

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

COMMISSION FILE NUMBER 1-10804

XL CAPITAL LTD
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CAYMAN ISLANDS
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

98-0191089
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

XL HOUSE, ONE BERMUDIANA ROAD, HAMILTON, BERMUDA HM11
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

(441)292-8515

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of October 25, 2001, there were outstanding 124,666,116 Class A Ordinary Shares, \$0.01 par value per share, of the registrant.

XL CAPITAL LTD

INDEX TO FORM 10-Q

PAGE NO.

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements:	
	Consolidated Balance Sheets as at September 30, 2001 and December 31, 2000 (Unaudited)	3
	Consolidated Statements of Income and Comprehensive Income for the Three Months Ended September 30, 2001 and 2000 (Unaudited) and the Nine Months Ended September 30, 2001 and 2000 (Unaudited)	4
	Consolidated Statements of Shareholders' Equity for the Nine Months Ended September 30, 2001 and 2000 (Unaudited)	5
	Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2001 and 2000 (Unaudited) ...	6
	Notes to Unaudited Consolidated Financial Statements ...	7
Item 2.	Management's Discussion and Analysis of Results of Operations and Financial Condition	18
Item 3.	Quantitative and Qualitative Disclosure about Market Risk	35

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	38
Item 4.	Submission of Matters to a Vote of Shareholders	38
Item 6.	Exhibits and Reports on Form 8-K	38
Signatures		40

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

XL CAPITAL LTD
CONSOLIDATED BALANCE SHEETS
(U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

(UNAUDITED)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
A S S E T S		
Investments:		
Fixed maturities, at fair value (amortized cost: 2001, \$9,481,077; 2000, \$8,714,196)	\$ 9,472,400	\$ 8,605,081
Equity securities, at fair value (cost: 2001, \$548,939; 2000, \$515,440)	440,309	557,460
Short-term investments, at fair value (amortized cost: 2001, \$538,407; 2000, \$347,147)	539,325	339,007
Total investments available for sale	10,452,034	9,501,548
Investments in affiliates	964,173	792,723
Other investments	253,656	177,651
Total investments	11,669,863	10,471,922
Cash and cash equivalents	2,129,512	930,469
Accrued investment income	161,297	143,235
Deferred acquisition costs	380,761	309,268
Prepaid reinsurance premiums	879,549	391,789
Premiums receivable	2,096,168	1,119,723
Reinsurance balances receivable	1,072,499	196,002
Unpaid losses and loss expenses recoverable	4,647,552	1,339,767
Intangible assets (accumulated amortization: 2001, \$179,692; 2000, \$135,476)	1,629,615	1,591,108
Deferred tax asset, net	203,180	152,168
Other assets	795,432	296,501
Total assets	\$25,665,428	\$16,941,952

L I A B I L I T I E S A N D S H A R E H O L D E R S ' E Q U I T Y

Liabilities:		
Unpaid losses and loss expenses	\$11,288,036	\$ 5,672,062
Deposit liabilities and policy benefit reserves ..	1,471,182	1,209,926
Unearned premiums	2,724,416	1,741,393
Notes payable and debt	1,561,207	450,032
Reinsurance balances payable	2,460,379	441,900
Net payable for investments purchased	1,230,957	1,372,476
Other liabilities	100,651	439,433
Minority interest	41,800	41,062
Total liabilities	\$20,878,628	\$11,368,284

Commitments and Contingencies

Shareholders' Equity:

Authorized, 999,990,000 ordinary shares, par value \$0.01		
Issued and outstanding:		
Ordinary shares (2001, 124,513,107; 2000, 125,020,676)	\$ 1,245	\$ 1,250
Contributed surplus	2,520,098	2,497,416
Accumulated other comprehensive loss	(151,060)	(104,712)
Deferred compensation	(26,914)	(17,727)
Retained earnings	2,443,431	3,197,441
Total shareholders' equity	\$ 4,786,800	\$ 5,573,668
Total liabilities and shareholders' equity	\$25,665,428	\$16,941,952

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(U.S. DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	(UNAUDITED) THREE MONTHS ENDED SEPTEMBER 30		(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000	2001	2000
Revenues:				
Net premiums earned	\$ 751,524	\$539,945	\$ 1,934,662	\$1,537,819
Net investment income	142,818	134,624	412,969	399,591
Net realized (losses) gains on investments	(64,635)	1,026	(35,536)	74,808
Equity in net income of affiliates	7,267	18,447	65,169	61,682
Fee income and other	7,990	539	26,552	8,835
Total revenues	844,964	694,581	2,403,816	2,082,735
Expenses:				
Losses and loss expenses	1,403,045	338,000	2,120,200	969,374
Acquisition costs	166,191	130,032	435,265	349,384
Operating expenses	150,077	66,809	311,471	203,883
Interest expense	18,926	7,822	42,238	23,719
Amortization of intangible assets	15,045	13,601	44,216	41,409
Total expenses	1,753,284	556,264	2,953,390	1,587,769
(Loss) income before minority interest and income tax	(908,320)	138,317	(549,574)	494,966
Minority interest in net (loss) income of subsidiary ..	(390)	(199)	127	528
Income tax benefit	(67,898)	(945)	(57,204)	(11,266)
Net (loss) income	\$(840,032)	\$139,461	\$ (492,497)	\$ 505,704
Change in net unrealized depreciation of investments	60,166	74	(49,540)	(138,586)
Foreign currency translation adjustments	36,674	(8,880)	3,192	(19,195)
Comprehensive (loss) income	\$(743,192)	\$130,655	\$ (538,845)	\$ 347,923
Weighted average ordinary shares and ordinary share equivalents outstanding-basic	125,431	124,008	125,358	124,563
Weighted average ordinary shares and ordinary share equivalents outstanding - diluted	125,431	126,286	125,358	125,679
Earnings (loss) per ordinary share and ordinary share equivalent-basic	\$ (6.70)	\$ 1.12	\$ (3.93)	\$ 4.06
Earnings (loss) per ordinary share and ordinary share equivalent - diluted	\$ (6.70)	\$ 1.10	\$ (3.93)	\$ 4.02

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(U.S. DOLLARS IN THOUSANDS)

(UNAUDITED)
NINE MONTHS ENDED
SEPTEMBER 30

	2001	2000
Ordinary Shares:		
Balance-beginning of year	\$ 1,250	\$ 1,278
Issue of shares	1	--
Exercise of stock options	9	14
Repurchase of treasury shares	(15)	(49)
Balance-end of period	\$ 1,245	\$ 1,243
Contributed Surplus:		
Balance-beginning of year	\$ 2,497,416	\$ 2,520,136
Issue of shares	18,040	1,133
Exercise of stock options	35,560	34,653
Repurchase of treasury shares	(30,918)	(95,995)
Balance-end of period	\$ 2,520,098	\$ 2,459,927
Accumulated other comprehensive (loss) income:		
Balance-beginning of year	\$ (104,712)	\$ 19,311
Net change in unrealized losses on investment portfolio, net of tax	(49,969)	(132,296)
Net change in unrealized gains (losses) on investment portfolio of affiliate	429	(6,290)
Currency translation adjustments	3,192	(19,125)
Balance-end of period	\$ (151,060)	\$ (138,400)
Deferred Compensation:		
Balance-beginning of year	\$ (17,727)	\$ (28,797)
(Issue) forfeit of restricted shares	(16,652)	1,676
Amortization	7,465	6,013
Balance-end of period	\$ (26,914)	\$ (21,108)
Retained Earnings:		
Balance-beginning of year	\$ 3,197,441	\$ 3,065,150
Net (loss) income	(492,497)	505,704
Cash dividends paid	(175,313)	(169,313)
Repurchase of treasury shares	(86,200)	(136,636)
Balance-end of period	\$ 2,443,431	\$ 3,264,905
Total shareholders' equity	\$ 4,786,800	\$ 5,566,567
	=====	=====

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. DOLLARS IN THOUSANDS)

(UNAUDITED)
NINE MONTHS ENDED
SEPTEMBER 30

	2001	2000
Cash flows provided by (used in)		
operating activities:		
Net (loss) income	\$ (492,497)	\$ 505,704
Adjustments to reconcile net income to net cash		
provided by (used in) operating activities:		
Net realized losses (gains) on investments ..	35,536	(74,808)
Amortization of discounts on fixed		
maturities	(29,874)	(35,801)
Equity in net income of affiliates	(65,169)	(61,682)
Amortization of intangible assets	44,216	41,409
Accretion of deposit liabilities and		
policy reserves	57,671	71,509
Unpaid losses and loss expenses	3,420,300	(43,191)
Unearned premiums	478,425	278,817
Premiums receivable	147,744	(86,515)
Unpaid losses and loss expenses		
recoverable	(2,306,026)	(267,271)
Prepaid reinsurance premiums	(320,639)	(180,872)
Reinsurance balances receivable	(856,291)	14,833
Deferred acquisition costs	(69,753)	(47,917)
Other	635,138	(69,554)
Total adjustments	1,171,278	(461,043)
Net cash provided by operating activities ...	678,781	44,661
Cash flows provided by (used in)		
investing activities:		
Proceeds from sale of fixed maturities		
and short-term investments	20,671,325	17,942,935
Proceeds from redemption of fixed		
maturities and short-term investments	796,703	430,274
Proceeds from sale of equity securities	753,636	1,136,214
Purchases of fixed maturities and		
short-term investments	(21,476,665)	(18,207,937)
Purchases of equity securities	(620,846)	(837,356)
Investments in affiliates	(119,115)	(135,407)
Acquisition of subsidiaries, net of		
cash acquired	(266,497)	(3,094)
Other investments	(76,581)	(26,683)
Fixed assets and other	(17,572)	(29,507)
Net cash (used in) provided by		
investing activities	(355,612)	269,439
Cash flows provided by (used in)		
financing activities:		
Proceeds from exercise of share options	35,569	34,667
Repurchase of treasury shares	(117,133)	(232,680)
Dividends paid	(175,313)	(169,313)
Proceeds from loans	1,135,876	50,304
Repayment of loans	(50,000)	(11,000)
Deposit liabilities and policy		
benefit reserves	47,365	386,318
Net cash provided by financing activities ...	876,364	58,296
Effects of exchange rate changes on foreign		
currency cash	(490)	1,357
Increase in cash and cash equivalents	1,199,043	373,753
Cash and cash equivalents-beginning of year	930,469	557,749
Cash and cash equivalents-end of period	\$ 2,129,512	\$ 931,502

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(U.S. DOLLARS IN THOUSANDS)

1. BASIS OF PRESENTATION

These unaudited consolidated financial statements include the accounts of XL Capital Ltd and its subsidiaries (collectively referred to as the "Company") and have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these unaudited financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position and results of operations as at the end of and for the periods presented. The results of operations for any interim period are not necessarily indicative of the results for a full year. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include the loss events of September 11, 2001, described in Note 5. Actual results could differ from these estimates.

Effective July 1, 2001, the Company's results include the acquired Winterthur International operations. See Note 6 for additional information.

2. ACCOUNTING POLICIES

For a full description of the Company's accounting policies, refer to the Company's Form 10-K for the fiscal year ended December 31, 2000.

Effective January 1, 2001 the Company adopted Financial Accounting Statement ("FAS") 133, "Accounting for Derivative Instruments and Hedging Activities." Additional accounting policies relating to this statement are noted below.

a) CREDIT DEFAULT SWAPS

During the third quarter of 2001, the Company changed its presentation of credit default swaps in its Consolidated Statements of Income. Credit default swaps issued by the Company meet the definition of a derivative under FAS 133. Effective January 1, 2001, the Company has recorded these products at fair value. Credit default swaps are considered, in substance, financial guaranty contracts as the Company has the intent to hold them to maturity.

Fair value is dependent upon a number of factors, including changes in interest rates, credit spreads and other market factors. The change in fair value in a period is split between premiums, net losses and loss expenses, and realized gains and losses. In previous quarters, the change in fair value was included in fee income and other. The change resulting from movements in interest rates is included in realized gains and losses as the credit default swaps are not traded to realize this value. Other elements of the change in fair value are based upon pricing established at the inception of the contract. There was no effect on net income from this change in presentation.

b) WEATHER DERIVATIVES

Weather derivatives are recorded at fair value with the change included in fee income and other.

3. ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued FAS 141, "Business Combinations," and FAS 142, "Goodwill and Other Intangible Assets," in July, 2001. The Company has adopted these standards for the acquisition of Winterthur International (see Note 6). FAS 141 addresses financial accounting and reporting for the acquisition of other

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

3. ACCOUNTING PRONOUNCEMENTS (CONTINUED)

companies and is effective for transactions after June 30, 2001. FAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets both upon acquisition and after these assets have initially been recognized in the financial statements. This standard is effective for fiscal years beginning after December 15, 2001. The Company is currently in the process of assessing the effect of the adoption of FAS 142 on its results of operations, financial condition and liquidity.

4. SEGMENT INFORMATION

The Company is organized into three underwriting segments--insurance, reinsurance and financial products and services--in addition to a corporate segment that includes the investment operations of the Company. Lloyd's syndicates are part of the insurance segment but are described separately as the nature of the business written and the market in which the Lloyd's syndicates underwrite are significantly different to the Company's other insurance operations. The Company evaluates the performance of each segment based on underwriting profit or loss. Certain business written by the Company has loss experience generally characterized as low frequency and high severity. This may result in volatility in both the Company's and an individual segment's results and operational cash flows.

Other items of revenue and expenditure of the Company are not evaluated at the segment level. In addition, the Company does not allocate assets by segment.

The following is an analysis of the underwriting profit or loss by segment, together with a reconciliation of underwriting results to net income:

QUARTER ENDED SEPTEMBER 30, 2001

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned	\$ 401,118	\$ 94,155	\$ 242,998	\$13,253	\$ 751,524
Fee income and other	8,593	(1,477)	(5,175)	6,049	7,990
Net losses and loss expenses	366,905	342,151	689,525	4,464	1,403,045
Acquisition costs	54,833	37,835	72,545	978	166,191
Operating expenses	70,652	5,625	21,078	10,813	108,168
Exchange (gains) losses	6,400	(540)	1,337	--	7,197
	-----	-----	-----	-----	-----
Underwriting (loss) profit	\$ (89,079)	\$(292,393)	\$(546,662)	\$ 3,047	\$ (925,087)
	-----	-----	-----	-----	-----
Net investment income					142,818
Net realized losses on investments					64,635
Equity in net income of affiliates					7,267
Interest expense					18,926
Amortization of intangible assets					15,045
Corporate operating expenses (1)					34,712
Minority interest					(390)
Income tax benefit					(67,898)
	-----	-----	-----	-----	-----
Net loss					\$(840,032)
	-----	-----	-----	-----	-----
Loss and loss expense ratio	91.5%	363.4%	283.8%	33.7%	186.7%
Underwriting expense ratio	31.3%	46.2%	38.6%	89.0%	36.5%
	-----	-----	-----	-----	-----
Combined ratio	122.8%	409.6%	322.4%	122.7%	223.2%
	=====	=====	=====	=====	=====

(1) Corporate operating expenses include \$14.0 million related to costs incurred in the third quarter associated with the integration of the acquired Winterthur International operations.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

4. SEGMENT INFORMATION (CONTINUED)

QUARTER ENDED SEPTEMBER 30, 2000

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned	\$ 177,992	\$ 93,378	\$ 263,033	\$ 5,542	\$ 539,945
Fee income and other	147	79	(1,461)	1,774	539
Net losses and loss expenses (1) ...	125,965	60,924	149,649	1,462	338,000
Acquisition costs	31,402	29,109	68,412	1,109	130,032
Operating expenses	21,134	8,528	17,802	5,261	52,725
Exchange (gains) losses	(2,555)	(803)	(377)	--	(3,735)
	-----	-----	-----	-----	-----
Underwriting profit (loss)	\$ 2,193	\$ (4,301)	\$ 26,086	\$ (516)	\$ 23,462
	-----	-----	-----	-----	-----
Net investment income					134,624
Net realized gains on investments					1,026
Equity in net income of affiliates					18,447
Interest expense					7,822
Amortization of intangible assets					13,601
Corporate operating expenses					17,819
Minority interest					(199)
Income tax					(945)
Net income					\$ 139,461
					=====
Loss and loss expense ratio (1)	70.8%	65.3%	56.9%	26.4%	62.6%
Underwriting expense ratio	29.5%	40.3%	32.8%	114.9%	33.8%
	-----	-----	-----	-----	-----
Combined ratio	100.3%	105.6%	89.7%	141.3%	96.4%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$11.2 million related to an intercompany stop loss arrangement. Consolidated results are not affected by this arrangement. The loss and loss expense ratio would have been 64.5% and 61.1% and the underwriting profit would have been \$13.4 million and \$14.9 million in the insurance and reinsurance segments, respectively, had this stop loss arrangement not been in place.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

4. SEGMENT INFORMATION (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 2001

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned	\$ 799,968	\$ 304,701	\$ 802,265	\$27,728	\$1,934,662
Fee income and other	13,240	(3,086)	(5,024)	21,422	26,552
Net losses and loss expenses	584,272	486,513	1,041,322	8,093	2,120,200
Acquisition costs	111,004	103,534	218,271	2,456	435,265
Operating expenses	125,248	17,381	60,853	29,033	232,515
Exchange losses	5,214	2,047	6,374	--	13,635
	-----	-----	-----	-----	-----
Underwriting (loss) profit	\$ (12,530)	\$(307,860)	\$(529,579)	\$ 9,568	\$ (840,401)
	-----	-----	-----	-----	-----
Net investment income					412,969
Net realized losses on investments					35,536
Equity in net income of affiliates					65,169
Interest expense					42,238
Amortization of intangible assets					44,216
Corporate operating expenses (1)					65,321
Minority interest					127
Income tax benefit					(57,204)
	-----	-----	-----	-----	-----
Net loss					\$ (492,497)
	-----	-----	-----	-----	-----
Loss and loss expense ratio	73.0%	159.7%	129.8%	29.2%	109.6%
Underwriting expense ratio	29.5%	39.7%	34.8%	113.6%	34.5%
	-----	-----	-----	-----	-----
Combined ratio	102.5%	199.4%	164.6%	142.8%	144.1%
	=====	=====	=====	=====	=====

(1) Corporate operating expenses include \$14.0 million related to costs incurred in the third quarter associated with the integration of the acquired Winterthur International operations.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

4. SEGMENT INFORMATION (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 2000

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned	\$ 475,572	\$ 291,598	\$ 752,183	\$18,466	\$1,537,819
Fee income and other	5,353	(3,654)	(1,229)	8,365	8,835
Net losses and loss expenses (1) ...	303,557	204,614	456,498	4,705	969,374
Acquisition costs	74,114	88,163	185,285	1,822	349,384
Operating expenses	59,296	16,471	70,454	16,909	163,130
Exchange (gains) losses	(2,085)	(3,197)	1,264	--	(4,018)
	-----	-----	-----	-----	-----
Underwriting profit (loss)	\$ 46,043	\$ (18,107)	\$ 37,453	\$ 3,395	\$ 68,784
	-----	-----	-----	-----	-----
Net investment income					399,591
Net realized gains on investments					74,808
Equity in net income of affiliates					61,682
Interest expense					23,719
Amortization of intangible assets					41,409
Corporate operating expenses					44,771
Minority interest					528
Income tax					(11,266)
	-----	-----	-----	-----	-----
Net income					\$ 505,704
	-----	-----	-----	-----	-----
Loss and loss expense ratio (1)	63.8%	70.2%	60.7%	25.5%	63.1%
Underwriting expense ratio	28.1%	35.9%	34.0%	101.4%	33.3%
	-----	-----	-----	-----	-----
Combined ratio	91.9%	106.1%	94.7%	126.9%	96.4%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$22.3 million related to an intercompany stop loss arrangement. Consolidated results are not affected by this arrangement. The loss and loss expense ratio would have been 59.1% and 63.7% and the underwriting profit would have been \$68.4 million and \$15.1 million in the insurance and reinsurance segments, respectively, had this stop loss arrangement not been in place.

