinary shares. Prior to the consummation of the Transaction, we expect (1) the Board of Directors of XL-Ireland to authorize the repurchase or redemption of XL-Ireland shares by XL-Ireland and (2) the shareholders of XL-Ireland (which at the time will be XL-Cayman and certain of its subsidiaries) to authorize the purchase of XL-Ireland shares by XL-Ireland and subsidiaries of XL-Ireland pursuant to the program, such that XL-Ireland and its subsidiaries will be authorized to purchase or redeem shares in an aggregate amount approximately equal to the then-remaining authorization under the existing XL-Cayman share repurchase program.

To the extent this authorization is for repurchases (rather than redemptions), it will not be effective until the later of (1) the Effective Time and (2) the date on which the NYSE becomes a recognized stock exchange for this purpose. This is because, as described above, on-market purchases of XL- Ireland shares may only be made on a recognized stock exchange. XL-Ireland expects to seek to renew such authorization at the annual general meeting of XL-Ireland in 2011 and at subsequent annual general meetings.

However, as described above, repurchases of XL-Ireland shares by XL-Ireland can technically be effected as a redemption of those shares pursuant to the articles of association, and to the extent they are so effected, separate shareholder approval for such repurchases will not be required.

See also Risk Factors and Proposal Number Two: The Distributable Reserves Proposal.

Bonus Shares

Under XL-Ireland s articles of association, upon the recommendation of the Board of Directors of XL-Ireland, the shareholders by ordinary resolution may authorize the Board to capitalize any amount credited to any reserve (including the share premium account and the capital redemption reserve fund) or credited to the profit and loss account, and use such amount for the issuance to shareholders of shares as fully paid bonus shares on the same basis of entitlement as would apply in respect of a dividend distribution.

Consolidation and Division; Subdivision

Under its articles of association, XL-Ireland may, by ordinary resolution, divide any or all of its share capital into shares of smaller nominal value than its existing shares (often referred to as a stock split) or consolidate any or all of its share capital into shares of larger nominal value than its existing shares (often referred to as a reverse stock split).

Reduction of Share Capital

XL-Ireland may, by ordinary resolution, reduce its authorized but unissued share capital. XL-Ireland also may, by special resolution and subject to confirmation by the Irish High Court, reduce or cancel its issued share capital, any share premium account or capital redemption reserve fund.

General Meetings of Shareholders

XL-Ireland will be required under Irish law to hold an annual general meeting within 18 months of incorporation and at intervals of no more than 15 months thereafter, provided that an annual general meeting is held in each calendar year following the first annual general meeting, no more than nine months after XL-Ireland s fiscal year-end. The first annual general meeting of XL-Ireland may be held outside Ireland. Thereafter, any annual general meeting may be held outside Ireland if an ordinary resolution so authorizing has been passed at the preceding annual general meeting. XL-Ireland s articles of association include a provision requiring annual general meetings to be held within such time periods as required by Irish law.

The only matters which must, as a matter of Irish law, be transacted at an annual general meeting are the presentation of the annual profit and loss account, balance sheet and reports of the directors and auditors, the appointment of auditors and the fixing of the auditor s remuneration (or delegation of same). If no resolution is made in respect of the reappointment of an auditor at an annual general meeting, the previous auditor will be deemed to have continued in office, subject to certain limited exceptions. The XL-Ireland articles of association provide that, at each annual general meeting, directors will be elected to fill the board seats of those directors whose terms expire at that annual general meeting. At any annual general meeting, only such business may be conducted as has been brought before the meeting (1) by or at the direction of the Board of Directors of XL-Ireland, (2) in certain circumstances, at the direction of the Irish High Court or as required by law or (3) business that the chairman of the meeting determines is properly within the scope of the meeting. In addition, shareholders entitled to vote at an annual general meeting may make nominations of candidates for election to the Board of Directors of XL-Ireland as described below under Comparison of Rights of Shareholders and Powers of the Board of Directors Director Nominations; Proposals of Shareholders.

Extraordinary general meetings of XL-Ireland may be convened (1) by the Board of Directors of XL-Ireland, (2) on requisition of the shareholders holding the number of shares of XL-Ireland prescribed by the Irish Companies Acts (currently 10% of the paid up share capital of the company carrying voting rights), or (3) in certain circumstances, on requisition of XL-Ireland s auditors.

Extraordinary general meetings are generally held for the purposes of approving shareholder resolutions of XL-Ireland as may be required from time to time. The business to be conducted at any extraordinary general meeting must be set forth in the notice of the meeting.

In the case of an extraordinary general meeting requisitioned by shareholders of XL-Ireland, the proposed purpose of the meeting must be set out in the requisition notice of the meeting. The requisition notice can propose any business to be considered at the meeting. Under Irish law, upon receipt of this requisition notice, the Board of Directors of XL-Ireland has 21 days to convene the extraordinary general meeting of XL-Ireland s shareholders to vote on the matters set out in the requisition notice. This meeting must be held within two months of receipt of the requisition notice. If the Board of Directors does not proceed to convene the meeting within such 21-day period, the requisitioning shareholders, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, which meeting must be held within three months of the receipt of the requisition notice by the Board of Directors of XL-Ireland.

If the Board of Directors of XL-Ireland becomes aware that the net assets of XL-Ireland are half or less of the amount of XL-Ireland s called-up share capital, the Board of Directors of XL-Ireland must, not later than 28 days from the date that it learns of this fact, convene an extraordinary general meeting of XL-Ireland s shareholders to be held not later than 56 days from such date. This meeting must be convened for the purposes of considering whether any, and if so what, measures should be taken to address the situation.

At least 30 days notice of any general meeting must be given to shareholders, each director and the auditors of XL-Ireland, under its articles of association.

Quorum for Shareholder Meetings

Under the articles of association of XL-Ireland, the presence, in person or by proxy, of at least two shareholders constituting the holders of at least 50% of the voting power of the issued shares of XL-Ireland that carry the right to vote at the meeting constitutes a quorum for the conduct of any business at a general meeting, other than business requiring a special resolution. The quorum required to pass a special resolution at a general meeting is the presence, in person or by proxy, of at least two shareholders constituting the holders of at least 2/3 of the voting power of the issued shares of XL- Ireland that carry the right to vote at the meeting.

Except as described in the next paragraph below, with respect to any class meeting of the holders of the Series C preference shares or the holders of the Series E preference shares of

XL-Ireland, the necessary quorum is the presence, in person or by proxy, of at least two shareholders constituting the holders of not less than 50% of the issued shares of that class.

In the case of a meeting to vary the rights of any class or series of shares (including the Series C preference shares or the Series E preference shares of XL-Ireland), discussed below under Variation of Rights Attaching to a Class or Series of Shares, Irish law provides that the necessary quorum is the presence, in person or by proxy, of at least two shareholders representing 1/3 in nominal value (or, at an adjourned meeting, at least one shareholder representing any amount of nominal value) of the relevant class.

Voting

Generally

Holders of XL-Ireland ordinary shares vote on all matters submitted to a vote of shareholders and are entitled to one vote per share, except that if, and for so long as, the votes conferred by the XL-Ireland Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Ireland Controlled Shares (as defined below) of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Ireland s articles of association. **XL- Ireland Controlled Shares** of a person (as defined in XL-Ireland s articles of association) include (1) all XL-Ireland shares owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the U.S. Internal Revenue Code of 1986, as amended) or (2) all XL-Ireland shares owned directly, indirectly or constructively by that person or any group of which that person is a part, within the meaning of Section 13(d)(3) of the Exchange Act.

All votes at a general meeting will be decided by way of a poll. Voting rights on a poll may be exercised by shareholders registered in XL-Ireland s share register as of the record date for the meeting or by a duly appointed proxy of such a registered shareholder, which proxy need not be a shareholder. All proxies must be appointed in accordance with XL-Ireland s articles of association. The articles of association of XL-Ireland provide that the Board of Directors may permit the appointment of proxies by the shareholders to be notified to XL-Ireland electronically.

In accordance with the articles of association of XL-Ireland, the Board of Directors of XL-Ireland may from time to time cause XL-Ireland to issue preference or any other class or series of shares. These shares may have such voting rights, if any, as may be specified in the terms of such shares (e.g., they may carry more votes per share than ordinary shares or may entitle their holders to a class vote on such matters as may be specified in the terms of the shares). Please see Voting Rights of Series C and Series E Preference Shares below.

Treasury shares and shares of XL-Ireland held by subsidiaries of XL-Ireland will not entitle their holders to vote at general meetings of shareholders.

Except where a greater majority is required by Irish law or XL-Ireland s articles of association, any question proposed for consideration at any general meeting of XL-Ireland or of any class of shareholders will be decided by an ordinary resolution passed by a simple majority of the votes cast by shareholders entitled to vote at such meeting. Irish law requires special resolutions of the shareholders at a general meeting to approve certain matters. A **special resolution** of XL-Ireland requires not less than 75% of the votes cast by shareholders at a meeting of shareholders. Examples of matters requiring special resolutions include:

- Amending the objects of XL-Ireland set forth in its memorandum of association;

Amending the articles of association of XL-Ireland;

Approving a change of name of XL-Ireland;

Authorizing the entering into of a guarantee or provision of security in connection with a loan, quasi-loan or credit transaction to a director or connected person of a director (which generally includes a family member or business partner of the director and any entity controlled by the director);

Opting out of pre-emption rights on the issuance of new shares;

Re-registration of XL-Ireland from a public limited company to a private company;

Purchase of XL-Ireland s own shares off-market;

Reduction of issued share capital;

Resolving that XL-Ireland be wound up by the Irish courts;

Resolving in favor of a shareholders voluntary winding-up;

Re-designation of shares into different share classes;

Setting the re-issue price of treasury shares; and

Mergers with companies incorporated in the European

Economic
Area (**EEA**),
as described
below under
Acquisitions.

Voting Rights of Series C and E Preference Shares

Holders of Series C and Series E preference shares of XL-Ireland (which will be issued if the Preference Share Exchange is consummated) will generally have no right to vote on the election of directors of XL-Ireland. However, if dividends on the Series C preference shares or the Series E preference shares of XL-Ireland were unpaid for six full quarterly periods, whether or not consecutive, holders of the preference shares as to which there were such unpaid dividends, voting as a class with all other series of XL-Ireland preference shares then having such a right, would have the right to elect two persons who would then be appointed as additional directors to the Board of Directors of XL-Ireland. These rights would cease (1) with respect to holders of the Series C preference shares, when all such unpaid amounts had been paid in full and (2) with respect to the holders of the Series E preference shares, when full dividends on the Series E preference shares had been paid for at least four consecutive quarterly periods (or upon the redemption of all Series E preference shares, if earlier). In addition, any variation of class rights attaching to the preference shares must be approved by a resolution of the shareholders of the class affected. See Variation of Rights Attaching to a Class or Series of Shares below. Further, if the XL-Ireland Series C and Series E preference shares are issued, no class or series of shares may be created which ranks senior to the Series C or Series E preference shares of XL-Ireland as to dividend rights or as to rights upon the liquidation, dissolution or winding up of XL-Ireland, in each case, without the approval of (1) a resolution of the holders of the XL-Ireland Series C or Series E preference shares, as the case may be, passed by the affirmative vote of the holders of 2/3 of such shares voted at a meeting of such holders or (2) the written consent of all the holders of the XL-Ireland Series C or Series E preference shares, as the case may be.

Variation of Rights Attaching to a Class or Series of Shares

Variation of any special rights attached to any class or series of issued shares of XL-Ireland (including XL-Ireland ordinary shares, and if the Preference Share Exchange is consummated, the XL-Ireland Series C preference shares and the XL-Ireland Series E preference shares) must, in accordance with the articles of association of XL-Ireland, be approved by (1) a resolution of the shareholders of the class or series affected, passed by the affirmative vote of the holders of 2/3 of the shares of that class or series voted at a meeting of that class or series or (2) the written consent of all the shareholders of that class or series. In the case of a meeting to vary the rights of any class or series of shares (including the Series C preference shares or the Series E preference shares of XL-Ireland), Irish law provides that the necessary quorum is the presence, in person or by proxy, of at least two shareholders representing 1/3 in nominal value (or, at an adjourned meeting, at least one shareholder representing any amount of nominal value) of the relevant class. Every shareholder of the affected class or series will have one vote for each share of such class or series that he or she holds as of the record date for the meeting except that if, and for so long as, the votes conferred by the XL-Ireland Controlled Shares (as defined above under Voting Generally) of any person constitute 10% or more of the votes conferred by the issued shares of the relevant class or series, the voting rights with respect to the XL-Ireland Controlled Shares of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Ireland s articles of association.

Inspection of Books and Records

Holders of shares carrying voting rights have certain rights under Irish law to inspect books and records, including the right to: (1) receive a copy of the memorandum and articles of association of XL-Ireland and any act of the Irish Parliament which alters the memorandum of association of XL- Ireland; (2) inspect and obtain copies of the minutes of general meetings of shareholders (including resolutions adopted at such meetings); (3) inspect and receive a copy of the register of shareholders, register of directors and secretaries, register of directors interests and other statutory registers maintained by XL-Ireland; (4) receive copies of the most recent balance sheets and directors and auditors reports which have previously been sent to shareholders prior to an annual general meeting; and (5) receive balance sheets of any subsidiary company of XL-Ireland which have previously been sent to shareholders prior to an annual general meeting for the preceding ten years. The auditors of XL-Ireland also have the right to inspect all books and records of XL-Ireland. The auditors report must be circulated to the shareholders with XL-Ireland s Financial Statements at least 21 days before the annual general meeting, and such report must be read to the shareholders at XL-Ireland s annual general meeting. The **Financial Statements** referenced above mean XL-Ireland s balance sheet, profit and loss account and, so far as they are not incorporated in the balance sheet or profit and loss account, any group accounts and the directors report, together with any other document required by law to be annexed to the balance sheet.

Acquisitions

There are a number of mechanisms for acquiring an Irish public limited company, including:

(a) a court-approved scheme of arrangement under the Irish Companies Acts. A scheme of arrangement with one or more classes of shareholders requires a court order from the Irish High Court and the approval of: (1) more than 50% in number of the shareholders of each participating class or series voting on the scheme of arrangement, (2) representing 75% or more by value of the shares of such participating class or series held by the shareholders voting on the scheme of arrangement, in each case at the relevant meeting or meetings. A scheme of arrangement, if authorized by the shareholders of each participating class or series and the court, is binding on all of the shareholders of each participating class or series. Shares held by the acquiring party are not excluded from the tally of a vote on the scheme, but such shares may be considered to belong to a separate class for the purposes of approving the scheme, in which case the acquiring party s shares would not be voted for purposes of the separate class approval required from the remaining, non-acquiring shareholders;

(b) through a tender offer by a third party. Where the holders of 80% or more in value of a class of XL-Ireland s shares (excluding any shares already beneficially owned by the offeror) have accepted an offer for their shares in XL-Ireland, the remaining shareholders in that class may be statutorily required to also transfer their shares, unless, within one month, the non-tendering shareholders can obtain an Irish court order otherwise providing. If the offeror has acquired acceptances of 80% of all XL-Ireland s shares but does not exercise its squeeze out right, then the non-accepting shareholders also have a statutory right to require the offeror to acquire their shares on the same terms as the original offer, or such other terms as the offeror and the non-tendering shareholders may agree or on such terms as an Irish court, on application of the offeror or non-tendering shareholder, may order. If XL-Ireland shares were listed on the Irish Stock Exchange or another regulated stock exchange in the European Union (**EU**), this 80% threshold would be increased to 90% in value and voting rights of those shares; and

(c) by way of a merger with a company incorporated in the EEA under the European Communities (**EC**)

(Cross-Border Mergers) Regulations 2008, which implement the EU Cross Border Merger Directive 2005/56 in Ireland. Such a merger must be approved by a

special
resolution.
Shareholders
also may be
entitled to
have their
shares
acquired for
cash. See
Appraisal
Rights below.

Under Irish law, Board of Directors, approval, but not shareholder approval, is required for a sale, lease or exchange of all or substantially all of the assets of XL-Ireland, except that such a transaction between XL-Ireland and a director of XL-Ireland or a person connected to such a director may require shareholder approval.

Appraisal Rights

Generally, under Irish law, shareholders of an Irish company do not have statutory appraisal rights. If XL-Ireland is being merged as the transferor company with another EEA company under the EC (Cross-Border Mergers) Regulations 2008, (1) a shareholder of XL-Ireland who voted against the special resolution approving the merger or, (2) if 90% of the shares of XL-Ireland are held by the successor company, any other shareholder of XL-Ireland, may be entitled to require that the successor company acquire its shares for cash.

Disclosure of Interests in Shares

Under the Irish Companies Acts, a shareholder of XL-Ireland must notify XL-Ireland if, as a result of a transaction, (1) the shareholder will be interested in 5% or more of the XL-Ireland shares that carry voting rights or (2) the shareholder will cease to be interested in 5% or more of the XL- Ireland shares that carry voting rights. In addition, where a shareholder is interested in 5% or more of the relevant XL-Ireland shares, the shareholder must notify XL-Ireland of any alteration of its interest that brings its total holding through the nearest whole percentage number, whether an increase or a reduction. The relevant percentage figure is calculated by reference to the aggregate nominal value of the shares in which the shareholder is interested as a proportion of the entire nominal value of the relevant class of share capital. Where the percentage level of the shareholder s interest does not amount to a whole percentage, this figure may be rounded down to the next whole number. All such disclosures must be notified to XL-Ireland within 5 business days of the event that gave rise to the requirement to notify. Where a person fails to comply with the notification requirements described above, no right or interest of any kind whatsoever in respect of any shares in XL-Ireland concerned, held by such person, will be enforceable by such person, whether directly or indirectly, by action or legal proceeding. However, such person may apply to the Irish High Court to have the rights attaching to its shares reinstated.

In addition to the disclosure requirement described above, under the Irish Companies Acts, XL-Ireland may by notice in writing, and must, on the requisition of shareholders holding 10% or more of the paid up capital of the company carrying voting rights, require a person whom XL-Ireland knows or has reasonable cause to believe to be, or at any time during the three years immediately preceding the date on which such notice is issued, to have been interested in shares comprised in XL-Ireland s relevant share capital to: (1) indicate whether or not it is the case, and (2) where such person holds or has during that time held an interest in the XL-Ireland shares, to give certain further information as may be required by XL-Ireland including particulars of such person or beneficial owner s past or present interests in XL-Ireland shares. Any information given in response to the notice is required to be given in writing within such reasonable time as may be specified in the notice.

Where such a notice is served by XL-Ireland on a person who is or was interested in XL-Ireland shares and that person fails to give XL-Ireland any information required within the reasonable time specified, XL-Ireland may apply to court for an order directing that the affected shares be subject to certain restrictions. Under the Irish Companies Acts, the restrictions that may be placed on the shares by the court are as follows:

(1) any transfer of those shares, or, in the case of unissued shares, any transfer of the right to be issued with shares and any issue of such shares, shall be void;

(2) no voting rights shall be exercisable in respect of those shares;

(3) no further shares shall be issued in respect of those shares or in pursuance of any offer made to the holder of those shares; and

(4) no payment shall be made of any sums due from XL-Ireland on those shares, whether in respect of capital or otherwise.

Where shares in XL-Ireland are subject to these restrictions, the court may order the shares to be sold and may also direct that the shares shall cease to be subject to these restrictions.

In addition, persons or groups (within the meaning of the Exchange Act) beneficially owning 5% or more of XL-Ireland s ordinary shares must comply with the reporting requirements under Regulation 13D-G of the Exchange Act.

Anti-Takeover Provisions

Shareholder Rights Plans and Share Issuances; Transfer Restriction

Irish law does not expressly prohibit companies from issuing share purchase rights or adopting a shareholder rights plan as an anti-takeover measure. However, there is no directly relevant case law on the validity of such plans under Irish law.

XL-Ireland s articles of association allow the Board of Directors of XL-Ireland to adopt any shareholder rights plan upon such terms and conditions as the Board of Directors deems expedient and in the best interest of XL-Ireland, subject to applicable law, including the Irish Takeover Rules and Substantial Acquisition Rules described below and the requirement for shareholder authorization for the issue of shares described above.

Subject to the Irish Takeover Rules described below, the Board of Directors of XL-Ireland also has the power to issue any authorized and unissued XL-Ireland shares on such terms and conditions as it may determine to be in the best interest of XL-Ireland. It is possible that the terms and conditions of any issue of shares could discourage a takeover or other transaction that holders of some or a majority of the XL-Ireland ordinary shares might believe to be in their best interest or in which holders of XL-Ireland ordinary shares might receive a premium for their shares over the then-market price of the shares.

The articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland must decline to register a transfer of shares if it appears to the Board of Directors that the effect of such transfer would be to increase the number of the XL-Ireland Controlled Shares (as defined above under Voting Generally) of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company.

Irish Takeover Rules and Substantial Acquisition Rules

A tender offer by which a third party makes an offer generally to shareholders or a class of shareholders to acquire shares of any class conferring voting rights of XL-Ireland will be governed by the Irish Takeover Panel Act 1997 and the Irish Takeover Rules made thereunder and will be regulated by the Irish Takeover Panel (as well as being governed by the Exchange Act and the regulations of the SEC thereunder). The General Principles of the Irish Takeover Rules and certain important aspects of the Irish Takeover Rules are described below. Takeovers by means of a scheme of arrangement are also generally subject to these regulations.

General Principles

The Irish Takeover Rules are based on the following General Principles that will apply to any transaction regulated by the Irish Takeover Panel:

in the event of an offer, all classes of shareholders of the target company should be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected;

the holders of securities in the target company must have sufficient time and information to allow them to make an informed decision regarding the offer. If the board of directors of the target company advises the holders of the securities with respect to the offer, it must advise on the effects of the implementation of the offer on employment, employment conditions and the locations of the target company s place of business;

the board of a target company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer;

false markets must not be created in the securities of the target company or any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted;

an offeror can only announce an offer after ensuring that it can fulfill in full any cash consideration offered, and after taking all reasonable measures to secure the implementation of any other type of consideration;

a target company may not be hindered in the conduct of its affairs for longer than is reasonable by an offer for its securities. This is a recognition that an offer will disrupt the day-to-day running of a target company particularly if the offer is hostile and the board of the target company must divert its attention to resist the offer; and

a substantial acquisition of securities (whether such acquisition is to be effected by one transaction or a series of transactions) will only be allowed to take place at an acceptable speed and shall be subject to adequate and timely disclosure.

Mandatory Offer

If an acquisition of shares were to increase the aggregate holding of an acquirer and its concert parties (which generally mean persons acting in concert with the acquirer) to shares carrying 30% or more of the voting rights in XL-Ireland, the acquirer and, depending on the circumstances, its concert parties would be mandatorily required (except with the consent of the Irish Takeover Panel) to make a cash tender offer for the remaining outstanding shares at a price not less than the highest price paid for the shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in XL-Ireland if the effect of such acquisition were to increase the percentage of the voting rights held by that person (together with its concert parties) by 0.05% within a 12 month period.

Voluntary Offer; Requirements to Make a Cash Offer and Minimum Price Requirements

A voluntary offer is a tender offer that is not a mandatory offer. If an offeror or any of its concert parties acquire XL-Ireland shares of the same class as the shares that are the subject of the voluntary offer within the period of three months prior to the commencement of the offer period, the offer price must be not less than the highest price paid for XL-Ireland shares of that class by the offeror or its concert parties during that period. The Irish Takeover Panel has the power to extend the look back period to 12 months if the Panel, having regard to the General Principles, believes it is appropriate to do so.

If the offeror or any of its concert parties has acquired XL-Ireland shares of the same class as the shares that are the subject of the voluntary offer (1) during the period of 12 months prior to the commencement of the offer period which represent 10% or more of the nominal value of the issued shares of that class or (2) at any time after the commencement of the offer period, the offer shall be in cash (or accompanied by a full cash alternative) and the price per share shall be not less than the highest price paid by the offeror or its concert parties for shares (of that class) during, in the case of (1), the period of 12 months prior to the commencement of the offer period and, in the case of (2), the offer period. The Irish Takeover Panel may apply this rule to an offeror who, together with its concert parties, has acquired less than 10% of the nominal value of the issued shares of the class of shares that is the subject of the offer in the 12 month period prior to the commencement of the offer period if the Panel, having regard to the General Principles, considers it just and proper to do so.

An offer period will generally commence from the date of the first announcement of the offer or proposed offer.

Substantial Acquisition Rules

The Irish Takeover Rules also contain rules governing substantial acquisitions of shares which restrict the speed at which a person may increase his or her holding of shares and rights over shares to an aggregate of between 15% and 30% of the voting rights of XL-Ireland. Except in certain circumstances, an acquisition or series of acquisitions of shares or rights over shares representing 10% or more of the voting rights of XL-Ireland is prohibited, if such acquisition(s), when aggregated with shares or rights already held, would result in the acquirer holding 15% or more but less than 30% of the voting rights of XL-Ireland and such acquisitions are made within a period of seven days. These rules also require accelerated disclosure of certain other acquisitions of shares or rights over shares relating to such holdings.

Frustrating Action

Under the Irish Takeover Rules, the Board of Directors of XL-Ireland is not permitted to take any action that might frustrate an offer for the XL-Ireland shares during the course of an offer or at any earlier time at which the Board of Directors has reason to believe an offer is or may be imminent, except as noted below. Potentially frustrating actions such as (1) the issue of shares, options or convertible securities, (2) material disposals, (3) entering into contracts other than in the ordinary course of business, or (4) any action, other than seeking alternative offers, which may result in frustration of an offer, are prohibited during the course of an offer or at any time during which the Board of Directors has reason to believe an offer is or may be imminent. Exceptions to this prohibition are available where:

(a) the action is approved by XL-Ireland s shareholders at a general meeting; or

(b) with the consent of the Irish Takeover Panel, where:

(i) the Irish Takeover Panel is satisfied the action would not constitute a frustrating action;

(ii) the holders of at least 50% of the voting rights state in writing that they approve the proposed action and would vote in favor of it at a general meeting;

(iii)

the action is in accordance with a contract entered into prior to the announcement of the offer (or the time at which the Board of Directors has reason to believe that an offer may be imminent); or

(iv) the decision to take such action was made before the announcement of the offer (or the time at which the Board of Directors has reason to believe that an offer is or may be imminent) and either has been at least partially implemented or is in the ordinary course of business.