XL CAPITAL LTD
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (U.S. DOLLARS IN THOUSANDS)

4. SEGMENT INFORMATION (CONTINUED)

The following tables summarize the Company's gross premiums written, net premiums written and net premiums earned by line of business:

QUARTER ENDED SEPTEMBER 30, 2001

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	\$ 303,941	\$ 161,648	\$ 225,346
Casualty reinsurance	121,069	82,088	89,954
Property catastrophe	83,348	(66,896)	(6,561)
Other property	308,406	95,238	145,853
Marine, energy, aviation and satellite ...	143,748	89,242	101,364
Lloyd's syndicates	101,982	70,274	94,155
Other	130,823	105,378	101,413
Total	\$1,193,317	\$ 536,972	\$ 751,524

QUARTER ENDED SEPTEMBER 30, 2000

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	\$ 190,337	\$ 97,772	\$ 87,945
Casualty reinsurance	84,972	67,037	104,781
Property catastrophe	30,997	15,422	35,328
Other property	157,211	113,825	105,797
Marine, energy, aviation and satellite ...	72,709	60,643	78,552
Lloyd's syndicates	104,339	90,398	93,378
Other	95,992	55,005	34,164
Total	\$ 736,557	\$ 500,102	\$ 539,945

XL CAPITAL LTD
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (U.S. DOLLARS IN THOUSANDS)

4. SEGMENT INFORMATION (CONTINUED)

NINE MONTHS ENDED SEPTEMBER 30, 2001

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	\$ 743,167	\$ 443,618	\$ 423,856
Casualty reinsurance	411,391	286,404	253,734
Property catastrophe	236,398	75,672	71,296
Other property	661,487	350,206	364,971
Marine, energy, aviation and satellite ...	398,413	241,609	212,792
Lloyd's syndicates	481,220	349,856	304,701
Other	417,933	351,013	303,312
Total	\$3,350,009	\$2,098,378	\$1,934,662

NINE MONTHS ENDED SEPTEMBER 30, 2000

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	\$ 424,875	\$ 267,338	\$ 245,847
Casualty reinsurance	342,765	246,153	297,007
Property catastrophe	155,828	134,039	100,964
Other property	443,897	330,681	279,980
Marine, energy, aviation and satellite ...	307,160	216,118	164,168
Lloyd's syndicates	399,945	260,379	291,598
Other	277,577	197,402	158,255
Total	\$2,352,047	\$1,652,110	\$1,537,819

The Company's Lloyd's syndicates write a variety of coverages encompassing most of the above lines of business. Other premiums written and earned include political risk, surety, bonding and warranty.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

5. LOSS EVENTS OF SEPTEMBER 11, 2001

Terrorist loss events at the World Trade Center and in Washington, D.C. and Pennsylvania on September 11, 2001 (collectively, "the September 11 event") are estimated to have caused the largest ever man-made insured losses for the property and casualty insurance industry. The Company has exposure to these events with claims expected to arise mainly from its aviation, property, personal accident and business interruption insurance and reinsurance coverages. The Company has performed a detailed analysis of contracts it believes are exposed to this event. The Company estimates losses incurred of \$750 million, net of reinsurance recoveries, based on preliminary reports and estimates of loss and damage. While this is management's best estimate at this time, it could change as more information becomes available.

The following is an analysis of the impact on the Company's results of operations from the September 11 event for the quarter ended September 30, 2001:

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
	-----	-----	-----	-----	-----
Gross premium written	\$ --	\$ --	\$ 85,000	\$ --	\$ 85,000
Reinsurance ceded	3,900	21,400	198,000	--	223,300
Net premiums earned	(3,900)	(21,400)	(85,000)	--	(110,300)
Net losses and loss expenses	101,100	211,900	437,000	--	750,000
Underwriting loss	\$(105,000)	\$(233,300)	\$(522,000)	--	\$(860,300)
Equity in net loss of affiliates					(27,000)
Income tax					(72,300)
Net loss					\$(815,000)
					=====

Net premiums earned relate to net reinstatement and adjustment premiums which typically are received and paid when a catastrophic event occurs. A premium is paid to reinstate coverage for the remaining life of the contract. Net losses and loss expenses comprise gross claims of \$1.85 billion with estimated reinsurance recoveries of \$1.1 billion, both excluding Winterthur International, discussed below. Approximately 96% of the relevant reinsurers currently fall into Standard & Poor's financial strength rating categories or equivalent of A or better, with approximately 65% rated AA or better.

Winterthur International incurred gross losses of \$321.0 million related to the September 11 event, which the Company expects to recover from third-party reinsurers or under the net loss reserve seasoning mechanism in the Sale and Purchase Agreement (defined below), or a combination of the two. These losses relate to business written by Winterthur International prior to June 30, 2001.

6. BUSINESS COMBINATIONS

On July 25, 2001, the Company completed the acquisition of Winterthur International to extend its predominantly North American based large corporate insurance business globally, and was therefore prepared to pay a premium above net asset value. This was an all-cash transaction preliminarily valued at approximately \$405.6 million at that date. The preliminary purchase price of the acquisition was based on audited financial statements as at December 31, 2000 for the business being acquired, and is subject to adjustment based on the audited June 30, 2001 financial statements of Winterthur International. These audited financial statements are not expected to be completed until 2002. Results of operations of Winterthur International have been included from July 1, 2001, the date from which the economic interest was transferred to the Company. The Company is protected through a net loss

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

6. BUSINESS COMBINATIONS (CONTINUED)

reserve seasoning mechanism as part of the Second Amended and Restated Agreement for the Sale and Purchase of Winterthur International ("the Sale and Purchase Agreement").

The acquisition has been accounted for under the purchase method of accounting and, therefore, the identifiable assets and liabilities of Winterthur International were recorded at their estimated fair value on June 30, 2001 based on the unaudited financial statements prepared by the seller and provided to the Company as at that time. The process of determining the fair value of such assets and liabilities acquired, as required under purchase accounting, was undertaken as follows. The purchase price was preliminarily allocated to the acquired assets and liabilities, based upon their estimated fair value at June 30, 2001. The excess of the purchase price over acquired tangible net assets was then applied to intangible assets with finite and indefinite lives. The remaining purchase price excess over fair value was allocated to goodwill. Under the terms of the Sale and Purchase Agreement, the net reserves relating to the acquired Winterthur International operations will be adjusted in three years based on loss development experience, collectible reinsurance, reinsurance recoveries and certain other factors. The Company is also protected on the June 30, 2001 expiring business to a maximum combined ratio of 105%. The Company's exposure to a deficiency in the net reserves and the run-off of expiring business of the acquired Winterthur International operations, including by reason of uncollectible reinsurance, is limited to \$61.0 million. The Company's estimate of the fair value of loss reserves is approximately \$5.0 million less than the carrying value at July 1, 2001. This difference will be charged to income over the next six years. The Company has considered the \$61.0 million exposure in establishing its risk premium adjustment inherent in the fair value of loss reserves.

The fair value of significant assets and liabilities acquired by the Company include \$1.4 billion of cash and invested assets, \$1.1 billion of reinsurance balances receivable, \$1.0 billion of unpaid losses and loss expenses recoverable, \$2.2 billion of unpaid losses and loss expenses, \$505.0 million of unearned premiums and \$556.0 million of reinsurance balances payable.

Allocation of the purchase price is as follows:

Fair value of assets acquired	\$4,230,022
Fair value of liabilities acquired	4,012,019

Fair value of tangible net assets acquired	\$ 218,003
Fair value of intangible assets acquired	15,000
Goodwill related to the acquisition	54,894

	\$ 287,897

 Preliminary purchase price	 \$ 265,397
Other costs of acquisition	22,500

	\$ 287,897

Net cash paid, based on the preliminary purchase price, for the acquisition was \$245.9 million. The decrease in purchase price from \$405.6 million at December 31, 2000 reflects the decline in the net asset value of Winterthur International as presented in the unaudited financial statements as at June 30, 2001. The difference of \$140.2 million, which is subject to final adjustment upon completion of the audit, will be recoverable from the seller when the audited financial statements at June 30, 2001 are available.

The Company has made a preliminary estimate of the value of intangible assets acquired and estimates that \$10.0 million relates to insurance licenses, which have an indefinite life and are not therefore subject to

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS)

6. BUSINESS COMBINATIONS (CONTINUED)

amortization. The remaining \$5.0 million relates to the value of business in force, which is estimated to have a finite life of three to five years and is being amortized over that period. These estimates will be subject to third party evaluations during the fourth quarter of 2001.

The following unaudited pro forma financial information for the nine months ended September 30, 2001 include the unaudited financial information for Winterthur International for the nine months ended September 30, 2001 as if the acquisition of the Winterthur International operations occurred on January 1, 2001. The unaudited pro forma financial information for the year ended December 31, 2000 includes the audited financial information for Winterthur International for the year ended December 31, 2000 as if the acquisition occurred on January 1, 2000. Comparative information for Winterthur International for the nine months ended September 30, 2000 is not available on a GAAP basis, therefore pro forma information has been presented for the year ended December 31, 2000.

Winterthur International results of operations for the first six months of 2001 and the year ended December 31, 2000 included in the pro forma financial information has not been adjusted for the contractual protection that the Company has received from the seller with effect from July 1, 2001.

The pro forma financial information is based upon information currently available and certain assumptions that the Company's management believes are reasonable. The financial information of Winterthur International for both periods presented is taken from the financial statements of the seller and were prepared on a GAAP basis for the first time. The pro forma financial information does not purport to represent what the Company's results of operations or financial condition would have been had the transaction occurred on such dates or to project the Company's results of operations or financial condition for any future period or date. As a result of the above, the pro forma financial information should be reviewed with caution and undue reliance should not be placed on such information.

	PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 2001	PRO FORMA YEAR ENDED DECEMBER 31, 2000
	-----	-----
Total revenues	\$2,754,920	\$3,344,274
Net (loss) income	\$ (700,681)	\$ 486,522
(Loss) earnings per ordinary share - Basic	\$ (5.59)	\$ 3.91
(Loss) earnings per ordinary share - Diluted ...	\$ (5.59)	\$ 3.87

7. NOTES PAYABLE AND DEBT AND FINANCING ARRANGEMENTS

In September 2001, the Company issued Liquid Yield Option(TM) Notes due 2021 with a yield to maturity of 2.875%. The gross proceeds to the Company were \$250.0 million. Funds were received net of \$5.6 million of related expenses that were capitalized and will be expensed up to the first call date, which is one year. Proceeds of the debt were used to repurchase \$66.4 million of the Company's ordinary shares. The remainder of the proceeds of the debt will be used for additional share repurchases and general corporate purposes, which includes the settlement of claims from the September 11 event.

XL CAPITAL LTD
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

8. COMPUTATION OF EARNINGS PER ORDINARY SHARE AND ORDINARY SHARE EQUIVALENT

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000	2001	2000
BASIC EARNINGS PER SHARE:				
Net (loss) income	\$(840,032)	\$139,461	\$ (492,497)	\$ 505,704
Weighted average ordinary shares outstanding	125,431	124,008	125,358	124,563
Basic (loss) earnings per share	\$ (6.70)	\$ 1.12	\$ (3.93)	\$ 4.06
	=====	=====	=====	=====
DILUTED EARNINGS PER SHARE:				
Net (loss) income	\$(840,032)	\$139,461	\$ (492,497)	\$ 505,704
Weighted average ordinary shares outstanding--basic	125,431	124,008	125,358	124,563
Average stock options outstanding (1)(2).....	--	2,278	--	1,116
Weighted average ordinary shares outstanding--diluted ...	125,431	126,286	125,358	125,679
	-----	-----	-----	-----
Diluted (loss) earnings per share	\$ (6.70)	\$ 1.10	\$ (3.93)	\$ 4.02
	=====	=====	=====	=====
DIVIDENDS PER SHARE	\$ 0.46	\$ 0.45	\$ 1.38	\$ 1.35
	=====	=====	=====	=====

(1) Net of shares repurchased under the treasury stock method.

(2) Average stock options outstanding have been excluded where antidilutive to earnings per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001
 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2000
 (U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

This "Management's Discussion and Analysis of Results of Operations and Financial Condition" contains forward-looking statements which involve inherent risks and uncertainties. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based upon current plans, estimates and projections. Actual results may differ materially from those projected in such forward-looking statements, and therefore you should not place undue reliance on them. See Item 3. "Cautionary Note Regarding Forward-Looking Statements" for a list of factors that could cause actual results to differ materially from those contained in any forward-looking statement.

This discussion and analysis should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition," and the audited Consolidated Financial Statements and notes thereto presented under Item 7 and Item 8, respectively, of the Company's Form 10-K for the year ended December 31, 2000.

Effective July 1, 2001, the Company's results include the results of Winterthur International and the September 11 event. Consequently, period to period comparisons may not be meaningful.

RESULTS OF OPERATIONS

The following table presents an after-tax analysis of the Company's net (loss) income and (loss) earnings per share for the three months ended September 30, 2001 and 2000:

	(UNAUDITED) THREE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Net operating (loss) income (excluding net realized gains and losses on investments and one-time charges)	\$(761,840)	\$138,333
One-time charges (1)	(14,000)	--
Net realized (losses) gains on investments	(64,192)	1,128
Net (loss) income	\$(840,032)	\$139,461
(Loss) earnings per share--basic	\$ (6.70)	\$ 1.12
(Loss) earnings per share--diluted	\$ (6.70)	\$ 1.10

 (1) One-time charges related to the integration of Winterthur International.

Net operating income decreased significantly in the third quarter of 2001 compared to the third quarter of 2000 primarily due to net losses arising from the September 11 event, which reduced net income after-tax by approximately \$815.0 million (see Note 5 to the Consolidated Financial Statements). Losses were mainly incurred on the property, aviation, personal accident and business interruption lines. Both the insurance and reinsurance segments were affected by this event. The effect of the September 11 event is exhibited below on a segment basis.

The following is an analysis of the underwriting profit or loss by segment for the quarter ended September 30, 2001, first including the effects of the September 11 event and then excluding the effect of the September 11 event:

QUARTER ENDED SEPTEMBER 30, 2001 INCLUDING THE EFFECTS OF THE SEPTEMBER 11 EVENT

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	\$ 401,118	\$ 94,155	\$ 242,998	\$13,253	\$ 751,524
Fee income and other	8,593	(1,477)	(5,175)	6,049	7,990
Net losses and loss expenses	366,905	342,151	689,525	4,464	1,403,045
Acquisition costs	54,833	37,835	72,545	978	166,191
Operating expenses	70,652	5,625	21,078	10,813	108,168
Exchange (gains) losses	6,400	(540)	1,337	--	7,197
Underwriting (loss) profit	\$ (89,079)	\$(292,393)	\$(546,662)	\$ 3,047	\$ (925,087)
Loss and loss expense ratio	91.5%	363.4%	283.8%	33.7%	186.7%
Underwriting expense ratio	31.3%	46.2%	38.6%	89.0%	36.5%
Combined ratio	122.8%	409.6%	322.4%	122.7%	223.2%

QUARTER ENDED SEPTEMBER 30, 2001 EXCLUDING THE EFFECTS OF THE SEPTEMBER 11 EVENT

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	\$405,018	\$115,555	\$327,998	\$13,253	\$861,824
Fee income and other	8,593	(1,477)	(5,175)	6,049	7,990
Net losses and loss expenses	265,805	130,251	252,525	4,464	653,045
Acquisition costs	54,833	37,835	72,545	978	166,191
Operating expenses	70,652	5,625	21,078	10,813	108,168
Exchange (gains) losses	6,400	(540)	1,337	--	7,197
Underwriting (loss) profit	\$ 15,921	\$(59,093)	\$(24,662)	\$3,047	\$(64,787)
Loss and loss expense ratio	65.6%	112.7%	77.0%	33.7%	75.8%
Underwriting expense ratio	31.0%	37.6%	28.5%	89.0%	31.8%
Combined ratio	96.6%	150.3%	105.5%	122.7%	107.6%

In addition to the effect of the September 11 event, net losses related to the Sri Lanka airport loss event, two satellite losses, the Toulouse petrochemical plant explosion and net deterioration of loss development of prior underwriting years reduced net income after-tax in the quarter ended September 30, 2001 by a further \$103.7 million. The components of these loss events are discussed within each segment. There were no significant catastrophic loss events in the quarter ended September 30, 2000.

Underwriting results are discussed in further detail in each of the following segments.

SEGMENTS

The Company is organized into three underwriting segments - insurance, reinsurance and financial products and services--in addition to a corporate segment, which includes the investment operations of the Company. Lloyd's syndicates are part of the insurance segment but are described separately as the nature of the business written and the market in which the Lloyd's syndicates underwrite are significantly different from the Company's other insurance operations. Underwriting profit or loss is determined on a pre-tax basis. The results of each segment are discussed below.

The calculations of the underwriting ratios for all segments follow. The combined ratio is the sum of the loss and loss expense ratio and the underwriting expense ratio. The loss and loss expense ratio is calculated by dividing net losses and loss expenses by net premiums earned, and the underwriting expense ratio is calculated by dividing the total of acquisition costs and operating expenses by net premiums earned.

INSURANCE OPERATIONS--EXCLUDING LLOYD'S SYNDICATES

Insurance business written includes general liability, other liability including directors and officers, professional and employment practices liability, environmental liability, property, program business, marine, aviation, satellite and other product lines including U.S. Customs bonds, surety, political risk and specialty lines.

The following table summarizes the underwriting results for this segment:

(UNAUDITED)			
THREE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 401,118	\$ 177,992	125.4%
Fee income and other	8,593	147	NM
Net losses and loss expenses	366,905	125,965	191.3%
Acquisition costs	54,833	31,402	74.6%
Operating expenses	70,652	21,134	234.3%
Exchange losses (gains)	6,400	(2,555)	NM
Underwriting (loss) profit	\$ (89,079)	\$ 2,193	NM

* NM - Not Meaningful

Effective July 1, 2001, the insurance segment includes the results of Winterthur International. Each of the above line items experienced growth primarily as a result of the inclusion of business written and earned by Winterthur International. Consequently, period to period comparisons may not be meaningful.

Net premiums earned included \$181.1 million from Winterthur International in the quarter ended September 30, 2001. Net premiums earned also increased in the quarter ended September 30, 2001 compared to the same quarter in 2000 due to growth in large corporate insurance business, professional lines, aviation and marine of approximately \$74.0 million in gross premiums written. This growth reflects the continuation of both new business and price increases already seen in previous quarters due to improving market conditions. Net premiums earned reflect the earning of these premiums written previously. Due to September 11 event, reinstatement premiums of \$3.9 million were ceded and expensed during the quarter ended September 30, 2001.

Fee income and other for the quarter ended September 30, 2001 related primarily to Winterthur International, included for the first time.

The following table presents the ratios for the insurance segment:

(UNAUDITED)		
THREE MONTHS ENDED		
SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	91.5%	70.8%
Underwriting expense ratio	31.3%	29.5%
Combined ratio	122.8%	100.3%

The loss ratio was significantly higher in the quarter ended September 30, 2001 compared to the same period of 2000 due to net losses of \$101.1 million incurred related to the September 11 event, and approximately \$15.0 million related to two satellite losses. There were no significant catastrophic loss events in the quarter ended September 30, 2000. The loss ratio in the quarter ended September 30, 2001 was increased by the inclusion of losses related to premiums earned by Winterthur International. Net losses incurred by Winterthur International for the quarter were \$128.9

million. In addition, the Company experienced some favorable development in prior underwriting years in the quarter ended September 30, 2001.

As described in Note 6 to the Consolidated Financial Statements, the accounting for the purchase of Winterthur International required the Company to fair value the acquired assets and liabilities on June 30, 2001. The fair value adjustment to the loss reserves resulted in an accretion of discount for the quarter ended September 30, 2001 of \$0.7 million. The Company has contractual post-closing protection with respect to adverse development of reserves (including unearned premium reserves) resulting from Winterthur International business written prior to July 1, 2001. June 30, 2001 expiring business carries a maximum exposure to a combined ratio of 105%.

Net losses and loss expenses in the third quarter of 2000 included \$11.2 million related to an intercompany stop loss arrangement. The loss and loss expense ratio would have been 64.5% had this arrangement not been in place. There was no such arrangement in effect for 2001.

The underwriting expense ratio increased slightly in the third quarter of 2001 compared to the third quarter of 2000 due to the transfer of certain operating expenses from the reinsurance segment to the insurance segment and a general expansion of operations. Winterthur International acquisition costs and operating expenses were \$13.0 million and \$38.6 million, respectively, representing an expense ratio of 28.3%. The expense ratio has been reduced by the effect of purchase accounting treatment on the acquisition costs of Winterthur International. Had an historical level of deferred acquisition costs been amortized, the expense ratio would have been 33.6% in the quarter ended September 30, 2001.

INSURANCE OPERATIONS--LLOYD'S SYNDICATES

The Lloyd's syndicates write property, marine and energy, aviation and satellite, professional indemnity, personal accident, liability coverage and other specialty lines, primarily of insurance but also reinsurance.

The following table summarizes the underwriting loss for the Lloyd's syndicates:

	(UNAUDITED) THREE MONTHS ENDED SEPTEMBER 30		
	2001	2000	% CHANGE
Net premiums earned	\$ 94,155	\$ 93,378	0.8%
Fee income and other	(1,477)	79	NM
Net losses and loss expenses	342,151	60,924	NM
Acquisition costs	37,835	29,109	30.0%
Operating expenses	5,625	8,528	(34.0)%
Exchange gains	(540)	(803)	(32.8)%
Underwriting loss	\$(292,393)	\$ (4,301)	NM

Net premiums earned for the third quarter of 2001 compared to the third quarter of 2000 were relatively unchanged. However, reinstatement premiums related to the September 11 event were expensed in the quarter ended September 30, 2001, reducing net premiums earned by \$21.4 million. Excluding the effect of reinstatement premiums, the increase arose from higher premiums written throughout 2001 principally due to an increase in syndicate capacity.

The Company's Lloyd's managing agencies earn fees and may, dependent upon underwriting results, earn profit commissions from the syndicates they manage in order to offset their operating expenses. No commissions were earned in the third quarter of 2001 due to loss deterioration in the Lloyd's market, resulting in expenses in excess of fee income.

The following table presents the ratios for the Lloyd's syndicates:

(UNAUDITED)		
THREE MONTHS ENDED		
SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	363.4%	65.3%
Underwriting expense ratio	46.2%	40.3%
Combined ratio	409.6%	105.6%

The loss and loss expense ratio increased in the third quarter of 2001 compared to the quarter of 2000 primarily due to net losses incurred for the September 11 event of approximately \$211.9 million and the Toulouse petrochemical plant explosion and the airport loss event in Sri Lanka totaling approximately \$19.0 million. In addition, the Company experienced loss deterioration on business written in previous underwriting years of approximately \$35.0 million. The underwriting expense ratio was higher in the third quarter of 2001 compared to the same quarter of 2000 due primarily to the negative effect of reinstatement premiums on net premiums earned.

REINSURANCE OPERATIONS

Reinsurance business written includes treaty and facultative reinsurance to primary insurers of casualty risks, principally general liability, professional liability, automobile and workers' compensation, commercial and personal property risks, specialty risks including fidelity and surety and ocean marine, property catastrophe, property excess of loss, property pro-rata, marine and energy, aviation and satellite, and various other reinsurance to insurers on a worldwide basis. The Company manages its exposures to catastrophic events by, among other things, limiting the amount of its exposure in each geographic zone worldwide and requiring that its property catastrophe contracts provide for aggregate limits and varying attachment points.

The following table summarizes the underwriting results for this segment:

(UNAUDITED)			
THREE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 242,998	\$ 263,033	(7.6)%
Fee income and other	(5,175)	(1,461)	NM
Net losses and loss expenses	689,525	149,649	NM
Acquisition costs	72,545	68,412	6.0%
Operating expenses	21,078	17,802	18.4%
Exchange losses (gains)	1,337	(377)	NM
Underwriting (loss) profit	\$(546,662)	\$ 26,086	NM

Net premiums earned in the third quarter of 2001 were reduced by approximately \$85.0 million related to net reinstatement premiums as a result of the September 11 event. As previously noted, reinstatement premiums typically are received and paid when a catastrophic event occurs that results in a loss under a particular insurance or reinsurance contract. An insured pays a premium to reinstate coverage for the remaining life of the contract. As a result of these reinstatement premiums, the Company still has in place a full range of coverage protections with the exception of aviation where coverage has been partially depleted. The effect of reinstatement premiums in the quarter ended September 30, 2001 was partially offset by additional premium earned related to an increase in premiums written in the property lines due to continued increases in premium rates throughout 2001.

The following table presents the ratios for the reinsurance segment:

(UNAUDITED)		
THREE MONTHS ENDED		
SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	283.8%	56.9%
Underwriting expense ratio	38.6%	32.8%
Combined ratio	322.4%	89.7%

Net losses and loss expenses in the third quarter of 2001 include \$437.0 million related to the September 11 event, mainly on the Company's property and aviation reinsurance business written. In addition, net losses include approximately \$10.0 million related to the Sri Lanka airport loss event in the third quarter of 2001 and \$58.0 million in reserve strengthening on prior years identified through the Company's actuarial review process. There were no comparable catastrophic loss events in the third quarter 2000. 2000 third quarter losses exclude \$11.2 million related to an intercompany stop loss arrangement. There was no such arrangement in place for 2001. The loss and loss expense ratio would have been 61.1% in the third quarter of 2000 had this arrangement not been in place.

The underwriting expense ratio is higher in the third quarter of 2001 compared to the third quarter of 2000 due primarily to the negative effect of reinstatement premiums on the net premiums earned.

FINANCIAL PRODUCTS AND SERVICES

Financial products and services business written includes insurance and reinsurance solutions for complex financial risks. These include financial guaranty insurance and reinsurance, credit default swaps and other collateralized transactions. The Company's intent is to write and hold all credit default swaps to maturity. In 2001, the Company also began to write weather-related products. While each of these transactions is unique and is tailored for the specific needs of the insured, they are typically multi-year transactions. Due to the nature of these types of policies, premium volume as well as profit margin can vary significantly from period to period. Managing weather risk is a distinct business of the Company and is accomplished through the trading of these derivatives.

Financial guaranties are conditional commitments that guarantee the performance of a customer to a third party. The Company's potential liability in the event of non-performance by the issuer of the insured obligation is represented by its proportionate share of the aggregate outstanding principal and interest payable ("insurance in force") on such insured obligation. At September 30, 2001, the Company's aggregate insurance in force was approximately \$21.6 billion.

The following table summarizes the underwriting results for this segment:

(UNAUDITED)			
THREE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 13,253	\$ 5,542	139.1%
Fee income and other	6,049	1,774	NM
Net losses and loss expenses	4,464	1,462	NM
Acquisition costs	978	1,109	(11.8)%
Operating expenses	10,813	5,261	105.5%
Underwriting profit (loss)	\$ 3,047	\$ (516)	NM
Unrealized losses on credit default swaps	\$ 13,012	\$ --	NM

The increase in net premiums earned primarily reflects the inclusion of a component of fair value changes related to credit default swaps. Prior to the quarter ended September 30, 2001, all adjustments to the fair value of credit default swaps were included in fee income and other. There was no effect on net income from this change in presentation.

Fee income for the quarter ended September 30, 2001 included trading gains related to and the change in fair value of weather derivatives, reflecting the continued growth in this business.

The following table presents the combined ratios for this segment:

(UNAUDITED)		
THREE MONTHS ENDED		
SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	33.7%	26.4%
Underwriting expense ratio	89.0%	114.9%
Combined ratio	122.7%	141.3%

The Company's financial guaranty operations write business with an expected loss ratio of approximately 25%. The increase in the loss ratio represents the effect of the reclassification of the loss component of the change in fair value on the credit default swaps. The underwriting expense ratio decreased due to the increase in net premiums earned as a result of the change in presentation noted above.

INVESTMENT OPERATIONS

The following table illustrates the change in net investment income and net realized (losses) gains on investments for the quarters ended September 30, 2001 and 2000:

(UNAUDITED)			
THREE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Net investment income	\$ 142,818	\$ 134,624	6.1%
Net realized (losses) gains on investments	\$ (64,635)	\$ 1,026	NM

Net investment income increased in the third quarter of 2001 as compared to the third quarter of 2000 due primarily to interest on the investment of net funds of \$1.1 billion related to new debt issued by the Company during the second and third quarters of 2001 and investment income on the assets received from the acquired Winterthur International operations. This interest was partially offset by a reduction in investment yields for the three months ended September 30, 2001 compared to the three months ended September 30, 2000. A significant amount of the debt proceeds were held in cash and cash equivalents, which has a lower yield than fixed income investments, initially to fund share buybacks and the acquisition of Winterthur International, and subsequent to the September 11 event, to meet claim payments as they come due. It is anticipated that investment income will decrease in the future as invested assets are drawn upon to meet claim obligations with respect to the September 11 event.

Assets related to deposit liabilities are included in investments available for sale. Interest earned on these assets is reduced by the investment expense related to the accretion of deposit liabilities.

Net realized losses on investments in the third quarter of 2001 included a loss of approximately \$53.3 million related to a write-down of certain of the Company's fixed income, equity and other investments in circumstances where the Company believed that there was an other than temporary decline in the value of those investments.

OTHER REVENUES AND EXPENSES

The following table sets forth other revenues and expenses for the quarters ended September 30, 2001 and 2000:

(UNAUDITED)			
THREE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Equity in net income of affiliates ...	\$ 7,267	\$ 18,447	(60.6)%
Amortization of intangible assets	15,045	13,601	10.6%
Corporate operating expenses	34,712	17,819	94.8%
Interest expense	18,926	7,822	142.0%
Minority interest	(390)	(199)	96.0%
Income tax benefit	(67,898)	(945)	NM

The decrease in equity in net income of affiliates for the quarter ended September 30, 2001 compared to the quarter ended September 30, 2000 is primarily attributable to a loss of \$27.0 million arising from the Company's share of the loss in Le Mans Re related to the September 11 event. This was offset by an increase in returns on the Company's investments in closed-end investment funds and the management companies that administer these investment funds.

The increase in corporate operating expenses in the quarter ended September 30, 2001 included a one-time charge of \$14.0 million for integration costs related to the acquisition of Winterthur International. Excluding the effects of the one-time charge, corporate operating expenses for the three months ended September 30, 2001 have increased compared to the three months ended September 30, 2000 due to the increase in corporate infrastructure necessary to support the expanding worldwide operations of the Company.

The increase in interest expense reflects an increase in indebtedness from new debt issued by the Company during the second and third quarters of 2001. The Company's financing structure is outlined in "Financial Condition and Liquidity."

The change in the income tax benefit of the Company primarily reflects the effects of losses incurred related to the September 11 event in the quarter ended September 30, 2001.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001
 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2000
 (U.S. DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Effective July 1, 2001, the Company's results include the results of Winterthur International and the September 11 event. Consequently, period to period comparisons may not be meaningful.

RESULTS OF OPERATIONS

The following table presents an after-tax analysis of the Company's net income and earnings per share for the nine months ended September 30, 2001 and 2000:

	(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
	-----	-----
Net operating (loss) income (excluding net realized gains and losses on investments and one-time charges)	\$(445,044)	\$424,625
One-time charges (1)	(14,000)	--
Net realized (losses) gains on investments	(33,453)	81,079
	-----	-----
Net (loss) income	\$(492,497)	\$505,704
	=====	=====
 (Loss) earnings per share--basic	 \$(3.93)	 \$4.06
(Loss) earnings per share--diluted	\$(3.93)	\$4.02

 (1) One-time charges relate to the integration of Winterthur International.

Net operating income decreased significantly in the first nine months of 2001 compared to the first nine months of 2000 primarily due to net losses arising from the September 11 event, which reduced net income after-tax by approximately \$815.0 million (see "Results of Operations for the Three Months Ended September 30, 2001"). These losses were primarily incurred on property, aviation, personal accident and business interruption lines. Both the insurance and reinsurance segments were affected by this event. In addition, net losses incurred in the first nine months of 2001 included the Sri Lanka airport loss event, satellite losses, the Toulouse petrochemical plant explosion, the Petrobras oil rig and Tropical Storm Allison. The components of these net losses are discussed within the segment management discussion and analysis for the third quarter. There were no comparable loss events in the nine months ended September 30, 2000.

Underwriting results are discussed in further detail in each of the following segments.

The following is an analysis of the underwriting profit or loss by segment for the nine months ended September 30, 2001, first including the effects of the September 11 event and then excluding the effect of the September 11 event:

NINE MONTHS ENDED SEPTEMBER 30, 2001 INCLUDING THE EFFECTS OF THE SEPTEMBER 11 EVENT

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	\$ 799,968	\$ 304,701	\$ 802,265	\$27,728	\$1,934,662
Fee income and other	13,240	(3,086)	(5,024)	21,422	26,552
Net losses and loss expenses	584,272	486,513	1,041,322	8,093	2,120,200
Acquisition costs	111,004	103,534	218,271	2,456	435,265
Operating expenses	125,248	17,381	60,853	29,033	232,515
Exchange losses	5,214	2,047	6,374	--	13,635
Underwriting (loss) profit	\$ (12,530)	\$ (307,860)	\$ (529,579)	\$ 9,568	\$ (840,401)
Loss and loss expense ratio	73.0%	159.7%	129.8%	29.2%	109.6%
Underwriting expense ratio	29.5%	39.7%	34.8%	113.6%	34.5%
Combined ratio	102.5%	199.4%	164.6%	142.8%	144.1%

NINE MONTHS ENDED SEPTEMBER 30, 2001 EXCLUDING THE EFFECTS OF THE SEPTEMBER 11 EVENT

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	\$ 803,868	\$ 326,101	\$ 887,265	\$27,728	\$2,044,962
Fee income and other	13,240	(3,086)	(5,024)	21,422	26,552
Net losses and loss expenses	483,172	274,613	604,322	8,093	1,370,200
Acquisition costs	111,004	103,534	218,271	2,456	435,265
Operating expenses	125,248	17,381	60,853	29,033	232,515
Exchange losses	5,214	2,047	6,374	--	13,635
Underwriting profit (loss)	\$ 92,470	\$ (74,560)	\$ (7,579)	\$ 9,568	\$ 19,899
Loss and loss expense ratio	60.1%	84.2%	68.1%	29.2%	67.0%
Underwriting expense ratio	29.4%	37.1%	31.5%	113.6%	32.7%
Combined ratio	89.5%	121.3%	99.6%	142.8%	99.7%

INSURANCE OPERATIONS--EXCLUDING LLOYD'S SYNDICATES

The following table summarizes the underwriting results for this segment:

(UNAUDITED)			
NINE MONTHS ENDED SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 799,968	\$ 475,572	68.2%
Fee income and other	13,240	5,353	147.3%
Net losses and loss expenses	584,272	303,557	92.5%
Acquisition costs	111,004	74,114	50.0%
Operating expenses	125,248	59,296	111.2%
Exchange losses (gains)	5,214	(2,085)	NM
Underwriting (loss) profit	\$ (12,530)	\$ 46,043	NM

Effective July 1, 2001, the insurance segment includes the results of Winterthur International. Each of the above line items experienced growth as a result of the inclusion of business written and earned by Winterthur International. Consequently, period to period comparisons may not be meaningful.

Net premiums earned increased in the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000 due to new business written and price increases in environmental, professional liability and directors and officers liability line. Excluding Winterthur International this amounted to approximately \$384.0 million of additional gross premiums written and \$143.0 million of additional net premiums earned. In addition, the three months ended September 30, 2001 included \$181.0 million of net premiums earned by Winterthur International.

Fee income and other in the nine months ended September 30, 2001 includes approximately \$5.1 million related to Winterthur International.

The following table presents the ratios for the insurance segment:

	(UNAUDITED)	
	NINE MONTHS ENDED	
	SEPTEMBER 30	
	-----	-----
	2001	2000
	-----	-----
Loss and loss expense ratio	73.0%	63.8%
Underwriting expense ratio	29.5%	28.1%
	-----	-----
Combined ratio	102.5%	91.9%
	=====	=====

The loss ratio was significantly higher in the nine months ended September 30, 2001 compared to the same period of 2000 due primarily to net losses of \$101.1 million incurred related to the September 11 event and approximately \$15.0 million related to two satellite losses, both of which occurred during the quarter ended September 30, 2001. There were no significant catastrophic loss events in the nine months ended September 30, 2000. In addition, the loss ratio was increased by the inclusion of losses related to premium earned by Winterthur International in the three months ended September 30, 2001. Further discussion of Winterthur International's ratios is provided in the insurance segment's third quarter management discussion and analysis. In addition, the Company experienced some favorable development in prior underwriting years in the nine month period ended September 30, 2001.

The loss and loss expense ratio for the nine months ended September 30, 2000 was affected by an intercompany stop loss arrangement with a subsidiary in the reinsurance segment. In the nine months ended September 30, 2000, \$22.3 million of losses were included in the insurance segment and excluded from the reinsurance segment. The loss and loss expense ratio in 2000 would have been 59.1% had this arrangement not been in place.

The increase in the underwriting expense ratio is due to the transfer of certain operating expenses from the reinsurance segment to the insurance segment and a general expansion of operations. The expense ratio has been reduced by the effect of purchase accounting treatment on the acquisition costs of Winterthur International. See further discussion in the third quarter management discussion and analysis.