For other provisions that could be considered to have an anti-takeover effect, please see above at Pre-emption Rights, Share Warrants and Share Options, Voting, Variation of Rights Attaching to a Class or Series of Shares and Disclosure of Interests in Shares, and below at Transfer and Registration of Shares and Corporate Governance, as as the discussion under Comparison of Rights of Shareholders and Powers of the Board of Directors below at Election of Directors, Appointment of Directors by Board, Removal of Directors, Shareholder Consent to Action Without Meeting, Amendment of Governing Documents and Director Nominations; Proposals of Shareholders.

Corporate Governance

The articles of association of XL-Ireland allocate authority over the management of XL-Ireland to the Board of Directors of XL-Ireland. The Board of Directors may then delegate management of XL-Ireland to committees of the Board of Directors or such other persons as it thinks fit. Regardless of any delegation, the Board of Directors of

XL-Ireland will remain responsible, as a matter of Irish law, for the proper management of the affairs of XL-Ireland. It is the intention of XL-Ireland to replicate the committees that are currently in place for XL-Cayman. The XL-Ireland Board of Directors may create new committees or change the responsibilities of existing committees from time to time.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Shareholders Suits and Comparison of Rights of Shareholders and Powers of the Board of Directors Enforcement of Civil Liabilities Against Foreign Persons below.

Legal Name; Formation; Fiscal Year; Registered Office

The legal and commercial name of the newly formed Irish company will be XL Group Public Limited Company. XL-Ireland will be incorporated in Ireland, as a private limited company and re-registered as a public limited company in accordance with the Irish Companies Acts. XL-Ireland s fiscal year will end on December 31 and XL-Ireland s registered address will be No. 1 Upper Hatch Street, 4th Floor, Dublin 2, Ireland.

Duration; Dissolution; Rights upon Liquidation

XL-Ireland s duration will be unlimited. XL-Ireland may be dissolved at any time by way of either a shareholder s voluntary winding up or a creditors voluntary winding up. In the case of a shareholder s voluntary winding up, the company must be solvent and a special resolution of the shareholders is required. XL-Ireland may also be dissolved by way of court order on the application of a creditor, or by the Director of Corporate Enforcement in Ireland where the affairs of the company have been investigated by an inspector and it appears from the report or any information obtained by the Director of Corporate Enforcement that the company should be wound up.

The rights of the shareholders to a return of XL-Ireland s assets on dissolution or winding up, following the settlement of all claims of creditors, may be prescribed in XL-Ireland s articles of association or the terms of any shares issued by the Board of Directors of XL-Ireland from time to time. The holders of preference shares, in particular, may have the right to priority over ordinary or other shareholders in a dissolution or winding up of XL-Ireland. If the articles of association and terms of issue of the shares of the company contain no specific provisions in respect of a dissolution or winding up then, subject to the shareholder priorities and the rights of any creditors, the assets will be distributed to shareholders in proportion to the paid-up nominal value of the shares held. XL-Ireland s articles provide that the ordinary shareholders of XL-Ireland are entitled to participate in a winding up, and the method by which the property will be divided shall be determined by the liquidator, subject to a special resolution by the shareholders, but such rights by ordinary shareholders to participate may be subject to the rights of any preference shareholders to participate under the terms of any series or class of preference shares.

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of XL-Ireland, before any distribution is made to the holders of any junior-ranking shares, including the XL-Ireland ordinary shares, (1) holders of the XL-Ireland Series C preference shares will be entitled to receive, from its assets legally available for distribution to shareholders, $25 per share plus all accrued and unpaid dividends to the date fixed for distribution, and (2) holders of the XL-Ireland Series E preference shares will be entitled to receive, from its assets legally available for distribution to shareholders, $1000 per share plus any declared but unpaid dividends with respect to the then-current dividend period to the date fixed for distribution.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Rights upon Liquidation.

No Share Certificates

It is not intended that XL-Ireland will issue share certificates unless (1) certificates are required by law, any stock exchange, a recognized depository, any operator of any clearance or settlement system, or the terms of issue of any class or series of its shares, or (2) a holder of XL-Cayman shares in respect of which a certificate has been issued applies for share certificates evidencing ownership of XL-Ireland shares received pursuant to the Transaction. See Proposal Number One: The Scheme of Arrangement Proposal Exchange of Shares.

Under the articles of association of XL-Ireland, holders of XL-Ireland ordinary shares will have no right to certificates for their shares, except on request and on such terms as the Board of Directors of XL-Ireland, at its sole discretion, determines. Holders rights to request certificates for shares are subject to any resolution of the Board of Directors of XL-Ireland determining otherwise.

Stock Exchange Listing

If the Transaction becomes effective, the Transaction will not affect the stock exchange listing of the ordinary shares. We intend to make application for and expect that, immediately following the Effective Time, the XL-Ireland ordinary shares will be listed on the NYSE under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed. XL-Ireland ordinary shares are also expected to be listed on the Bermuda Stock Exchange following the Effective Time. We do not currently intend to list the XL-Ireland ordinary shares on the Irish Stock Exchange or any stock exchange other than those listed above.

No Sinking Fund

The XL-Ireland ordinary shares, the XL-Ireland Series C and the XL-Ireland Series E preference shares will have no sinking fund provisions.

No Liability for Further Calls or Assessments

The shares to be issued in the Transaction will be duly and validly issued pursuant to the Transaction, will be credited as fully paid up and will be non-assessable.

Transfer and Registration of Shares

XL-Ireland s share register will be maintained by its transfer agent. Registration in this share register will be determinative of membership in XL-Ireland. A shareholder of XL-Ireland who holds shares beneficially will not be the holder of record of such shares. Instead, the depository (for example, Cede & Co., as nominee for DTC) or other nominee will be the holder of record of such shares. Accordingly, a transfer of shares from a person who holds such shares beneficially to a person who will also hold such shares beneficially through the same depository or other nominee will not be registered in XL-Ireland s official share register, as the depository or other nominee will remain the record holder of such shares.

A written instrument of transfer will be required under Irish law in order to register on XL-Ireland s official share register any transfer of shares (1) from a person who holds such shares directly to any other person or (2) from a person who holds such shares beneficially to another person who also will hold such shares beneficially where the transfer involves a change in the depository or other nominee that is the record owner of the transferred shares. An instrument of transfer also will be required for a shareholder who directly holds shares to transfer those shares into his or her own broker account (or vice versa). Such instruments of transfer may give rise to Irish stamp duty, which must be paid prior to registration of the transfer on XL-Ireland s official Irish share register. However, a shareholder who directly holds shares may transfer those shares into his or her own broker account (or vice versa) without giving rise to Irish stamp duty provided there is no change in the ultimate beneficial ownership of the shares as a result of the transfer or the transfer is not made in contemplation of a sale of the shares.

Accordingly, we strongly recommend that all directly registered shareholders open broker accounts so they can transfer their ordinary shares into a broker account to be held through DTC prior to completion of the Transaction. We also strongly recommend that any person who wishes to acquire XL- Ireland ordinary shares after completion of the

Transaction acquire such XL-Ireland ordinary shares beneficially.

Any transfer of XL-Ireland ordinary shares that is subject to Irish stamp duty will not be registered in the name of the buyer unless an instrument of transfer is duly stamped and provided to our transfer agent. XL-Ireland does not intend to pay any stamp duty on behalf of any purchaser of shares in its capital. See Material Tax Considerations Relating to the Transaction Irish Tax Considerations.

XL-Ireland s articles of association grant the Board of Directors of XL-Ireland general discretion to decline to register an instrument of transfer without giving a reason. In addition, the Board of Directors may decline to register a transfer of shares unless a registration statement under the Securities Act is in effect with respect to the transfer or the transfer is exempt from registration. Further, the articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland must decline to register a transfer of shares if it appears to the Board of Directors that the effect of such transfer would be to increase the number of the XL-Ireland Controlled Shares of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company. See Anti-Takeover Provisions Shareholder Rights Plans and Share Issuances; Transfer Restrictions above.

The registration of transfers may be suspended at such times and for such periods, not exceeding 30 days in any year, as the Board of Directors of XL-Ireland may from time to time determine (except as may be required by law).

COMPARISON OF RIGHTS OF SHAREHOLDERS AND POWERS OF THE BOARD OF DIRECTORS

Your rights as an ordinary shareholder of XL-Cayman and the relative powers of XL-Cayman s Board of Directors are governed by Cayman Islands law and XL-Cayman s memorandum and articles of association. After the Transaction, you will be an XL-Ireland ordinary shareholder, and your rights and the relative powers of XL-Ireland s Board of Directors will be governed by Irish law and XL-Ireland s memorandum and articles of association.

Many of the principal attributes of the XL-Cayman ordinary shares and the XL-Ireland ordinary shares will be similar. However, there are differences between what your rights are under Cayman Islands law and what they will be after the Transaction under Irish law. In addition, there are differences between XL-Cayman s memorandum and articles of association and XL-Ireland s memorandum and articles of association. However, there are no material differences between those documents, except:

(1) for changes that are required by Irish law (i.e., certain provisions of the XL-Cayman articles of association will not be replicated in the XL-Ireland articles of association because Irish law would not permit such replication, and certain provisions will be included in the XL-Ireland articles of association although they were not in the XL-Cayman articles of association because they reflect the relevant Irish legal provisions or Irish law

requires such provisions to be included in the articles of association of an Irish public limited company);

(2) for changes that eliminate certain provisions that are no longer applicable due to the passage of time;

(3) for changes that are necessary in order to preserve the current rights of shareholders and powers of the Board of Directors of XL-Cayman following the Transaction; and

(4) if the amendments to the XL-Cayman articles of association described in the Director Nomination Procedures Proposal are approved by our ordinary shareholders, the new procedural requirements relating to

shareholder nominations of directors will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. Please see Proposal Number Three: The Director Nomination Procedures Proposal.

The following discussion is a summary of certain changes in your rights resulting from the Transaction.

This summary does not cover all of the differences between Irish law and Cayman Islands law affecting companies and their shareholders or all of the differences between XL-Cayman s memorandum and articles of association and XL-Ireland s memorandum and articles of association. This summary is subject to the Irish Companies Acts and the Cayman Companies Law, and to the complete text of XL-Cayman s memorandum and articles of association, XL-Ireland s memorandum and articles of association (which will be adopted by XL-Ireland substantially in the form attached as Annex B prior to the Effective Time), the terms of issue of the XL-Cayman Series C preference shares and Series E preference shares, and the terms of issue of the XL-Ireland Series C preference shares and XL-Ireland Series E preference shares (which, if the Preference Share Exchange is consummated, will be adopted by the XL-Ireland Board of Directors substantially in the forms attached as Annexes C and D immediately prior to the Effective Time). We encourage you to read those laws and documents carefully.

For information as to how you can obtain XL-Cayman s memorandum and articles of association, please see Where You Can Find More Information. Except where otherwise indicated, the discussion of XL-Ireland below reflects XL-Ireland s memorandum and articles of association and the terms of issue of the XL-Ireland Series C and Series E preference shares substantially as those documents will be in effect upon consummation of the Transaction.

Provision	XL-Cayman	XL-Ireland
Capital Structure		
Authorized Share Capital	XL-Cayman s authorized share capital is US$9,999,900, divided into 999,990,000 Ordinary Shares, par value US$0.01 per share (the **XL-Cayman Ordinary Shares**). There are currently five authorized classes of XL-Cayman Ordinary Shares: Class A Ordinary Shares (which we refer to in this proxy statement as the ordinary shares), Class B Ordinary Shares, Series C Preference Ordinary Shares (which we refer to in this proxy statement as Series C preference shares), Series D Preference Ordinary Shares, and Series E Preference Ordinary Shares (which we refer to in this proxy statement as Series E preference shares). Except for the limited voting rights described below under Voting, the Series C and Series E preference shares of XL-Cayman are non-voting shares. Accordingly, holders of those preference shares do not have the right to attend and vote generally at general meetings of the shareholders of XL- Cayman. Except as otherwise specified below, references to voting by shareholders of XL-Cayman contained in this Comparison of Rights of Shareholders and Powers of the Board of Directors are references to voting by holders of shares entitled to attend and vote generally at general meetings of the shareholders of XL-Cayman. Under XL-Cayman s articles of association, the Board may authorize the issuance of additional XL-Cayman Ordinary Shares, up to the amount of the authorized capital, at such times and on such terms as the Board thinks proper, without obtaining additional shareholder approval. Further, the Board may determine the preferred, deferred or other special rights, terms or conditions, or such restrictions, whether in regard to	The authorized share capital of XL- Ireland will be 40,000 divided into 40,000 subscriber shares with a nominal value of 1 per share (which we refer to in this proxy statement as the **subscriber shares**) and US$9,999,900, divided into 500,000,000 ordinary shares with a nominal value of US$0.01 per share (which we refer to in this proxy statement as the **XL-Ireland ordinary shares**), and 499,990,000 undesignated shares with a nominal value of US$0.01 per share (which we refer to in this proxy statement as the **undesignated shares**). The authorized share capital includes 40,000 subscriber shares with a nominal value of 1 per share in order to satisfy statutory requirements for all newly formed Irish public limited companies. If the Preference Share Exchange is consummated, the Board of Directors of XL-Ireland will adopt, effective immediately prior to the Effective Time, the terms of issue setting forth the special rights of the Series C preference shares and Series E preference shares of XL-Ireland to be issued in the Preference Share Exchange, substantially in the forms attached to this proxy statement as Annexes C and D. The issuance of the Series C preference shares and the Series E preference shares of XL- Ireland will reduce the number of authorized but unissued undesignated shares. There will be no material differences between the terms and rights of the Series C and Series E preference shares of XL-Ireland and those of the Series C preference shares and the Series E preference shares of XL-Cayman, except for changes that are required by Irish law and the changes described below under Dividends and Distributions. Except for the limited voting rights described below under Voting, with respect to the Series C and Series E preference shares of XL-Ireland, such shares, if issued, will be non-voting

dividends, voting, return of share capital, exchange for other classes or shares, exchangeability for other securities, or otherwise, that

Provision	XL-Cayman	XL-Ireland
	will attach to such XL-Cayman Ordinary Shares. The authorized share capital of XL-Cayman may be increased by a special resolution of the ordinary shareholders. A **special resolution** of XL-Cayman requires approval by not less than 2/3 of the votes cast at a meeting of shareholders by shareholders entitled to vote at that meeting. Cayman Islands law and XL- Cayman s memorandum and articles of association do not provide for shareholder pre-emption rights in connection with the issuance of shares. XL-Cayman may issue fractional shares.	shares. Accordingly, holders of those shares will not have the right to attend and vote generally at general meetings of the shareholders of XL-Ireland. Except as otherwise specified below, references to voting by shareholders of XL-Ireland contained in this Comparison of Rights of Shareholders and Powers of the Board of Directors are references to voting by holders of shares entitled to attend and vote generally at general meetings of the shareholders of XL-Ireland. Immediately after the Effective Time, the only such shares of XL-Ireland issued and outstanding will be the XL- Ireland ordinary shares. XL-Ireland has the authority, pursuant to its articles of association, to increase its authorized but unissued share capital by ordinary resolution by creating additional XL-Ireland shares of any class or series. An **ordinary resolution** of XL-Ireland requires more than 50% of the votes cast at a shareholders meeting by shareholders entitled to vote at that meeting. As a matter of Irish law, the board of directors of a company may issue authorized but unissued new shares without shareholder approval once authorized to do so by the articles of association of the company or by an ordinary resolution adopted by the shareholders at a general meeting. The authority conferred can be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution. Because of this requirement of Irish law, the articles of association of XL-Ireland authorize the Board of Directors of XL-Ireland to issue new shares up to the amount of XL- Ireland s authorized but unissued share capital without shareholder approval for a period of five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek to renew such

Provision	XL-Cayman	XL-Ireland
		general authority at an annual general meeting before the end of that five- year period. XL-Ireland s articles of association authorize its Board of Directors, without shareholder approval, to determine the terms of the undesignated shares issued by XL- Ireland. The XL-Ireland Board of Directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of that class or series of shares, to provide from time to time for the issuance of ordinary shares or other classes or series of shares and to establish the characteristics of each such other class or series, including the number of shares and their preferred or deferred or other special rights and privileges or limitations, conditions and restrictions, whether in regard to dividends, voting, return of capital, conversion, redemption or otherwise. Unlike Cayman Islands law, Irish law does not recognize fractional shares held of record. Accordingly, XL- Ireland s articles of association do not provide for the issuance of fractional XL-Ireland shares and the official register of XL-Ireland will not reflect any fractional shares. Whenever as a result of an alteration or reorganization of the share capital of XL-Ireland any shareholder would become entitled to fractions of a share, the Board of Directors may, on behalf of those shareholders, sell the shares representing the fractions and distribute the proceeds of sale among those shareholders (or, if those proceeds are less than an amount fixed by the Board of Directors, retain them for the benefit of the company). This ability of the Board of Directors of XL-Ireland to dispose of fractional shares is required in order to comply with the Irish law prohibition on fractional shares held of record.

Provision	XL-Cayman	XL-Ireland
Issued Share Capital	As of March 5, 2010 the number of ordinary shares outstanding was 342,100,814. The number of XL-Cayman Series C preference shares outstanding as of March 5, 2010 was 2,876,000. The number of XL-Cayman Series E preference shares outstanding as of March 5, 2010 was 1,000,000.	Immediately prior to the Transaction, the issued share capital of XL-Ireland will be 40,000, consisting of 40,000 subscriber shares, with nominal value of 1 per share. At the Effective Time, the subscriber shares will be redeemed at their nominal value by XL-Ireland and cancelled. Also at the Effective Time, XL-Ireland will issue a number of its ordinary shares that is equal to the number of whole XL-Cayman ordinary shares that will be transferred to XL-Ireland as part of the Transaction. If the Preference Share Exchange is consummated, then at the Effective Time, XL-Ireland also will issue a number of Series C preference shares that is equal to the number of XL-Cayman Series C preference shares that will be transferred to XL-Ireland as part of the Transaction and a number of Series E preference shares that is equal to the number of XL-Cayman Series E preference shares that will be transferred to XL-Ireland as part of the Transaction. XL-Ireland shares issued pursuant to the Transaction will be issued credited as fully paid up and will be non- assessable.
Reduction of Share Capital	XL-Cayman may, by special resolution of its ordinary shareholders, reduce its authorized but unissued share capital. No court approval is required for a reduction of authorized but unissued share capital. XL-Cayman also may, by a special resolution of its ordinary shareholders and subject to confirmation by the Grand Court of the Cayman Islands, authorize the reduction in any manner of its issued share capital or any share premium account.	XL-Ireland may, by ordinary resolution, reduce its authorized but unissued share capital. XL-Ireland also may, by special resolution and subject to confirmation by the Irish High Court, reduce or cancel its issued share capital, any share premium account or capital redemption reserve fund. A special resolution requires not less than 75% of the votes cast by XL-Ireland shareholders at a meeting of shareholders.
Pre-emption Rights, Share Warrants and Share Options	Cayman Islands law does not provide for statutory pre-emption rights. Holders of XL-Cayman s issued shares do not have pre-emption rights to purchase any XL-Cayman shares. As a result, the Board may authorize the issuance of shares without offering the	Under Irish law, certain statutory pre- emption rights apply automatically in favor of XL-Ireland ordinary shareholders when XL-Ireland shares are issued for cash. However, XL-Ireland has opted out of these pre-emption rights in its articles of

Provision	XL-Cayman	XL-Ireland
	shares to each holder of XL-Cayman shares, including issuances that could discourage a takeover or other transaction as described below under Other Anti-Takeover Measures. The articles of association of XL-Cayman provide the Board with the power to issue share warrants or share options at such times and on such terms as the Board determines appropriate. XL-Cayman is subject to the rules of the NYSE that require shareholder approval of certain share issuances.	association as permitted under Irish law. Irish law requires this opt-out to be renewed at least every five years by a special resolution of the shareholders. We expect that XL-Ireland will seek renewal of the opt-out at an annual general meeting within five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. If the opt-out expires and is not renewed, shares issued for cash must be offered to pre-existing ordinary shareholders of XL-Ireland pro rata to their existing shareholding before the shares can be issued to any new shareholders or pre- existing shareholders in an amount greater than their pro rata entitlements. The statutory pre-emption rights: generally do not apply where shares are issued for non-cash consideration; do not apply to the issuance of non- equity shares (that is, shares that have the right to participate only up to a specified amount in any dividend and capital distribution, which are sometimes referred to as non- participating shares); and do not apply to the issuance of shares pursuant to certain employee compensation plans (but the XL 1991 Performance Incentive Program and the XL Directors Stock and Option Plan, both of which permit grants to non-employee directors, do not fit within this exception). Holders of Series C preference shares and Series E preference shares of XL-Ireland will not have pre-emption rights. The Irish Companies Acts provide that directors may issue share warrants or options without shareholder approval once authorized to do so by the articles of association or an ordinary resolution of shareholders. This authority can be granted for a maximum period of five years, after which it must be renewed by the shareholders by an ordinary resolution. The articles of association of XL-Ireland provide that the Board of

Provision	XL-Cayman	XL-Ireland
		Directors of XL-Ireland is authorized to grant, upon such terms as the Board of Directors deems advisable, options to purchase (or commitments to issue at a future date) XL-Ireland shares of any class or series, and to cause warrants or other appropriate instruments evidencing such options or commitments to be issued. This authority under the articles will lapse after five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek renewal of this authority at an annual general meeting before the end of that five-year period. Under the same authority, the Board of Directors may issue shares upon exercise of warrants or options or other commitments without shareholder approval or authorization (up to the relevant authorized but unissued share capital). Statutory pre-emption rights will apply to the issuance of warrants and options issued by XL-Ireland unless an opt-out applies or shareholder approval for an opt-out is obtained in the same manner described directly above for XL-Ireland ordinary shares. XL-Ireland will be subject to the rules of the NYSE requiring shareholder approval of certain share issuances. The Irish Takeover Rules may be applicable in certain circumstances and can impact on XL-Ireland s ability to issue shares. Please see Risk Factors.
Dividends and Distributions	Under Cayman Islands law, the Board may declare the payment of dividends to shareholders out of XL-Cayman s (1) profits available for distribution, or (2) share premium account, which represents the excess of the price paid to XL-Cayman on the issue of its shares over the par or nominal value of those shares and is similar to the U.S. law concept of additional paid-in capital. However, no dividends may be paid if, after payment, XL-Cayman would not be able to pay its debts as they come due in the ordinary course of business.	Under Irish law, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realized profits of XL-Ireland less accumulated realized losses of XL-Ireland on a standalone basis. In addition, no dividend or distribution may be made unless the net assets of XL-Ireland are not less than the aggregate of XL-Ireland s share capital plus undistributable reserves and the distribution does not reduce XL-Ireland s net assets below such aggregate. Undistributable reserves

Provision	XL-Cayman	XL-Ireland
	Dividends on ordinary shares, if any, are at the discretion of the Board and depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Board deems relevant, as well as our ability to pay dividends in compliance with the Cayman Companies Law. Under Cayman Islands law, XL-Cayman is not required to present proposed dividends or distributions to its shareholders for approval or adoption. XL-Cayman may pay dividends in any currency but historically has done so in U.S. dollars. The Board of Directors of XL-Cayman may deduct from any dividend payable to any shareholder all sums of money, if any, due from the shareholder to XL-Cayman on any account. The Board is also authorized to issue shares with preferred rights to participate in dividends declared by XL-Cayman. The holders of such preference shares may, depending on their terms, rank senior to the ordinary shares with respect to dividends. The Series C and Series E preference shares of XL-Cayman rank senior to the XL-Cayman ordinary shares in terms of dividends. Subject to certain limited exceptions, no dividends may be paid on the XL-Cayman ordinary shares unless full cumulative dividends on the XL-Cayman Series C preference shares and full dividends with respect to the then-current dividend period for the XL-Cayman Series E preference shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof set apart for payment.	include the share premium account, the capital redemption reserve fund and the amount by which XL-Ireland s accumulated unrealized profits, so far as not previously utilized by any capitalization, exceed XL-Ireland s accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital. The determination as to whether or not XL-Ireland has sufficient distributable reserves to fund a dividend must be made by reference to relevant accounts of XL-Ireland. The relevant accounts are either the last set of unconsolidated annual audited financial statements or unaudited financial statements prepared in accordance with the Irish Companies Acts, which give a true and fair view of XL-Ireland s unconsolidated financial position in accordance with accepted accounting practice in Ireland. These relevant accounts must be filed in the Companies Registration Office (the official public registry for companies in Ireland). XL-Ireland will not have any distributable reserves from which to make distributions immediately following the Effective Time. Please see Risk Factors and Proposal Number Two: The Distributable Reserves Proposal. XL-Ireland s articles of association authorize the Board of Directors of XL-Ireland to declare such dividends as appear justified from the profits of XL- Ireland without the approval of the shareholders. The dividends can be declared and paid in the form of cash or non-cash assets, subject to applicable law. XL-Ireland may pay dividends in any currency but intends to do so in U.S. dollars. The Board of Directors of XL-Ireland may deduct from any dividend or other moneys payable to any shareholder all sums of money, if any, due from the shareholder to XL-Ireland in respect of shares of the company.

Provision	XL-Cayman	XL-Ireland
		If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate, and have the same liquidation preference, as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the dividend payment date for the last dividend period on the XL-Cayman Series C preference shares beginning prior to the Effective Time for which a Series C preference share dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E preference shares prior to the Effective Time, whether or not a Series E preference share dividend was paid on that date (the dividends on the Series E preference shares being non- cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL s preference shareholders. If the Preference Share Exchange is consummated, the Series C and Series E preference shares of XL-Ireland will rank senior to the XL-Ireland ordinary shares in terms of dividends. Further, subject to certain limited exceptions, no dividends may be paid on the XL-Ireland ordinary shares unless full cumulative dividends on the XL-Ireland Series C preference shares and full dividends with respect to the then- current dividend period for the XL-Ireland Series E preference shares have been or contemporaneously are

Provision	XL-Cayman	XL-Ireland
		declared and paid, or declared and a sum sufficient for the payment thereof set apart for payment. The Board of Directors of XL-Ireland is also authorized to issue shares in the future with preferred rights to participate in dividends declared by XL-Ireland. The holders of such preference shares may, depending on their terms, rank senior to the holders of the ordinary shares of XL-Ireland with respect to dividends. For information about the Irish tax considerations relating to dividend payments, please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations.
Share Repurchases, Redemptions and Conversions	Under the articles of association of XL-Cayman and the Cayman Companies Law, issued shares may be repurchased or redeemed by the company out of profits, from proceeds of a fresh issue of shares made for that purpose, out of capital or out of the share premium account, in such circumstances and on such terms as may be agreed by the Board and the holder of the shares to be repurchased or redeemed (provided that the company has the ability to pay its debts as they come due in the ordinary course of business). The Cayman Companies Law requires that the articles of association of a Cayman Islands company set out, or the shareholders approve, the manner of any repurchase of shares of the company. As a matter of Cayman Islands law, no share may be redeemed or repurchased unless it is fully paid up and unless such redemption or repurchase is not of all outstanding shares. No share may be redeemed after a company has commenced liquidation. Cayman Islands law does not distinguish between on-market and off-market purchases of a company s own shares. Redeemed or repurchased shares of XL-Cayman will automatically be	***Repurchases and Redemptions by XL-Ireland*** Under Irish law and subject to certain restrictions, a company can issue redeemable shares and redeem or repurchase them out of distributable reserves (which are described above under Dividends) or the proceeds of a new issue of shares made for that purpose. XL-Ireland will not have any distributable reserves from which to make redemptions or repurchases immediately following the Effective Time because it will be a newly formed holding company with no retained earnings. Please see Proposal Number Two: The Distributable Reserves Proposal with respect to our plan to create such distributable reserves. The issue or redemption of redeemable shares may only be made by XL-Ireland where the nominal value of the issued share capital that is not redeemable is at least 10% of the nominal value of the total issued share capital of XL-Ireland. No share may be redeemed unless it is fully paid up and the terms of redemption of the shares must provide for payment on redemption. Subject to certain limitations imposed by Irish law, shareholder approval will not be required to redeem XL-Ireland shares. XL-Ireland s articles of association provide that any ordinary share of XL-

cancelled. Cayman Islands law does not recognize any concept of treasury shares.

Provision	XL-Cayman	XL-Ireland
	Under Cayman Islands law, a subsidiary of XL-Cayman is permitted to purchase some (but not all) of the shares of XL-Cayman. While the subsidiary holds the shares of XL-Cayman, there is no statutory prohibition under Cayman Islands law with respect to such subsidiary exercising voting rights in respect of those shares; however, there may be circumstances in which such shares should not be voted by the subsidiary. XL-Cayman has rights and obligations to redeem the Series C and Series E preference shares as generally described below. XL-Cayman has the right to redeem the Series C preference shares, in whole or in part, on or after July 15, 2013, at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Cayman has the right, under certain circumstances, to redeem the Series C preference shares prior to July 15, 2013, at specified redemption prices, plus accrued and unpaid dividends to the date of redemption. The Series C preference shares are redeemable at the option of the holders from and after July 15, 2033 to but excluding the 45th day thereafter (subject to extension under certain circumstances), at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Cayman has the right to redeem the Series E preference shares, in whole or in part, on or after April 15, 2017, at a redemption price of $1,000 per share, plus declared but unpaid dividends with respect to the then-current dividend period to the date of redemption. XL-Cayman has the right, under certain circumstances, to redeem the Series E preference shares prior to April 15, 2017, at specified redemption prices, plus declared but unpaid dividends with respect to the then-current dividend period to the date of redemption. Holders of the Series E preference shares do not have any rights to require XL-Cayman to redeem their Series E preference shares at any time. In addition, subject to certain limitations contained in the terms of such shares, XL-Cayman has the right	Ireland will be automatically converted into a redeemable share at the time of the existence or creation of an agreement, transaction or trade pursuant to which XL-Ireland acquires or will acquire its ordinary shares or an interest in its ordinary shares from a person, unless the ordinary shares are listed on a recognized stock exchange as defined in the Irish Companies Acts and the Board of Directors of XL-Ireland determines to treat the acquisition as a purchase. Accordingly, for Irish law purposes, it is intended that the repurchase of ordinary shares by XL-Ireland can technically be consummated as a redemption of those shares as described in the preceding paragraph. If the articles of association of XL-Ireland did not contain such provisions, repurchases by XL-Ireland would be subject to many of the same rules that apply to purchases of XL-Ireland shares by subsidiaries described below under Purchases by Subsidiaries of XL-Ireland, including the shareholder approval requirements described below and the requirement that any on-market purchases be consummated on a recognized stock exchange. Except where otherwise noted, when we refer elsewhere in this proxy statement to repurchasing or buying back XL-Ireland shares, we are referring to the redemption of shares by XL-Ireland pursuant to such provision of the articles of association. XL-Ireland s articles of association also provide it with an additional general authority to purchase its own shares on-market that would take effect on substantially the same terms and be subject to substantially the same conditions applicable to purchases by XL-Ireland s subsidiaries, as described below. If the Preference Share Exchange is consummated, XL-Ireland will have rights and obligations to redeem the XL-Ireland Series C and Series E preference shares that are substantially the same as those described under this

Provision	XL-Cayman	XL-Ireland
	to repurchase the Series C and Series E preference shares in the open market, by tender to all holders of the relevant series of preference shares, by private agreement or otherwise as the Board sees fit.	heading with respect to the Series C and Series E preference shares of XL-Cayman. In addition, subject to certain limitations contained in the terms of issue of such shares, XL-Ireland will have the right to repurchase the XL-Ireland Series C and Series E preference shares in the open market, by tender to all holders of the relevant series of preference shares, by private agreement or otherwise as the XL-Ireland Board of Directors sees fit. The terms of issue of the XL-Ireland Series C and Series E preference shares provide that any such repurchase can technically be effected as a redemption of those shares, on the terms agreed with the holder or holders. A redemption effected pursuant to the terms of the XL-Ireland Series C or Series E preference shares governing repurchases will not be subject to the other terms of those shares relating to redemptions. Whether or not the Preference Share Exchange is consummated, the Board of Directors of XL-Ireland will also have the authority to issue other preference or other classes or series of shares that may be redeemed at the option of either XL-Ireland or the holder, depending on the terms of such shares. Please see Capital Structure Authorized Share Capital above for additional information on preference shares. Repurchased and redeemed XL-Ireland shares may be cancelled or held as treasury shares. The nominal value of treasury shares held by XL-Ireland at any time must not exceed 10% of the nominal value of the company s total issued share capital. While XL-Ireland holds shares as treasury shares, it cannot exercise any voting rights in respect of those shares and no dividend or other payment can be paid to XL-Ireland in respect of those shares. Treasury shares may be cancelled by XL-Ireland or re-issued subject to certain conditions. Please see Risk Factors and

Provision	XL-Cayman	XL-Ireland
		Proposal Number Two: The Distributable Reserves Proposal. ***Purchases by Subsidiaries of XL-Ireland*** Under Irish law, it may be permissible for a subsidiary to purchase XL-Ireland shares either on-market or off-market. In order for a subsidiary of XL-Ireland to make an on-market purchase of XL-Ireland s shares, such shares must be purchased on a recognized stock exchange. The NYSE, on which the XL-Ireland ordinary shares will be listed following the Transaction, is not currently specified as a recognized stock exchange for this purpose by Irish law. We understand, however, that it is likely that the Irish authorities will take appropriate steps in the near future to add the NYSE to the list of recognized stock exchanges; legislation has been passed by the Irish Parliament and new regulations are currently being considered by the Irish authorities to facilitate this addition and enable Irish companies to make overseas market purchases. A general authority of the shareholders of XL-Ireland is required to allow a subsidiary of XL-Ireland to make on- market purchases of XL-Ireland shares; however, as long as this general authority has been granted, no specific shareholder authority is required for a particular on-market purchase. This general authority must expire no later than 18 months after the date it was granted. We expect that, prior to the Effective Time, XL-Cayman and certain of its subsidiaries, which will then constitute all the shareholders of XL-Ireland, will grant such an authority, to be effective on the later of (1) the Effective Time and (2) the date on which the NYSE becomes a recognized stock exchange for this purpose. XL-Ireland expects to seek to renew such general authority of the shareholders at the annual general meeting of XL-Ireland in 2011 and at subsequent annual general meetings. For an off-market purchase of XL-

Provision	XL-Cayman	XL-Ireland
		Ireland shares, the proposed purchase contract must be authorized by special resolution of the shareholders of XL-Ireland before the contract is entered into. The person whose shares are to be purchased cannot vote in favor of the special resolution and, for at least 21 days prior to the special resolution, the purchase contract must be on display or must be available for inspection by shareholders at the registered office of XL-Ireland. The number of XL-Ireland shares held by its subsidiaries at any time will count as treasury shares for the purposes of the permitted treasury share threshold of 10% of the nominal value of the issued share capital of XL-Ireland set by the Irish Companies Act. While a subsidiary holds XL-Ireland shares, it cannot exercise any voting rights in respect of those shares. The acquisition of XL-Ireland shares by a subsidiary must be funded out of distributable reserves of the subsidiary. ***Existing Share Repurchase Program*** The Board of Directors of XL-Cayman has previously authorized a program to repurchase up to $500 million of the ordinary shares, under which there remained, as of March 5, 2010, authorization to repurchase up to $375.5 million of the ordinary shares. Prior to the consummation of the Transaction, we expect (1) the Board of Directors of XL-Ireland to authorize the repurchase or redemption of XL-Ireland shares by XL-Ireland and (2) the shareholders of XL-Ireland (which at the time will be XL-Cayman and certain of its subsidiaries) to authorize the purchase of XL-Ireland shares by XL-Ireland and subsidiaries of XL-Ireland pursuant to the program, such that XL-Ireland and its subsidiaries will be authorized to purchase or redeem shares in an aggregate amount approximately equal to the then- remaining authorization under the existing XL-Cayman share repurchase program.

Provision	XL-Cayman	XL-Ireland
		To the extent this authorization is for repurchases (rather than redemptions), it will not be effective until the later of (1) the Effective Time and (2) the date on which the NYSE becomes a recognized stock exchange for this purpose. This is because, as described above, on-market purchases of XL-Ireland shares may only be made on a recognized stock exchange. XL-Ireland expects to seek to renew such authorization at the annual general meeting of XL-Ireland in 2011 and at subsequent annual general meetings. However, as described above, repurchases of XL-Ireland shares by XL-Ireland can technically be effected as a redemption of those shares pursuant to the articles of association, and to the extent they are so effected, separate shareholder approval for such repurchases will not be required. See also Risk Factors and Proposal Number Two: The Distributable Reserves Proposal.
Bonus Shares	Under XL-Cayman s articles of association, upon the recommendation of the Board, the shareholders by ordinary resolution may authorize the Board to capitalize any amount credited to any reserve account or any amount available for distribution, and use such amount for issuance to shareholders as fully paid bonus shares on the same basis of entitlement as would apply in respect of a dividend distribution. An **ordinary resolution** of XL-Cayman requires approval by more than 50% of the votes cast at a meeting of shareholders by shareholders entitled to vote at that meeting.	Under XL-Ireland s articles of association, upon the recommendation of the Board of Directors of XL-Ireland, the shareholders by ordinary resolution may authorize the Board to capitalize any amount credited to any reserve (including the share premium account and the capital redemption reserve fund) or credited to the profit and loss account, and use such amount for the issuance to shareholders of shares as fully paid bonus shares on the same basis of entitlement as would apply in respect of a dividend distribution.
Shareholder Approval of Business Combinations	There are a number of mechanisms for acquiring a Cayman company, including: a court-approved scheme of arrangement under the Cayman Companies Law. A scheme of arrangement with one or more class or series of shareholders requires the	There are a number of mechanisms for acquiring an Irish public limited company, including: a court-approved scheme of arrangement under the Irish Companies Acts. A scheme of arrangement with one or more classes of shareholders requires a court order

Provision	XL-Cayman	XL-Ireland
	sanction of the scheme of arrangement by the Grand Court of the Cayman Islands and the approval of (1) a majority in number of the registered holders of each relevant class or series of shares voting on the scheme of arrangement, (2) representing 75% or more in value of the shares of each relevant class or series voted on such proposal at the relevant meeting or meetings. Shares held by the acquiring party are excluded from the tally of any vote on the scheme; through a tender offer by a third party. The Cayman Companies Law provides that when an offer is made for shares of any class or series of a Cayman Islands company and, within four months of the offer, the holders of not less than 90% of the outstanding shares of such class or series accept the offer, the offeror may, for two months after that four- month period, require the remaining shareholders of the relevant class to transfer their shares on the same terms as the original offer. In those circumstances, non-tendering shareholders will be compelled to sell their shares, unless within one month from the date on which the notice to compulsorily acquire was given to the non-tendering shareholder, the non- tendering shareholder is able to obtain a Cayman Islands court order otherwise providing; and through a merger or consolidation between XL-Cayman and a company incorporated in the Cayman Islands or another jurisdiction (provided the merger or consolidation is allowed by the laws of that other jurisdiction). Authorization of the merger or consolidation requires either: (1) adoption of a special resolution under Cayman Islands law by the shareholders of each constituent company entitled to vote if the shares to be issued to each shareholder in the consolidated or the surviving company will have the same rights	from the Irish High Court and the approval of: (1) more than 50% in number of the shareholders of each participating class or series voting on the scheme of arrangement, (2) representing 75% or more by value of the shares of such participating class or series held by the shareholders voting on the scheme of arrangement, in each case at the relevant meeting or meetings. A scheme of arrangement, if authorized by the shareholders of each participating class or series and the court, is binding on all of the shareholders of each participating class or series. Shares held by the acquiring party are not excluded from the tally of a vote on the scheme, but such shares may be considered to belong to a separate class for the purposes of approving the scheme, in which case the acquiring party s shares would not be voted for purposes of the separate class approval required from the remaining, non-acquiring shareholders; through a tender offer by a third party. Where the holders of 80% or more in value of a class of XL-Ireland s shares (excluding any shares already beneficially owned by the offeror) have accepted an offer for their shares in XL-Ireland, the remaining shareholders in that class may be statutorily required to also transfer their shares, unless, within one month, the non-tendering shareholders can obtain an Irish court order otherwise providing. If the offeror has acquired acceptances of 80% of all XL-Ireland s shares but does not exercise its squeeze out right, then the non-accepting shareholders also have a statutory right to require the offeror to acquire their shares on the same terms as the original offer, or such other terms as the offeror and the non-tendering shareholders may agree or on such terms as an Irish court, on

Provision	XL-Cayman	XL-Ireland
	and economic value as the shares the shareholder owned in the relevant constituent company; or (2) adoption of a resolution by the shareholders of each constituent company, including holders of any outstanding preference shares, in each case voting together as one class, by the affirmative vote of a majority in number of the holders of each company s shares representing 75% or more in value of the shares present and voting, whether in person or by proxy. In addition, the consent of each holder of a fixed or floating security interest of either constituent company must be obtained, unless the court waives such requirement. Under Cayman Islands law, Board approval, but not shareholder approval, is required for a sale, lease or exchange of all or substantially all of the assets of XL-Cayman.	application of the offeror or non-tendering shareholder, may order. If XL-Ireland shares were listed on the Irish Stock Exchange or another regulated stock exchange in the EU, this 80% threshold would be increased to 90% in value and voting rights of those shares; and by way of a merger with a company incorporated in the EEA under the EC (Cross-Border Mergers) Regulations 2008, which implement the EU Cross Border Merger Directive 2005/56 in Ireland. Such a merger must be approved by a special resolution. Shareholders also may be entitled to have their shares acquired for cash. See Appraisal Rights below. Under Irish law, Board of Directors approval, but not shareholder approval, is required for a sale, lease or exchange of all or substantially all of the assets of XL-Ireland, except that such a transaction between XL-Ireland and a director of XL-Ireland or a person connected to such a director may require shareholder approval.
Disclosure of Interests in Shares	The Cayman Companies Law does not include provisions related to disclosure of interests in shares analogous to the provisions of the Irish Companies Acts described below. Persons or groups (within the meaning of the Exchange Act) that beneficially own 5% or more of XL-Cayman s ordinary shares must comply with the reporting requirements under Regulation 13D-G under the Exchange Act.	Under the Irish Companies Acts, a shareholder of XL-Ireland must notify XL-Ireland if, as a result of a transaction, (1) the shareholder will be interested in 5% or more of the XL-Ireland shares that carry voting rights or (2) the shareholder will cease to be interested in 5% or more of the XL-Ireland shares that carry voting rights. In addition, where a shareholder is interested in 5% or more of the relevant XL-Ireland shares, the shareholder must notify XL-Ireland of any alteration of its interest that brings its total holding through the nearest whole percentage number, whether an increase or a reduction. The relevant percentage figure is calculated by reference to the aggregate nominal value of the shares in which the shareholder is interested as a proportion of the entire nominal value of the relevant class of share capital.

Provision	XL-Cayman	XL-Ireland
		Where the percentage level of the shareholder s interest does not amount to a whole percentage, this figure may be rounded down to the next whole number. All such disclosures must be notified to XL-Ireland within 5 business days of the event that gave rise to the requirement to notify. Where a person fails to comply with the notification requirements described above, no right or interest of any kind whatsoever in respect of any shares in XL-Ireland concerned, held by such person, will be enforceable by such person, whether directly or indirectly, by action or legal proceeding. However, such person may apply to the Irish High Court to have the rights attaching to its shares reinstated. In addition to the disclosure requirement described above, under the Irish Companies Acts, XL-Ireland may by notice in writing, and must, on the requisition of shareholders holding 10% or more of the paid up capital of the company carrying voting rights, require a person whom XL-Ireland knows or has reasonable cause to believe to be, or at any time during the three years immediately preceding the date on which such notice is issued, to have been interested in shares comprised in XL-Ireland s relevant share capital to: (1) indicate whether or not it is the case, and (2) where such person holds or has during that time held an interest in the XL-Ireland shares, to give certain further information as may be required by XL-Ireland including particulars of such person or beneficial owner s past or present interests in XL-Ireland shares. Any information given in response to the notice is required to be given in writing within such reasonable time as may be specified in the notice. Where such a notice is served by XL-Ireland on a person who is or was interested in XL-Ireland shares and that person fails to give XL-Ireland any information required within the reasonable time specified, XL-Ireland

Provision	XL-Cayman	XL-Ireland
		may apply to court for an order directing that the affected shares be subject to certain restrictions. Under the Irish Companies Acts, the restrictions that may be placed on the shares by the court are as follows: (1) any transfer of those shares, or, in the case of unissued shares, any transfer of the right to be issued with shares and any issue of such shares, shall be void; (2) no voting rights shall be exercisable in respect of those shares; (3) no further shares shall be issued in respect of those shares or in pursuance of any offer made to the holder of those shares; and (4) no payment shall be made of any sums due from XL-Ireland on those shares, whether in respect of capital or otherwise. Where shares in XL-Ireland are subject to these restrictions, the court may order the shares to be sold and may also direct that the shares shall cease to be subject to these restrictions. In addition, persons or groups (within the meaning of the Exchange Act) beneficially owning 5% or more of XL-Ireland s ordinary shares must comply with the reporting requirements under Regulation 13D-G of the Exchange Act.
Appraisal Rights	Neither Cayman Islands law nor XL-Cayman s articles of association specifically provide for appraisal rights. However, in connection with the compulsory transfer of shares to a 90% shareholder of a Cayman Islands company as described above under Shareholder Approval of Business Combinations, a minority shareholder may, within one month of receiving notice of the compulsory transfer, apply to the court to object to that transfer. In these circumstances, the burden is on the minority shareholder to show that the court should exercise its discretion to prevent the compulsory transfer. Further, a Cayman Islands	Generally, under Irish law, shareholders of an Irish company do not have statutory appraisal rights. If XL-Ireland is being merged as the transferor company with another EEA company under the EC (Cross-Border Mergers) Regulations 2008, (1) a shareholder of XL-Ireland who voted against the special resolution approving the merger or, (2) if 90% of the shares of XL-Ireland are held by the successor company, any other shareholder of XL-Ireland, may be entitled to require that the successor company acquire its shares for cash.

Provision	XL-Cayman	XL-Ireland
	court has the power to make provision for appraisal rights for dissenters under a scheme of arrangement that is proposed in connection with an amalgamation between two companies. However, Cayman Islands counsel have advised us that they are not aware of any reported cases in which the Cayman Islands court has considered the imposition of such appraisal rights.	
Anti-Takeover Measures	From 1998 until 2008, XL-Cayman had a shareholder rights plan in place and, although there is no directly relevant case law on the enforceability of such plans under Cayman Islands law, XL-Cayman believes that a shareholder rights plan could be implemented by the company without shareholder approval. In the adoption of such a plan, the powers of the Board must be used for a proper purpose. The Board also has power to issue any authorized and unissued XL-Cayman shares on such terms and conditions as it may determine and any such action should be taken in the best interest of XL-Cayman. It is possible that the terms and conditions of any issue of preference shares could discourage a takeover or other transaction that holders of some or a majority of the ordinary shares might believe to be in their best interest or in which holders of ordinary shares might receive a premium for their shares over the then-market price of the shares. Further, the articles of association of XL-Cayman provide that the Board must decline to register a transfer of shares if it appears to the Board that the effect of such transfer would be to increase the number of the XL-Cayman Controlled Shares of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company. The Cayman Companies Law does not include statutory provisions analogous to the provisions of the Irish Takeover Rules.	***Shareholder Rights Plans and Share Issuances; Transfer Restriction*** Irish law does not expressly prohibit companies from issuing share purchase rights or adopting a shareholder rights plan as an anti-takeover measure. However, there is no directly relevant case law on the validity of such plans under Irish law. XL-Ireland s articles of association allow the Board of Directors of XL-Ireland to adopt any shareholder rights plan upon such terms and conditions as the Board of Directors deems expedient and in the best interest of XL-Ireland, subject to applicable law, including the Irish Takeover Rules and Substantial Acquisition Rules described below and the requirement for shareholder authorization for the issue of shares described above. Subject to the Irish Takeover Rules described below, the Board of Directors of XL-Ireland also has the power to issue any authorized and unissued XL-Ireland shares on such terms and conditions as it may determine to be in the best interest of XL-Ireland. It is possible that the terms and conditions of any issue of shares could discourage a takeover or other transaction that holders of some or a majority of the XL-Ireland ordinary shares might believe to be in their best interest or in which holders of XL-Ireland ordinary shares might receive a premium for their shares over the then-market price of the shares. The articles of association of XL-Ireland provide that the Board of

Provision	XL-Cayman	XL-Ireland
		Directors of XL-Ireland must decline to register a transfer of shares if it appears to the Board of Directors that the effect of such transfer would be to increase the number of the XL-Ireland Controlled Shares (as defined above under Description of XL-Ireland Share Capital Voting Generally) of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company. ***Irish Takeover Rules and Substantial Acquisition Rules*** A tender offer by which a third party makes an offer generally to shareholders or a class of shareholders to acquire shares of any class conferring voting rights of XL-Ireland will be governed by the Irish Takeover Panel Act 1997 and the Irish Takeover Rules made thereunder and will be regulated by the Irish Takeover Panel (as well as being governed by the Exchange Act and the regulations of the SEC thereunder). The General Principles of the Irish Takeover Rules and certain important aspects of the Irish Takeover Rules are described below. Takeovers by means of a scheme of arrangement are also generally subject to these regulations. *General Principles* The Irish Takeover Rules are based on the following General Principles that will apply to any transaction regulated by the Irish Takeover Panel: in the event of an offer, all classes of shareholders of the target company should be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected; the holders of securities in the target company must have sufficient time and information to allow them to make an informed decision regarding the offer. If the board of directors of the target company advises the

Provision	XL-Cayman	XL-Ireland
		holders of the securities with respect to the offer, it must advise on the effects of the implementation of the offer on employment, employment conditions and the locations of the target company s place of business; the board of a target company must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer; false markets must not be created in the securities of the target company or any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted; an offeror can only announce an offer after ensuring that it can fulfill in full any cash consideration offered, and after taking all reasonable measures to secure the implementation of any other type of consideration; a target company may not be hindered in the conduct of its affairs for longer than is reasonable by an offer for its securities. This is a recognition that an offer will disrupt the day-to-day running of a target company particularly if the offer is hostile and the board of the target company must divert its attention to resist the offer; and a substantial acquisition of securities (whether such acquisition is to be effected by one transaction or a series of transactions) will only be allowed to take place at an acceptable speed and shall be subject to adequate and timely disclosure. *Mandatory Offer* If an acquisition of shares were to increase the aggregate holding of an acquirer and its concert parties (which generally mean persons acting in concert with the acquirer) to shares carrying 30% or more of the voting

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		rights in XL-Ireland, the acquirer and, depending on the circumstances, its concert parties would be mandatorily required (except with the consent of the Irish Takeover Panel) to make a cash tender offer for the remaining outstanding shares at a price not less than the highest price paid for the shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in XL-Ireland if the effect of such acquisition were to increase the percentage of the voting rights held by that person (together with its concert parties) by 0.05% within a 12 month period. *Voluntary Offer; Requirements to Make a Cash Offer and Minimum Price Requirements* A voluntary offer is a tender offer that is not a mandatory offer. If an offeror or any of its concert parties acquire XL-Ireland shares of the same class as the shares that are the subject of the voluntary offer within the period of three months prior to the commencement of the offer period, the offer price must be not less than the highest price paid for XL-Ireland shares of that class by the offeror or its concert parties during that period. The Irish Takeover Panel has the power to extend the look back period to 12 months if the Panel, having regard to the General Principles, believes it is appropriate to do so. If the offeror or any of its concert parties has acquired XL-Ireland shares of the same class as the shares that are the subject of the voluntary offer (1) during the period of 12 months prior to the commencement of the offer period which represent 10% or more of the nominal value of the issued shares of that class or (2) at any time after the commencement of the offer period, the