INSURANCE OPERATIONS--LLOYD'S SYNDICATES

The following table summarizes the underwriting loss for the Lloyd's syndicates:

(UNAUDITED)			
NINE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 304,701	\$ 291,598	4.5%
Fee income and other	(3,086)	(3,654)	15.5%
Net losses and loss expenses	486,513	204,614	137.8%
Acquisition costs	103,534	88,163	17.4%
Operating expenses	17,381	16,471	5.5%
Exchange losses (gains)	2,047	(3,197)	NM
Underwriting loss	\$(307,860)	\$ (18,107)	NM

Net premiums earned for the first nine months of 2001 increased from the first nine months of 2000 based upon the increase of premiums written in the first nine months primarily as a result of additional owned capacity, currently at 63% compared to 53% in the prior year. The increase in net earned premiums was offset by the reinstatement premiums of \$21.4 million as a result of losses realized from the September 11 event.

The Company's Lloyd's managing agencies earn fees and may, dependent upon underwriting results, earn profit commissions from syndicates they manage in order to offset their operating expenses. Although nominal commissions were received in the first nine months of 2001, due to loss deterioration in the Lloyd's market, managing agency expenses exceeded fee income and commissions for the nine months ended September 30, 2001 and 2000.

The exchange loss in the first nine months of 2001 is due to the decrease in the U.K. sterling exchange rate against the U.S. dollar applied to net monetary assets denominated in U.K. sterling. Conversely, in the first nine months of 2000, the exchange rate moved in the opposite direction.

The following table presents the ratios for this segment:

(UNAUDITED)		
NINE MONTHS ENDED		
SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	159.7%	70.2%
Underwriting expense ratio	39.7%	35.9%
Combined ratio	199.4%	106.1%

The loss and loss expense ratio increased for the nine months ended September 30, 2001 compared to the nine months ended September 30, 2000 primarily due to losses incurred by the September 11 event, the Toulouse petrochemical plant explosion and the Petrobras oil platform loss. The Company has also experienced some adverse loss development on business written in previous underwriting years. The increase in operating expenses also reflected the increase in the syndicates' capacity provided by the Company and therefore, a greater proportion of expenses is allocated to the Company. In addition, the underwriting expense ratio is higher in the first nine months of 2001 compared to the first nine months of 2000 due primarily to the negative effect of reinstatement premiums on net premiums earned.

REINSURANCE OPERATIONS

The following table summarizes the underwriting results for this segment:

(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 802,265	\$ 752,183	6.7%
Fee income and other	(5,024)	(1,229)	NM
Net losses and loss expenses	1,041,322	456,498	128.1%
Acquisition costs	218,271	185,285	17.8%
Operating expenses	60,853	70,454	(13.6)%
Exchange losses	6,374	1,264	NM
Underwriting (loss) profit	\$(529,579)	\$ 37,453	NM
	=====	=====	=====

Underwriting results for the nine months ended September 30, 2001 have been significantly affected by the effects of the September 11 event. Net premiums earned in the first nine months of 2001 were reduced by approximately \$85.0 million of net reinstatement premiums resulting from the September 11 event. The effect of the reinstatement premiums was partially offset by additional premiums earned in the first nine months of 2001, mainly due to an increase in premiums written in the property lines and to increases in premium rates.

Exchange losses in the third quarter of 2001 related to exchange rate movements of the U.S. dollar applied to net monetary assets denominated in foreign currencies.

The following table presents the ratios for the reinsurance segment:

(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	129.8%	60.7%
Underwriting expense ratio	34.8%	34.0%
Combined ratio	164.6%	94.7%
	=====	=====

Net losses and loss expenses in the first nine months of 2001 included \$437.0 million related to the September 11 event, primarily on the property and aviation reinsurance lines of business. The ratio also increased due to the effects of the reinstatement premiums noted above. In addition, net losses and loss expenses included losses incurred related to the Sri Lanka airport loss event, Tropical Storm Allison, the Petrobras loss and the Seattle earthquake. Net losses and loss expenses in the first nine months of 2000 only included the Sydney hailstorms and Oklahoma tornadoes. The loss and loss expense ratio for the nine months ended September 30, 2000 excluded \$22.3 million related to an intercompany stop loss arrangement with a subsidiary in the insurance segment. There was no such arrangement in place for 2001. The loss and loss expense ratio would have been 63.7% had this arrangement not been in place.

The underwriting expense ratio increased in the nine months ended September 30, 2001 compared to the same period in 2000 due to the effect of reinstatement premiums on net premiums earned. However, this was partially offset by a reduction in operating expenses related to certain accrued compensation expenses of approximately \$7.0 million.

FINANCIAL PRODUCTS AND SERVICES

The following table summarizes the underwriting profit for this segment:

(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30			
	2001	2000	% CHANGE
Net premiums earned	\$ 27,728	\$ 18,466	50.2%
Fee income and other	21,422	8,365	NM
Net losses and loss expenses	8,093	4,705	NM
Acquisition costs	2,456	1,822	34.8%
Operating expenses	29,033	16,909	71.7%
Underwriting profit	\$ 9,568	\$ 3,395	181.8%
Unrealized losses on credit default swaps	\$ 13,012	\$ --	NM

Net premiums earned increased in the first nine months of 2001 compared to the first nine months of 2000 principally due to the inclusion of a component of fair value changes related to credit default swap premiums and financial guaranty business written in 2001. See "Results of Operations for the Three Months Ended September 30, 2001".

Fee income and other for the nine months ended September 30, 2001 included trading gains and fair value adjustments related to the weather derivatives.

The following table presents the ratios for this segment:

(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30		
	2001	2000
Loss and loss expense ratio	29.2%	25.5%
Underwriting expense ratio	113.6%	101.4%
Combined ratio	142.8%	126.9%

The Company's financial guaranty operations write business with an expected loss ratio of approximately 25%. The increase in the loss and loss expense ratio represents the effect of the reclassification of the loss component of the change in fair value on the credit default swaps. The growth in the expense ratio reflects development of new business including the weather risk management business.

INVESTMENT OPERATIONS

The following table illustrates the change in net investment income and net realized (losses) gains for the nine-month periods ended September 30, 2001 and 2000:

(UNAUDITED) NINE MONTHS ENDED SEPTEMBER 30			
	2001	2000	% CHANGE
Net investment income	\$ 412,969	\$ 399,591	3.35%
Net realized (losses) gains on investment	\$ (35,536)	\$ 74,808	NM

Net investment income increased in the first nine months of 2001 compared to the first nine months of 2000 due primarily to a higher investment base in 2001. The investment base in 2001 included the receipt of net funds of \$1.1 billion related to new debt issued by the Company during the second and third quarters of 2001. The investment base for the first nine months of 2000 declined as a result of claims payments, the repurchase of the Company's shares and the reallocation of assets to other strategic investments. The increase in the investment base in 2001 was partially offset by investment yields that declined in the first nine months of 2001 compared to the

first nine months of 2000. It is anticipated that investment income will decrease in the future as invested assets are drawn upon to meet claim obligations with respect to the September 11 event.

Assets related to deposit liabilities are included in investments available for sale. Interest earned on these assets is reduced by the investment expense related to the accretion of deposit liabilities.

Net realized losses on investments arose in 2001 due to declining markets in the first nine months of the year, and included a loss of \$57.0 million related to a write-down of certain of the Company's investments in circumstances where the Company believed there was an other than temporary decline in the value of those investments. Net realized gains on investments in the first nine months of 2000 were realized primarily from the sale of equity securities as the stock market reached record levels during that period.

OTHER REVENUES AND EXPENSES

The following table sets forth other revenues and expenses for the nine months ended September 30, 2001 and 2000:

(UNAUDITED)			
NINE MONTHS ENDED			
SEPTEMBER 30			
	2001	2000	% CHANGE
Equity in net income of affiliates ...	\$ 65,169	\$ 61,682	5.7%
Amortization of intangible assets	44,216	41,409	6.8%
Corporate operating expenses	65,321	44,771	45.9%
Interest expense	42,238	23,719	78.1%
Minority interest	127	528	NM
Income tax benefit	(57,204)	(11,266)	NM

Equity in net income of affiliates included a loss of \$27.0 million attributable to the Company's share of the loss in Le Mans Re related to the September 11 event in the first nine months of 2001. This was offset by higher returns from the Company's investments in closed-end investment funds and the management companies that administer these funds during the first nine months of 2001 compared to the first nine months of 2000.

Corporate operating expenses for the nine months ended September 30, 2001 included a one-time charge of \$14.0 million related to Winterthur International acquisition integration costs. Excluding this one-time charge, corporate operating expenses for the first nine months of 2001 increased compared to the first nine months of 2000 due to the increase in corporate infrastructure necessary to support the expanding worldwide operations of the Company.

The increase in interest expense reflects the effect of \$1.1 billion of new debt raised by the Company in the second and third quarters of 2001. The Company's financing structure is outlined in "--Financial Condition and Liquidity."

The change in the Company's income taxes principally reflects the effects of losses arising from the September 11 event.

FINANCIAL CONDITION AND LIQUIDITY

The Company's balance sheet has changed significantly since December 31, 2000. The assets and liabilities have increased for the effects of the September 11 event, as well as the purchase of Winterthur International. The September 11 event has resulted in an increase in loss reserves and reinsurance recoverables of \$1.85 billion and \$1.1 billion, respectively, excluding Winterthur International. The Company's exposure to the September 11 event from Winterthur International is protected through a loss reserve seasoning mechanism after the application of a deductible. As this deductible was included in the fair value adjustment of loss reserves at June 30, 2001, both loss reserves and reinsurance recoverables increased by \$321.0 million. The purchase of Winterthur International increased assets, including goodwill, by \$4.3 billion and liabilities by \$4.0 billion at July 1, 2001.

As a holding company, the Company's assets consist primarily of its investments in subsidiaries, and future cash flows depend on the availability of dividends or other statutorily permissible payments from its subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of Bermuda, the United States, Ireland, Switzerland and the United Kingdom, including those of the Society of Lloyd's. No assurance can be given that the Company or its subsidiaries will be permitted to pay dividends in the future. The Company's shareholders' equity at September 30, 2001 was \$4.8 billion of which \$2.4 billion was retained earnings.

At September 30, 2001, total investments available for sale and cash net of unsettled investment trades were \$11.4 billion compared to \$9.1 billion at December 31, 2000. This includes investments related to the Company's asset accumulation business. The growth reflects investment assets of \$1.4 billion related to the acquisition of Winterthur International net of the preliminary purchase price of \$405.6 million. The balance was provided through positive operational cash flows together with most of the proceeds from debt issued by the Company during the second and third quarter of 2001 discussed below.

The Company's fixed income investments including short-term investments and cash equivalents at September 30, 2001 represented approximately 90% of invested assets and were managed by several outside investment management firms. Approximately 90% of fixed income securities are investment grade, with 61% rated Aa or AA or better by a nationally recognized rating agency. The average quality of the fixed income portfolio was Aa3.

The net payable for investments purchased decreased from \$1.4 billion at December 31, 2000 to \$1.2 billion as at September 30, 2001. This decrease results from timing differences as investments are accounted for on a trade date basis.

Operational cash flows during the first nine months of 2001 improved from the same period of 2000 primarily due to a lower level of losses paid in 2001 and growth in premiums written. Cash flow has not yet been negatively affected by the September 11 event as all losses are currently in reserves. The Company has reviewed the anticipated cash flow from this event and believes it has sufficient liquidity to meet its obligations. Certain business written by the Company has loss experience generally characterized as having low frequency and high severity. This may result in volatility in both the Company's results and operational cash flows. For the nine months ended September 30, 2001 and 2000, the net amount of losses due to claims activity paid by the Company was \$1.1 billion and \$1.3 billion, respectively.

During the nine months ended September 30, 2001, currency translation adjustments were \$3.2 million. This is shown as part of accumulated other comprehensive income and primarily relates to unrealized losses on foreign currency exchange rate movements in the nine months on the Company's investment in Le Mans Re and certain subsidiaries where the functional currency is not the U.S. dollar.

The Company establishes reserves to provide for estimated claims, the general expenses of administering the claims adjustment process and for losses incurred but not reported. These reserves are calculated using actuarial and other reserving techniques to project the estimated ultimate net liability for losses and loss expenses. The Company's reserving practices and the establishment of any particular reserve reflect management's judgment concerning sound financial practice and does not represent any admission of liability with respect to any claims made against the Company. No assurance can be given that actual claims made and payments related thereto will not be in excess of the amounts reserved.

The establishment of reserves also includes reinsurance recoveries. Due to the size of the gross losses stemming from the September 11 event and the related reinsurance recoveries and the magnitude of the September 11 event on the reinsurance industry, the Company, in addition to its normal review process, further analyzed the recoverability of these assets. Approximately 96% of the relevant reinsurers currently fall into Standard & Poor's financial strength rating categories or equivalent of A or better, with approximately 65% rated AA or better.

Insurance and reinsurance balances receivable and payable have increased significantly since December 31, 2000. This was a direct result of the Winterthur International acquisition which required the establishment of estimates to comply with GAAP presentation.

The Company has had several share repurchase programs in the past as part of its capital management strategy. On January 9, 2000, the Board of Directors authorized a program for the repurchase of shares up to \$500.0 million. The repurchase of shares was announced in conjunction with a small dividend increase of \$0.04 per share per annum. Under this plan, the Company has purchased 6.6 million shares at an aggregate cost of \$364.6 million or an average cost of \$52.21 per share. The Company has \$135.4 million remaining in its share repurchase authorization.

As at September 30, 2001, the Company had bank, letter of credit and loan facilities available from a variety of sources including commercial banks totaling \$3.9 billion of which \$1.6 billion in debt was outstanding. In addition, \$1.6 billion of letters of credit were outstanding, 5% of which were collateralized by the Company's investment portfolio, supporting U.S. non-admitted business and the Company's Lloyd's capital requirements.

The financing structure as at September 30, 2001 was as follows:

FACILITY -----	COMMITMENT -----	IN USE / OUTSTANDING -----
DEBT:		
364 day Revolver	\$ 500,000	\$ --
2 facilities of 5 year Revolvers - total	350,000	350,000
7.15% Notes due 2005	100,000	100,000
6.58% Guaranteed Senior Notes due 2011	255,000	255,000
Zero Coupon Convertible Debentures due 2021	605,693	605,700
Liquid Yield Option(TM) Notes ("LYONs") due 2021 .	250,477	250,500
	-----	-----
	\$2,061,170	\$1,561,200
	=====	=====
LETTERS OF CREDIT:		
5 facilities - total	\$1,817,000	\$1,565,000
	=====	=====

A syndicate of banks provides the \$500.0 million 364-day revolving credit facility and borrowings are unsecured. This facility was renewed along with the \$1.0 billion letter of credit facility effective September 29, 2001.

Two syndicates of banks provide the two five-year facilities and borrowings are unsecured. Under these facilities, the amount of \$350.0 million outstanding at September 30, 2001 related primarily to the remaining outstanding balance from the \$300.0 million borrowed to finance the cash option election available to shareholders in connection with the Mid Ocean acquisition in August 1998, and to the \$109.7 million borrowed to finance certain acquisitions in 1999.

The weighted average interest rate on funds borrowed during the nine months ended September 30, 2001 was approximately 5.5%.

In 1995, NAC Re Corp, with which the Company merged in 1999, issued \$100.0 million of 7.15% Senior Notes due November 15, 2005 through a public offering at a price of \$99.9 million.

In April 2001, the Company issued at par \$255.0 million of 6.58% Guaranteed Senior Notes due April 2011 through a private placement to institutional investors. Proceeds of the debt were used for general corporate purposes.

In May 2001, the Company issued Zero Coupon Convertible Debentures due 2021 with a yield to maturity of 2.625%. The gross proceeds to the Company were \$600.0 million and related expenses were \$13.5 million. Proceeds of the debt were used for general corporate purposes.

In September 2001, the Company issued Liquid Yield Option(TM) Notes due 2021 with a yield to maturity of 2.875%. The gross proceeds to the Company were \$250.0 million and related expenses were \$5.6 million. Proceeds of the debt were used to repurchase \$66.4 million of the Company's ordinary shares. The remainder of the proceeds of the debt will be used for additional share repurchases, and general corporate purposes which includes the settlement of claims related to the September 11 event.

Total pre-tax interest expense on the borrowings described above was \$42.2 million and \$23.7 million for the nine months ended September 30, 2001 and 2000, respectively. Associated with the Company's bank and loan commitments are various loan covenants with which the Company was in compliance throughout both nine-month periods.

CURRENT OUTLOOK

Prior to the September 11 event, the Company was experiencing some price increases recognizing the competitive pressures on premium rates in the past. The September 11 event has accelerated this process as capacity has been constrained by an unprecedented loss event. Some of the capacity is expected to be replaced by new capital entrants to the market but this is not expected to replace all the capacity lost. The Company believes it has a strong global franchise, underwriting expertise and financial resources to take advantage of opportunities arising.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to potential loss from various market risks, including changes in interest rates and foreign currency exchange rates. The Company manages its market risks based on guidelines established by management. The Company enters into derivatives and other financial instruments primarily for risk management purposes. These derivative instruments are carried at fair market value with the resulting gains and losses included in net realized gains or losses on investments.

This risk management discussion and the estimated amounts generated from the sensitivity analyses are forward-looking statements of market risk assuming certain adverse market conditions occur. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The results of analysis used by the Company to assess and mitigate risk should not be considered projections of future events of losses. See generally "--Cautionary Note Regarding Forward-Looking Statements".

The Company's investment portfolio consists of fixed income and equity securities, denominated in both U.S. and foreign currencies. Accordingly, earnings will be affected by, among other things, changes in interest rates, equity prices and foreign currency exchange rates.

FOREIGN CURRENCY RISK MANAGEMENT

The Company uses foreign exchange contracts to manage its exposure to the effects of fluctuating foreign currencies on the value of its foreign currency fixed maturities and equity investments. These contracts are not designated as hedges for financial reporting purposes and therefore, realized and unrealized gains and losses on these contracts are recorded in income in the period in which they occur. These contracts generally have maturities of three months or less. In addition, where the Company's investment managers believe potential gains exist in a particular currency, a forward contract may not be entered into. At September 30, 2001, forward foreign exchange contracts with notional principal amounts totaling \$127.2 million were outstanding. The fair value of these contracts as at September 30, 2001 was \$124.9 million with unrealized losses of \$2.3 million. Gains of \$4.0 million were realized during the nine months ended September 30, 2001. Based on this value, a 10% appreciation or depreciation of the U.S. dollar as compared to the level of other currencies under contract at September 30, 2001 would have resulted in approximately \$10.6 million of unrealized losses and \$0.5 million in unrealized gains, respectively.

In addition, the Company also enters into foreign exchange contracts to buy and sell foreign currencies in the course of trading its foreign currency investments. These contracts are not designated as hedges, and generally

have maturities of two weeks or less. As such, any realized or unrealized gains or losses are recorded in income in the period in which they occur. At September 30, 2001, the value of such contracts was insignificant.