Provision	XL-Cayman	XL-Ireland
		offer shall be in cash (or accompanied by a full cash alternative) and the price per share shall be not less than the highest price paid by the offeror or its concert parties for shares (of that class) during, in the case of (1), the period of 12 months prior to the commencement of the offer period and, in the case of (2), the offer period. The Irish Takeover Panel may apply this rule to an offeror who, together with its concert parties, has acquired less than 10% of the nominal value of the issued shares of the class of shares that is the subject of the offer in the 12 month period prior to the commencement of the offer period if the Panel, having regard to the General Principles, considers it just and proper to do so. An offer period will generally commence from the date of the first announcement of the offer or proposed offer. *Substantial Acquisition Rules* The Irish Takeover Rules also contain rules governing substantial acquisitions of shares which restrict the speed at which a person may increase his or her holding of shares and rights over shares to an aggregate of between 15% and 30% of the voting rights of XL-Ireland. Except in certain circumstances, an acquisition or series of acquisitions of shares or rights over shares representing 10% or more of the voting rights of XL-Ireland is prohibited, if such acquisition(s), when aggregated with shares or rights already held, would result in the acquirer holding 15% or more but less than 30% of the voting rights of XL-Ireland and such acquisitions are made within a period of seven days. These rules also require accelerated disclosure of certain other acquisitions of shares or rights over shares relating to such holdings. *Frustrating Action* Under the Irish Takeover Rules, the Board of Directors of XL-Ireland is not permitted to take any action that might

Provision	XL-Cayman	XL-Ireland
		frustrate an offer for the XL-Ireland shares during the course of an offer or at any earlier time at which the Board of Directors has reason to believe an offer is or may be imminent, except as noted below. Potentially frustrating actions such as (1) the issue of shares, options or convertible securities, (2) material disposals, (3) entering into contracts other than in the ordinary course of business, or (4) any action, other than seeking alternative offers, which may result in frustration of an offer, are prohibited during the course of an offer or at any time during which the Board of Directors has reason to believe an offer is or may be imminent. Exceptions to this prohibition are available where: (a) the action is approved by XL-Ireland s shareholders at a general meeting; or (b) with the consent of the Irish Takeover Panel, where: (i) the Irish Takeover Panel is satisfied the action would not constitute a frustrating action; (ii) the holders of at least 50% of the voting rights state in writing that they approve the proposed action and would vote in favor of it at a general meeting; (iii) the action is in accordance with a contract entered into prior to the announcement of the offer (or the time at which the Board of Directors has reason to believe that an offer may be imminent); or (iv) the decision to take such action was made before the announcement of the offer (or the time at which the Board of Directors has reason to believe that an offer is or may be imminent) and either has been at least partially implemented or is in the ordinary course of business. For other provisions that could be considered to have an anti-takeover effect, please see above at Pre-emption Rights, Share Warrants and

Provision	XL-Cayman	XL-Ireland
		Share Options and Disclosure of Interests in Shares and below at Election of Directors, Appointment of Directors by the Board, Removal of Directors, Board and Committee Composition; Management, Shareholder Consent to Action Without Meeting, Amendment of Governing Documents, Director Nominations; Proposals of Shareholders, Voting, Variation of Rights Attaching to a Class or Series of Shares, and Transfer and Registration of Shares.
Election of Directors	XL-Cayman s articles of association provide for a minimum of three directors and a maximum of 24 directors, with the exact number within that range to be set by the Board from time to time. The shareholders of XL-Cayman may from time to time increase or reduce the maximum or minimum number of directors by ordinary resolution, but the Board, not the shareholders, has the authority to set the size of the Board. Directors are elected or appointed at the annual general meeting or at any extraordinary general meeting called for that purpose. Each director is elected by the affirmative vote of a majority of the votes cast with respect to such director at any meeting for the election of directors at which a quorum is present. The articles of association of XL-Cayman provide that the Board is divided into three classes serving staggered three-year terms. Shareholders do not have cumulative voting rights. Accordingly, the holders of a majority of the voting rights attaching to the XL-Cayman ordinary shares will, as a practical matter, be entitled to control the election of all directors, subject to the rights of our Series C and Series E preference shareholders described below. At each annual general	XL-Ireland s articles of association provide for a minimum of three directors and a maximum of 13 directors, plus such number of additional directors, if any, provided for in the terms of issue of any preference shares. The shareholders of XL-Ireland may from time to time increase or reduce the maximum or minimum number of directors by special resolution (but under Irish law, the minimum number of directors must not be less than two). The maximum number will automatically be increased to accommodate the exercise of the rights of the holders of any class or series of shares then in issue having special rights to nominate or appoint directors in accordance with their terms. Although the XL-Cayman articles of association provide that the number of directors to be elected within the minimum and maximum provided in the articles of association will be determined by the Board, the XL-Ireland articles of association do not include analogous provisions because it is unclear whether a provision in an Irish public limited company s articles of association permitting the board to set the maximum number of directors would be valid in all circumstances under Irish law. Directors are elected or appointed at the annual general meeting or at any extraordinary general meeting called

meeting, directors will be elected for
a full term of three years

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	to succeed those directors of the relevant class whose terms are expiring. Any nominee for director who does not receive a majority of the votes cast is not elected to the Board. Holders of Series C and Series E preference shares generally have no right to vote on the election of directors of XL-Cayman. However, if dividends on the Series C preference shares or the Series E preference shares are unpaid for six full quarterly periods, whether or not consecutive, holders of the preference shares as to which there were such unpaid dividends, voting as a class with all other series of XL-Cayman preference shares then having such a right, will have the right to elect two persons who would then be appointed as additional directors to the Board of XL-Cayman. These rights cease (1) with respect to holders of the Series C preference shares, when all such unpaid amounts had been paid in full and (2) with respect to the holders of the Series E preference shares, when full dividends on the Series E preference shares have been paid for at least four consecutive quarterly periods (or upon the redemption of all Series E preference shares, if earlier).	for that purpose. Each director is elected by the affirmative vote of a majority of the votes cast with respect to such director. However, to the extent that resolutions passed in an election of directors would result in the maximum number of directors provided for in the articles of association of XL-Ireland being exceeded, then the directors receiving the lowest number of votes in such election will not be elected. The articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland is divided into three classes serving staggered three- year terms. Shareholders do not have cumulative voting rights. Accordingly, the holders of a majority of the voting rights attaching to the XL-Ireland ordinary shares will, as a practical matter, be entitled to control the election of all directors, subject (if the Preference Share Exchange is consummated) to the rights of the Series C and Series E preference shares of XL-Ireland described below. At each annual general meeting, directors will be elected for a full term of three years to succeed those directors of the relevant class whose terms are expiring. Any nominee for director who does not receive a majority of the votes cast is not elected to the Board of Directors. If the Preference Share Exchange is consummated, holders of Series C and Series E preference shares of XL-Ireland will have rights to elect a total of two directors of XL-Ireland in certain circumstances that are substantially the same as the rights to elect directors of the holders of Series C and Series E preference shares of XL-Cayman (in which case the maximum number of directors would be increased as necessary to accommodate the exercise of such rights).
Appointment of Directors by the Board	Under XL-Cayman s articles of association, the Board has the authority to appoint one or more directors to the	Under XL-Ireland s articles of association, the Board of Directors of XL-Ireland has the authority to appoint

Provision	XL-Cayman	XL-Ireland
	Board, either to fill a vacancy or as an additional director subject to the maximum number of directors provided for in the articles of association. A vacancy on the Board created by the removal of a director may be filled by a special resolution of the shareholders at the meeting at which such director is removed and, in the absence of such election or appointment, the remaining directors may fill the vacancy. The Board may fill a vacancy by an affirmative vote of a majority of the directors constituting a quorum, provided that if there are an insufficient number of directors to constitute a quorum, the Board may nonetheless act to fill such vacancies or call a general meeting of the shareholders. Vacancies with respect to directors elected by the holders of preference ordinary shares will be filled as described above under Election of Directors.	directors to XL-Ireland s Board of Directors, either to fill a vacancy or as an additional director subject to the maximum in the articles of association. A vacancy on the Board of Directors of XL-Ireland created by the removal of a director may be filled by an ordinary resolution of the shareholders at the meeting at which such director is removed and, in the absence of such election or appointment, the remaining directors may fill the vacancy. The Board of Directors of XL-Ireland may fill a vacancy by an affirmative vote of a majority of the directors constituting a quorum, provided that if there is an insufficient number of directors to constitute a quorum, the Board may nonetheless act to fill such vacancies or call a general meeting of the shareholders. Vacancies with respect to directors elected by the holders of preference shares will be filled as described above under Election of Directors. Under XL-Ireland s articles of association, if the Board fills a vacancy, the director s term expires at the same time as the term of the other directors of the class of directors to which the new director is appointed.
Removal of Directors	XL-Cayman s articles of association provide that the shareholders may, by a special resolution, remove a director with or without cause and appoint a replacement for the director so removed.	The Irish Companies Acts provide that, notwithstanding anything contained in the articles of association of a company or in any agreement between that company and a director, the shareholders may by an ordinary resolution remove a director from office before the expiration of his or her term, provided that notice of any such resolution be given to the shareholders not less than 28 days before the meeting at which the director is to be removed, and the director will be entitled to be heard at such meeting. The power of removal is without prejudice to any claim for damages for breach of contract (e.g., employment contract) that the director may have against XL-Ireland in respect of his or her removal. The XL-Ireland articles of association include a provision reflecting the requirements of

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		Irish law and therefore differ from the analogous provision in the articles of association of XL-Cayman.
Board and Committee Composition; Management	The articles of association of XL-Cayman allocate authority over the management of XL-Cayman to the Board. The Board may then delegate management of XL-Cayman to committees of the Board or such other persons as it thinks fit. Committees may meet and adjourn as they determine proper. A vote at any committee meeting will be determined by a majority of votes of the members present. Regardless of any delegation by the Board, the Board will remain responsible, as a matter of Cayman Islands law, for the proper management of the affairs of XL-Cayman. The Board committees currently in place for XL-Cayman include an Audit Committee, a Management Development and Compensation Committee, a Nominating, Governance and External Affairs Committee, a Special Committee on Enterprise Risk Management and a Finance Committee. The Board may create new committees or change the responsibilities of existing committees from time to time.	The articles of association of XL-Ireland allocate authority over the management of XL-Ireland to the Board of Directors of XL-Ireland. The Board of Directors may then delegate management of XL-Ireland to committees of the Board of Directors or such other persons as it thinks fit. Regardless of any delegation, the Board of Directors of XL-Ireland will remain responsible, as a matter of Irish law, for the proper management of the affairs of XL-Ireland. It is the intention of XL-Ireland to replicate the committees that are currently in place for XL-Cayman. The XL-Ireland Board of Directors may create new committees or change the responsibilities of existing committees from time to time.
Duties of the Board of Directors	The Cayman Companies Law does not specify the duties of directors. Judicial precedent in the Cayman Islands has defined the duties of a director generally as being the observance of general standards of loyalty, good faith, and the avoidance of a conflict of duty and self-interest. In the absence of a developed body of Cayman Islands law in this regard, the principles outlined by English and Commonwealth common law are highly persuasive in the Cayman Islands courts. More specifically, the duties of a director of a Cayman Islands company may be summarized as follows: a duty to act in what the Board in good faith considers to be the best interest of the company. The interests of the company and the shareholders are distinct. However, in practical	The directors of XL-Ireland have certain statutory and fiduciary duties. All of the directors have equal and overall responsibility for the management of XL-Ireland (although directors who also serve as employees will have additional responsibilities and duties arising under their employment agreements and will be expected to exercise a greater degree of skill and diligence than non-executive directors). The principal fiduciary duties are similar to those applying to the directors of XL-Cayman and include the common law fiduciary duties of good faith and exercising due care and skill. As is the case in the Cayman Islands, English and other common law cases are persuasive but not binding precedents in Irish courts. The statutory duties include ensuring the maintenance of proper books of account, having

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	terms, there is often an overlap between the interests of the company and its shareholders as a whole; a duty to exercise their powers for the purposes for which they are conferred; a duty of trusteeship of the company s assets; the duty, where possible, to avoid conflicts of interest and of duty; a duty to disclose personal interest in contracts involving the company; a duty not to make secret profits from the directors office; and a duty to act with skill and care.	annual accounts prepared, having an annual audit performed, maintaining certain registers and making certain filings as well as disclosure of personal interests. Particular duties also apply to directors of insolvent companies (for example, the directors could be liable to sanctions where they are deemed by the court to have carried on the business of XL-Ireland while insolvent, without due regard to the interests of creditors). For public limited companies like XL-Ireland, directors are under a specific duty to ensure that the corporate secretary is a person with the requisite knowledge and experience to discharge the role.
Indemnification of Directors and Officers; Insurance	XL-Cayman s articles of association provide that the company will indemnify each of its directors, officers, employees and agents against expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of XL-Cayman) to which he or she is or may be party by reason of the fact that he or she is or was serving in such capacity if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the company and, with respect criminal actions, had no reasonable cause to believe his or her conduct was unlawful. In addition, the articles of association of XL-Cayman provide that the company will indemnify each of its directors, officers, employees and agents against expenses actually and reasonably incurred by him or her in connection with any threatened, pending or completed action or suit by or in the right of XL-Cayman to which he or she is or may be party by reason of the fact that he or she is or was serving in such capacity if such person acted in good faith and in a	To the fullest extent permitted by Irish law, XL-Ireland s articles of association confer an indemnity on its directors and officers that is substantially the same as the indemnity in XL-Cayman s articles of association. However, this indemnity is limited by the Irish Companies Acts, which prescribe that an advance commitment to indemnify only permits a company to pay the costs or discharge the liability of a director or corporate secretary where judgment is given in favor of the director or corporate secretary in any civil or criminal action in respect of such costs or liability, or where an Irish court grants relief because the director or corporate secretary acted honestly and reasonably and ought fairly to be excused. Any provision whereby an Irish company seeks to commit in advance to indemnify its directors or corporate secretary over and above the limitations imposed by the Irish Companies Acts will be void under Irish law, whether contained in its articles of association or any contract between the company and the director or corporate secretary. As a result, to the extent the indemnification provisions in XL-Ireland s articles of association apply to directors and the corporate secretary of XL-Ireland, the

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	or she reasonably believed to be in or not opposed to the best interest of the company, except that no such indemnification may be made in respect of any claim, issue or matter as to which such director or officer has been adjudged to be liable for willful neglect or default in the performance of his or her duty to the company, unless a court determines that, despite the adjudication of such liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to be indemnified for such expenses as the court deems proper. Further, to the extent that a director, officer, employee or agent is successful on the merits or otherwise in defense of any action, suit or proceeding described above in this paragraph, or in defense of any claim, issue or matter that is part of such an action, suit or proceeding, the articles of association of XL-Cayman provide that he or she will be indemnified against expenses (including legal fees) actually and reasonably incurred by him or her in connection with that action, suit or proceeding. XL-Cayman s articles of association permit the company to pay expenses of a director, officer, employee or agent incurred in defending an action, suit or proceeding described in the preceding paragraph in advance of the final disposition of such action, suit or proceeding, upon authorization by the Board and upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such advances unless it is ultimately determined that he or she is entitled to be indemnified by XL-Cayman. Cayman Islands law does not limit the extent to which a company may indemnify its directors, officers, employees and agents except to the extent that such provision may be held by the Cayman Islands courts to be contrary to public policy. For instance, an indemnification provision that	indemnity is more limited than the indemnity in XL-Cayman s articles of association. This restriction does not apply to executives who are not directors or the corporate secretary, or other persons who would be considered officers within the meaning of that term under the Irish Companies Acts, of XL-Ireland. XL-Ireland s articles of association also contain indemnification and expense advancement provisions for persons who are not directors or the corporate secretary of XL-Ireland that are substantially the same as those provided in the articles of association of XL-Cayman. XL-Ireland is permitted under its articles of association and the Irish Companies Acts to take out directors and officers liability insurance, as well as other types of insurance, for its directors, officers, employees and agents. In order to continue to retain and attract highly experienced and capable persons to serve as directors and executives of XL, we intend that XL-Cayman will enter into arrangements (in the form of agreements and/or a deed poll) in connection with the Scheme of Arrangement providing for the indemnification of, and advancement of expenses to, the directors, corporate secretary and certain other executives of XL-Ireland. We expect that the indemnification and expense advancement provided under these arrangements will be substantially similar to the indemnity currently afforded by XL-Cayman under its articles of association to its directors and officers, except that these arrangements will provide for additional procedural protections intended to help ensure that such indemnification and expense advancement rights will be available to the directors, corporate secretary and such other executives of XL-Ireland. XL-Ireland also expects to continue to maintain liability insurance policies

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	purported to provide indemnification for liabilities incurred as a result of committing a crime or actual fraud may be held by the Cayman Islands court to be contrary to public policy. XL-Cayman is permitted under its articles of association and the Cayman Companies Law to take out directors and officers liability insurance, as well as other types of insurance, for its directors, officers, employees and agents.	similar to those currently maintained by XL-Cayman.
Limitation on Director Liability	Cayman Islands law, in certain circumstances, permits a company to limit the liability of a director to the company. The considerations under Cayman Islands law with regard to the limitation of a director s liability are similar to those that apply to the enforcement of provisions relating to the indemnification of directors discussed above under Indemnification of Directors and Officers; Insurance. In summary, a Cayman Islands court will enforce such a limitation except to the extent that enforcement of the relevant provision may be held to be contrary to public policy. XL-Cayman s articles of association provide that the directors and officers will have no liability for (1) acts or neglects of any other director or officer, (2) joining in any receipt or act for conformity, (3) loss or expense happening to the company through the insufficiency or deficiency of any security upon which any of the monies of the company shall be invested, (4) loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any monies, securities or effects shall be deposited, (5) loss occasioned by error of judgment or oversight on the part of such director or officer, or (6) any loss, damage or misfortune in the execution of his or her duties, unless through his or her own willful neglect or default.	The articles of association of XL-Ireland contain an exemption from liability for its directors and executives that is substantially similar to the exemption from liability described with respect to XL-Cayman. However, under Irish law, a company may not exempt its directors or corporate secretary from liability for negligence or a breach of duty or a breach of trust. Where a breach of duty has been established, directors or the corporate secretary may be statutorily exempted by an Irish court from personal liability for negligence or breach of duty if, among other things, the court determines that they have acted honestly and reasonably, and that they may fairly be excused as a result.
Conflicts of Interest	As a matter of the common law applied in the Cayman Islands, the	As a matter of Irish law, a director is under a general fiduciary duty to avoid

Provision	XL-Cayman	XL-Ireland
	director of a Cayman Islands company should seek to avoid placing himself in a position where there is a conflict, or a possible conflict, between the duties he owes to the company and either his personal interest or other duties that he owes to a third party, and if a director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with the company, he must declare the nature and extent of that interest to the other directors at the first opportunity. The duty to avoid conflicting interests extends to contracts with the company, the use of information or opportunities that come to him by virtue of his directorship and actions competing with the company. Matters that have been authorized by the Board generally or authorized by the provisions of the company s articles of association will not result in a breach of this common law duty of a director to avoid conflicts of interest. There is no requirement to maintain a register of director declared interests under Cayman Islands law. Under the XL-Cayman articles of association, a director of XL-Cayman may be a director or other officer of, or otherwise interested in, any company promoted by XL-Cayman or in which XL-Cayman is interested, and such director will not be accountable to XL-Cayman for any remuneration received from such employment or other interest. The articles of association further provide that (1) no director will be prevented from contracting with the company because of his or her position as director, (2) any contract entered into between a director and XL-Cayman will not be subject to avoidance, and (3) no director will be liable to account to XL-Cayman for any profits realized by virtue of any contract between such director and XL-Cayman because of the director holds such office or the fiduciary relationship established thereby. A director of XL-Cayman will be at liberty to vote in respect of any transaction in which he	conflicts of interest. Irish law and the XL-Ireland articles of association provide that: (1) a director may be a director of or otherwise interested in a company relating to XL-Ireland and will not be accountable to XL-Ireland for any remuneration or other benefits received as a result, unless XL-Ireland otherwise directs; (2) a director or a director s firm may act for XL-Ireland in a professional capacity other than as auditor; and (3) a director may hold an office or place of profit in XL-Ireland and will not be disqualified from contracting with XL-Ireland. If a director has a personal interest in an actual or proposed contract with XL-Ireland, the director must declare the nature of his or her interest at a meeting of the Board of Directors of XL-Ireland, and XL-Ireland is required to maintain a register of such declared interests that must be available for inspection by the shareholders. Such a director may vote on any resolution of the Board of Directors in respect of such a contract, and such a contract will not be voidable solely as a result.

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	or she is interested, provided that such director discloses the nature of his or her interest prior to consideration of the transaction and any vote thereon.	
Shareholders Suits	In the Cayman Islands, the decision to institute proceedings on behalf of a company is generally taken by the company s board of directors. In certain limited circumstances, a shareholder may be entitled to bring a derivative action on behalf of XL-Cayman. The central question at issue in deciding whether a minority shareholder may be permitted to bring a derivative action is whether, unless the action is brought, a wrong committed against XL-Cayman would otherwise go unredressed. The cause of action may be against the director, another person or both. A shareholder may also be permitted to bring an action in his or her own name against a Cayman Islands company, a director or any other person in respect of any direct loss suffered by such shareholder as a result of any negligence, default, breach of duty or breach of trust. In any such action, however, a loss suffered by the company will not be regarded as a direct loss suffered by the individual shareholder. A shareholder may also be permitted to bring an action on the basis that the company s affairs are being, or have been, conducted in a manner that is unfairly prejudicial to the interests of shareholders generally or to some shareholders in particular.	In Ireland, the decision to institute proceedings on behalf of a company is generally taken by the company s board of directors. In certain limited circumstances, a shareholder may be entitled to bring a derivative action on behalf of XL-Ireland. The central question at issue in deciding whether a minority shareholder may be permitted to bring a derivative action is whether, unless the action is brought, a wrong committed against XL-Ireland would otherwise go unredressed. The considerations in this regard would be similar to those applying under Cayman law. The cause of action may be against the director, another person or both. A shareholder may also be permitted to bring proceedings against XL-Ireland in his or her own name where the shareholder s rights as such have been infringed or where the affairs of XL-Ireland are being conducted, or the powers of the Board of Directors of XL-Ireland are being exercised, in a manner oppressive to any shareholder or shareholders or in disregard of their interests as shareholders. Oppression connotes conduct that is burdensome, harsh or wrong. This is an Irish statutory remedy and the court can grant any order it sees fit, including providing for the purchase or transfer of the shares of any shareholder.
Shareholder Consent to Action Without Meeting	XL-Cayman s articles of association provide that anything which may be done by resolution of XL-Cayman at a general meeting may be done by resolution in writing, but only if it is signed by all of the shareholders entitled to receive notice of, attend and vote at such general meeting if it had been convened and held.	XL-Ireland s articles of association provide that anything which may be done by resolution of XL-Ireland at a general meeting may be done by resolution in writing, but only if it is signed by or on behalf of all of the shareholders who would be entitled to attend the relevant meeting and vote on the relevant resolution.
Annual Meetings of Shareholders	XL-Cayman s articles of association provide that the company must hold an annual general meeting each year. The	XL-Ireland will be required under Irish law to hold an annual general meeting within 18 months of incorporation and

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	Board has the right to set the time and place of the annual general meeting, and any annual general meeting may be held outside the Cayman Islands. Notice of an annual general meeting must be given to all shareholders of XL-Cayman. XL-Cayman s articles of association provide that the minimum notice period is 30 days notice in writing, and such notice must set forth the general nature of the business to be undertaken at the annual general meeting. As a matter of Cayman Islands law, there are no items that must be addressed at any particular general meeting of a company. The XL-Cayman articles of association provide that, at each annual general meeting, directors will be elected to fill the Board seats of those directors whose terms expire at that annual general meeting, the financial statements of the company and reports of the directors and auditors will be presented, and the auditors for the ensuing year will be appointed. Under Cayman Islands law and the XL-Cayman articles of association, shareholders have no rights to propose business at an annual general meeting other than nominations of candidates for election to the Board as described below under Director Nominations; Proposals of Shareholders.	at intervals of no more than 15 months thereafter, provided that an annual general meeting is held in each calendar year following the first annual general meeting, no more than nine months after XL-Ireland s fiscal year-end. The first annual general meeting of XL-Ireland may be held outside Ireland. Thereafter, any annual general meeting may be held outside Ireland if an ordinary resolution so authorizing has been passed at the preceding annual general meeting. XL-Ireland s articles of association include a provision requiring annual general meetings to be held within such time periods as required by Irish law. Notice of a general meeting must be given to all shareholders, each director and the auditors of XL-Ireland. Irish law requires at least 21 days notice in writing for an annual general meeting. XL-Ireland s articles of association provide a minimum notice period of 30 days for an annual general meeting. The only matters which must, as a matter of Irish law, be transacted at an annual general meeting are the presentation of the annual profit and loss account, balance sheet and reports of the directors and auditors, the appointment of auditors and the fixing of the auditor s remuneration (or delegation of same). If no resolution is made in respect of the reappointment of an auditor at an annual general meeting, the previous auditor will be deemed to have continued in office, subject to certain limited exceptions. The XL-Ireland articles of association provide that, at each annual general meeting, directors will be elected to fill the board seats of those directors whose terms expire at that annual general meeting. At any annual general meeting, only such business may be conducted as has been brought before the meeting (1) by or at the direction of the Board of Directors of XL-Ireland, (2) in certain circumstances, at the direction of the Irish High Court or as required by law

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		or (3) business that the chairman of the meeting determines is properly within the scope of the meeting. In addition, shareholders entitled to vote at an annual general meeting may make nominations of candidates for election to the Board of Directors of XL-Ireland as described below under Director Nominations; Proposals of Shareholders.
Extraordinary Meetings of Shareholders	Extraordinary general meetings of XL-Cayman s shareholders may be called by the Board or upon written requisition of shareholders holding not less than 15% of the voting power of the issued shares that carry the right to vote at general meetings. Extraordinary general meetings are generally held for the purposes of approving shareholder resolutions of XL-Cayman as may be required from time to time. The business to be conducted at any extraordinary general meeting generally must be set forth in the notice of the meeting. At least 30 days notice of an extraordinary general meeting must be given to shareholders of XL-Cayman. In the case of an extraordinary general meeting requisitioned by shareholders of XL-Cayman, the proposed purpose of the meeting must be set out in the requisition notice, and the shareholders requisitioning an extraordinary meeting can specify any business to be considered at that meeting. Upon receipt of this requisition notice, the Board has 21 days to convene the extraordinary general meeting. If the Board does not proceed to convene the meeting within such 21-day period, the requisitioning shareholders, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, which meeting must be held within three months of the expiration of such 21-day period.	Extraordinary general meetings of XL-Ireland may be convened (1) by the Board of Directors of XL-Ireland, (2) on requisition of the shareholders holding the number of shares of XL-Ireland prescribed by the Irish Companies Acts (currently 10% of the paid up share capital of the company carrying voting rights), or (3) in certain circumstances, on requisition of XL-Ireland s auditors. Extraordinary general meetings are generally held for the purposes of approving shareholder resolutions of XL-Ireland as may be required from time to time. The business to be conducted at any extraordinary general meeting must be set forth in the notice of the meeting. At least 30 days notice of an extraordinary general meeting must be given to shareholders, each director and the auditors of XL-Ireland. In the case of an extraordinary general meeting requisitioned by shareholders of XL-Ireland, the proposed purpose of the meeting must be set out in the requisition notice of the meeting. The requisition notice can propose any business to be considered at the meeting. Under Irish law, upon receipt of this requisition notice, the Board of Directors of XL-Ireland has 21 days to convene the extraordinary general meeting of XL-Ireland s shareholders to vote on the matters set out in the requisition notice. This meeting must be held within two months of receipt of the requisition notice. If the Board of Directors does not proceed to convene the meeting within such 21-day period, the requisitioning shareholders, or any

Provision	XL-Cayman	XL-Ireland
		of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, which meeting must be held within three months of the receipt of the requisition notice by the Board of Directors. If the Board of Directors of XL-Ireland becomes aware that the net assets of XL-Ireland are half or less of the amount of XL-Ireland s called-up share capital, the Board of Directors of XL-Ireland must, not later than 28 days from the date that it learns of this fact, convene an extraordinary general meeting of XL-Ireland s shareholders to be held not later than 56 days from such date. This meeting must be convened for the purposes of considering whether any, and if so what, measures should be taken to address the situation.
Record Dates for Shareholder Meetings	XL-Cayman s articles of association provide that the Board, for purposes of determining which shareholders are entitled to notice of or to vote at a general meeting, may set a record date (which must not occur before the date on which the board resolution fixing such record date is adopted) or may provide that the register of members be closed for transfers for a stated period not to exceed 40 days. If the register of members is closed for such purposes, it must be closed for at least 10 days preceding such meeting and the record date for such determination will be the date of the closing of the register of members. If the register of members is not so closed and no record date is fixed, the record date will be the date on which notice of the meeting is mailed.	XL-Ireland s articles of association provide that the Board of Directors of XL-Ireland may set the record date for purposes of determining which shareholders are entitled to notice of or to vote at a general meeting and the record date must not occur before the date on which the board resolution fixing such record date is adopted. If no record date is fixed by the Board of Directors of XL-Ireland, the record date will be the day on which the notice of the meeting is mailed.

Provision	XL-Cayman	XL-Ireland
Director Nominations; Proposals of Shareholders	As currently in effect, the XL-Cayman articles of association provide that a shareholder may nominate a person to be elected as a director at an annual general meeting if such shareholder is qualified to vote at such annual general meeting and delivers to the registered office of XL-Cayman, not less than five nor more than twenty-one days before the date appointed for the meeting, a written notice that the nominating shareholder intends to propose such person for election. Such proposed director must sign the notice indicating his or her willingness to be elected. If the Director Nomination Procedures Proposal is approved, the articles of association of XL-Cayman will provide for advance notice procedures an ordinary shareholder must follow to properly present director nominations before a general meeting of XL-Cayman s ordinary shareholders. In general, a nominating ordinary shareholder will be required to submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one-year anniversary of the date of the immediately preceding annual general meeting of XL (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the immediately preceding annual general meeting). See Proposal Number Three: The Director Nomination Procedures Proposal. In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, will have to include, among other things, (1) the name and address of such ordinary shareholder and any beneficial owner on whose behalf the nomination is made; (2) the class and number of shares of XL-Cayman directly or indirectly owned by the ordinary shareholder, such beneficial owner and by their respective affiliates; (3) a description of the material terms of any agreement, arrangement or	Under Irish law, there is no general right for a shareholder to put items on the agenda of an annual general meeting other than as set out in the articles of association of a company. The articles of association of XL-Ireland provide that shareholders may nominate persons to be elected as directors both at an annual general meeting or an extraordinary general meeting requisitioned by shareholders, as described above under Extraordinary Meetings of Shareholders, subject to certain requirements. The advance notice and disclosure requirements that will apply in connection with notices of ordinary shareholder nominations of directors will be substantially the same as those contained in the articles of association of XL-Cayman as in effect immediately prior to the Effective Time. See Proposal Number Three: The Director Nomination Procedures Proposal.

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	understanding (including any derivative or short positions) to which such ordinary shareholder, beneficial owner and nominated person and their respective affiliates is a party with respect to the ordinary shares or other securities of XL-Cayman; (4) any other information relating to such ordinary shareholder, beneficial owner and nominated person that would be required to be disclosed in a proxy statement in connection with a solicitation of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; (5) a representation that the ordinary shareholder is a holder of record of ordinary shares entitled to vote at the relevant general meeting and intends to appear in person or by proxy at the relevant general meeting to nominate the person or persons specified in the notice; (6) a description of all arrangements or understandings between such ordinary shareholder, beneficial owner and their respective affiliates, on the one hand, and the nominated person or any other person or persons pursuant to which the nomination is to be made by the ordinary shareholder, on the other hand; (7) the written consent of the nominated person with respect to being nominated and his or her willingness to serve as a director, if elected; and (8) an undertaking to notify XL-Cayman of any changes in the information provided in the notice and to update such information. Under Cayman Islands law, there is no general right for a shareholder to put items on the agenda of a shareholder meeting other than as set out in the articles of association of a company. The articles of association of XL-Cayman provide that shareholders may requisition an extraordinary meeting and can specify business to be considered at that meeting, as described above under Extraordinary Meetings of Shareholders.	

Provision	XL-Cayman	XL-Ireland
Adjournment of Shareholder Meetings	The articles of association of XL-Cayman provide that if within one hour after the time appointed for a general meeting a quorum is not present, the meeting will be dissolved. If a quorum is present, the chairman of the meeting may adjourn a general meeting with the consent of, and must adjourn the meeting at the direction of, the shareholders. No business may be transacted at any adjourned meeting other than the business left unfinished at the meeting at which the adjournment took place. New notice must be given for meetings adjourned for 30 days or more.	XL-Ireland s articles provide that the chairman of the meeting may with the consent (and shall upon the direction) of the shareholders, adjourn a meeting, whether or not a quorum is present. Further, a meeting may be adjourned by the chairman of the meeting if it appears to the chairman of the meeting that the facilities at the meeting place are inadequate for persons attending the meeting to communicate simultaneously with other persons present at the meeting, have access to documents and participate in any poll required to vote on any resolutions to be decided at the meeting. No business may be transacted at any adjourned meeting other than business that might have been transacted at the meeting originally called. New notice must be given for meetings adjourned for 30 days or more.
Voting	Holders of XL-Cayman ordinary shares vote together as a class on all matters submitted to a vote of shareholders and are entitled to one vote per share, except that if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Cayman Controlled Shares of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman s articles of association. XL-Cayman Controlled Shares of a person (as defined in XL-Cayman s articles of association) include (1) all XL-Cayman shares owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the U.S. Internal Revenue Code of 1986, as amended) or (2) all XL-Cayman Shares owned directly, indirectly or constructively by that person or any group of which that person is a part, within the meaning of Section 13(d)(3) of the Exchange Act. Except where a greater majority is	Holders of XL-Ireland ordinary shares vote on all matters submitted to a vote of shareholders and are entitled to one vote per share, except that if, and for so long as, the votes conferred by the XL-Ireland Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Ireland Controlled Shares of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Ireland s articles of association. All votes at a general meeting will be decided by way of a poll. Voting rights on a poll may be exercised by shareholders registered in XL-Ireland s share register as of the record date for the meeting or by a duly appointed proxy of such a registered shareholder, which proxy need not be a shareholder. All proxies must be appointed in accordance with XL-Ireland s articles of association. The articles of association of XL-Ireland provide that the Board of Directors may permit the appointment of proxies by the

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	required by Cayman Islands law or XL-Cayman s articles of association, any question proposed for consideration at any general meeting of XL-Cayman or of any class of shareholders will be decided by a simple majority of the votes cast by shareholders entitled to vote at such meeting. In accordance with the articles of association of XL-Cayman, the Board may from time to time cause XL-Cayman to issue preference shares. These preference shares may have such voting rights, if any, as may be specified in the terms of such preference shares (e.g., they may carry more votes per share than ordinary shares or may entitle their holders to a class vote on such matters as may be specified in the terms of the preference shares). Holders of Series C and Series E preference shares of XL-Cayman generally have no right to vote. However, any variation of class rights attaching to the preference shares must be approved by a resolution of the shareholders of the class affected. Please see Variation of Rights Attaching to a Class or Series of Shares below. Furthermore, holders of Series C and Series E preference shares may elect directors under some limited circumstances. See Election of Directors. Further, no class or series of shares may be created which ranks senior to the Series C or Series E preference shares as to dividend rights or as to rights upon the liquidation, dissolution or winding up of XL-Cayman, in each case, without the approval of (1) a special resolution of the holders of the Series C or Series E preference shares, as the case may be, passed by the affirmative vote of the holders of 2/3 of such shares voted at a meeting of such holders or (2) the written consent of all the holders of the Series C or Series E preference shares, as the case may be.	shareholders to be notified to XL-Ireland electronically. In accordance with the articles of association of XL-Ireland, the Board of Directors of XL-Ireland may from time to time cause XL-Ireland to issue preference or other classes or series of shares. These shares may have such voting rights, if any, as may be specified in the terms of such shares (e.g., they may carry more votes per share than ordinary shares or may entitle their holders to a class vote on such matters as may be specified in the terms of the shares). Holders of Series C and Series E preference shares of XL-Ireland, if issued in the Preference Share Exchange, generally will have no right to vote. However, any variation of class rights attaching to the preference shares must be approved by a resolution of the shareholders of the class affected. Please see Variation of Rights Attaching to a Class or Series of Shares below. Furthermore, holders of Series C and Series E preference shares of XL-Ireland will be able to elect directors under some limited circumstances. See Election of Directors. Further, no class or series of shares may be created which ranks senior to the XL-Ireland Series C or Series E preference shares as to dividend rights or as to rights upon the liquidation, dissolution or winding up of XL-Ireland, in each case, without the approval of (1) a special resolution of the holders of the XL-Ireland Series C or Series E preference shares, as the case may be, passed by the affirmative vote of the holders of 2/3 of such shares voted at a meeting of such holders or (2) the written consent of all the holders of the Series C or Series E preference shares, as the case may be. Treasury shares and shares of XL-Ireland held by subsidiaries of XL-Ireland will not entitle their holders to vote at general meetings of shareholders.

Provision	XL-Cayman	XL-Ireland
		Except where a greater majority is required by Irish law or XL-Ireland s articles of association, any question proposed for consideration at any general meeting of XL-Ireland or of any class of shareholders will be decided by an ordinary resolution passed by a simple majority of the votes cast by shareholders entitled to vote at such meeting. Irish law requires special resolutions of the shareholders at a general meeting to approve certain matters. A special resolution of XL-Ireland requires not less than 75% of the votes cast by shareholders at a meeting of shareholders. Examples of matters requiring special resolutions include: Amending the objects of XL-Ireland set forth in its memorandum of association; Amending the articles of association of XL-Ireland; Approving a change of name of XL-Ireland; Authorizing the entering into of a guarantee or provision of security in connection with a loan, quasi-loan or credit transaction to a director or connected person of a director (which generally includes a family member or business partner of the director and any entity controlled by the director); Opting out of pre-emption rights on the issuance of new shares; Re-registration of XL-Ireland from a public limited company to a private company; Purchase of XL-Ireland s own shares off-market; Reduction of issued share capital; Resolving that XL-Ireland be wound up by the Irish courts; Resolving in favor of a shareholders voluntary winding-up; Re-designation of shares into different share classes; Setting the re-issue price of treasury shares; and

Provision	XL-Cayman	XL-Ireland
		Mergers with companies incorporated in the EEA (as described above under Shareholder Approval of Business Combinations).
Variation of Rights Attaching to a Class or Series of Shares	Variation of any special rights attached to any issued shares of XL-Cayman (including ordinary shares, the Series C preference shares and the Series E preference shares) must be approved by a special resolution of the shareholders of the class affected or by the written consent of all the shareholders of that class or series. The necessary quorum for any such meeting is one or more shareholders present in person or by proxy representing not less than 50% of the issued shares of such class. Every shareholder of the affected class will have one vote for each share conferring voting rights that he or she holds as of the record date for the meeting except that if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the relevant class, the voting rights with respect to the XL-Cayman Controlled Shares of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman s articles of association.	Variation of any special rights attached to any class or series of issued shares of XL-Ireland (including XL-Ireland ordinary shares, and if the Preference Share Exchange is consummated, the XL-Ireland Series C preference shares and the XL-Ireland Series E preference shares) must, in accordance with the articles of association of XL-Ireland, be approved by (1) a resolution of the shareholders of the class or series affected, passed by the affirmative vote of the holders of 2/3 of the shares of that class or series voted at a meeting of that class or series or (2) the written consent of all the shareholders of that class or series. In the case of a meeting to vary the rights of any class or series of shares (including the Series C preference shares or the Series E preference shares of XL-Ireland), Irish law provides that the necessary quorum is the presence, in person or by proxy, of at least two shareholders representing 1/3 in nominal value (or, at an adjourned meeting, at least one shareholder representing any amount of nominal value) of the relevant class. Every shareholder of the affected class or series will have one vote for each share of such class or series that he or she holds as of the record date for the meeting except that if, and for so long as, the votes conferred by the XL-Ireland Controlled Shares of any person constitute 10% or more of the votes

conferred by the issued shares of the relevant class or series, the voting rights with respect to the XL-Ireland Controlled Shares of such person will be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Ireland s articles of association.

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Provision	XL-Cayman	XL-Ireland
Amendment of Governing Documents	Under Cayman Islands law, XL-Cayman may alter its memorandum and articles of association by passing a special resolution of its shareholders to effect such amendment.	Under Irish law, XL-Ireland may alter its memorandum and articles of association by passing of a special resolution of its shareholders to effect such amendment.
Quorum Requirements	The presence, in person or by proxy, of the holders of at least 50% of the voting power of the issued ordinary shares of XL-Cayman constitutes a quorum for the conduct of any business at a general meeting that is not a special resolution (e.g., an ordinary resolution at a general meeting). The quorum required to pass a special resolution at a general meeting is the presence, in person or by proxy, of 2/3 of the voting power of the issued ordinary shares of XL-Cayman. Except as described in the next paragraph below, with respect to any class meeting of the holders of the Series C preference shares or the holders of the Series E preference shares, the necessary quorum is one or more persons present, in person or by proxy, holding not less than 50% of the issued shares of that class. In the case of a meeting to vary the rights of any class or series of shares (including the Series C preference shares or the Series E preference shares), discussed above under Variation of Rights Attaching to a Class or Series of Shares, the necessary quorum is the presence, in person or by proxy, of the holders of at least 50% of the issued shares of the relevant class.	Under the articles of association of XL-Ireland, the presence, in person or by proxy, of at least two shareholders constituting the holders of at least 50% of the voting power of the issued shares of XL-Ireland that carry the right to vote at the meeting constitutes a quorum for the conduct of any business at a general meeting, other than business requiring a special resolution. The quorum required to pass a special resolution at a general meeting is the presence, in person or by proxy, of at least two shareholders constituting the holders of at least 2/3 of the voting power of the issued shares of XL-Ireland that carry the right to vote at the meeting. Except as described in the next paragraph below, with respect to any class meeting of the holders of the Series C preference shares or the holders of the Series E preference shares of XL-Ireland, the necessary quorum is the presence, in person or by proxy, of at least two shareholders constituting the holders of not less than 50% of the issued shares of that class. In the case of a meeting to vary the rights of any class or series of shares (including the Series C preference shares or the Series E preference shares of XL-Ireland), discussed above under Variation of Rights Attaching to a Class or Series of Shares, Irish law provides that the necessary quorum is the presence, in person or by proxy, of at least two shareholders representing 1/3 in nominal value (or, at an adjourned meeting, at least one shareholder representing any amount of nominal value) of the relevant class.
Inspection of Books and Records	Under Cayman Islands law, the register of shareholders of XL-Cayman is open to inspection by any shareholder free of charge and by any other person	Holders of shares carrying voting rights have certain rights under Irish law to inspect books and records, including the rights to: (1) receive a copy of the

Provision	XL-Cayman	XL-Ireland
	upon payment of CI$10 (or such lesser sum XL-Cayman may specify) at its registered office. Any shareholder of XL-Cayman or other person may receive a copy the register on payment of CI$1. Cayman Islands law further requires that the register of mortgages and charges of XL-Cayman be open to inspection by any shareholder or creditor of the company at all reasonable times. The articles of association of XL-Cayman provide that the Board may determine whether and to what extent the accounts and books of that company will be open to the inspection of shareholders, subject to Cayman Islands law.	memorandum and articles of association of XL-Ireland and any act of the Irish Parliament which alters the memorandum of association of XL-Ireland; (2) inspect and obtain copies of the minutes of general meetings of shareholders (including resolutions adopted at such meetings); (3) inspect and receive a copy of the register of shareholders, register of directors and secretaries, register of directors interests and other statutory registers maintained by XL-Ireland; (4) receive copies of the most recent balance sheets and directors and auditors reports which have previously been sent to shareholders prior to an annual general meeting; and (5) receive balance sheets of any subsidiary company of XL-Ireland which have previously been sent to shareholders prior to an annual general meeting for the preceding ten years. The auditors of XL-Ireland also have the right to inspect all books and records of XL-Ireland. The auditors report must be circulated to the shareholders with XL-Ireland s Financial Statements at least 21 days before the annual general meeting, and such report must be read to the shareholders at XL-Ireland s annual general meeting. The Financial Statements referenced above mean XL-Ireland s balance sheet, profit and loss account and, so far as they are not incorporated in the balance sheet or profit and loss account, any group accounts and the directors report, together with any other document required by law to be annexed to the balance sheet.
Transfer and Registration of Shares	XL-Cayman s share register is maintained by its transfer agent. Registration in this share register is determinative of membership in XL-Cayman. A shareholder of XL-Cayman who holds shares beneficially will not be the holder of record of such shares. Instead, the depository (for example, Cede & Co., as nominee for DTC) or other nominee will be the holder of record of such shares. Accordingly, a	XL-Ireland s share register will be maintained by its transfer agent. Registration in this share register will be determinative of membership in XL-Ireland. A shareholder of XL-Ireland who holds shares beneficially will not be the holder of record of such shares. Instead, the depository (for example, Cede & Co., as nominee for DTC) or other nominee will be the holder of record of such shares. Accordingly, a

Provision	XL-Cayman	XL-Ireland
	transfer of shares from a person who holds such shares beneficially to a person who will also hold such shares beneficially through the same depository or other nominee will not be registered in XL-Cayman s official share register, as the depository or other nominee will remain the record holder of such shares. A written instrument of transfer is required under Cayman Islands law in order to register on XL-Cayman s official share register any transfer of shares. The articles of association of XL-Cayman provide that the Board may decline to register a transfer of shares unless (1) a registration statement under the Securities Act is in effect with respect to such transfer, or (2) such transfer is exempt from registration and, if requested by the Board, an opinion from counsel that no such registration is required is provided. The Board must decline to register a transfer of shares if it appears to the Board that the effect of such transfer would be to increase the number of the XL-Cayman Controlled Shares of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company. The Board has absolute discretion under the XL-Cayman articles of association to decline to register any transfer of shares.	transfer of shares from a person who holds such shares beneficially to a person who will also hold such shares beneficially through the same depository or other nominee will not be registered in XL-Ireland s official share register, as the depository or other nominee will remain the record holder of such shares. A written instrument of transfer will be required under Irish law in order to register on XL-Ireland s official share register any transfer of shares (1) from a person who holds such shares directly to any other person or (2) from a person who holds such shares beneficially to another person who also will hold such shares beneficially where the transfer involves a change in the depository or other nominee that is the record owner of the transferred shares. An instrument of transfer also will be required for a shareholder who directly holds shares to transfer those shares into his or her own broker account (or vice versa). Such instruments of transfer may give rise to Irish stamp duty, which must be paid prior to registration of the transfer on XL-Ireland s official Irish share register. However, a shareholder who directly holds shares may transfer those shares into his or her own broker account (or vice versa) without giving rise to Irish stamp duty provided there is no change in the ultimate beneficial ownership of the shares as a result of the transfer or the transfer is not made in contemplation of a sale of the shares. Accordingly, we strongly recommend that all directly registered shareholders open broker accounts so they can transfer their ordinary shares into a broker account to be held through DTC prior to completion of the Transaction. We also strongly recommend that any person who wishes to acquire XL-Ireland ordinary shares after completion of the Transaction acquire such XL-Ireland ordinary shares beneficially.

Provision	XL-Cayman	XL-Ireland
		Any transfer of XL-Ireland ordinary shares that is subject to Irish stamp duty will not be registered in the name of the buyer unless an instrument of transfer is duly stamped and provided to our transfer agent. XL-Ireland does not intend to pay any stamp duty on behalf of any purchaser of shares in its capital. XL-Ireland s articles of association grant the Board of Directors of XL-Ireland general discretion to decline to register an instrument of transfer without giving a reason. Among other things, the Board of Directors may also decline to register a transfer of shares unless a registration statement under the Securities Act is in effect with respect to the transfer or the transfer is exempt from registration. The registration of transfers may be suspended at such times and for such periods, not exceeding 30 days in any year, as the Board of Directors of XL-Ireland may from time to time determine (except as may be required by law). Further, the articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland must decline to register a transfer of shares if it appears to the Board of Directors that the effect of such transfer would be to increase the number of the XL-Ireland Controlled Shares of any person to 10% or more of any class of voting shares of the total issued shares or of the voting power of the company.
Rights upon Liquidation	Under Cayman Islands law, the rights of the shareholders to a return of XL-Cayman s assets on dissolution or winding up, following the settlement of all claims of creditors, may be prescribed in XL-Cayman s articles of association or the terms of any preferred shares issued by the Board from time to time. The holders of preferred shares, in particular, may have the right to priority over other shareholders in a dissolution or winding up of XL-Cayman.	The rights of the shareholders to a return of XL-Ireland s assets on dissolution or winding up, following the settlement of all claims of creditors, may be prescribed in XL-Ireland s articles of association or the terms of any shares issued by the Board of Directors of XL-Ireland from time to time. The holders of preference shares, in particular, may have the right to priority over ordinary or other shareholders in a dissolution or winding up of XL-Ireland. If the articles of association and terms of issue of the

Provision	XL-Cayman	XL-Ireland
	The articles of association of XL-Cayman provide that if the company is to be wound up, the liquidator may, with the sanction of a special resolution of the XL-Cayman shareholders and any other sanction required by statute, value the assets of XL-Cayman and divide them among the shareholders. Pursuant to sanction by special resolution, the liquidator will have discretion to determine how such distribution will be carried out among classes of shareholders and may make other provisions in his or her discretion. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of XL-Cayman, before any distribution is made to the holders of any junior-ranking shares, including the ordinary shares, (1) holders of the XL-Cayman Series C preference shares will be entitled to receive, from its assets legally available for distribution to shareholders, $25 per share plus all accrued and unpaid dividends to the date fixed for distribution, and (2) holders of the XL-Cayman Series E preference shares will be entitled to receive, from its assets legally available for distribution to shareholders, $1000 per share plus any declared but unpaid dividends with respect to the then- current dividend period to the date fixed for distribution.	shares of the company contain no specific provisions in respect of a dissolution or winding up then, subject to the shareholder priorities and the rights of any creditors, the assets will be distributed to shareholders in proportion to the paid-up nominal value of the shares held. XL-Ireland s articles provide that the ordinary shareholders of XL-Ireland are entitled to participate in a winding up, and the method by which the property will be divided shall be determined by the liquidator, subject to a special resolution by the shareholders, but such rights by ordinary shareholders to participate may be subject to the rights of any preference shareholders to participate under the terms of any series or class of preference shares. Holders of the XL-Ireland Series C and Series E preference shares will have rights that are substantially the same as those described with respect to the Series C and Series E preference shares of XL-Cayman in any voluntary or involuntary liquidation, dissolution or winding up of the affairs of XL-Ireland and, in that respect, will rank in priority to the holders of any junior-ranking shares, including the XL-Ireland ordinary shares.
Enforcement of Civil Liabilities Against Foreign Persons	XL has been advised by Cayman Islands counsel that there is no statutory recognition in the Cayman Islands of judgments obtained in the United States nor any relevant treaty in place. However, the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits. The courts of the Cayman Islands will recognize a foreign judgment as the basis for a claim at common law in the Cayman Islands provided such judgment: is given by a competent foreign court;	XL has been advised by its Irish counsel that a judgment for the payment of money rendered by a court in the United States based on civil liability would not be automatically enforceable in Ireland. There is no treaty between Ireland and the United States providing for the reciprocal enforcement of foreign judgments. The following requirements must be met before the foreign judgment will be deemed to be enforceable in Ireland: the judgment must be for a definite sum; the judgment must be final and conclusive; and

Provision	XL-Cayman	XL-Ireland
	imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; is final; is not in respect of taxes, a fine or a penalty; and was not obtained in a manner and is not of a kind the enforcement of which is contrary to the public policy of the Cayman Islands.	the judgment must be provided by a court of competent jurisdiction. An Irish court will also exercise its right to refuse judgment if the foreign judgment was obtained by fraud, if the judgment violated Irish public policy, if the judgment is in breach of natural justice or if it is irreconcilable with an earlier foreign judgment.

THE MEETINGS

We are furnishing this proxy statement to the holders of our ordinary shares in connection with the solicitation of proxies by XL-Cayman s Board of Directors for use at the special scheme meeting to consider the Scheme of Arrangement Proposal and the other matters that may come before that meeting, the extraordinary general meeting to consider the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal and the other matters that may come before that meeting, each as described below, and at any adjournments of either of such ordinary shareholder special meetings.