The Company also uses foreign exchange forward contracts to reduce its exposure to premiums receivable denominated in foreign currencies. The forward contract is closely matched with the receivable maturity date. Both the foreign currency receivable and the offsetting forward contract are marked to market on each balance sheet date, with any gains and losses recognized in the income statement. As at September 30, 2001, the Company had forward contracts outstanding for the sale of \$10.5 million of foreign currencies at fixed rates, primarily U.K. Sterling and Euros. Activity was insignificant in the nine months ended September 30, 2001.

The Company attempts to manage the exchange volatility arising on certain administration costs denominated in foreign currencies. Throughout the year, forward contracts are entered into to acquire the foreign currency at an agreed rate in the future. At September 30, 2001, the Company had forward contracts outstanding for the purchase of \$3.0 million of Euros and U.K. Sterling at fixed rates. Activity was insignificant in the nine months ended September 30, 2001.

FINANCIAL MARKET EXPOSURE

The Company also uses derivative investments to add value to the portfolio where market inefficiencies are believed to exist, to equitize cash holdings of equity managers and to adjust the duration of a portfolio of fixed income securities to match the duration of related deposit liabilities. The Company measures potential losses in fair values using various statistical techniques, including Value at Risk ("VaR"). VaR is a comprehensive statistical measure that uses historical rates, market movements, credit spreads and default rates to estimate the volatility and correlation of these factors to calculate the maximum loss that could occur over a defined period of time given a certain probability. The Company calculates VaR based on a 95% confidence interval with a one month horizon.

At September 30, 2001, bond and stock index futures outstanding were \$824.3 million with underlying investments having a market value of \$3.4 billion. A 10% appreciation or depreciation of these derivative instruments would have resulted in unrealized gains and unrealized losses of \$82.4 million, respectively. The Company reduces its exposure to these futures through offsetting transactions, including options and forwards. The VaR of the total investment portfolio and of all derivatives at September 30, 2001 was approximately \$251.0 and \$13.0 million, respectively.

The Company also trades in weather derivatives. These products are recorded at fair value, and fair value adjustments are recognized in earnings in each period as a part of fee income and other. These types of transactions may expose the Company to financial market risk through changes in interest rates, credit spreads and other market factors. For the nine months ended September 30, 2001, fee income and other included \$10.2 million related to weather derivatives.

ACCOUNTING PRONOUNCEMENTS

See Note 3 to the Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 ("PSLRA") provides a "safe harbor" for forward-looking statements. This Form 10-Q, the Company's Annual Report to Shareholders, any proxy statement, any other Form 10-Q, Form 10-K or Form 8-K of the Company or any other written or oral statements made by or on behalf of the Company may include forward-looking statements which reflect the Company's current views with respect to future events and financial performance. Such statements include forward-looking statements both with respect to the Company in general, and the insurance, reinsurance and financial products and services sectors in particular (both as to underwriting and investment matters). Statements which include the words "expect", "intend", "plan", "believe", "estimate", "project", "anticipate", "will", and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the PSLRA or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. The Company believes that these factors include, but are not limited to, the following: (i) the size of the Company's claims from the September 11 event and other loss events may change due to the preliminary nature of reports and estimates of loss and damage; (ii) the timely and full recoverability of reinsurance placed by the Company with third parties; (iii) the projected amount of ceded reinsurance recoverables and the ratings and creditworthiness of reinsurers may change; (iv) the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than anticipated by the Company; (v) ineffectiveness or obsolescence of the Company's business strategy due to changes in current or future market conditions; (vi) increased competition on the basis of pricing, capacity, coverage terms or other factors; (vii) greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than the Company's underwriting, reserving or investment practices anticipate based on historical experience or industry data; (viii) developments in the world's financial and capital markets which adversely affect the performance of the Company's investments and our access to such markets; (ix) availability of borrowings and letters of credit under the Company's credit facilities; (x) changes in regulation or tax laws applicable to the Company, its subsidiaries, brokers or customers; (xi) acceptance of the Company's products and services, including new products and services; (xii) changes in the availability, cost or quality of reinsurance; (xiii) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (xiv) loss of key personnel; (xv) the effects of mergers, acquisitions and divestitures, including, without limitation, the Winterthur International acquisition; (xvi) changes in rating agency policies or practices; (xvii) changes in accounting policies or practices; (xviii) changes in general economic conditions, including inflation, foreign currency exchange rates and other factors; and (xix) the effects of business disruption or economic contraction due to terrorism or other hostilities. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein or elsewhere. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

XL CAPITAL LTD
PART II--OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is a party to various legal proceedings, including arbitrations, arising in the ordinary course of business. Such legal proceedings generally relate to claims asserted by or against the Company's subsidiaries in the ordinary course of their respective insurance, reinsurance and financial products and services operations. The Company does not believe that the eventual resolution of any of the legal proceedings to which it is a party will result in a material adverse effect on its financial condition or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

4.49 Indenture dated September 4, 2001 between XL Capital Ltd and State Street Bank & Trust Company relating to the Liquid-Yield Option Notes due 2021.

4.50 Form of Liquid-Yield Option Note (included in exhibit 4.49 above and incorporated by reference herein).

4.51 Registration Rights Agreement dated September 4, 2001 between XL Capital Ltd and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

10.44 Amendment No. 1 dated as of September 26, 2001 to the Amended and Restated Credit Agreement dated as of August 31, 2001 between XL Capital Ltd, XL Insurance Ltd, XL Re Ltd and Mid Ocean Limited, as borrowers and guarantors, the banks party thereto and The Chase Manhattan Bank, as administrative agent.

10.45 Amendment No. 1 dated as of September 26, 2001 to the 364-day Credit Agreement dated as of June 28, 2001 between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Re Ltd, as borrowers and guarantors and the lenders party thereto and The Chase Manhattan Bank, as administrative agent.

10.46 Seventh Amendment dated as of September 26, 2001 to the Revolving Credit Agreement dated as of June 6, 1997, as amended, by and among XL Capital Ltd, XL Insurance Ltd, XL Re Ltd and EXEL Acquisition Ltd., as guarantors, and except in the case of EXEL Acquisition Ltd., as borrowers and Mellon Bank, N.A., as agent and the banks party thereto.

10.47 Sixth Amendment dated as of August 27, 2001 to the Revolving Credit Agreement dated as of June 6, 1997, as amended, by and among XL Capital Ltd, XL Insurance Ltd, XL Re Ltd and EXEL Acquisition Ltd., as guarantors, and except in the case of EXEL Acquisition Ltd., as borrowers and Mellon Bank, N.A., as agent and the banks party thereto.

10.48 Amendment No. 1 dated as of September 26, 2001 to the Letter of Credit and Reimbursement Agreement dated as of June 29, 2001 between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Re Ltd, each an account party and guarantor, the lenders party thereto and The Chase Manhattan Bank, as administrative agent.

10.49 Amendment No. 1 dated as of September 26, 2001 to the Letter of Credit and Reimbursement Agreement dated November 3, 2000 between XL Capital Ltd as account party and guarantor and, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Re Ltd, as guarantors and the lenders party thereto and Citibank International plc, as agent and trustee for the lenders and Salomon Brothers International Limited, as arranger.

(b) REPORTS ON FORM 8-K

Current Report on Form 8-K filed on July 27, 2001, under Item 5 thereof.

Current Report on Form 8-K filed on August 9, 2001, under Items 2 and 7 thereof.

Current Report on Form 8-K filed on September 5, 2001, under Item 5 thereof.

Current Report on Form 8-K filed on September 11, 2001, under Item 5 thereof.

Current Report on Form 8-K filed on September 17, 2001, under Item 5 thereof.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

XL CAPITAL LTD

(Registrant)

October 29, 2001

/s/ BRIAN M. O'HARA

Brian M. O'Hara
President and Chief Executive Officer

October 29, 2001

/s/ JERRY DE ST. PAER

Jerry de St. Paer
Executive Vice President and Chief Financial Officer

XL Capital Ltd

Liquid Yield Option(TM) Notes due 2021 (Zero Coupon---Senior)

 INDENTURE

Dated as of September 7, 2001

 State Street Bank and Trust Company

TRUSTEE

(TM)Trademark of Merrill Lynch & Co., Inc.

TABLE OF CONTENTS

	PAGE

ARTICLE I DEFINITIONS AND INCORPORATION BY REFERENCE	
Section 1.1	Definitions.....1
Section 1.2	Other Definitions.....5
Section 1.3	Incorporation by Reference of Trust Indenture Act.....6
Section 1.4	Rules of Construction.....7
Section 1.5	Acts of Holders.....7
ARTICLE II THE SECURITIES	
Section 2.1	Form and Dating.....8
Section 2.2	Execution and Authentication.....10
Section 2.3	Registrar, Paying Agent, Bid Solicitation Agent and Conversion Agent....11
Section 2.4	Paying Agent to Hold Money and Securities in Trust.....11
Section 2.5	Securityholder Lists.....11
Section 2.6	Transfer and Exchange.....12
Section 2.7	Replacement Securities.....13
Section 2.8	Outstanding Securities; Determinations of Holders' Action.....14
Section 2.9	Temporary Securities.....14
Section 2.10	Cancellation.....15
Section 2.11	Persons Deemed Owners.....15
Section 2.12	Global Securities.....15
Section 2.13	CUSIP Numbers.....20
Section 2.14	Original Issue Discount.....20
ARTICLE III CONTINGENT CASH INTEREST	
Section 3.1	Contingent Cash Interest.....21
Section 3.2	Payment of Contingent Cash Interest.....21
Section 3.3	Notice.....23
ARTICLE IV CONTINGENT ADDITIONAL PRINCIPAL	
Section 4.1	Contingent Additional Principal.....23
Section 4.2	Payment of Contingent Additional Principal.....24
Section 4.3	Notice.....24
ARTICLE V REDEMPTION AND PURCHASES	
Section 5.1	Company's Right to Redeem; Notices to Trustee.....25
Section 5.2	Selection of Securities to Be Redeemed.....25
Section 5.3	Notice of Redemption.....25
Section 5.4	Effect of Notice of Redemption.....26
Section 5.5	Deposit of Redemption Price.....26

Section 5.6 Securities Redeemed in Part.....26
Section 5.7 Repurchase of Securities by the Company at Option of the Holder.....27
Section 5.8 Purchase of Securities at Option of the Holder upon a Change in Control..33
Section 5.9 Effect of Purchase Notice or Change in Control Purchase Notice.....39
Section 5.10 Deposit of Purchase Price or Change in Control Purchase Price.....40
Section 5.11 Securities Purchased in Part.....40
Section 5.12 Covenant to Comply With Securities Laws Upon Purchase of Securities.....40
Section 5.13 Repayment to the Company.....41

ARTICLE VI COVENANTS

Section 6.1 Payment of Securities.....41
Section 6.2 SEC and Other Reports.....41
Section 6.3 Compliance Certificate.....42
Section 6.4 Further Instruments and Acts.....42
Section 6.5 Maintenance of Office or Agency.....42
Section 6.6 Delivery of Certain Information.....43
Section 6.7 Additional Amounts.....43

ARTICLE VII SUCCESSOR CORPORATION

Section 7.1 When Company May Merge or Transfer Assets.....44

ARTICLE VIII DEFAULTS AND REMEDIES

Section 8.1 Events of Default.....45
Section 8.2 Acceleration.....46
Section 8.3 Other Remedies.....47
Section 8.4 Waiver of Past Defaults.....47
Section 8.5 Control by Majority.....47
Section 8.6 Limitation on Suits.....47
Section 8.7 Rights of Holders to Receive Payment.....48
Section 8.8 Collection Suit by Trustee.....48
Section 8.9 Trustee May File Proofs of Claim.....48
Section 8.10 Priorities.....49
Section 8.11 Undertaking for Costs.....49
Section 8.12 Waiver of Stay, Extension or Usury Laws.....49

ARTICLE IX TRUSTEE

Section 9.1 Duties of Trustee.....50
Section 9.2 Rights of Trustee.....51
Section 9.3 Individual Rights of Trustee.....52
Section 9.4 Trustee's Disclaimer.....52
Section 9.5 Notice of Defaults.....53
Section 9.6 Reports by Trustee to Holders.....53
Section 9.7 Compensation and Indemnity.....53
Section 9.8 Replacement of Trustee.....54
Section 9.9 Successor Trustee by Merger.....54

Section 9.10	Eligibility; Disqualification.....	55
Section 9.11	Preferential Collection of Claims Against Company.....	55

ARTICLE X DISCHARGE OF INDENTURE

Section 10.1	Discharge of Liability on Securities.....	55
Section 10.2	Repayment to the Company.....	55

ARTICLE XI AMENDMENTS

Section 11.1	Without Consent of Holders.....	55
Section 11.2	With Consent of Holders.....	56
Section 11.3	Compliance with Trust Indenture Act.....	57
Section 11.4	Revocation and Effect of Consents, Waivers and Actions.....	57
Section 11.5	Notation on or Exchange of Securities.....	57
Section 11.6	Trustee to Sign Supplemental Indentures.....	57
Section 11.7	Effect of Supplemental Indentures.....	58

ARTICLE XII CONVERSIONS

Section 12.1	Conversion Privilege.....	58
Section 12.2	Conversion Procedure.....	59
Section 12.3	Fractional Shares.....	59
Section 12.4	Taxes on Conversion.....	59
Section 12.5	Company to Provide Stock.....	60
Section 12.6	Adjustment for Change in Capital Stock.....	60
Section 12.7	Adjustment for Rights Issue.....	61
Section 12.8	Adjustment for Other Distributions.....	62
Section 12.9	Adjustment for Company Tender Offer.....	63
Section 12.10	When Adjustment May Be Deferred.....	64
Section 12.11	When No Adjustment Required.....	64
Section 12.12	Notice of Adjustment.....	65
Section 12.13	Voluntary Increase.....	65
Section 12.14	Notice of Certain Transactions.....	65
Section 12.15	Reorganization of Company; Special Distributions.....	66
Section 12.16	Company Determination Final.....	66
Section 12.17	Trustee's Adjustment Disclaimer.....	66
Section 12.18	Simultaneous Adjustments.....	67
Section 12.19	Successive Adjustments.....	67

ARTICLE XIII MISCELLANEOUS

Section 13.1	Trust Indenture Act Controls.....	67
Section 13.2	Notices.....	67
Section 13.3	Communication by Holders with Other Holders.....	68
Section 13.4	Certificate and Opinion as to Conditions Precedent.....	68
Section 13.5	Statements Required in Certificate or Opinion.....	68
Section 13.6	Separability Clause.....	69
Section 13.7	Rules by Trustee, Paying Agent, Conversion Agent and Registrar.....	69

Section 13.8 Legal Holidays.....69
Section 13.9 GOVERNING LAW.....69
Section 13.10 No Recourse Against Others.....69
Section 13.11 Successors.....69
Section 13.12 Multiple Originals.....69

EXHIBIT A Form of Global Security

EXHIBIT B Transfer Certificate

INDENTURE dated as of September 7, 2001 between XL CAPITAL LTD, a Cayman Islands exempted limited company (the "Company"), and STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company ("Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's Liquid Yield Option(TM) Notes due 2021:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1 DEFINITIONS

"Accreted Conversion Price" of a Security as of any date means the Accreted Value of such Security divided by the number of Ordinary Shares issuable upon conversion of the Security on that date.

"Accreted Value" as of any date means the sum of the Issue Price, plus the accrued Original Issue Discount and any accrued Contingent Additional Principal, if any, to the date of determination (excluding any Contingent Cash Interest that becomes payable).

"Additional Amount" means any amounts that are required under this Indenture to be paid to the Holders by the Company as described in Section 6.7.

"Affiliate" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or any beneficial interest therein, the rules and procedures of the Depositary for such Security, in each case to the extent applicable to such transfer or transaction and as in effect from time to time.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of such board.

"Business Day" means, with respect to any Security, a day that in the City of New York or the City of Boston, Massachusetts, is not a day on which banking institutions are authorized by law or regulation to close.

"Capital Stock" for any entity means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that corporation.

"Certificated Securities" means securities that are in registered definitive form.

"Company" means the party named as the "Company" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"Company Order" means a written request or order signed in the name of the Company by any two Officers.

"Corporate Trust Office" means the corporate trust office of the Trustee at which at any time the trust created by this Indenture shall be administered, which office at the date hereof is located at 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, Attention: Corporate Trust Administration (XL Capital Ltd Liquid Yield Option(TM) Notes due 2021), or such other address as the Trustee may designate from time to time by notice to the Holders and the Company, or the corporate trust office of any successor Trustee at which such trust shall be administered (or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company).

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"GAAP" means generally accepted accounting principles in the United States of America as in effect and, to the extent optional, adopted by the Company, on the date of this Indenture, consistently applied.

"GICs" means guaranteed investment contracts.

"Global Security" means a permanent Global Security that is in the form of the Security attached hereto as Exhibit A, and that is deposited with and registered in the name of the Depositary.

"Holder" or "Securityholder" means a person in whose name a Security is registered on the Registrar's books.

"Indebtedness" means, without duplication, the principal or face amount of (i) all obligations for borrowed money, (ii) all obligations evidenced by debentures, notes or other similar instruments, (iii) all obligations in respect of letters of credit or bankers acceptances or similar instruments (or reimbursement obligations with respect thereto), (iv) all obligations to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (v) all obligations as lessee which are capitalized in accordance with generally accepted accounting principles, and (vi) all Indebtedness of others guaranteed by the Company or for which the Company is legally responsible or liable (whether by agreement to purchase indebtedness of, or to supply funds or to invest in, others) (it being understood, for the avoidance of doubt, that insurance payment liabilities, as such, and liabilities arising in the ordinary course of such Company's business as an insurance or reinsurance company (including GICs) or corporate member of The Council of Lloyds or as a provider of financial or investment

services or contracts (in each case other than in connection with the provision of financing to the Company or any Affiliate of the Company) shall not be deemed to constitute Indebtedness).

"Indenture" means this Indenture, as amended or supplemented from time to time in accordance with the terms hereof, including the provisions of the TIA that are deemed to be a part hereof.

"Issue Date" of any Security means the date on which the Security was originally issued or deemed issued as set forth on the face of the Security.

"Liquidated Damages" means liquidated damages pursuant to the Registration Rights Agreement.

"NYSE" means The New York Stock Exchange.

"Officer" means the Chairman of the Board, the Vice Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Secretary or any Assistant Treasurer or Assistant Secretary of the Company.

"Officers' Certificate" means a written certificate containing the information specified in Sections 13.4 and 13.5, signed in the name of the Company by any two Officers, and delivered to the Trustee. An Officers' Certificate given pursuant to Section 6.3 shall be signed by a financial or accounting Officer of the Company but need not contain the information specified in Sections 13.4 and 13.5.

"Opinion of Counsel" means a written opinion containing the information specified in Sections 13.4 and 13.5, from legal counsel who is acceptable to the Trustee. The counsel may be an employee of, or counsel to, the Company or the Trustee.

"Original Issue Discount" of any Security means the difference between the issue price and the principal amount at maturity of the Security as set forth on the face of the Security, which shall accrue as set forth in the form of Security.

"Ordinary Shares" shall mean the Class A ordinary shares, \$0.01 par value per share, of the Company existing on the date of this Indenture or any other shares of Capital Stock of the Company into which such Class A ordinary shares shall be reclassified or changed.