General

The special scheme meeting will be conducted in accordance with the directions of the Cayman Court. The extraordinary general meeting will be conducted in accordance with the articles of association of XL-Cayman.

Time, Place, Date and Purpose of the Meetings

The ordinary shareholder special meetings are scheduled to be held on April 30, 2010 at XL s principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda.

Special Ordinary Share Scheme Meeting

The special scheme meeting is scheduled to commence at 12:30 p.m., Bermuda time, on that date. At that meeting, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to vote on:

Proposal Number One the Scheme of Arrangement Proposal.

Extraordinary General Meeting

The extraordinary general meeting is scheduled to commence at 1:00 p.m., Bermuda time, on that date (or as soon thereafter as the special scheme meeting concludes or is adjourned). At the extraordinary general meeting, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL- Cayman, voting as a class, to vote on:

Proposal Number Two the Distributable Reserves Proposal;

Proposal Number Three the Director Nomination Procedures

Proposal;
and

Proposal Number Four the Name Change Proposal.

Also, at both ordinary shareholder special meetings, XL-Cayman s Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

XL-Cayman s Board of Directors has approved the Scheme of Arrangement and unanimously recommends that you vote FOR each of the proposals set forth in this proxy statement.

If any other matters properly come before the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings, the persons named in the proxy card will have the authority to vote the shares represented by all properly executed proxies in their discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

Record Date; Voting Rights

The Board has set March 5, 2010 as the record date for the special scheme meeting and for the extraordinary general meeting.

Only shareholders of XL-Cayman ordinary shares on the record date are entitled to notice of and to vote at the ordinary shareholder special meetings or any adjournments of such meetings. You will not be the registered holder of shares that you hold beneficially. Instead, the depository (for example, Cede & Co., as nominee for DTC) or other nominee will be the registered holder of such shares. Please see How You Can Vote Shareholders Owning Shares Through Brokers below for more information.

As of the record date for the ordinary shareholder special meetings on March 5, 2010, 342,100,814 XL-Cayman ordinary shares were issued and outstanding. Each XL-Cayman ordinary share entitles its holder to one vote on each proposal on which the holder is entitled to vote, except that (for purposes of the extraordinary general meeting but not the special scheme meeting) if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Cayman Controlled Shares of such person shall be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman s articles of association.

Under Cayman Islands law, the ordinary shareholders of XL-Cayman are not entitled to dissenters or appraisal rights with respect to the matters to be considered and voted on at the ordinary shareholder special meetings, whether or not the Preference Share Exchange is consummated.

Quorum

At the special scheme meeting to approve the Scheme of Arrangement Proposal, at least two ordinary shareholders must be present, in person or by proxy, in order for the meeting to proceed. At the extraordinary general meeting to approve the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal, 50% of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the meeting to proceed and in order for the Distributable Reserves Proposal to be considered and voted on at the meeting, but 2/3 of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the Director Nomination Procedures Proposal and the Name Change Proposal to be considered and voted on at the meeting.

Votes of Ordinary Shareholders Required for Approval

Scheme of Arrangement. The Scheme of Arrangement, which encompasses the Ordinary Share Exchange and (if approved by the Series C and Series E preference shareholders) the Preference Share Exchange, requires the affirmative vote of a majority in number of the registered shareholders of XL-Cayman ordinary shares representing 75% or more in value of the ordinary shares present and voting, in person or by proxy. The approval of the Series C or Series E preference shareholders is not needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

For the purpose of calculating the majority in number requirement for the approval of the Scheme of Arrangement Proposal, each registered ordinary shareholder, voting in person or by proxy, will be counted as a single ordinary shareholder, regardless of the number of ordinary shares voted by that shareholder. Only ordinary shareholders whose names are recorded on XL-Cayman s register of members will be counted for purposes of the majority-in-number requirement. As such, where shares are held through DTC (including ordinary shares held in street name by brokers through DTC) or other nominees on behalf of beneficial owners, and DTC (or such other nominee) is listed as the registered holder of such shares on XL-Cayman s register of members, the Cayman Court will not look through the nominee to determine how the beneficial owners of shares instructed those shares to be voted. Accordingly, DTC and other nominee holders of ordinary shares who are registered shareholders will each be counted as one ordinary shareholder for the purpose of calculating the majority in number requirement. If a registered shareholder (including DTC or other nominee holder of ordinary shares) elects (or is directed) to vote a portion of such registered shareholder s ordinary shares FOR the Scheme of Arrangement Proposal, and a portion AGAINST the Scheme of Arrangement Proposal, then that registered shareholder will be counted as one ordinary shareholder voting FOR the Scheme of Arrangement Proposal and as one ordinary shareholder voting AGAINST the Scheme of Arrangement Proposal, thereby effectively cancelling out that registered shareholder s vote for the purposes of the majority in number calculation (but not for purposes of the 75% or more in value calculation).

Distributable Reserves Proposal. The Distributable Reserves Proposal requires the affirmative vote of XL-Cayman s ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

Director Nomination Procedures Proposal. The Director Nomination Procedures Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Name Change Proposal. The Name Change Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Meeting Adjournments. The affirmative vote of holders of XL-Cayman ordinary shares representing more than 50% of all ordinary shares present and voting, in person or by proxy, at the relevant meeting, whether in person or by proxy, is required to approve the proposal to adjourn either of the ordinary shareholder special meetings. However, an ordinary shareholder special meeting cannot be adjourned if the requisite quorum (discussed above under Quorum) is not present at such meeting.

For purposes of determining whether the required approval has been obtained for any of the proposals described in this proxy statement, shares that are not voted at the applicable ordinary shareholder special meeting will not be considered.

Intentions of Directors and Executive Officers. Our directors and executive officers have indicated that they intend to vote their shares FOR each of the proposals set forth in this proxy statement. On the record date, our directors and executive officers and their affiliates beneficially owned 1,940,329, or approximately 0.6%, of the outstanding XL-Cayman ordinary shares.

Votes of Preference Shareholders Required for Preference Share Exchange Approval

As described above, the Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. However, in connection with the Scheme of Arrangement, the Series C and Series E preference shareholders will be asked to vote on the following two items at separate class meetings of the Series C and Series E preference shareholders:

Scheme of Arrangement. In order to effect the Preference Share Exchange, the Scheme of Arrangement requires: (1) the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series C preference shares representing 75% or more in value of the Series C preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series C preference shareholders; and (2) the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series E preference shares representing 75% or more in value of the Series E preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series E preference shareholders.

Variation to the Terms of the Series C Preference Shares. The variation to the terms of the Series C preference shares requires the affirmative vote of XL-Cayman s Series C preference shareholders representing at least 2/3 of all Series C preference shares present and voting, in person or by proxy, at the extraordinary general meeting of Series C preference shareholders at which holders of at least 2/3 of all Series C preference shares are present, either in person or by proxy. Approval of the variation to the terms of the Series C preference shares is a condition to the effectiveness of the Scheme of Arrangement with respect to the Preference Share Exchange and therefore is required in order for us to carry out the Preference Share Exchange.

Proxies

A gold proxy card is being sent to each XL-Cayman registered ordinary shareholder as of the record date. If you properly received a proxy card, you may grant a proxy to vote on the proposals presented in one of the ways that are explained below under How You Can Vote.

If you properly complete, sign and date the enclosed gold proxy card and timely send it to us or timely and properly deliver your proxy by telephone or via the Internet, your proxy holder (one of the individuals named on the enclosed proxy card) will vote your ordinary shares as you have directed at the ordinary shareholder special meetings.

If you do not wish to vote all of your ordinary shares in the same manner on any particular proposal(s) at the ordinary shareholder special meetings, you may specify your vote by clearly hand-marking the proxy card to indicate how you want to vote your ordinary shares. You may not split your vote if you are voting via the Internet or by telephone.

If you are a registered shareholder and if you do not specify on the accompanying gold proxy card that is submitted (or when giving your proxy by telephone or via the Internet) how you want to vote your ordinary shares, the proxy holders will vote them FOR each of the proposals set forth in this proxy statement.

You may abstain on any proposal by marking ABSTAIN with respect to the proposal.

An abstention on any proposal has the effect of a vote not being cast with respect to the relevant shares in relation to that proposal. Although considered present for purposes of the relevant quorum requirement, such shares will not be considered when determining whether the proposal has received the required approval.

If you do not appoint a proxy and you do not vote at the ordinary shareholder special meetings, your ordinary shares will also not be considered when determining whether a proposal has received the required ordinary shareholder approval. Even if you do not appoint a proxy and you do not vote at the ordinary shareholder special meetings, you will still be bound by the outcome. You are therefore strongly urged to attend and vote at the ordinary shareholder special meetings in person or by proxy.

You should also receive a notice of Internet availability of the proxy statement and white proxy card, along with our annual report on Form 10-K for 2009, which contains the proposals for ordinary shareholder consideration at the AGM being held at 8:30 a.m., Bermuda time, also on April 30, 2010. In order for you to cast your votes at both the AGM and the ordinary shareholder special meetings, you must return both proxy cards. Returning only the white proxy card related to the AGM will not permit your ordinary shares to voted by proxy on the proposals at the ordinary shareholder special meetings described in this proxy statement.

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The accompanying proxy is being solicited on behalf of the Board of Directors of XL-Cayman. We have hired Georgeson Inc. to assist in the distribution of proxy materials and the solicitation of proxies for a fee estimated at $75,000, plus expenses. Proxies will be solicited on behalf of the Board by mail, in person and by telephone. We will bear the cost of soliciting proxies. We will also reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to the persons for whom they hold XL-Cayman ordinary shares. To the extent necessary in order to ensure sufficient representation at the ordinary shareholder special meetings, XL-Cayman or its proxy solicitor may solicit the return of proxies by personal interview, mail, telephone, facsimile, Internet or other means of electronic transmission. The extent to which this will be necessary depends upon how promptly proxies are returned. We urge you to send in your proxy without delay.

Revoking Your Proxy

You may revoke your proxy at any time before it is exercised at the ordinary shareholder special meetings by one of the following means. If you are a registered shareholder, you may revoke your proxy by:

Sending a written notice to our Secretary at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda. Your written notice must be received a sufficient amount of time before the first ordinary shareholder special meeting to permit the necessary examination and tabulation of the revocation before the votes are taken.

If you wish to revoke

your submitted proxy and submit new voting instructions by mail, courier or hand delivery, then you must sign, date and mail, courier or hand-deliver a proxy card with your new voting instructions for the ordinary shareholder special meetings, which we must receive prior to the start of the applicable ordinary shareholder special meeting.

If you wish to revoke your submitted proxy and submit new voting instructions by telephone or via the Internet, then you must submit such new voting instructions for the ordinary shareholder special meetings by telephone or via the Internet by 12:59 a.m., Bermuda time, on April 30, 2010.

You also may revoke your proxy in person at the ordinary shareholder special meetings by completing a written ballot (but only if you are the registered owner of the ordinary shares as of the record date or if you obtain a legal proxy from the registered owner of the ordinary shares as of the record date) and vote your ordinary shares at the ordinary shareholder special meetings.

If you hold your XL-Cayman ordinary shares in the street name of a broker, you may revoke your proxy only in accordance with the instructions from your broker or other nominee.

Attending the ordinary shareholder special meetings without taking one of the actions above will not revoke your proxy.

How You Can Vote

Registered Shareholders. If you are a registered shareholder, you may vote your ordinary shares either by voting in person at the ordinary shareholder special meetings or by submitting a completed proxy. By submitting your proxy, you are legally authorizing another person to vote your ordinary shares by proxy in accordance with your instructions. The enclosed proxy card designates Michael S. McGavick or, failing him, Kirstin Romann Gould to vote your ordinary shares in accordance with the voting instructions you indicate in your proxy.

If you submit your proxy designating Michael S. McGavick or, failing him, Kirstin Romann Gould as the individuals authorized to vote your ordinary shares, but you do not indicate how your ordinary shares are to be voted, then your ordinary shares will be voted by those individuals in accordance with the Board s recommendations, which are described in this proxy statement. In addition, if any other matters are properly brought up at the ordinary shareholder special meetings (other than the proposals contained in this proxy statement), then each of these individuals will have the authority to vote your ordinary shares on those matters in his or her discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

You may submit your proxy either by mail, courier or hand delivery, by telephone (at the number set forth in the accompanying proxy materials) or via the Internet (https://www.proxyvotenow.com/xlcapital). Please let us know whether you plan to attend the ordinary shareholder special meetings by marking the appropriate box on your proxy card or by following the instructions provided when you submit your proxy by telephone or via the Internet. In order for your proxy to be validly submitted and for your ordinary shares to be voted in accordance with your proxy, we must receive your mailed, couriered or hand-delivered proxy prior to the start of the applicable ordinary shareholder special meeting. If you submit your proxy by telephone or via the Internet, then you may submit your voting instructions up until 12:59 a.m., Bermuda time, on April 30, 2010.

Shareholders Owning Shares Through Brokers. Ordinary shareholders who hold their shares in the street name of a broker must vote their ordinary shares by following the procedures established by their broker. This applies to our employees who received, through our employee plans, ordinary shares that are held by Merrill Lynch. Under NYSE Rule 452, brokers who hold ordinary shares on behalf of customers will not have the authority to vote without direction on any of the matters to be considered at the ordinary shareholder special meetings. If you hold your ordinary shares through a broker and you do not instruct your broker on how to vote your ordinary shares prior to the ordinary shareholder special meetings, your broker, or the depository through which your broker holds your shares, will not be able to vote your ordinary shares at the ordinary shareholder special meetings, and your ordinary shares may not be counted as present for purposes of the relevant quorum requirement. Under NYSE Rule 452, brokers who hold shares on behalf of customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for non-routine matters. We believe that the proposals described in this proxy statement are proposals for non-routine matters.

Ordinary shareholders who hold their ordinary shares in the name of a broker and that plan to attend the ordinary shareholder special meetings must present proof of ownership of XL-Cayman ordinary shares as of the record date, such as a brokerage account statement or letter from broker, together with a form of personal photo identification, to be admitted to the ordinary shareholder special meetings. You may not vote your ordinary shares in person at the ordinary shareholder special meetings unless you obtain a legal proxy from the broker that holds your ordinary shares.

Validity

The chairman of each of the ordinary shareholder special meetings will determine all questions as to validity, form and eligibility, including time of receipt and acceptance of proxies. His or her determination will be final and binding, provided, however, that such determination is subject to any decision made by a court of competent jurisdiction upon a lawful challenge to his or her determination. The chairman of the meeting has the right to waive any irregularities or conditions as to the manner of voting. The chairman of the meeting may accept your proxy by any form of written or electronic communication so long as it is reasonably assured that the communication is authorized by you.

BENEFICIAL OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth, as of March 5, 2010, information regarding the beneficial ownership of XL-Cayman ordinary shares held by: (1) each of our current directors and each of our named executive officers; and (2) all of our current directors and executive officers as a group. To our knowledge, except as otherwise indicated, each of the persons listed below has sole voting and investment power with respect to the shares beneficially owned by him or her and none of the persons listed below owns any ESUs or Series C or Series E preference shares. For purposes of the table below, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of any shares that such person has the right to acquire within 60 days after March 5, 2010. For purposes of computing the percentage of outstanding XL-Cayman ordinary shares held by each person or group of persons named below, any shares that such person or persons has the right to acquire within 60 days after March 5, 2010 are deemed to be outstanding but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Name	**XL-Cayman Class A ordinary shares beneficially owned (1)**
Dale R. Comey (2)	63,797
David B. Duclos (3)	197,947
Robert Glauber (4)	60,288
Herbert Haag (5)	90,228
G. Thompson Hutton (6)	25,000
Joseph Mauriello (7)	41,044
Michael S. McGavick (8)	371,166
Eugene M. McQuade (9)	49,900
Brian W. Nocco (10)	166,500
Clayton S. Rose (11)	7,237
Sarah S. Street (12)	238,248
Ellen E. Thrower (13)	67,020
James H. Veghte (14)	317,405
John Vereker (15)	33,464
Directors and executive officers of XL as a group (18 in total)	1,940,329

(1) The ordinary shares beneficially owned by (i) each of our current directors, (ii) each of our

named executive officers and (iii) all of our current directors and executive officers as a group included in the table above represent, respectively, less than 1% of the XL-Cayman Class A ordinary shares deemed to have been outstanding as of March 5, 2010. For our directors, the number of ordinary shares beneficially owned includes ordinary shares, deferred share units and retainer share units credited to the accounts of the directors pursuant to their election to defer their annual retainer fees.

(2) Includes 37,500 ordinary

shares issuable upon exercise of options that were vested and exercisable. Also includes 12,297 retainer share units, deferred share units, deferred restricted stock, and accrued dividends issuable upon retirement from the Board of Directors.

(3) Includes 146,667 ordinary shares issuable upon exercise of options that were vested and exercisable and 16,667 ordinary shares issuable upon the exercise of options which vest within 60 days. Also includes 11,000 restricted

ordinary shares which had not vested.

(4) Includes 40,000 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 4,213 retainer share units, deferred share units, deferred restricted stock, and accrued dividends issuable upon retirement from the Board of Directors.

(5) Includes 22,500 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 3,419 retainer share units and

accrued
dividends
issuable
upon
retirement
from the
Board of
Directors.

(6) Includes 15,000 ordinary shares issuable upon exercise of options that were vested and exercisable.

(7) Includes 22,500 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 6,544 retainer share units, deferred share units, deferred restricted stock, and accrued dividends issuable upon retirement from the Board of Directors.

(8) Includes 187,499 ordinary shares issuable upon exercise of options that

were vested and exercisable and 41,667 ordinary shares issuable upon the exercise of options which vest within 60 days. Also includes 24,000 restricted ordinary shares which had not vested.

(9) Includes 25,000 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 7,900 retainer share units, deferred share units, deferred restricted stock, and accrued dividends issuable upon retirement from the Board of Directors.

(10) Includes 110,000 ordinary shares issuable upon exercise of options that were vested and exercisable.

(11) Includes 5,000 ordinary shares issuable upon exercise of options that were vested and exercisable.

(12) Includes 155,917 ordinary shares issuable upon exercise of options that were vested and exercisable and 28,333 ordinary shares issuable upon the exercise of options which vest within 60 days. Also includes 17,624 restricted ordinary shares which had

not vested.

(13) Includes 37,500 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 13,470 retainer share units, deferred share units, deferred restricted stock, and accrued dividends issuable upon retirement from the Board of Directors.

(14) Includes 215,387 ordinary shares issuable upon exercise of options that were vested and exercisable and 25,833 ordinary shares issuable upon the exercise of options which vest

within 60 days. Also includes 18,500 restricted ordinary shares which had not vested.

(15) Includes 17,500 ordinary shares issuable upon exercise of options that were vested and exercisable. Also includes 2,164 retainer share units and accrued dividends issuable upon retirement from the Board of Directors.

BENEFICIAL OWNERSHIP OF MORE THAN FIVE PERCENT OF ANY CLASS OF VOTING SECURITIES

As of March 5, 2010, the only persons known by us to be beneficial owners of more than five percent of XL-Cayman ordinary shares were as follows:

Name and Address of Beneficial Owner	XL-Cayman Class A ordinary shares (1) shares beneficially owned	% of shares beneficially owned
Blackrock, Inc. 40 East 52nd Street New York, NY 10022	29,764,224	8.7 %(2)
AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA, and AXA Financial, Inc. 26, rue Drouot, 75009 Paris, France 25, avenue Matignon, 75008 Paris, France 1290 Avenue of the Americas, New York, NY 10104	26,584,341	7.8 %(3)
FMR LLC 82 Devonshire Street Boston, MA 02109	25,446,052	7.4 %(4)
Ameriprise Financial, Inc. and RiverSource Investments LLC 145 Ameriprise Financial Center Minneapolis, MN 55474	22,745,897	6.6 %(5)

(1) Each share has one vote at each of the ordinary shareholder special meetings, except that (for purposes of the extraordinary general meeting but not the special

scheme meeting) if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Cayman Controlled Shares of such person shall be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman s articles of association. XL-Ireland s articles of association will establish the same approximately 10% limit.

(2) Represents 29,764,224 ordinary shares with sole voting power and

29,764,224 ordinary shares with sole dispositive power. Beneficial ownership details are based upon information contained in filings with the SEC.

(3) Represents 20,775,190 ordinary shares with sole voting power and 26,584,341 ordinary shares with sole dispositive power. Beneficial ownership details are based upon information contained in filings with the SEC.

(4) Represents 202,433 ordinary shares with sole voting power and 25,446,052 ordinary shares with sole dispositive power. Beneficial ownership details are

based upon information contained in filings with the SEC.

(5) Represents 534,620 ordinary shares with shared voting power and 22,745,897 ordinary shares with shared dispositive power. Beneficial ownership details are based upon information contained in filings with the SEC.

MARKET PRICE AND DIVIDEND INFORMATION

Information regarding the principal market for our ordinary shares and related shareholder matters is as follows:

Our ordinary shares are traded on the NYSE under the symbol XL . As of March 5, 2010, the approximate number of registered holders of our ordinary shares was 343. Historical financial information may not be indicative of XL-Ireland s future performance. We have included no data for XL-Ireland because this entity was not in existence during any of the periods shown below. The high and low sales price per XL-Cayman ordinary share and the dividends declared per XL-Cayman ordinary share for the following periods were as follows:

2008	**High**	**Low**	**Dividends**
First quarter	$ 46.6105	$ 25.0138	$ 0.38
Second quarter	34.5485	18.5495	0.38
Third quarter	21.5331	12.4421	0.19
Fourth quarter	16.5341	2.5276	0.19
2009			
First quarter	$ 6.3142	$ 2.4418	$ 0.10
Second quarter	12.3082	5.0984	0.10
Third quarter	18.0896	10.7067	0.10
Fourth quarter	19.0250	15.6929	0.10
2010			
First quarter (through March 8)	$ 19.4800	$ 15.9100	$ 0.10

On January 11, 2010, the last trading day before the public announcement of the Transaction, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was $18.28 per share. On March 8, 2010, the most recent practicable date before the date of this proxy statement, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was $19.35 per share.

Future dividends, if any, on the XL-Cayman ordinary shares and/or the XL-Ireland ordinary shares will be at the discretion of the respective Boards of Directors and will depend on, among other things, our results of operations, cash requirements and surplus, financial condition, contractual restrictions and other factors that the Boards of Directors may deem relevant, as well as our ability to continue to pay dividends in compliance with Cayman Islands or Irish law, as applicable. Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts and applicable accounting standards to enable it to pay dividends. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves because it will be a newly formed holding company with no distributable reserves unless and until it generates earnings after the Effective Time. As discussed under Proposal Number Two: The Distributable Reserves Proposal above, if the ordinary shareholders of XL-Cayman approve the Distributable Reserves Proposal and the Ordinary Share Exchange is consummated, we will seek to obtain (as soon as practicable following the Effective Time) the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland s share premium account, so that we are able to continue dividend payments in accordance with our current practice (when, as and if declared by the XL-Ireland Board of Directors).

The Cayman Companies Law regulates the payment of dividends by XL-Cayman. XL-Cayman may not declare or pay a dividend if, after the payment, it would not be able to pay its debts as they become due in the ordinary course of business.

We intend to file an application with the NYSE to list the XL-Ireland ordinary shares that holders of XL-Cayman ordinary shares will receive in the Transaction. Immediately following the Effective Time, the XL-Ireland ordinary shares will be listed on the NYSE under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed. XL-Ireland ordinary shares are also expected to be listed on the Bermuda Stock Exchange following the Effective Time under the symbol XL , the same symbol under which the XL-Cayman ordinary shares are currently listed. We do not currently intend to list the XL-Ireland ordinary shares on the Irish Stock Exchange or any other stock exchange.

Please see Risk Factors, Description of XL Group plc Share Capital Dividends, Proposal Number One: The Scheme of Arrangement Proposal Amendment, Termination or Delay and Proposal Number Two: The Distributable Reserves Proposal. Please also see Material Tax Considerations Related to the Transaction.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of XL-Cayman and its subsidiaries as of December 31, 2009 and December 31, 2008, and for each of the three years in the period ended December 31, 2009, incorporated by reference in this proxy statement from XL-Cayman s Annual Report on Form 10-K for the year ended December 31, 2009, and the effectiveness of XL-Cayman s internal control over financial reporting as of December 31, 2009, have been audited by PricewaterhouseCoopers LLP, New York, New York, an independent registered public accounting firm, as stated in their report incorporated herein by reference.

LEGAL MATTERS

Baker & McKenzie LLP will pass upon certain U.S. federal income tax consequences of the Transaction. Matheson Ormsby Prentice, Solicitors will pass upon certain Irish tax consequences of the Transaction. Cleary Gottlieb Steen & Hamilton LLP has advised us as to certain matters, including certain matters under the U.S. securities laws.

SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS

Shareholder proposals intended for inclusion in the proxy statement for the annual general meeting of our ordinary shareholders for 2011 (the **2011 Annual General Meeting**) should be submitted in accordance with the procedures prescribed by Rule 14a-8 promulgated under the Exchange Act and sent to the Secretary at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda. Such proposals must be received by November 9, 2010.

Pursuant to our articles of association, any ordinary shareholder entitled to attend and vote at an annual general meeting may nominate persons for election as directors if written notice of such ordinary shareholder s intent to nominate such persons is received by the Secretary at XL House, One Bermudiana Road, Hamilton, HM 08, Bermuda during the period provided in the our articles of association. If the Director Nomination Procedures Proposal is approved by the requisite vote of our ordinary shareholders at the extraordinary general meeting (or at any adjournment thereof), written notice of an ordinary shareholder s intent to make a director nomination at the 2011 Annual General Meeting must be received by the Secretary no earlier than December 31, 2010 and no later than January 30, 2011 (with certain exceptions if the 2011 Annual General Meeting is held more than 30 days before or after the one-year anniversary of the date of the AGM). If the Director Nomination Procedures Proposal is not approved by the requisite vote of our ordinary shareholders, written notice of an ordinary shareholder s intent to make a director nomination at the 2011 Annual General Meeting must be received not less than five days or more than 21 days before the date appointed for such meeting. Such notice must include any information required by our articles of association at the time of submission. The nomination of any person not made in compliance with the foregoing procedures shall be disregarded.

If the Ordinary Share Exchange is approved and consummated, the above requirements and deadlines will apply to the 2011 annual general meeting of XL-Ireland s ordinary shareholders. If the Ordinary Share Exchange is not approved and consummated, the above requirements and deadlines will apply to the 2011 annual general meeting of XL-Cayman s ordinary shareholders.

COMMUNICATING WITH THE BOARD OF DIRECTORS

The Board welcomes your questions and comments. If you would like to communicate directly with the Board, our non-management directors as a group or Mr. Robert R. Glauber, our non-executive chairman, then you may submit your communication to our Secretary at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda specifying the intended recipient(s). Communications and concerns will be forwarded to the Board, our non-management directors as a group or our non-executive chairman, as appropriate.

HOUSEHOLDING OF SHAREHOLDER DOCUMENTS

We may send a single set of ordinary shareholder documents to any household at which two or more ordinary shareholders reside. This process is called householding. This reduces the volume of duplicate information received at your household and helps us to reduce our costs. Your materials may be househeld based on your prior express or implied consent. A number of brokerage firms with account holders who are XL-Cayman ordinary shareholders have instituted householding. Once an ordinary shareholder has received notice from his or her broker that the broker will be householding communications to the shareholder s address, householding will continue until the ordinary shareholder is notified otherwise or until the ordinary shareholder revokes his or her consent. If your materials have been househeld and you wish to receive separate copies of these documents, or if you are receiving duplicate copies of these documents and wish to have the information househeld, you may notify your broker or write or call XL s Investor Relations department at:

Investor Relations
XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 08, Bermuda
Telephone: +1 (441) 292-8515
Fax: +1 (441) 292-5280
Email: investorinfo@xlgroup.com

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may read and copy materials that we have filed with the SEC, at the following location:

Public Reference Room
100 F Street, N.E.
Washington, D.C. 20549

You may obtain information on the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding issuers, including XL Capital Ltd, who file electronically with the SEC. The address of that site is http://www.sec.gov. Reports, proxy statements and other information concerning XL Capital Ltd may also be inspected at the offices of the New York Stock Exchange, Inc., which are located at 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information filed with it, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this proxy statement, and information we file later with the SEC (but prior to the date of the ordinary shareholder special meetings) will automatically update and supersede this information. We incorporate by reference the documents listed below, which we have previously filed with the SEC and are considered a part of this proxy statement, and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the date of the ordinary shareholder special meetings (excluding any information furnished but not filed). These filings contain important information about XL Capital:

- XL Capital Ltd s Annual Report on Form 10-K for the fiscal year ended December 31, 2009;
- XL Capital Ltd s Current Report on Form 8-K, filed on January 12, 2010; and
- The description of the XL Capital Ltd ordinary shares contained in the Registration Statement on Form S-3, dated November 28, 2008, filed with the SEC under Section 12(b) of the Exchange Act.

These documents are available to any person, including any beneficial owner, upon request directed to our Investor Relations department by contacting us at:

Investor Relations
XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 08, Bermuda
Telephone: +1 (441) 292-8515

Fax: +1 (441) 292-5280
Email: investorinfo@xlgroup.com

To ensure timely delivery of these documents, any request should be made by April 16, 2010. The exhibits to these documents will generally not be made available unless such exhibits are specifically incorporated by reference in this proxy statement.

In addition, we make available free of charge these documents and our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with the SEC on the Investor Relations section of XL s website (http://investor.xlcapital.com). We do not intend for information contained on our website to be part of this proxy statement unless specifically incorporated herein.

We have not authorized anyone to give any information or make any representation about the Transaction or the other proposals contained herein or about us that differs from or adds to the information in this proxy statement or in the documents incorporated by reference herein. Therefore, you should not rely upon any information that differs from or is in addition to the information contained in this proxy statement or in the documents incorporated by reference herein.

The information contained in this proxy statement speaks only as of the date on the cover, unless the information specifically indicates that another date applies.

Annex A

SCHEME OF ARRANGEMENT

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 66 OF 2010

IN THE MATTER OF XL CAPITAL LTD

and

IN THE MATTER OF SECTION 86 OF
THE COMPANIES LAW (2009 REVISION) OF THE CAYMAN ISLANDS

SCHEME OF ARRANGEMENT

between

XL CAPITAL LTD

and

XL GROUP plc

and

THE ORDINARY SHAREHOLDERS (as defined herein)

and

THE SERIES C PREFERENCE SHAREHOLDERS (as defined herein)

and

THE SERIES E PREFERENCE SHAREHOLDERS (as defined herein)

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the meanings respectively set opposite them:

Allowed Proceeding	Any Proceeding by a Scheme Shareholder to enforce its rights under this Scheme where any party fails to perform its obligations under this Scheme;
Business Day	Any day other than (1) a day on which banks are required or permitted by law to be closed in New York City, New York, USA, the Cayman Islands, Hamilton, Bermuda or Dublin, Ireland or (2) a day on which the NYSE is closed for trading;
Cayman Court	The Grand Court of the Cayman Islands and any court capable of hearing appeals therefrom;
Code	The U.S. Internal Revenue Code of 1986, as amended;
Companies Law	The Companies Law (2009 Revision) of the Cayman Islands, and its predecessors, as consolidated and revised from time to time;
Company	XL Capital Ltd, an exempted company incorporated in the Cayman Islands with limited liability, the Ordinary Shares of which are currently listed on the NYSE;
Effective Time	The time at which Part I of this Scheme becomes effective in accordance with Clause 12 of this Scheme;
Latest Practicable Date	February 18, 2010, being the latest practicable date for the purposes of ascertaining certain information contained herein;
NYSE	The New York Stock Exchange, Inc.;
Ordinary Share Exchange	The transaction to be effected by Part I of this Scheme;
	The registered holders of the Ordinary Shares, as recorded on the Register;

Ordinary Shareholders	
Ordinary Shares	Class A ordinary shares issued by the Company with a par value of US$0.01 per share;
Parties	The Company, XL Group plc and the Ordinary Shareholders, and, in the event Part II of this Scheme takes effect, such term also includes the Series C Preference Shareholders and the Series E Preference Shareholders;
Preference Share Exchange	The transaction to be effected by Part II of this Scheme;
Preference Shares	The Series C Preference Shares and the Series E Preference Shares;
Prohibited Proceeding	Any Proceeding against the Company or XL Group plc or their property, or any of their directors,

	officers, employees or agents, in any jurisdiction whatsoever other than an Allowed Proceeding;
Proxy Statement	The proxy statement issued to the Ordinary Shareholders in connection with this Scheme by Order of the Cayman Court on March 3, 2010;
Proceeding	Any process, suit, action, legal or other proceeding, including without limitation any arbitration, mediation, alternative dispute resolution, judicial review, adjudication, demand, execution, restraint, forfeiture, re-entry, seizure, lien, enforcement of judgment, enforcement of any security or enforcement of any letters of credit;
Register	The register of members of the Company;
Scheme	This scheme of arrangement in its present form or with or subject to any modifications, additions or conditions which the Cayman Court may approve or impose;
Scheme Meetings	The class meetings of the Ordinary Shareholders, the Series C Preference Shareholders and the Series E Preference Shareholders convened by the Cayman Court for the purposes of considering, and if seen fit, approving this Scheme;
Scheme Shares	The Ordinary Shares, and, in the event that Part II of this Scheme takes effect, such term also includes the Series C Preference Shares and the Series E Preference Shares;
Scheme Shareholders	The Ordinary Shareholders, and, in the event Part II of this Scheme takes effect, such term also includes the Series C Preference Shareholders and the Series E Preference Shareholders;
Series C Preference Shareholders	The registered holders of Series C Preference Shares, as recorded on the Register;
Series C Preference Shares	Series C preference ordinary shares issued by the Company with a par value of US$0.01 per share;
Series E Preference Shareholders	The registered holders of Series E Preference Shares, as recorded on the Register;
Series E Preference Shares	Series E preference ordinary shares issued by the Company with a par value of US$0.01 per share;
Transaction	The Ordinary Share Exchange, and in the event that Part II of this Scheme takes effect, (i) the Preference Share Exchange and (ii) the entity classification election to treat the Company as a disregarded entity for U.S. federal tax purposes shortly after the Ordinary Share Exchange and the Preference Share Exchange are effected.

XL Capital Group	The Company and its direct and indirect subsidiaries prior to the Effective Time;

XL Group plc Ordinary Shares	Ordinary shares issued by XL Group plc, with a par value of US$0.01 per share, having the rights attaching to them as set out in the Memorandum of Association and Articles of Association of XL Group plc;
XL Group plc Series C Preference Shares	Series C preference shares issued by XL Group plc, with a nominal par value of US$0.01 per share, having the rights attaching to them as set out in the terms of their issue;
XL Group plc Series E Preference Shares	Series E preference shares issued by XL Group plc, with a nominal par value of US$0.01 per share, having the rights attaching to them as set out in the terms of their issue; and
XL Group plc	XL Group plc, an Irish public limited company

(A) The Company was incorporated as an exempted company named EXEL Merger Company on March 16, 1998 in the Cayman Islands under the Companies Law. The authorised share capital of the Company as at the Latest Practicable Date was US$9,999,900 divided into (i) 999,990,000 Ordinary Shares of par value US$0.01, of which 342,895,728 Ordinary Shares were issued and fully paid as at the Latest Practicable

Date; (ii) 20,000,000 Class C Preference Shares of par value US$0.01, of which 2,876,000 Class C Preference Shares were issued and fully paid as at the Latest Practicable Date; and (iii) 1,000,000 Class E Preference Shares of par value US$0.01, of which 1,000,000 Class E Preference Shares were issued and fully paid as at the Latest Practicable Date.

(B) The Company proposes to relocate the ultimate parent holding company of the XL Capital Group from the Cayman Islands to Ireland by way of this Scheme, such that, upon the Effective Time, all the Ordinary

Shares of XL Capital Ltd (and if the Preference Share Exchange becomes effective, all the Preference Shares of XL Capital Ltd) shall be owned by XL Group plc.

(C) The Parties intend for the Transaction to qualify as (i) a reorganization under Section 368(a)(1)(F) of the Code if both the Ordinary Share Exchange and Preference Share Exchange are effected, or (ii) an exchange under Section 351 of the Code if only the Ordinary Share Exchange is effected.

(D) The Parties further intend for this Scheme to constitute a plan of reorganization within the meaning of Section 368 of the Code.

(E) The Parties further intend for the Company to become a tax resident of Ireland in connection with the Transaction.

(F) Pursuant to the terms of the special resolution passed at the class meeting of the Series C Preference Shareholders on April 30, 2010, the full amount of the dividend that would otherwise be payable on the Series C Preference Shares on July 15, 2010 will be paid by the Company (as and if declared by the board of the Company) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange set forth in Clause 13 below have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange and the receipt of tax opinions (both of which will occur on the effective date of this Scheme) the Business Day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the board of the Company).

(G) XL Group plc has undertaken to the Cayman Court to be bound by this Scheme and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

SCHEME OF ARRANGEMENT

PART I

ORDINARY SHARE EXCHANGE

1. At the Effective Time, all issued and outstanding Ordinary Shares shall be transferred to XL Group plc and such Ordinary Shares shall be credited as fully paid and recorded in the Register in the name of XL Group plc.

2. In consideration of the transfer of the Ordinary Shares pursuant to Clause 1 of this Scheme, at the Effective Time:

(a) XL Group plc will issue to each Ordinary Shareholder one XL Group plc

Ordinary Share for each whole Ordinary Share held by such Ordinary Shareholder immediately prior to the Effective Time and that is transferred pursuant to Clause 1 of this Scheme; and

(b) if an Ordinary Shareholder holds a fraction of an Ordinary Share immediately prior to the Effective Time that is transferred pursuant to Clause 1 of this Scheme (after taking into account all Ordinary Shares held by such Ordinary Shareholder immediately prior to the Effective Time), XL Group plc will pay to such Ordinary Shareholder an amount in cash (rounded to the nearest cent) determined by multiplying (i) the average of the high and low trading prices of the Ordinary Shares on the NYSE on the Business Day immediately preceding the Effective Time and (ii) such fraction of an Ordinary Share held by such Ordinary Shareholder immediately prior to the Effective Time.

3. As from the Effective Time, the Ordinary Shareholders prior to the Effective Time shall in accordance with this Scheme cease to have any rights with respect to the Ordinary Shares, except the right to

receive the consideration set out in Clause 2 of this Scheme.

4. As from the Effective Time, each instrument of transfer and certificate existing at the Effective Time in respect of a holding of any number of Ordinary Shares shall cease to be valid for any purpose as an instrument of transfer or a certificate for such Ordinary Shares.

PART II

PREFERENCE SHARE EXCHANGE

5. At the Effective Time, all issued and outstanding Series C Preference Shares shall be transferred to XL Group plc and such Series C Preference Shares shall be credited as fully paid and recorded in the Register

in the name of XL Group plc.

6. In consideration of the transfer of the Series C Preference Shares pursuant to Clause 5 of this Scheme, at the Effective Time, XL Group plc will issue to each Series C Preference Shareholder one XL Group plc Series C Preference Share for each Series C Preference Share held by such Series C Preference Shareholder immediately prior to the Effective Time and that is transferred pursuant to Clause 5 of this Scheme.

7. As from the Effective Time, the Series C Preference Shareholders prior to the Effective Time shall in accordance

with this Scheme cease to have any rights with respect to the Series C Preference Shares, except the right to receive the consideration set out in Clause 6 of this Scheme.

8. At the Effective Time, all issued and outstanding Series E Preference Shares shall be transferred to XL Group plc and such Series E Preference Shares shall be credited as fully paid and recorded in the Register in the name of XL Group plc.

9. In consideration of the transfer of the Series E Preference Shares pursuant to Clause 8 of this Scheme, at the Effective Time, XL Group plc will issue to each Series E Preference Shareholder one XL Group plc Series E Preference Share for each Series E Preference Share held by such Series E Preference Shareholder

immediately prior to the Effective Time and that is transferred pursuant to Clause 8 of this Scheme.

10. As from the Effective Time, the Series E Preference Shareholders prior to the Effective Time shall in accordance with this Scheme cease to have any rights with respect to the Series E Preference Shares, except the right to receive the consideration set out in Clause 9 of this Scheme.

11. As from the Effective Time, each instrument of transfer and certificate existing at the Effective Time in respect of a holding of any number of Preference Shares shall cease to be valid for any

purpose as an instrument of transfer or a certificate for such Preference Shares.

PART III

GENERAL

12. Part I of this Scheme shall become effective at 1:01 a.m., Bermuda time, on July 1, 2010 or such earlier or later date and time as the board of the Company (or any duly authorized committee of the board of the Company) shall at any time resolve, provided that at or by that time all of the following conditions are satisfied or, to the

extent permitted by law, waived by the Company and XL Group plc:

(a) this Scheme is approved by the affirmative vote of a majority in number of registered Ordinary Shareholders present and voting, in person or by proxy, on the proposal to approve this Scheme at the Scheme Meeting of the Ordinary Shareholders, representing 75% or more in value of the Ordinary Shares present and voting, in person or by proxy, on the proposal to approve this Scheme;

(b) the requisite court order sanctioning this Scheme, insofar as it relates to the Ordinary Share Exchange, is obtained from the Cayman Court;

(c) there is no threatened or pending

litigation relating to, or effective decree, order, injunction or other legal restraint prohibiting the consummation of, the Ordinary Share Exchange;

(d) all consents and governmental authorizations that are necessary, desirable or appropriate in connection with the Ordinary Share Exchange are obtained on terms acceptable to the Company (as it should think fit in its absolute discretion) and are in full force and effect;

(e) the Company receives an opinion from Baker & McKenzie LLP, in form and substance reasonably satisfactory to it, confirming, as of the effective date of this Scheme, the matters discussed under Material Tax Considerations Relating to the Transaction U.S. Federal Income Tax

Considerations in the Proxy Statement;

(f) the Company receives an opinion from Matheson Ormsby Prentice, Solicitors, in form and substance reasonably satisfactory to it, confirming, as of the effective date of this Scheme, the matters discussed under Material Tax Considerations Relating to the Transaction Irish Tax Considerations in the Proxy Statement; and

(g) the XL Group plc Ordinary Shares to be issued pursuant to the Ordinary Share Exchange are authorized for listing on the NYSE, subject to official notice of issuance.

13. Part II of this Scheme shall become effective (if at all) on the date upon which Part I of this Scheme takes effect, provided that at or by that time all of the following conditions are satisfied or, to the extent permitted by law, waived by the Company and XL Group plc:

(a) all of the conditions set out in Clause 12 above with respect to completion of the Ordinary Share Exchange are satisfied or, if allowed by relevant law, waived, and the Ordinary Share Exchange is concurrently consummated;

(b) this Scheme is approved by the affirmative vote of a majority in number of the registered Series C Preference Shareholders present and voting, in person or by proxy, on the resolution to approve this Scheme at the Scheme Meeting of the Series C Preference Shareholders, voting as a class, representing 75% or more in value of the Series C Preference Shares present and voting, in person or by proxy, on the resolution to approve this Scheme;

(c) this Scheme is approved by the affirmative vote of a majority in number of the registered Series E Preference Shareholders present and voting, in person or by proxy, on the resolution to approve this Scheme at the Scheme Meeting of the Series E Preference Shareholders, voting as a class, representing 75% or more in value of the Series E Preference Shares present and voting, in person or by proxy, on the resolution to approve this Scheme;

(d) the proposal to vary the terms of the Series C preference shares with respect to payment of the dividend that would otherwise be payable on July 15, 2010 is approved by a special resolution of the Series C Preference Shareholders passed by Series C Preference Shareholders representing at least 2/3 of all Series C Preference

Shares present and voting, in person or by proxy, on such proposal, as a class, at a general meeting of the Series C Preference Shareholders at which holders of at least 2/3 of all Series C Preference Shares are present, either in person or by proxy;

(e) the requisite court order sanctioning this Scheme, insofar as it relates to the Ordinary Share Exchange, is obtained from the Cayman Court;

(f) there is no threatened or pending litigation relating to, or effective decree, order, injunction or other legal restraint prohibiting the consummation of, the Preference Share Exchange;

(g) all consents and

governmental authorizations that are necessary, desirable or appropriate in connection with the Preference Share Exchange are obtained on terms acceptable to the Company (as it should think fit in its absolute discretion) and are in full force and effect; and

(h) the Company receives opinions from Baker & McKenzie LLP and Matheson Ormsby Prentice, Solicitors, in form and substance reasonably satisfactory to it, confirming, as of the effective date of this Scheme, certain tax matters relating to the Preference Share Exchange.

14. For the avoidance of doubt:

(a)

Part I of this Scheme may become effective whether or not Part II of this Scheme becomes effective, but Part II of this Scheme shall not become effective unless and until Part I of this Scheme becomes effective; and

(b) Clauses 5 through 7 of this Scheme shall not become effective unless Clauses 8 through 10 of this Scheme shall become effective at the same time and Clauses 8 through 10 of this Scheme shall not become effective unless Clauses 5 through 7 of this Scheme shall become effective at the same time.

15. All mandates or other instructions to the Company in force at the Effective Time relating to any of the Scheme Shares (including, without limitation, elections for the payment of dividends by way of scrip (if any)) shall, mutatis mutandis immediately after the Effective Time, be

deemed to be valid as effective mandates or instructions in respect of the XL Group plc Ordinary Shares, the XL Group plc Series C Preference Shares or the XL Group plc Series E Preference Shares, as the case may be, received in connection with the transfer of such Scheme Shares; provided, however, that nothing in this Scheme shall in any way affect the right (if any) of a shareholder of the Company to receive any dividend declared by the Company prior to the Effective Time but which has not been paid prior to the Effective Time.

16. Subject to any applicable laws, this Scheme may be amended, modified or supplemented at any time before or after its

approval by the shareholders of the Company at the Scheme Meetings. At the Cayman Court hearing to sanction this Scheme, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to this Scheme but will not impose any material changes without the joint consent of the Company and XL Group plc. Subject to any applicable laws, the Company may consent to any condition, modification or amendment of this Scheme on behalf of the Scheme Shareholders which the Company may think fit to approve or impose. After its approval, no amendment, modification or supplement may be made or effected that legally requires further approval by shareholders or any class of shareholders of the Company without obtaining that approval.

17. The Company may terminate or abandon this Scheme at any time prior to the Effective Time without obtaining the approval of the Scheme Shareholders, even though this Scheme may have been approved at the Scheme Meetings and sanctioned by the Cayman Court and all other conditions may have been satisfied.

18. None of the Scheme Shareholders shall commence a Prohibited Proceeding in respect of or arising from this Scheme after the Effective Time. A Scheme Shareholder may commence an Allowed Proceeding against the Company or XL Group plc after the Effective

Time provided that it has first given the Company and XL Group plc five Business Days prior notice in writing of its intention to do so.

19. Any cash payment to be made to a Scheme Shareholder pursuant to Clause 2(b) above shall be made by posting a check to that Scheme Shareholder at its address (as it appears on the Register immediately prior to the Effective Time) not later than 30 Business Days after the Effective Time (or as shall otherwise be agreed to between XL Group plc and the Scheme Shareholder).

20. Any notice or other written communication to be given under or in relation to this Scheme (other than pursuant to Clause 25

below) shall be given in writing and shall be deemed to have been duly given if it is delivered by hand or sent by post to:

(a) in the case of the Company, XL Capital Ltd, XL House, One Bermudiana Road, Hamilton HM 08, Bermuda;

(b) in the case of XL Group plc, No. 1 Upper Hatch Street, 4th Floor, Dublin 2, Ireland;

(c) in the case of any Scheme Shareholder, its address as it appeared on the Register immediately prior to the Effective Time; and

(d) in the case of any other person, any address set forth for that person in any agreement entered into in connection with this Scheme or the last known address according to the records of the Company, or by fax to its last known fax number according to the records of the Company.

21. In proving service, it shall be sufficient proof, in the case of a notice sent by post, that the envelope was properly stamped, addressed and placed in the post.

22. Without limiting the manner in which notice or other written communication may be given or deemed given pursuant to any other clause of this Scheme, any notice or other written communication to be given under this Scheme shall be deemed to have been served as provided in

Articles 103 to 106 of the Company s Articles of Association.

23. The accidental omission to send any notice, written communication or other document in accordance with Clauses 20 or 21 above, or the non-receipt of any such notice by a Scheme Shareholder, shall not affect the provisions of this Scheme.

24. The Company shall not be responsible for any loss or delay in the transmission of any notices, other documents or checks posted by or to a Scheme Shareholder, which shall be posted at the risk of such Scheme Shareholder.

25. XL Group plc shall give notification of this Scheme having become effective (which notice will also specify whether or not Part II of this Scheme has become effective). The Company shall give notification

if it decides to terminate or abandon the Scheme pursuant to Clause 17 above. This notification, and any other notice or other written communication that is required to be given to all or substantially all of the Scheme Shareholders, may (but is not required to) be made by issuing a press release.

26. The operative terms of this Scheme shall be governed by, and construed in accordance with, the laws of the Cayman Islands and the Scheme Shareholders hereby agree that the courts of the Cayman Islands shall have exclusive jurisdiction to hear and determine any Proceeding and to settle any dispute which arises out of or is connected with the terms of this Scheme or their implementation or out of any

action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme and, for such purposes, the Parties irrevocably submit to the jurisdiction of the courts of the Cayman Islands.

27. If any provision (or any part of any provision) of this Scheme is found by the Cayman Court to be illegal or unenforceable, it shall be severed from this Scheme and the remaining provisions of this Scheme shall continue in force.

28. Notwithstanding any other clause of this Scheme, unless this Scheme has become effective on or before December 31, 2010 (or such later date, if any, as the Cayman Court may allow), this Scheme shall lapse and be of no further

effect.

Dated [*], 2010

Annex B

Companies Acts 1963 to 2009

A PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM AND ARTICLES OF ASSOCIATION

of

XL GROUP PUBLIC LIMITED COMPANY

Incorporated the [ ] day of [ ] 2010

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Cert. No.: [ ]

Companies Acts 1963 to 2009

A PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

-of-

XL GROUP PUBLIC LIMITED COMPANY

1. The name of the Company is XL Group Public Limited Company.

2. The Company is to be a public limited company.

3. The objects for which the Company is established are:

3.1 To carry on the business of an investment and holding company in all of its branches, and to acquire by purchase, lease, concession, grant, licence or otherwise such businesses, options, rights, privileges, lands, buildings, leases, underleases, stocks, shares, debentures, debenture stock, bonds, obligations, reversionary interests, annuities, policies of assurance, certificates of deposit, treasury bills, trade bills, bank acceptances, bills of exchange, fixed rate securities, variable or floating rate securities, and securities of all kinds created, issued or guaranteed by any government, sovereign, ruler, commissioners, body or authority, supreme, state, municipal, local, supranational or otherwise, in any part of the world, or by any corporation, bank, association or partnership, whether with limited or unlimited liability constituted or carrying on business or activities in any part of the world, units of or participation in any unit trust scheme, mutual fund or collective investment scheme in any part of the world, policies of insurance and assurance, domestic and foreign currency and any present or future rights and interests to or in any of the foregoing and other property and rights and interests in property as the Company shall deem fit and generally to hold, manage, develop, lease, sell or dispose of the same; to subscribe for the same either conditionally or otherwise; to enter into underwriting, stocklending and repurchase and similar contracts with respect thereto, to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof and from time to time to sell, exchange, lend, vary or dispose of and grant and dispose of options over any of the foregoing, to acquire, dispose of, invest in and hold by way of investment any derivative instrument relating to any of the foregoing and to deposit money (or place money on current account) with such persons in such currencies and otherwise on such terms as may seem expedient and to do all of the foregoing as principal, agent or broker; and to vary any of the investments of the Company; to establish, carry on, develop and extend investments and holdings and to sell, dispose of or otherwise turn the same to account and to coordinate the policy and administration of any corporations of which the Company is a member or which are in any manner controlled by or connected with the Company.

3.2 To exercise and enforce all rights and powers conferred to or incidental upon the ownership of any shares, stock obligations or other securities acquired by the Company including without prejudice to the generality of the foregoing all such powers of veto or control as may be conferred by virtue of the holding by the Company of such special proportion of the issued or nominal amount thereof and to provide managerial and other executive, supervisory and consultant services for or in relation to any corporation in which the Company is interested upon such terms as may be thought fit.