"Non-U.S. Person" means any person who, for United States federal income tax purposes, is not (i) a corporation or partnership created or organized in or under the laws of the United States, any state thereof or the District of Columbia or, in the case of a partnership, otherwise treated as a U.S. person under applicable U.S. Treasury Regulations, (ii) a citizen or resident of the United States, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust, if a court within the United States is able to exercise primary supervision over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust.

"person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

"Redemption Date" or "redemption date" shall mean the date specified in a notice of redemption on which the Securities may be redeemed in accordance with the terms of the Securities and this Indenture.

"Regular Cash Dividends" means quarterly or other periodic cash dividends on Ordinary Shares as declared by the Board of Directors as part of cash dividends practices and that are not designated by the Board of Directors as extraordinary or special or other nonrecurring dividends.

"Registration Rights Agreement" means the registration rights agreement, relating to the Securities and the Ordinary Shares issuable upon conversion of the Securities, dated as of September 7, 2001, between the Company and Merrill Lynch & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Relevant Date" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Trustee on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders, notice to that effect shall have been duly given to the holders of the Securities.

"Responsible Officer" shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Restricted Security" means a Security required to bear the restrictive legend set forth in the form of Security set forth in Exhibit A of this Indenture.

"Rule 144A" means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Company's Liquid Yield Option(TM) Notes due 2021, issued under this Indenture.

"Securityholder" or "Holder" means a person in whose name a Security is registered on the Registrar's books.

"Stated Maturity", when used with respect to any Security, means September 7, 2021.

"Subsidiary" means any person of which at least a majority of the outstanding Voting Stock shall at the time directly or indirectly be owned or controlled by the Company or by one or more Subsidiaries or by the Company and one or more Subsidiaries.

"TIA" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, provided, however, that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

"Trading Day" means a day during which trading in securities generally occurs on the NYSE or, if the Ordinary Shares are not listed on the NYSE, on the principal other national or regional securities exchange on which the Ordinary Shares then are listed or, if the Ordinary Shares are not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if the Ordinary Shares are not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Ordinary Shares are then traded.

"Trustee" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"Voting Stock" of a person means Capital Stock of such person of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such person (irrespective of whether or not at the time Capital Stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

Section 1.2 OTHER DEFINITIONS.

Term Section:	Defined in:
"Accreted Value Conversion".....	Exhibit A
"Act".....	1.5
"Associate".....	5.8
"Agent Members".....	2.12(e)
"Average Sale Price".....	12.1
"beneficial owner".....	5.8(a)
"Bid Solicitation Agent".....	2.3
"cash".....	5.7(b)
"Change in Control".....	5.8(a)
"Change in Control Notice Date".....	5.8(b)
"Change in Control Purchase Date".....	5.8(a)
"Change in Control Purchase Notice".....	5.8(c)
"Change in Control Purchase Price".....	5.8(a)
"Company Notice".....	5.7(e)
"Company Notice Date".....	5.7(c)
"Contingent Additional Principal".....	4.1

"Contingent Cash Interest".....	3.1
"Contingent Cash Interest Payment Date".....	3.1
"Contingent Cash Interest Record Date".....	3.1
"Conversion Agent".....	2.3
"Conversion Date".....	12.2
"Conversion Period".....	Exhibit A
"Conversion Rate".....	12.1
"Depository".....	2.1(a)
"DTC".....	2.1(a)
"Defaulted Interest".....	3.2
"Event of Default".....	8.1
"Exchange Act".....	5.7(d)
"Ex-Dividend Time".....	12.1
"Expiration Time".....	12.9
"Extraordinary Cash Dividend".....	12.8
"Five-Trading-Day Measurement Period".....	3.2
"Interest Payment Date".....	Exhibit A
"Issue Price".....	Exhibit A
"Legal Holiday".....	13.8
"Legend".....	2.6(f)
"Market Price".....	5.7(d)
"Notice of Default".....	8.1
"Ordinary Shares Threshold Price".....	4.1
"Ordinary Shares Record Date".....	3.2
"Parity Value".....	Exhibit A
"Paying Agent".....	2.3
"Purchase Date".....	5.7(a)
"Purchase Notice".....	5.7(a)
"Purchase Price".....	5.7(a)
"Purchased Shares".....	12.9
"QIB".....	2.1(a)
"Redemption Price".....	Exhibit A
"Registrar".....	2.3
"Rule 144A Information".....	6.6
"Sale Price".....	5.7(d)
"Semiannual Period".....	3.1
"Securities' Market Price".....	3.2
"Securities Act".....	5.7(d)
"Special Record Date".....	3.2
"Spin-off".....	12.8
"Time of Determination".....	12.1
"Trading Price".....	Exhibit A
"Thirty-Trading-Day Measurement Period".....	3.2

Section 1.3 INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made

a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Securityholder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meanings assigned to them by such definitions.

Section 1.4 RULES OF CONSTRUCTION.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning assigned to it and shall be construed in accordance with "U.S. GAAP";
- (3) "or" is not exclusive;
- (4) "including" means including, without limitation;
- (5) words in the singular include the plural, and words in the plural include the singular;
- (6) all references to \$, dollars, cash payments or money refer to United States currency; and
- (7) all references to "interest" on any Security in this Indenture shall mean accretion of Original Issue Discount to the principal amount of such Security unless such reference is to "Contingent Cash Interest."

Section 1.5 ACTS OF HOLDERS. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of Holders signing such instrument

or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to such officer the execution thereof. Where such execution is by a signer acting in a capacity other than such signer's individual capacity, such certificate or affidavit shall also constitute sufficient proof of such signer's authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the register for the Securities.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee, the Company or the Conversion Agent in reliance thereon, whether or not notation of such action is made upon such Security.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

ARTICLE II

THE SECURITIES

Section 2.1 FORM AND DATING. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage (provided that any such notation, legend or

endorsement required by usage is in a form acceptable to the Company). The Company shall provide any such notations, legends or endorsements to the Trustee in writing. Each Security shall be dated the date of its authentication.

(a) GLOBAL SECURITIES. Securities offered and sold within the United States to qualified institutional buyers as defined in Rule 144A ("QIBs") in reliance on Rule 144A shall be issued initially in the form of a Global Security, which shall be deposited with the Trustee at its Corporate Trust Office, as custodian for the Depository (as defined below) and registered in the name of The Depository Trust Company ("DTC") or the nominee thereof (DTC, or any successor thereto, and any such nominee being hereinafter referred to as the "Depository"), duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository as hereinafter provided.

(b) GLOBAL SECURITIES IN GENERAL. Each Global Security shall represent such of the outstanding Securities as shall be specified therein and each shall provide that it shall represent the aggregate principal amount at maturity of outstanding Securities from time to time endorsed thereon and that the aggregate principal amount at maturity of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, redemptions, purchases and conversions.

Any adjustment of the aggregate principal amount of a Global Security to reflect the amount of any increase or decrease in the amount of outstanding Securities represented thereby shall be made by the Trustee in accordance with instructions given by the Holder thereof as required by Section 2.12 hereof and shall be made on the records of the Trustee and the Depository.

(c) BOOK-ENTRY PROVISIONS. This Section 2.1(c) shall apply only to Global Securities deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.1(c), authenticate and deliver initially one or more Global Securities that (a) shall be registered in the name of the Depository, (b) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions and (c) shall bear legends substantially to the following effect:

"THIS SECURITY AND ANY ORDINARY SHARES ISSUABLE UPON THE CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HERBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF XL CAPITAL LTD THAT THIS SECURITY AND ANY ORDINARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR

OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR ANOTHER AVAILABLE EXEMPTION THEREUNDER (IF AVAILABLE) OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS SECURITY, ANY ORDINARY SHARES ISSUABLE UPON ITS CONVERSION AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS SECURITY AND ANY SUCH SHARES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION OR INTERPRETATION THEREOF OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY AND ANY SUCH SHARES SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY AND ANY SUCH SHARES TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

Section 2.2 EXECUTION AND AUTHENTICATION. The Securities shall be executed on behalf of the Company by any Officer. The signature of the Officer on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at the time of the execution of the Securities Officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of authentication of such Securities.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by signature of an authorized officer, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

The Trustee shall authenticate and deliver the Securities for original issue in an initial aggregate principal amount at maturity (subject to adjustment) of up to \$508,842,000 upon one or more Company Orders without any further action by the Company. The aggregate principal amount of the Securities due at the Stated Maturity thereof outstanding at any time may not exceed the amount set forth in the foregoing sentence, except as provided in Article IV.

The Securities shall originally be issued only in registered form without coupons and only in denominations of \$1,000 of principal amount at maturity and any integral multiple thereof.

Section 2.3 REGISTRAR, PAYING AGENT, BID SOLICITATION AGENT AND CONVERSION AGENT. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for purchase or payment ("Paying Agent") and an office or agency where Securities may be presented for conversion ("Conversion Agent"). The Company shall also appoint a bid solicitation agent (the "Bid Solicitation Agent") to act pursuant to paragraph 2(d) of the Securities. The Registrar shall keep a register of the Securities and of their transfer, exchange and conversion. The Company may have one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term Paying Agent includes any additional paying agent, including any named pursuant to Section 6.5. The term Conversion Agent includes any additional conversion agent, including any named pursuant to Section 6.5.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar (other than the Trustee). The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee of the name and address of any such agent. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 9.7. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar, Conversion Agent or co-registrar.

The Company initially appoints the Trustee as Registrar, Conversion Agent, Paying Agent and Bid Solicitation Agent in connection with the Securities.

Section 2.4 PAYING AGENT TO HOLD MONEY AND SECURITIES IN TRUST. Except as otherwise provided herein, on or prior to each due date of payments in respect of any Security, the Company shall deposit with the Paying Agent a sum of money (in immediately available funds if deposited on the due date) or Ordinary Shares or, as permitted by this Indenture, a combination thereof, sufficient to make such payments when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money and Ordinary Shares held by the Paying Agent for the making of payments in respect of the Securities and shall notify the Trustee of any default by the Company in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money and Ordinary Shares so held in trust. If the Company or a Subsidiary or an Affiliate of any of them acts as Paying Agent, it shall segregate the money and Ordinary Shares held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money and Ordinary Shares held by it to the Trustee and to account for any funds and Ordinary Shares disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money or the Ordinary Shares.

Section 2.5 SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall cause to be furnished to the Trustee at least semiannually on May 1 and November 1 a listing of Securityholders dated within 15 days of the date on which the list is furnished and at such other times as the Trustee

may request in writing a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Securityholders.

Section 2.6 TRANSFER AND EXCHANGE. (a) Subject to Section 2.12 hereof, (a) upon surrender for registration of transfer of any Security, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.3, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate principal amount at maturity. The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate principal amount at maturity, upon surrender of the Securities to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed) or any Securities in respect of which a Purchase Notice or Change in Control Purchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture (except, in the case of Securities to be purchased in part, the portion thereof not to be purchased) or any Securities for a period of 15 days before the mailing of a notice of redemption of Securities to be redeemed.

(b) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depositary, transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.12 and this Section 2.6(b). Transfers of a Global Security shall be limited to transfers of such Global Security, to the Depositary, to nominees of the Depositary or to a successor of the Depositary or such successor's nominee.

(c) Successive registrations and registrations of transfers and exchanges as aforesaid may be made from time to time as desired, and each such registration shall be noted on the register for the Securities.

(d) Any Registrar appointed pursuant to Section 2.3 hereof shall provide to the Trustee such information as the Trustee may reasonably require in connection with the delivery by such Registrar of Securities upon transfer or exchange of Securities.

(e) No Registrar shall be required to make registrations of transfer or exchange of Securities during any periods designated in the text of the Securities or in this Indenture as periods during which such registration of transfers and exchanges need not be made.

(f) If Securities are issued upon the transfer, exchange or replacement of Securities subject to restrictions on transfer and bearing the legends set forth on the form of Security attached hereto as Exhibit A setting forth such restrictions (collectively, the "Legend"), or if a request is made to remove the Legend on a Security, the Securities so issued shall bear the Legend, or the Legend shall not be removed, as the case may be, unless there is delivered to the Company and the Registrar such satisfactory evidence, which shall include an Opinion of Counsel, as may be reasonably required by the Company and the Registrar, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A or Rule 144 under the Securities Act or that such Securities are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon (i) provision of such satisfactory evidence, or (ii) notification by the Company to the Trustee and Registrar of the sale of such Security pursuant to a registration statement that is effective at the time of such sale, the Trustee, pursuant to a Company Order, shall authenticate and deliver a Security that does not bear the Legend. If the Legend is removed from the face of a Security and the Security is subsequently held by the Company or an Affiliate of the Company, the Legend shall be reinstated.

Section 2.7 REPLACEMENT SECURITIES. If (a) any mutilated Security is surrendered to the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon a Company Order, the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount, bearing a certificate number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Company pursuant to Article III hereof, the Company in its discretion may, instead of issuing a new Security, pay or purchase such Security, in cash, Ordinary Shares or a combination thereof as permitted in this Indenture, as the case may be.

Upon the issuance of any new Securities under this Section 2.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 2.7 in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 2.7 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 2.8 OUTSTANDING SECURITIES; DETERMINATIONS OF HOLDERS' ACTION. Securities outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those paid pursuant to Section 2.6(a), those delivered to it for cancellation and those described in this Section 2.8 as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate thereof holds the Security; provided, however, that in determining whether the Holders of the requisite principal amount of Securities have given or concurred in any request, demand, authorization, direction, notice, consent, waiver or other action hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Subject to the foregoing, only Securities outstanding at the time of such determination shall be considered in any such determination (including, without limitation, determinations pursuant to Articles VI and IX).

If a Security is replaced pursuant to Section 2.6, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the Paying Agent holds, in accordance with this Indenture, on a Redemption Date, or on the Business Day following a Purchase Date or a Change in Control Purchase Date, or on Stated Maturity, money or securities, if permitted hereunder, sufficient to pay Securities payable on that date, then immediately after such Redemption Date, Purchase Date, Change in Control Purchase Date or Stated Maturity, as the case may be, such Securities shall cease to be outstanding and interest, if any, on such Securities shall cease to accrue and such Securities shall cease to be convertible; provided, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made.

If a Security is converted in accordance with Article XII, then from and after the time of conversion on the Conversion Date, such Security shall cease to be outstanding and interest, if any, shall cease to accrue on such Security.

Section 2.9 TEMPORARY SECURITIES. Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 2.3, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 2.10 CANCELLATION. All Securities surrendered for payment, purchase by the Company pursuant to Article V, conversion, redemption or registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article XII. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section 2.10, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with the Trustee's customary procedure.

Section 2.11 PERSONS DEEMED OWNERS. Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of the Security or the payment of any Redemption Price, Purchase Price or Change in Control Purchase Price in respect thereof, and interest thereon, for the purpose of conversion and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 2.12 GLOBAL SECURITIES. (a) Notwithstanding any other provisions of this Indenture or the Securities, (A) transfers of a Global Security, in whole or in part, shall be made only in accordance with Section 2.6 and Section 2.12(a)(i), (B) transfers of a beneficial interest in a Global Security for a Certificated Security shall comply with Section 2.6 and Section 2.12(a)(ii) below, and (C) transfers of a Certificated Security shall comply with Section 2.6 and Sections 2.12(a)(iii) and (iv) below.

(i) TRANSFER OF GLOBAL SECURITY. A Global Security may not be transferred, in whole or in part, to any person other than the Depository or a nominee or any successor thereof, and no such transfer to any such other person may be registered; provided that this clause (i) shall not prohibit any transfer of a Security that is issued in exchange for a Global Security but is not itself a Global Security. No transfer of a Security to any person shall be effective under this Indenture or the Securities unless and until such Security has been registered in the name of such person. Nothing in this Section 2.12(a)(i) shall prohibit or render ineffective any transfer of a beneficial interest

in a Global Security effected in accordance with the other provisions of this Section 2.12(a).

(ii) RESTRICTIONS ON TRANSFER OF A BENEFICIAL INTEREST IN A GLOBAL SECURITY FOR A CERTIFICATED SECURITY. A beneficial interest in a Global Security may not be exchanged for a Certificated Security except if DTC is at any time unwilling or unable to continue as a Depository and a successor Depository is not appointed by the Company within 90 days and upon satisfaction of the requirements set forth below. Upon receipt by the Trustee of a transfer of a beneficial interest in a Global Security in accordance with Applicable Procedures for a Certificated Security in the form satisfactory to the Trustee, together with:

(A) so long as the Securities are Restricted Securities, certification in the form set forth in Exhibit B;

(B) written instructions to the Trustee to make, or direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect a decrease in the aggregate principal amount or Accreted Value of the Securities represented by the Global Security, such instructions to contain information regarding the Depository account to be credited with such decrease; and

(C) if the Company so requests, an opinion of counsel or other evidence reasonably satisfactory to it as to the compliance with the restrictions set forth in the Legend, then the Trustee shall cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the Depository and the Registrar, the aggregate principal amount at maturity of the Securities represented by the Global Security to be decreased by the aggregate principal amount at maturity of the Certificated Security to be issued, shall issue such Certificated Security and shall debit or cause to be debited to the account of the person specified in such instructions a beneficial interest in the Global Security equal to the principal amount at maturity of the Certificated Security so issued.

(iii) TRANSFER AND EXCHANGE OF CERTIFICATED SECURITIES. When Certificated Securities are presented to the Registrar with a request:

(y) to register the transfer of such Certificated Securities; or

(z) to exchange such Certificated Securities for an equal principal amount at maturity of Certificated Securities of other authorized denominations,

the Registrar shall register the transfer or make the exchange as requested if its reasonable requirements for such transaction are met; provided, however, that the Certificated Securities surrendered for transfer or exchange:

- (1) shall be duly endorsed or accompanied by a written instrument of transfer in form reasonably satisfactory to the Company and the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing; and
- (2) so long as such Securities are Restricted Securities, such Securities are being transferred or exchanged pursuant to an effective registration statement under the Securities Act or pursuant to clause (A), (B) or (C) below, and are accompanied by the following additional information and documents, as applicable:
- (A) if such Certificated Securities are being delivered to the Registrar by a Holder for registration in the name of such Holder, without transfer, a certification from such Holder to that effect; or
- (B) if such Certificated Securities are being transferred to the Company, a certification to that effect; or
- (C) if such Certificated Securities are being transferred pursuant to an exemption from registration, (i) a certification to that effect (in the form set forth in Exhibit B, if applicable) and (ii) if the Company so requests, an opinion of counsel in form and substance reasonably satisfactory to it or other evidence in form and substance reasonably satisfactory to it as to the compliance with the restrictions set forth in the Legend.

(iv) RESTRICTIONS ON TRANSFER OF A CERTIFICATED SECURITY FOR A BENEFICIAL INTEREST IN A GLOBAL SECURITY. A Certificated Security may not be exchanged for a beneficial interest in a Global Security except upon satisfaction of the requirements set forth below.

Upon receipt by the Trustee of a Certificated Security, duly endorsed or accompanied by appropriate instruments of transfer, in form satisfactory to the Trustee, together with:

- (I) so long as the Securities are Restricted Securities, certification, in the form set forth in Exhibit B, that such Certificated Security is being transferred to a QIB in accordance with Rule 144A; and
- (II) written instructions directing the Trustee to make, or to direct the Registrar to make, an adjustment on its books and records with respect to such Global Security to reflect an increase in the aggregate principal amount at maturity of the Securities represented by the Global Security, such instructions to contain information regarding the Depository account to be credited with such increase, then the Trustee shall cancel such Certificated Security and cause, or direct the Registrar to cause, in accordance with the standing instructions and procedures existing between the

Depository and the Registrar, the aggregate principal amount at maturity of Securities represented by the Global Security to be increased by the aggregate principal amount at maturity of the Certificated Security to be exchanged, and shall credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Global Security equal to the principal amount at maturity of the Certificated Security so cancelled. If no Global Securities are then outstanding, the Company shall issue and the Trustee shall authenticate, upon written order of the Company in the form of an Officers' Certificate, a new Global Security in the appropriate principal amount at maturity.

(b) Subject to the succeeding paragraph (c), every Security shall be subject to the restrictions on transfer provided in the Legend including the delivery of an opinion of counsel, if so provided. Whenever any Restricted Security is presented or surrendered for registration of transfer or for exchange for a Security registered in a name other than that of the Holder, such Security must be accompanied by a certificate in substantially the form set forth in Exhibit B, dated the date of such surrender and signed by the Holder of such Security, as to compliance with such restrictions on transfer. The Registrar shall not be required to accept for such registration of transfer or exchange any Security not so accompanied by a properly completed certificate.

(c) The restrictions imposed by the Legend upon the transferability of any Security shall cease and terminate when such Security has been sold pursuant to an effective registration statement under the Securities Act or transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or, if earlier, upon the expiration of the holding period applicable to sales thereof under Rule 144(k) under the Securities Act (or any successor provision). Any Security as to which such restrictions on transfer shall have expired in accordance with their terms or shall have terminated may, upon a surrender of such Security for exchange to the Registrar in accordance with the provisions of this Section 2.12 (accompanied, in the event that such restrictions on transfer have terminated by reason of a transfer in compliance with Rule 144 or any successor provision, by an opinion of counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable in form and substance to the Company, addressed to the Company, to the effect that the transfer of such Security has been made in compliance with Rule 144 or such successor provision), be exchanged for a new Security, of like tenor and aggregate principal amount, which shall not bear the restrictive Legend. The Company shall inform the Trustee of the effective date of any registration statement registering the Securities under the Securities Act. The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the aforementioned opinion of counsel or registration statement.

(d) As used in the preceding two paragraphs of this Section 2.12, the term "transfer" encompasses any sale, pledge, transfer, loan, hypothecation, or other disposition of any Security.

(e) The provisions of clauses (1), (2), (3) and (4) below shall apply only to Global Securities:

- (1) Notwithstanding any other provisions of this Indenture or the Securities, a Global Security shall not be exchanged in whole or in part for a Security registered in the name of any person other than the Depositary or one or more nominees thereof, provided that a Global Security may be exchanged for Securities registered in the names of any person designated by the Depositary in the event that (i) the Depositary has notified the Company that it is unwilling or unable to continue as Depositary for such Global Security or such Depositary has ceased to be a "clearing agency" registered under the Exchange Act, and a successor Depositary is not appointed by the Company within 90 days or (ii) an Event of Default has occurred and is continuing with respect to the Securities. Any Global Security exchanged pursuant to clause (i) above shall be so exchanged in whole and not in part, and any Global Security exchanged pursuant to clause (ii) above may be exchanged in whole or from time to time in part as directed by the Depositary. Any Security issued in exchange for a Global Security or any portion thereof shall be a Global Security; provided that any such Security so issued that is registered in the name of a person other than the Depositary or a nominee thereof shall not be a Global Security.
- (2) Securities issued in exchange for a Global Security or any portion thereof shall be issued in definitive, fully registered form, without interest coupons, shall have an aggregate principal amount at maturity equal to that of such Global Security or portion thereof to be so exchanged, shall be registered in such names and be in such authorized denominations as the Depositary shall designate and shall bear the applicable legends provided for herein. Any Global Security to be exchanged in whole shall be surrendered by the Depositary to the Trustee, as Registrar. With regard to any Global Security to be exchanged in part, either such Global Security shall be so surrendered for exchange or, if the Trustee is acting as custodian for the Depositary or its nominee with respect to such Global Security, the principal amount at maturity thereof shall be reduced, by an amount equal to the portion thereof to be so exchanged, by means of an appropriate adjustment made on the records of the Trustee. Upon any such surrender or adjustment, the Trustee shall authenticate and deliver the Security issuable on such exchange to or upon the order of the Depositary or an authorized representative thereof.
- (3) Subject to the provisions of clause (5) below, the registered Holder may grant proxies and otherwise authorize any person, including Agent Members (as defined below) and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Securities.
- (4) In the event of the occurrence of any of the events specified in clause (1) above, the Company will promptly make available to the Trustee a

reasonable supply of Certificated Securities in definitive, fully registered form, without interest coupons.

- (5) Neither any members of, or participants in, the Depositary (collectively, the "Agent Members") nor any other persons on whose behalf Agent Members may act shall have any rights under this Indenture with respect to any Global Security registered in the name of the Depositary or any nominee thereof, or under any such Global Security, and the Depositary or such nominee, as the case may be, may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner and holder of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or such nominee, as the case may be, or impair, as between the Depositary, its Agent Members and any other person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a holder of any Security.

Section 2.13 CUSIP NUMBERS. The Company may issue the Securities with one or more "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee of any change in the CUSIP numbers.

Section 2.14 ORIGINAL ISSUE DISCOUNT. The Trustee on behalf of the Holders agrees (i) that for United States federal income tax purposes the Securities will be treated as indebtedness subject to the Treasury regulations governing contingent payment debt instruments, (ii) that the Holders will report original issue discount and interest on the Securities in accordance with the Company's determination of both the "comparable yield" and the "projected payment schedule" and (iii) to be bound by the Company's application of the Treasury regulations that govern contingent payment debt instruments. For this purpose, the "comparable yield" for the Securities is 7.04 % compounded semi-annually and the "projected payment schedule" may be obtained by contacting the Company at the address set forth in Section 13.2. The Company shall file with the Trustee no later than the end of each calendar year (i) a written notice specifying the amount of original issue discount (including daily rates and accrual periods) accrued on outstanding Securities as of the end of such year and (ii) such other specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

ARTICLE III

CONTINGENT CASH INTEREST

Section 3.1 CONTINGENT CASH INTEREST.

Commencing after September 7, 2004 the Company shall make Contingent Cash Interest payments to the Holders of Securities, as described below, during any six month period from September 7 to March 6 (inclusive) and from March 7 to September 6 (inclusive) (each a "Semiannual Period") if, but only if, the average Securities' Market Price of one Security for the five Trading Days in the relevant Five-Trading-Day Measurement Period equals 120% or more of the Accreted Value of such Security to the day immediately preceding the first day of the applicable Semiannual Period. During any Semiannual Period when Contingent Cash Interest is payable pursuant to this section, each Contingent Cash Interest payment due and payable pursuant to this section on each \$1,000 principal amount at maturity of Securities shall be calculated for any quarterly period of the applicable Semiannual Period, and in each instance shall equal the greater of (i) \$.46 multiplied by 5.277 or (ii) the sum of all Regular Cash Dividends paid by the Company per share on the Ordinary Shares during the applicable quarter of such Semiannual Period multiplied by the then applicable Conversion Rate.

Contingent Cash Interest shall accrue as of the 15th day preceding the last day of the relevant Semiannual Period (each a "Contingent Cash Interest Record Date"), or, if the Company pays Regular Cash Dividends on its Ordinary Shares during a quarter within the relevant Semiannual Period, as of the Ordinary Shares Record Date (as defined below). If the Company only pays Regular Cash Dividends for one quarter within the relevant Semiannual Period, the remaining Contingent Cash Interest will accrue and be payable as of the Contingent Cash Interest Record Date.

Accrued and unpaid Contingent Cash Interest, if any, shall be paid on the last day of such Semiannual Period or, if the Company pays a Regular Cash Dividend on the Ordinary Shares during a Semiannual Period, on the payment date for the related Ordinary Shares dividend (in each case, a "Contingent Cash Interest Payment Date").

The Original Issue Discount of the Securities will continue to accrue whether or not Contingent Cash Interest payments are made or any Contingent Additional Principal accrues.

Section 3.2 PAYMENT OF CONTINGENT CASH INTEREST.

(a) If applicable, Contingent Cash Interest on any Security that is payable, and is punctually paid or duly provided for, on any Contingent Cash Interest Payment Date shall be paid to the person in whose name that Security is registered on the Contingent Cash Interest Record Date or the Ordinary Shares Record Date, as applicable, at the office or agency of the Company maintained for such purpose. Each payment of Contingent Cash Interest on any Security shall be paid (A) if such Security is held in the form of a Global Security, in same-day funds by transfer to an account maintained by the payee located inside the United States, or (B) if such Security is held in the form of a Certificated Security, by check, mailed to the address of such Holder as set forth in the Security Register. In the case of a Global Security, Contingent

Cash Interest payable, will be paid on the applicable Contingent Cash Interest Payment Date to the Depository with respect to that portion of such Global Security held for its account by Cede & Co., for the purpose of permitting such party to credit the interest received by it in respect of such Global Security to the accounts of the beneficial owners thereof.

(b) Any Contingent Cash Interest on any Security that is payable, but is not punctually paid or duly provided for, within 30 days following any Contingent Cash Interest Payment Date (herein called "Defaulted Interest", which term shall include any accrued and unpaid interest that has accrued on such defaulted amount), shall forthwith cease to be payable to the registered Holder thereof on the relevant Record Date or Contingent Cash Interest Record Date, as applicable, by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities are registered at the close of business on a special record date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment (which shall not be less than 20 days after such notice is received by the Trustee), and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a special record date (the "Special Record Date") for the payment of such Defaulted Interest which shall be not more than 15 days and not less than ten (10) days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities at his address as it appears on the list of Securityholders maintained pursuant to Section 2.5, not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in The Wall Street Journal, but such publications shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Securities are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (ii).

(ii) The Company may make payment of any Defaulted Interest on the Securities in any lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the

proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

As used in this Article III, "Five-Trading-Day Measurement Period" means the five consecutive Trading Days ending on the third Trading Day immediately preceding the first day of the applicable Semiannual Period; provided, however, that if the Company declares a dividend for which the record date (the "Ordinary Shares Record Date") falls prior to the first day of the next Semiannual Period, but the payment date for such dividend for the Ordinary Shares falls within such Semiannual Period, then the "Five-Trading-Day Measurement Period" shall mean the five consecutive Trading Days ending on the third Trading Day immediately preceding such Ordinary Shares Record Date. "Securities' Market Price" means, as of any date of determination, the average of the secondary market bid quotations per \$1,000 principal amount at maturity of Securities obtained by the Bid Solicitation Agent for \$10 million principal amount at maturity of Securities at approximately 4:00 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers (none of which shall be an Affiliate of the Company) selected by the Company; provided, however, if (a) at least three such bids are not obtained by the Bid Solicitation Agent or (b) in the Company's reasonable judgment, the bid quotations are not indicative of the secondary market value of the Securities as of such determination date, then the Securities' Market Price for such determination date shall equal the product of (i) the Conversion Rate in effect as of such determination date multiplied by (ii) the average Sale Price of the Ordinary Shares for the five consecutive Trading Days ending on such determination date, appropriately adjusted to take into account the occurrence, during the period commencing on the first of such Trading Days during such five Trading Day period and ending on such determination date, of any event described in Sections 12.6, 12.7, 12.8 or 12.9 (subject to the conditions set forth in Section 12.10).

Section 3.3 NOTICE.

Upon determination that Holders of Securities will be entitled to receive Contingent Cash Interest during a Semiannual Period, prior to the start of such Semiannual Period, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time.

ARTICLE IV

CONTINGENT ADDITIONAL PRINCIPAL

Section 4.1 CONTINGENT ADDITIONAL PRINCIPAL.

On September 7, 2002 and September 7, 2003, if the Sale Price of the Ordinary Shares is at or below the Ordinary Shares Threshold Price (as set forth in the first column under the schedule below) for at least 20 Trading Days during the Thirty-Trading-Day Measurement Period prior to that date, Contingent Additional Principal shall accrue on the Securities commencing on such date at a rate of either 0.50% or .645% per year, computed on a semiannual bond equivalent basis, on the sum of the issue price plus accrued Original Issue Discount to such date for a period of one year, in accordance with the schedule set forth below:

September 7, 2002

Ordinary Shares Threshold Price (expressed as a percentage of the Accreted Conversion Price of the Securities)	Contingent Additional Principal	Adjusted Yield
Equal to or less than 69% and greater than 65%	.50%	3.375%
Equal to or less than 65%	.645%	3.52%

September 7, 2003

Ordinary Shares Threshold Price (expressed as a percentage of the Accreted Conversion Price of the Securities)	Contingent Additional Principal	Adjusted Yield
Equal to or less than 75% and greater than 72%	.50%	3.375%
Equal to or less than 72%	.645%	3.52%

As used in this Article IV, "Thirty-Trading-Day Measurement Period" means the 30 consecutive Trading Days ending three Trading Days prior to September 7, 2002 and September 7, 2003, as the case may be.

No Contingent Additional Principal will accrue after September 7, 2004.

Section 4.2 PAYMENT OF CONTINGENT ADDITIONAL PRINCIPAL.

If payable, the Contingent Additional Principal shall be paid on the Stated Maturity of the Securities. Contingent Additional Principal shall be calculated on a semiannual bond equivalent basis, using a 360-day year consisting of twelve 30-day months.

Section 4.3 NOTICE.

In the event that any Contingent Additional Principal accrues on the Securities, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time. The Company shall also notify the Trustee annually in writing, at such time that the Company files with the Trustee its annual reports or other information or documents pursuant to Section 6.2 of the Indenture, of any accrual of Contingent Additional Principal and the resulting increase in the principal amount at maturity per Security. Following its receipt of such notice, the Trustee shall provide such information to DTC for dissemination to the participants of DTC.

ARTICLE V

REDEMPTION AND PURCHASES

Section 5.1 COMPANY'S RIGHT TO REDEEM; NOTICES TO TRUSTEE. The Company, at its option, may redeem the Securities in accordance with the provisions of Paragraph 7 of the Securities. If the Company elects to redeem Securities pursuant to Paragraph 7 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the principal amount at maturity of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 5.1 by a Company Order, at least 20 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee).

Section 5.2 SELECTION OF SECURITIES TO BE REDEEMED. If less than all of the Securities are to be redeemed, unless the procedures of the Depository provide otherwise, the Trustee shall select the Securities to be redeemed by lot, on a pro rata basis or by another method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of any stock exchange on which the Securities are then listed). The Trustee shall make the selection at least 15 days but not more than 60 days before the Redemption Date from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the principal amount at maturity of Securities that have denominations larger than \$1,000.

Securities and portions of Securities that the Trustee selects shall be in principal amounts at maturity of \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly of the Securities or portions of the Securities to be redeemed.

If any Security selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be) to be the portion selected for redemption. Securities which have been converted during a selection of Securities to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection.

Section 5.3 NOTICE OF REDEMPTION. At least 15 days but not more than 60 days before a Redemption Date, the Company or the Trustee shall mail a notice of redemption by first-class mail, postage prepaid, to each Holder of Securities to be redeemed.

The notice shall identify the Securities to be redeemed and shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) the then existing Conversion Rate;

- (4) the name and address of the Paying Agent and the Conversion Agent;
- (5) that Securities called for redemption may be converted at any time before the close of business on the date that is two Business Days prior to the Redemption Date;
- (6) that Holders who want to convert their Securities must satisfy the requirements set forth in Paragraph 10 of the Securities;
- (7) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price;
- (8) if fewer than all of the outstanding Securities are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Securities to be redeemed;
- (9) that, unless the Company defaults in making payment of such Redemption Price, interest, if any, on Securities called for redemption will cease to accrue on and after the Redemption Date; and
- (10) the CUSIP number(s) of the Securities.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense, provided that the Company makes such request at least three Business Days prior to the date by which such notice of redemption must be given to Holders in accordance with this Section 5.3.

Section 5.4 EFFECT OF NOTICE OF REDEMPTION. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice except for Securities which are converted in accordance with the terms of this Indenture. Upon surrender to the Paying Agent, such Securities shall be paid at the Redemption Price stated in the notice.

Section 5.5 DEPOSIT OF REDEMPTION PRICE. Prior to 10:00 a.m. (New York City time), on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of any of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which on or prior thereto have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for that purpose because of conversion of Securities pursuant to Article XII. If such money is then held by the Company in trust and is not required for such purpose it shall be discharged from such trust.

Section 5.6 SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder a new Security in an authorized denomination equal in principal amount at maturity to the unredeemed portion of the Security surrendered.

Section 5.7 REPURCHASE OF SECURITIES BY THE COMPANY AT OPTION OF THE HOLDER. (a) General. Securities shall be purchased by the Company pursuant to Paragraph 9 of the Securities at the option of the Holder on September 7, 2002, September 7, 2003, September 7, 2004, September 7, 2006, September 7, 2008, September 7, 2011 and September 7, 2016 or the next Business Day following such dates to the extent such dates are not Business Days (each, a "Purchase Date"), at the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, to the Purchase Date (the "Purchase Price"). Purchases of Securities hereunder shall be made, at the option of the Holder thereof, upon:

- (1) delivery to the Paying Agent by the Holder of a written notice of purchase (a "Purchase Notice") during the period beginning at any time from the opening of business on the date that is 20 Business Days prior to the relevant Purchase Date until the close of business on the last day prior to such Purchase Date stating:
 - (A) the certificate number of the Security which the Holder will deliver to be purchased or, if the Security is not certificated, the notice must comply with the appropriate Depositary procedures;
 - (B) the portion of the principal amount at maturity of the Security which the Holder will deliver to be purchased, which portion must be in principal amounts at maturity of \$1,000 or an integral multiple thereof,
 - (C) that such Security shall be purchased by the Company as of the Purchase Date pursuant to the terms and conditions specified in Paragraph 9 of the Securities and in this Indenture, and
 - (D) in the event the Company elects, pursuant to Section 5.7(b), to pay the Purchase Price, in whole or in part, in Ordinary Shares but such portion of the Purchase Price shall ultimately be paid to such Holder entirely in cash because any of the conditions to payment of the Purchase Price in Ordinary Shares is not satisfied prior to the close of business on the last day prior to the relevant Purchase Date, as set forth in Section 5.7(d), whether such Holder elects (i) to withdraw such Purchase Notice as to some or all of the Securities to which such Purchase Notice relates (stating the principal amount and certificate numbers, if any, of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Purchase Price for all Securities (or portions thereof) to which such Purchase Notice relates; and
- (2) delivery of such Security to the Paying Agent prior to, on or after the Purchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Purchase Price therefor; provided, however, that such Purchase Price shall be so paid pursuant to this Section 5.7 only if the Security so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Purchase Notice, as determined by the Company.