3.3 To acquire any such shares and other securities as are mentioned in the preceding paragraphs by subscription, syndicate participation, tender, purchase, exchange or otherwise and to subscribe for the same, either conditionally or otherwise, and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof.

3.4 To co-ordinate the administration, policies, management, supervision, control, research, planning, trading and any and all other activities of, and to act as financial advisers and consultants to, any corporation or corporations now or hereafter incorporated or acquired which may be or may become a Group Company of, or an Affiliate of or to any corporation or corporations now or hereafter incorporated or acquired (which are not Group Companies) with which the Company may be or may become associated.

3.5 To provide financing and financial investment, management and advisory services to any Group Company or Affiliate, which shall include granting or providing credit and financial accommodation, lending and making advances with or without interest to any Group Company or Affiliate and lending to or depositing with any bank funds or other assets to provide security (by way of mortgage, charge, pledge, lien or otherwise) for loans or other forms of financing granted to such Group Company or Affiliate by such bank.

3.6 To lease, acquire by purchase or otherwise and hold, sell, dispose of and deal in real property and in personal property of all kinds wheresoever situated.

3.7 To enter into any guarantee, contract of indemnity or suretyship and to assure, support or secure with or without consideration or benefit the performance of any obligations of any person or persons and to guarantee the fidelity of individuals filling or about to fill situations of trust or confidence.

3.8 To acquire or undertake the whole or any part of the business, property and liabilities of any person carrying on any business that the Company is authorized to carry on.

3.9 To apply for, register, purchase, lease, acquire, hold, use, control, license, sell, assign or dispose of patents, patent rights, copyrights, trade marks, formulae, licences, inventions, processes, distinctive marks, technology and know-how and the like conferring any exclusive or non-exclusive or limited right to use or any secret or other information as to any invention or technology which may seem capable of being used, for any of the purposes of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the Company, and to use, exercise, develop or grant licences in respect of or otherwise turn to account the property rights or information so acquired.

3.10 To enter into partnership, merger, consolidation, amalgamation or into any arrangement for sharing of profits, union of interests, co-operation, joint venture, reciprocal concession or otherwise with any person carrying on or engaged in or about to carry on or engage in any business or transaction that the Company is authorized to carry on or engage in or any business or transaction capable of being conducted so as to benefit the Company.

3.11 To take or otherwise acquire and hold securities in any other corporation, including securities of XL Capital Ltd, an exempted company organized under the laws of the Cayman Islands, having objects altogether or in part similar to those of the Company or any Group Company or carrying on any business capable of being conducted so as to benefit the Company or any Group Company.

3.12 To lend money to any employee or to any person having dealings with the Company or any Group Company or with whom the Company or any Group Company proposes to have dealings or to any other corporation (including any Group Company) any of whose shares are held directly or indirectly by the Company or any Group Company.

3.13 To apply for, secure or acquire by grant, legislative enactment, assignment, transfer, purchase or otherwise and to exercise, carry out and enjoy any charter, licence, power, authority, franchise, concession, right or privilege, that any government or authority, corporation or public body may be empowered to grant, and to pay for, aid in and contribute toward carrying it into effect and to assume any liabilities or obligations incidental thereto and to enter into any arrangements with any governments, authorities or public bodies, supreme, municipal, local or otherwise, that may seem conducive to the Company s objects or any of them.

3.14 To perform any duty or duties imposed on the Company by or under any enactment and to exercise any power conferred on the Company by or under any enactment.

3.15 To incorporate or cause to be incorporated any one or more subsidiaries (within the meaning of Section 155 of the Companies Act 1963) of the Company for the purpose of carrying on any business.

3.16 To issue securities of the Company (or contracts, options or warrants to subscribe for, or other rights or interests in, or in respect of, such securities) directly to any employees of the Company or Group Company, in consideration for employment or other services performed by those employees and to establish and support or aid in the establishment and support of associations, institutions, funds or trusts for the benefit of employees, directors or consultants or former employees, directors or consultants of the Company or its predecessors or any Group Companies or Affiliates, or the dependants or connected persons of such employees, directors or consultants or former employees, directors or consultants and grant gratuities, pensions and allowances, including the establishment of share option schemes or employee share schemes, enabling employees, directors or consultants of the Company or other persons aforesaid to become shareholders in the Company, or otherwise to participate in the profits of the Company upon such terms and in such manner as the Company thinks fit, and to make payments towards insurance or for any object similar to those set forth in this paragraph.

3.17 To establish and contribute to any scheme for the purchase by trustees of shares in the Company to be held for the benefit of the Company s employees or the employees of any Group Companies or Affiliates and to lend or otherwise provide money to the trustees of such schemes or the Company s employees or the employees of any Group Companies or Affiliates to enable them to purchase shares of the Company.

3.18 To grant bonuses to any person or persons who are or have been in the employment of the Company or any Group Companies or Affiliates or any person or persons who are or have been directors of, or consultants to, the Company or any of its Group Companies or Affiliates.

3.19 To establish any scheme or otherwise to provide for the purchase by or on behalf of customers of the Company or of any Group Company or Affiliate of shares in the Company.

3.20 To subscribe or guarantee money for charitable, benevolent, educational or religious objects or for any exhibition or for any public, general or useful objects.

3.21 To promote any corporation for the purpose of acquiring or taking over any of the property and liabilities of the Company or any Group Company or Affiliate or for any other purpose that may benefit the Company or any Group Company or Affiliate.

3.22

To purchase, lease, take in exchange, hire or otherwise acquire any personal property and any rights or privileges that the Company considers necessary or convenient for the purposes of its business.

3.23 To construct, maintain, alter, renovate and demolish any buildings or works necessary or convenient for its objects.

3.24 To construct, improve, maintain, work, manage, carry out or control any roads, ways, tramways, branches or sidings, bridges, reservoirs, watercourses, wharves, factories, warehouses, electric works, shops, stores and other works and conveniences that may advance the interests of the Company or any Group Company or Affiliate and contribute to, subsidize or otherwise assist or take part in the construction, improvement, maintenance, working, management, carrying out or control thereof.

3.25 To raise and assist in raising money for, and aid by way of bonus, loan, promise, endorsement, guarantee or otherwise, any person and guarantee the performance or fulfilment of any contracts or obligations of any person, and in particular guarantee the payment of the principal of and interest on the debt obligations of any such person.

3.26 To borrow or raise finance or secure the payment of money (including money in a currency other than the currency of Ireland) in such manner as the Company shall think fit and in particular by the issue of debentures or any other securities (or contracts, options or warrants to subscribe for, or other rights or interests in, or in respect of, such securities), perpetual or otherwise, charged upon all or any of the Company s property, both present and future, including its unissued capital or otherwise and to purchase, redeem or pay off any such securities.

3.27 To enter into, invest or engage in, acquire, hold or dispose of any financial instruments or risk management instruments, whether or not of a type currently in existence, and currency exchange, interest rate or commodity or index linked transactions (whether in connection with or incidental to any other contract, undertaking or business entered into or carried on by the Company or whether as an independent object or activity), including securities in respect of which the return or redemption amount is calculated by reference to any index, price or rate, monetary and financial instruments of all kinds, futures contracts, swaps and hedges (including credit default, interest rate and currency swaps and hedges of any kind whatsoever), options contracts, contracts for differences, commodities (including bullion and other precious metals), forward rate agreements, debentures, debenture stock, warrants, commercial paper, promissory notes, mortgage backed securities, asset backed securities, dealings in foreign currency, spot and forward rate exchange contracts, caps, floors, collars, and any other foreign exchange, interest rate or commodity or index linked arrangements, and such other instruments whether for the purpose of making a profit or avoiding a loss or managing a currency or interest rate exposure or any other purpose and to enter into any contract for and to exercise and enforce all rights and powers conferred by or incidental, directly or indirectly, to such transactions or the termination of any such transactions.

3.28 To carry on the business of financing and re-financing whether asset based or not (including financing and re-financing of financial assets), including managing financial assets with or without security in whatever currency including financing or re-financing by way of loan, acceptance credits, commercial paper, euro medium term bonds, euro bonds, asset-backed securities, securitisation, synthetic securitisation, collateralised debt obligations, bank placements, leasing, hire purchase, credit sale, conditional sale, factoring, forfeiting, invoice discounting, note issue facilities, project financing, bond issuances, participation and syndications, assignment, novation, factoring, discounting, participation, sub-participation, derivative contracts, securities/stock lending contracts, repurchase agreements or other appropriate methods of finance and to discount mortgage receivables, loan receivables and lease rentals for persons wherever situated in any currency whatsoever, and to do all of the foregoing as principal, agent or broker.

3.29 To remunerate any person or corporation for services rendered or to be rendered in placing or assisting to place or guaranteeing the placing of any of the shares of the Company s capital or any debentures, debenture stock or other securities of the Company or of any Group Company or Affiliate or in or about the formation or promotion of the Company, any Group Companies or Affiliate or the conduct of their business.

3.30 To draw, make, accept, endorse, discount, execute and issue bills of exchange, promissory notes, bills of lading, warrants and other negotiable or transferable instruments.

3.31 To sell, lease, exchange or otherwise dispose of the undertaking of the Company or any part thereof as an entirety or substantially as an entirety for such consideration as the Company thinks fit.

3.32 To sell, improve, manage, develop, exchange, lease, dispose of, turn to account or otherwise deal with the property of the Company in the ordinary course of its business.

3.33 To adopt such means of making known the products of the Company or of any Group Company or Affiliate as may seem expedient, and in particular by advertising, by purchase and exhibition of works of art or interest, by publication of books and periodicals and by granting prizes and rewards and making donations.

3.34 To cause the Company to be registered and recognized in any foreign jurisdiction, and designate persons therein according to the laws of that foreign jurisdiction or to represent the Company and to accept service for and on behalf of the Company of any process or suit.

3.35 To allot and issue fully-paid shares of the Company in payment or part payment of any property purchased or otherwise acquired by the Company or for any past services performed for the Company or any Group Company.

3.36 To distribute among the members of the Company in cash, kind, specie or otherwise as may be resolved, by way of dividend, bonus or in any other manner considered advisable, any property of the Company, subject always to the provisions of the Companies Acts 1963 to 2009 and any other applicable law.

3.37 To promote freedom of contract, and to resist, insure against, counteract and discourage interference therewith, to join any lawful federation, union or association or do any other lawful act or thing with a view to preventing or resisting directly or indirectly any interruption of or interference with the Company s or any other trade or business or providing or safeguarding against the same, or resisting or opposing any strike, movement or organisation, which may be thought detrimental to the interests of the Company or any Group Companies or its or their employees and to subscribe to any association or fund for any such purposes.

3.38 To establish agencies and branches.

3.39 To take or hold mortgages, hypothecations, liens and charges to secure payment of the purchase price, or of any unpaid balance of the purchase price, of any part of the property of the Company of whatsoever kind sold by the Company, or for any money due to the Company from purchasers and others and to sell or otherwise dispose of any such mortgage, hypothecation, lien or charge.

3.40 To pay all costs and expenses of or incidental to the incorporation and organization of the Company.

3.41 To invest and deal with the moneys of the Company not immediately required for the other objects of the Company in such manner as may be determined.

3.42 To do any of the things authorized by this memorandum as principals, agents, contractors, trustees or otherwise, and either alone or in conjunction with others.

3.43 To do all such other things as are incidental or conductive to the attainment of the objects and the exercise of the powers of the Company.

3.44 To make voluntary dispositions of all or any part of the property and rights of the Company and to make gifts thereof or gratuitous payments either for no consideration or for a consideration less than the market value of such property or rights or the amount of cash payment or by all or any such methods.

3.45 To receive voluntary dispositions of all or any part of the property and rights of any other corporation and to receive gifts thereof or gratuitous payments either for no consideration or for a consideration less than the market value of such property or rights or the amount of cash payment or by all or any such methods.

3.46 To the extent permitted by law, to give whether directly or indirectly, any kind of financial assistance for the purchase of shares in or debentures of the Company or any corporation which is at any given time the Company s holding company.

3.47 To carry on any other business, except the issuing of policies of insurance, which may seem to the Company capable of being conveniently carried on in connection with the above, or calculated directly or indirectly to enhance the value of or render profitable any of the Company s property or rights.

4. The liability of the members is limited.

5. The share capital of the Company is 40,000 and US$9,999,900 divided into 40,000 Subscriber Shares of 1 each, 500,000,000 Ordinary Shares of US$0.01 each and 499,990,000 Undesignated Shares of US$0.01 each.

6. For the purposes of this memorandum of association, (a) the terms corporation, Group Company and Affiliate have the meanings ascribed to such terms in the articles of association of the Company, (b) the words including and includes shall be deemed to be followed by the words without limitation, and (c) unless a clear contrary intention appears, the word or shall be deemed to be used in the inclusive sense of and/or.

7. The objects specified in each paragraph of clause 3 of this memorandum of association shall, except where otherwise expressed in such paragraph, be in no way limited or restricted by reference to, or inference from, the terms of any other paragraph in that clause.

WE, the several persons whose names, addresses and descriptions are subscribed, wish to be formed into a Company in pursuance of this memorandum of association, and we agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, addresses and descriptions of subscribers	Number of shares taken by each subscriber

Companies Acts 1963 to 2009

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

XL GROUP PUBLIC LIMITED COMPANY

TABLE OF CONTENTS

PRELIMINARY

1. The regulations contained in Table A in the First Schedule to the Companies Act 1963 shall not apply to the Company.

2. In these articles, unless the context otherwise requires:

1963 Act means the Companies Act 1963;

1983 Act means the Companies (Amendment) Act 1983;

1990 Act means the Companies Act 1990;

address includes any number or address used for the purposes of communication by way of electronic mail or other electronic communication;

Affiliate of any person means any other person that directly or indirectly controls, is controlled by, or is under common control with, such person;

Assistant Secretary means any person appointed and so designated by the Secretary or the Board to assist the Secretary (and specific references in these articles to functions that may be performed by an Assistant Secretary do not limit such general role of assisting the Secretary);

Auditor or **Auditors** means the auditor or auditors at any given time of the Company;

beneficial ownership means beneficial ownership as that term is defined in Rule 13d-3 promulgated under the Exchange Act and **beneficial owner** and **beneficially own** and variants thereof, will be interpreted accordingly;

Board means the board of directors at any given time of the Company;

clear days means, for purposes of any period of notice required to be given under these articles, the days between (and in each case excluding) (i) the day when the notice is given or deemed to be given and (ii) the day of the event for which such notice is given or on which such notice is to take effect;

Companies Acts means the Companies Acts 1963 to 2009, and all statutory instruments which are to be read as one with, or construed, or to be read together with such Acts;

Company means the company whose name appears in the heading to these articles;

Controlled Shares in reference to any person means: (i) all shares of the Company directly, indirectly or constructively owned by such person within the meaning of Section 958 of the Internal Revenue Code of 1986 of the United States of America; and (ii) all shares of the Company directly, indirectly or constructively owned by any person or group of persons within the meaning of Section 13(d) (3) of the Exchange Act;

corporation means any body corporate, corporation, company, partnership, limited liability company or other legal entity;

Covered Arrangement means, with respect to any person and as of any date, any agreement, arrangement or understanding (including any swaps or other derivative or short positions, profit interests, options, hedging transactions, and securities lending or borrowing arrangement) to which such person or its Affiliates is, directly or indirectly, a party as of such date (A) with respect to shares of the Company or (B) the effect or intent of which is to mitigate loss to, manage the potential risk or benefit of share price changes (increases or decreases) for, or increase or decrease the voting power of such person or any of its Affiliates with respect to securities of the Company or which may have payments based in whole or in part, directly or indirectly, on the value (or change in value) of any securities of the Company (other than, in each such case, interests in investment companies registered under the Investment Company Act of 1940 of the United States of America);

Director means a director at any given time of the Company;

electronic communication has the meaning given to those words in the Electronic Commerce Act 2000;

electronic signature has the meaning given to those words in the Electronic Commerce Act 2000;

EUR , and **euro** mean the currency of Ireland;

Exchange Act means the Securities Exchange Act of 1934 of the United States of America;

Governmental Entity means any government or subdivision thereof, or governmental, judicial, legislative, tax, administrative or regulatory authority or body, whether of Ireland or elsewhere;

Group Company means the Company, any holding company of the Company and any subsidiary of the Company or of any such holding company;

Ordinary Resolution means a resolution of the Shareholders passed by a simple majority of the votes cast by those present in person or by proxy at a meeting and who are entitled to vote (or, if in writing, signed by all of the Shareholders entitled to attend and vote) at such meeting;

Ordinary Shares means ordinary shares of nominal value US$0.01 per share (or such other nominal value as may result from any reorganisation of capital) in the capital of the Company, having the rights and being subject to the limitations set out in these articles;

Paid Up means paid up or credited as paid up;

person entitled by transmission means a person whose entitlement to a share arises in consequence of the death or bankruptcy of a Shareholder or in any way other than by transfer;

Redeemable Shares means shares in the capital of the Company that are redeemable in accordance with the provisions of these articles or the terms of issue of such class or series of shares;

Register means the register of members of the Company;

Registered Office means the registered office at any given time of the Company;

Seal means the common seal of the Company and includes any duplicate seal, securities seal or seal for use abroad;

Secretary means the secretary of the Company or, if there are joint secretaries, any of the joint secretaries;

Share or **share** means, unless specified otherwise or the context otherwise requires, any share in the capital of the Company;

Shareholder means in relation to any share, the person whose name is entered in the Register as the holder of the share or, where the context permits, the persons whose names are entered in the Register as the joint holders of shares;

Special Resolution means a special resolution of the Shareholders within the meaning of Section 141 of the 1963 Act;

Subscriber Shares means the shares of nominal value 1 per share having the rights and being subject to the limitations set out in these articles;

subsidiary and **holding company** have the meanings given to those words in Section 155 of the 1963 Act, except that references in that Section to a company shall include any corporation or other legal entity, whether incorporated or established in Ireland or elsewhere;

Undesignated Shares means the shares of nominal value US$0.01 per share (or such other nominal value as may result from any reorganisation of capital) in the capital of the Company, having such rights and being subject to such limitations as may be attached to them pursuant to article 6;

US dollars or **US$** means United States dollars, the currency of the United States of America; and

Variation Resolution means a resolution of the Shareholders of any class or series of Shares (1) passed by a two-thirds majority of those present in person or by proxy at a separate meeting of the Shareholders of such class or series of Shares and who are entitled to attend and vote at such meeting or (2) in writing signed by all of the Shareholders of such class or series of Shares.

3. For the purposes of these articles, unless specified otherwise or the context otherwise requires:

(a) a corporation shall be deemed to be present in person at a meeting if its representative, duly authorised pursuant to these articles or the Companies Acts, is present;

(b) words importing only the singular number include the plural number and vice versa, and words importing only one gender include the other gender;

(c) the words including and includes and any similar words shall be deemed to be followed by the words without limitation ;

(d) the word or shall be deemed to be used in the inclusive sense of and/or ;

(e) except as otherwise specified, the words herein and hereof and words of similar import shall be deemed to refer to these articles as a whole rather than to any particular portion of these articles;

(f) references to the terms of issue of Shares shall be deemed to mean the terms of issue of those Shares (including, where applicable, the rights attaching to such Shares as set out in these articles) as they may be varied from time to time in accordance with these articles;

(g) references to a person include any natural person, corporation or other body of persons, whether corporate or not, any trust and any Governmental Entity;

(h) references to writing shall be construed as including references to printing, lithography, photography, electronic mail and any other modes of representing or reproducing words in a visible form;

(i) a reference to anything being done by electronic means includes its being done by means of any electronic or other communications equipment or facilities and references to any communication being delivered or received, or being delivered or received at a particular place, include the transmission of an electronic or similar communication, and to a recipient identified in such manner or by such means, as the Board may from time to time approve or prescribe, either generally or for a particular purpose;

(j) references to a signature or to anything being signed or executed include such forms of electronic signature or other means of verifying the authenticity of an electronic or similar communication as the Board may from time to time approve or prescribe, either generally or for a particular purpose;

(k) references to a dividend include any dividend or distribution, in cash or by the distribution of assets, paid or distributed to Shareholders out of the profits of the Company available for distribution;

(l) any words or expressions defined in the Companies Acts, if not otherwise defined in or given a particular meaning by these articles, have the same meaning in these articles;

(m) any reference to any specific statute, statutory provision, Act, statutory instrument and other legislation is to legislation operative in Ireland unless otherwise specified;

(n) except as otherwise specified herein, (i) any reference to any statute, statutory provision, Act, statutory instrument or other legislation (whether of Ireland or elsewhere) includes a reference to any modification or re-enactment of it as then in force and to every rule, regulation or order made under it (or under any such modification or re-enactment) and then in force, and (ii) any reference to any rule, regulation or order made under any statute, statutory provision, Act, statutory instrument or other legislation includes a reference to any modification or replacement of such rule, regulation or order then in force;

(o) the provisions of these articles shall, insofar as they relate to any right of Shareholders to receive notice of, attend and vote at general meetings (or pass resolutions in writing in lieu of a vote at a general meeting), relate only to holders of Ordinary Shares or any other class or series of shares which, by virtue of these articles or the terms of the issue of such shares, expressly carry the general right to vote at general meetings of the Company and exclude shares which entitle the holders to vote only in limited circumstances or upon the occurrence of a specified event or condition (whether or not those circumstances have arisen or that event or condition has occurred) and any provision of these articles relating to Special Resolutions, Ordinary Resolutions and the respective voting and approval thresholds attaching thereto will be interpreted accordingly.

REGISTERED OFFICE

4. The Registered Office shall be at such place in Ireland as the Board from time to time shall decide.

SHARE CAPITAL AND VARIATION OF RIGHTS

5. (a) Without prejudice to the power of the Board to issue and allot shares pursuant to the following articles, the authorised share capital of the Company at the date of adoption of these articles is 40,000 and US$9,999,900, divided into 40,000 Subscriber Shares of 1 each, 500,000,000 Ordinary Shares of US$0.01 each and 499,990,000 Undesignated Shares of US$0.01 each.

(b) The Ordinary Shares shall entitle the holders thereof to the following rights:

(i) as regards dividends:

after making all necessary provisions, where relevant, for payment of any preference dividend in respect of any preference shares in the Company then in issue, the Company shall apply any profits or reserves which the Board resolves to distribute in paying such profits or reserves to the holders of the Ordinary Shares in respect of their holdings of such shares *pari passu* and pro rata to the number of Ordinary Shares held by each of them;

(ii) as regards capital:

on a return of assets on liquidation, reduction of capital or otherwise, the holders of the Ordinary Shares shall be entitled to be paid the surplus assets of the Company remaining after payment of its liabilities (subject to the rights of the holders of any preference shares in the Company then in issue, having preference rights on a return of capital) in respect of their holdings of Ordinary Shares *pari passu* and pro rata to the number of Ordinary Shares held by each of them;

(iii) as regards voting in general meetings:

subject to the provisions of article 44 and the right of the Company to set record dates for the purpose of determining the identity of Shareholders entitled to notice of or vote at a general meeting, (A) the holders of the Ordinary Shares shall be entitled to receive notice of, and to attend and vote at, general meetings of the Company; and (B) every holder of Ordinary Shares present in person or by proxy shall have one vote for each Ordinary Share held by him;

(iv) as regards redemption:

(A) if an Ordinary Share is not listed on a recognised stock exchange within the meaning of the 1990 Act, it shall be automatically converted into a Redeemable

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Share on, and from the time of, the existence or creation of an agreement, transaction or trade (arrangement) between the Company and any person (who may or may not be a Shareholder) pursuant to which the Company acquires or will acquire Ordinary Shares, or an interest in Ordinary Shares, from the relevant person. In these circumstances, the Ordinary Share concerned shall have the same characteristics as any other Ordinary Share in accordance with these articles save that it shall be redeemable in accordance with the arrangement. The acquisition of such Ordinary Shares in accordance with this clause (iv)(A) by the Company shall constitute the redemption of a Redeemable Share in accordance with Part XI of the 1990 Act;

(B) if an Ordinary Share is listed on a recognised stock exchange within the meaning of the 1990 Act, the provisions of clause (iv)(A) shall apply unless the Board resolves, prior to the existence or creation of any relevant arrangement, that the arrangement concerned is to be treated as an acquisition of shares pursuant to article 7, in which case the arrangement shall be so executed;

(v) as regards certificates:

it shall be a condition of every issuance of Ordinary Shares that, unless the Board resolves otherwise (either generally or in any particular case or cases) holders of Ordinary Shares will not be entitled to receive a share certificate in respect of any Ordinary Shares except upon request and on such other terms as the Board may in its sole discretion determine.

(c) Subject to the Companies Acts, all or any of the rights at any time attached to any class or series of shares at any time in issue may, unless otherwise expressly provided in the terms of issue of the shares of that class or series, from time to time, be varied with the sanction of a Variation Resolution of that class or series.

(d) The special rights conferred upon the holders of any shares or class or series of shares shall not, unless otherwise expressly provided in the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

(e) Notwithstanding any other provision of these articles, the nominal value of the issued share capital of the Company which is not redeemable will in no event be less than one tenth of the nominal value of the total issued share capital of the Company.

(f) The Subscriber Shares shall carry the same rights as the Ordinary Shares, save that, in addition to the provisions of article 5(b)(iv), the Subscriber Shares will be automatically converted to redeemable shares, redeemable at par at the option of the Company immediately on the issue by the Company of any Ordinary Shares, representing not less than 10% in nominal value of the issued share capital of the Company.

SHARES ALLOTMENTS AND ISSUANCES

6. (a) The Company may, in accordance with the provisions of these articles issue any shares

in its capital with such preferred or deferred or other special rights and privileges or such limitations, conditions and restrictions, whether in regard to dividend, voting, return of capital, redemption or otherwise as it may determine. Without prejudice to the generality of the foregoing, the Company may, subject to articles 6(c) and 6(d), issue and redeem redeemable shares and the Board is generally and unconditionally authorized to exercise all powers of the Company to do so.

(b) Subject to the Companies Acts and the expiration dates contained in articles 6(c) and 6(d), the unissued shares of the Company (whether forming part of the original share capital or any increased capital) shall be at the disposal of the

Board, which may offer, allot, grant options, warrants or other rights over or otherwise deal with or dispose of

them to such
persons, at
such times and
for such
consideration
and generally
on such terms
and conditions
as the Board
may from time