If a Holder, in such Holder's Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 5.9, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 5.7(a)(1), such Holder shall be deemed to have elected to receive cash in respect of the entire Purchase Price for all Securities subject to such Purchase Notice in the circumstances set forth in such clause (D).

The Company shall purchase from the Holder thereof, pursuant to this Section 5.7, a portion of a Security, if the principal amount at maturity of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 5.7 shall be consummated by the delivery to the Paying Agent of the consideration to be received by the Holder promptly following the later of the Purchase Date and the time of delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Purchase Notice contemplated by this Section 5.7(a) shall have the right to withdraw such Purchase Notice at any time prior to the close of business on the last day prior to the Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 5.9.

The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(b) COMPANY'S RIGHT TO ELECT MANNER OF PAYMENT OF PURCHASE PRICE FOR PAYMENT. The Securities to be purchased on any Purchase Date pursuant to Section 5.7(a) may be paid for, in whole or in part, at the election of the Company, in U.S. legal tender ("cash") or Ordinary Shares, or in any combination of cash and Ordinary Shares, subject to the conditions set forth in Sections 5.7(c) and (d). The Company shall designate, in the Company Notice delivered pursuant to Section 5.7(e), whether the Company will purchase the Securities for cash or Ordinary Shares, or, if a combination thereof, the percentages of the Purchase Price of Securities in respect of which it will pay in cash and in Ordinary Shares; provided that the Company will pay cash for fractional interests in Ordinary Shares. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to this Section 5.7 shall receive the same percentage of cash or Ordinary Shares in payment of the Purchase Price for such Securities, except (i) as provided in Section 5.7(d) with regard to the payment of cash in lieu of fractional Ordinary Shares and (ii) in the event that the Company is unable to purchase the Securities of a Holder or Holders for Ordinary Shares because any necessary qualifications or registrations of the Ordinary Shares under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given its Company Notice to Holders except pursuant to this Section 5.7(b) or pursuant to Section 5.7(d) in the event of a failure to satisfy, prior to the close of

business on the last day prior to the Purchase Date, any condition to the payment of the Purchase Price, in whole or in part, in Ordinary Shares.

At least three Business Days before each Company Notice Date, the Company shall deliver an Officers' Certificate to the Trustee specifying:

- (i) the manner of payment selected by the Company,
- (ii) the information required by Section 5.7(e) in the Company Notice,

(iii) if the Company elects to pay the Purchase Price, or a specified percentage thereof, in Ordinary Shares, that the conditions to such manner of payment set forth in Section 5.7(d) have been or will be complied with, and

(iv) whether the Company desires the Trustee to give the Company Notice required by Section 5.7(e).

(c) PURCHASE WITH CASH. At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 5.7(a) has been given, or a specified percentage thereof, may be paid by the Company with cash equal to the aggregate Purchase Price of such Securities.

(d) PAYMENT BY ISSUANCE OF ORDINARY SHARES. At the option of the Company, the Purchase Price of Securities in respect of which a Purchase Notice pursuant to Section 5.7(a) has been given, or a specified percentage thereof, may be paid by the Company by the issuance of a number of Ordinary Shares equal to the quotient obtained by dividing (i) the portion of the Purchase Price to be paid in Ordinary Shares by (ii) the Market Price of one Ordinary Share as determined by the Company in the Company Notice, subject to the next succeeding paragraph.

The Company will not issue fractional Ordinary Shares in payment of the Purchase Price. Instead, the Company will pay cash based on the current Market Price for all fractional shares. The current market value of a fractional share shall be determined to the nearest 1/1,000th of a share, by multiplying the Market Price of a full Ordinary Share by the fractional amount and rounding to the nearest whole cent. It is understood that if a Holder elects to have more than one Security purchased, the number of Ordinary Shares shall be based on the aggregate amount of Securities to be purchased.

If the Company elects to purchase the Securities in whole or in part by the issuance of Ordinary Shares, the Company Notice, as provided in Section 5.7(e), shall be sent to the Holders (and to beneficial owners as and to the extent required by applicable law) not less than 20 Business Days prior to such Purchase Date (the "Company Notice Date").

The Company's right to exercise its election to purchase Securities through the issuance of Ordinary Shares shall be conditioned upon:

- (i) the Company's having given timely Company Notice of an election to purchase all or a specified percentage of the Securities with Ordinary Shares as provided herein;

(ii) the registration of such Ordinary Shares under the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in each case, if required;

(iii) the listing of such Ordinary Shares on the principal national securities exchange (currently the NYSE) on which the Ordinary Shares are listed;

(iv) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(v) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the Ordinary Shares are in conformity with this Indenture and (B) the Ordinary Shares to be issued by the Company in payment of the Purchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Purchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, free from preemptive rights, and, in the case of such Officers' Certificate, stating that the conditions above and the condition set forth in the second succeeding sentence have been satisfied and, in the case of such Opinion of Counsel, stating that the conditions in clauses (i) through (iv) above have been satisfied.

Such Officers' Certificate shall also set forth the number of Ordinary Shares to be issued for each \$1,000 principal amount at maturity of Securities and the Sale Price of an Ordinary Share on each Trading Day during the period beginning on the first Trading Day of the period during which the Market Price is calculated and ending on the third Business Day prior to the applicable Purchase Date. The Company may pay the Purchase Price (or any portion thereof) in Ordinary Shares only if the information necessary to calculate the Market Price is published in a daily newspaper of national circulation or is otherwise publicly available or obtainable (e.g., by dissemination on the World Wide Web or by other public means). If the foregoing conditions are not satisfied with respect to a Holder or Holders prior to the close of business on the last day prior to the Purchase Date, and the Company has elected to purchase the Securities pursuant to this Section 5.7 through the issuance of Ordinary Shares, the Company shall pay the entire Purchase Price of the Securities of such Holder or Holders in cash.

The "Market Price" means the average of the Sale Prices of the Ordinary Shares for the five consecutive Trading Day period ending on the third Business Day prior to the applicable Purchase Date (if the third Business Day prior to the applicable Purchase Date is a Trading Day, or if not, then on the last Trading Day prior to the third Business Day), appropriately adjusted to take into account the occurrence, during the period commencing on the first of the Trading Days during the five Trading Day period and ending on the Purchase Date, of any event described in Sections 12.6, 12.7 or 12.8; subject, however, to the conditions set forth in Sections 12.10 and 12.11.

The "Sale Price" of the Ordinary Shares on any date means the closing per share sale price (or, if no closing sale price is reported, the average of the bid and ask prices or, if more

than one in either case, the average of the average bid and the average asked prices) on such date as reported on the NYSE or, if the Ordinary Shares are not listed on the NYSE, then on the principal other U.S. national or regional securities exchange on which the Ordinary Shares then are listed, or if the Ordinary Shares are not listed on a U.S. national or regional exchange, as reported on the National Association of Securities Dealers Automated Quotation System, or if the Ordinary Shares are not quoted on the National Association of Securities Dealers Automated Quotation System, as reported on the principal other market on which the Ordinary Shares are then traded. In the absence of such quotations, the Company shall be entitled to determine the sales price on the basis of such quotations as it considers appropriate.

Upon determination of the actual number of Ordinary Shares to be issued upon redemption of Securities, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on the Company's Web site or through such other public medium as the Company may use at that time.

(e) NOTICE OF ELECTION. In connection with any election by the Company to pay the Purchase Price for the Securities in whole or in part by the issuance of Ordinary Shares pursuant to Paragraph 9 of the Securities, the Company shall give notice to Holders setting forth information specified in this Section 5.7(e) (the "Company Notice").

The Company Notice shall:

- (1) state that each Holder will receive Ordinary Shares with a Market Price determined as of a specified date prior to the Purchase Date equal to such specified percentage of the Purchase Price of the Securities held by such Holder (except any cash amount to be paid in lieu of fractional shares);
- (2) set forth the method of calculating the Market Price of the Ordinary Shares; and
- (3) state that because the Market Price of Ordinary Shares will be determined prior to the Purchase Date, Holders of the Securities will bear the market risk with respect to the value of the Ordinary Shares to be received from the date such Market Price is determined to the Purchase Date.

In any case, each Company Notice shall include a form of Purchase Notice to be completed by a Holder and shall state:

- (i) the Purchase Price and the then Conversion Rate;
- (ii) the name and address of the Paying Agent and the Conversion Agent;
- (iii) that Securities as to which a Purchase Notice has been given may be converted if they are otherwise convertible only in accordance with Article X hereof and Paragraph 10 of the Securities and if the applicable Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(iv) that Securities must be surrendered to the Paying Agent to collect payment;

(v) that the Purchase Price for any security as to which a Purchase Notice has been given and not withdrawn will be paid promptly following the later of the Purchase Date and the time of surrender of such Security as described in (iv);

(vi) the procedures the Holder must follow to exercise its right to require the Company to repurchase any of its Securities under this Section 5.7 and a brief description of those rights;

(vii) briefly, the conversion rights of the Securities;

(viii) the procedures for withdrawing a Purchase Notice (including, without limitation, for a conditional withdrawal pursuant to the terms of Section 5.7(a)(1)(D) or Section 5.9);

(ix) that, unless the Company defaults in making payment on Securities for which a Purchase Notice has been submitted, interest, if any, on such Securities will cease to accrue on and after the Purchase Date; and

(x) the CUSIP number of the Securities.

At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; provided, however, that, in all cases, the text of such Company Notice shall be prepared by the Company.

(f) COVENANTS OF THE COMPANY. All Ordinary Shares delivered upon purchase of the Securities pursuant to Section 5.7 or Section 5.8 shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim.

(g) PROCEDURE UPON PURCHASE. The Company shall deposit cash (in respect of cash purchases under this Section 5.7 or for fractional interests, as applicable) or Ordinary Shares, or a combination thereof, as applicable, at the time and in the manner as provided in Section 5.10, sufficient to pay the aggregate Purchase Price of all Securities to be purchased pursuant to this Section 5.7. As soon as practicable after the Purchase Date, the Company shall deliver to each Holder entitled to receive Ordinary Shares through the Paying Agent, a certificate in global form for the number of full Ordinary Shares issuable in payment of the Purchase Price and cash in lieu of any fractional interests. The person in whose name the certificate in global form for the Ordinary Shares is registered shall be treated as a holder of record of the Ordinary Shares on the Business Day following the Purchase Date. No payment or adjustment will be made for dividends on the Ordinary Shares on the record date for which occurred on or prior to the Purchase Date.

(h) TAXES. If a Holder of a purchased Security is paid in Ordinary Shares pursuant to this Section 5.7, the Company shall pay all stamp and other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof

or therein with respect to the issuance of Ordinary Shares. However, the Holder shall pay any such tax which is due because the Holder requests the Ordinary Shares to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the Ordinary Shares being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the Ordinary Shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 5.8 PURCHASE OF SECURITIES AT OPTION OF THE HOLDER UPON A CHANGE IN CONTROL. (a) If a Change in Control occurs, the Securities not previously purchased by the Company shall be purchased by the Company, at the option of the Holder thereof, at the Purchase Price on the Change in Control Purchase Date (the "Change in Control Purchase Price"), as of the date that is 45 days after the date of the Change in Control Purchase Notice delivered by the Company (the "Change in Control Purchase Date"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 5.8(c).

A "Change in Control" shall be deemed to have occurred at such time after the Securities are originally issued as either of the following events shall occur:

(i) any person, including any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act, acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of the Company's Capital Stock entitling the person to exercise 50% or more of the total voting power of all shares of the Company's Capital Stock that are entitled to vote generally in elections of directors, other than an acquisition by the Company, any of its Subsidiaries or any of its employee benefit plans and other than any transaction contemplated by clause (a)(ii)(B) of this Section 5.8; or

(ii) the Company merges or consolidates with or into any other person (other than a Subsidiary), any merger of another person (other than a Subsidiary) into the Company, or the Company conveys, sells, transfers or leases all or substantially all of its assets to another person (other than a Subsidiary), other than any transaction: (A) that does not result in any reclassification, conversion, exchange or cancellation of the Company's outstanding Ordinary Shares (other than the cancellation of any of the Company's outstanding Ordinary Shares held by the person with whom the Company merges or consolidates), or (B) pursuant to which the holders of the Company's Ordinary Shares immediately prior to the transaction have the entitlement to exercise, directly or indirectly, 50% or more of the total voting power of all shares of Capital Stock entitled to vote generally in the election of directors of the continuing or surviving corporation immediately after the transaction, or (C) which is effected solely to change the Company's jurisdiction of incorporation and results in a reclassification, conversion or exchange of the Company's outstanding Ordinary Shares solely into shares of common stock of the surviving entity.

Notwithstanding the foregoing provisions of this Section 5.8, a Change in Control shall not be deemed to have occurred if (A) the closing price per Ordinary Share on the NYSE or, if the Ordinary Shares are not listed on the NYSE, on the principal other U.S. national or regional

securities exchange on which the Ordinary Shares are then listed, or if the Ordinary Shares are not listed on a U.S. national or regional exchange, as reported on the National Association of Securities Dealers Automated Quotation System, or if the Ordinary Shares are not quoted on the National Association of Securities Dealers Automated Quotation System, as reported on the principal other market on which the Ordinary Shares are then traded, for any five trading days within the period of 10 consecutive trading days ending immediately after the later of the Change in Control or the public announcement of the Change in Control, in the case of a Change in Control relating to an acquisition of Capital Stock, or the period of 10 consecutive trading days ending immediately before the Change in Control, in the case of a Change in Control relating to a merger, consolidation or asset sale, equals or exceeds 105% of the conversion price of the Securities in effect on each of those trading days or (B) all of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights) in a merger or consolidation otherwise constituting a Change in Control under clause (i) and/or clause (ii) above consists of shares of common stock traded on a national securities exchange or quoted on the Nasdaq National Market (or will be so traded or quoted immediately following the merger or consolidation) and as a result of the merger or consolidation the Securities become convertible into such common stock. For purposes of this Section 5.8, (x) the conversion price is equal to \$1,000 divided by the Conversion Rate, (y) whether a person is a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the Exchange Act and (z) "person" includes any syndicate or group that would be deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

"Associate" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date hereof.

At the option of the Company, the Change in Control Purchase Price of Securities in respect of which a Change in Control Purchase Notice pursuant to Section 5.8(b) has been given may be paid by the Company by the issuance of a number of Ordinary Shares equal to the quotient obtained by dividing (i) the amount of cash to which the Holders would have been entitled had the Company elected to pay all of the Change in Control Purchase Price of such Securities in cash, by (ii) the product of (A) the Market Price of Ordinary Shares, subject to the next succeeding paragraph and (B) 0.95.

The Company will not issue fractional Ordinary Shares in payment of the Change in Control Purchase Price. Instead the Company will pay cash based on the current Market Price for all fractional shares. The current market value of a fractional share shall be determined to the nearest 1/1,000th of a share, by multiplying the Market Price of a full Ordinary Share by the fractional amount and rounding to the nearest whole cent. It is understood that if a Holder elects to have more than one Security purchased, the number of Ordinary Shares shall be based on the aggregate amount of Securities to be purchased.

In the event that the Company is unable to purchase the Securities of a Holder or Holders for Ordinary Shares because any necessary qualifications or registrations of the Ordinary Shares under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration to be paid once the Company has given its Change in Control Notice to Securityholders except pursuant to this Section 5.8(a) or pursuant to Section 5.8(b) in the

event of a failure to satisfy, prior to the close of business on the Change in Control Purchase Date, any condition to the payment of the Change in Control Purchase Price in Ordinary Shares.

At least three Business Days before the Change in Control Notice Date (as defined below), the Company shall deliver an Officers' Certificate to the Trustee specifying:

(i) the manner of payment selected by the Company;

(ii) the information required by Section 5.8(b);

(iii) if the Company elects to pay the Change in Control Purchase Price in Ordinary Shares, that the conditions to such manner of payment set forth in Section 5.8(a) have been or will be complied with; and

(iv) whether the Company desires the Trustee to give the Change in Control Notice required by Section 5.8(b).

The Company's right to exercise its election to purchase Securities through the issuance of Ordinary Shares shall be conditioned upon:

(i) the Company's giving of timely Change in Control Notice to purchase all of the Securities with Ordinary Shares as provided herein;

(ii) the registration of such Ordinary Shares under the Securities Act or the Exchange Act, in each case, if required;

(iii) such Ordinary Shares shall have been listed on the principal national or regional securities exchange (currently the NYSE) on which the Ordinary Shares are then listed, or if the Ordinary Shares are not listed on a national or regional exchange, then on the National Association of Securities Dealers Automated Quotation System, or if the Ordinary Shares are not quoted on the National Association of Securities Dealers Automated Quotation System, then on the principal other market on which the Ordinary Shares are then traded;

(iv) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration; and

(v) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the Ordinary Shares are in conformity with this Indenture and (B) the Ordinary Shares to be issued by the Company in payment of the Change in Control Purchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this Indenture in payment of the Change in Control Purchase Price in respect of the Securities, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, free from preemptive rights, and, in the case of such Officers' Certificate, stating that the conditions above and the condition set forth in the second succeeding sentence have been satisfied and, in the case of such Opinion of Counsel, stating that the conditions above have been satisfied.

Such Officers' Certificate shall also set forth (i) the number of Ordinary Shares of to be issued for each \$1,000 principal amount at maturity of Securities, (ii) the Sale Price of an Ordinary Share on each Trading Day during the period commencing on the first Trading Day of the period during which the Market Price is calculated and ending on the third Business Day prior to the Change in Control Purchase Date and (iii) the Market Price of the Ordinary Shares. The Company may pay the Change in Control Purchase Price in Ordinary Shares only if the information necessary to calculate the Market Price is published in a daily newspaper of national circulation or is otherwise publicly available or obtainable (e.g., by dissemination on the World Wide Web or by other public means). If the foregoing conditions are not satisfied with respect to a Holder or Holders prior to the close of business on the Change in Control Purchase Date and the Company has elected to purchase the Securities pursuant to this Section 5.8 through the issuance of Ordinary Shares, the Company shall pay the entire Purchase Price of the Securities of such Holder or Holders in cash.

Upon determination of the actual number of Ordinary Shares to be issued for each \$1,000 principal amount at maturity of Securities (not later than the third Business Day prior to the Change in Control Purchase Date), the Company shall publish such determination through Dow Jones & Company, Inc. or Bloomberg Business News or otherwise make such information publicly available.

(b) No later than 30 days after the occurrence of a Change in Control, the Company shall mail a written notice of the Change in Control (the "Change in Control Notice," the date of such mailing, the "Change in Control Notice Date") by first-class mail to the Trustee and to each Holder (and to beneficial owners as required by applicable law). The notice shall include a form of Change in Control Purchase Notice to be completed by the Holder and shall state:

- (1) briefly, the nature of the Change in Control and the date of such Change in Control;
- (2) the date by which the Change in Control Purchase Notice pursuant to this Section 5.8 must be given;
- (3) the Change in Control Purchase Date;
- (4) the Change in Control Purchase Price;
- (5) the name and address of the Paying Agent and the Conversion Agent;
- (6) the then existing Conversion Rate and any adjustments thereto;
- (7) that the Securities as to which a Change in Control Purchase Notice has been given may be converted if they are otherwise convertible pursuant to Article XII hereof only if the Change in Control Purchase Notice has been withdrawn in accordance with the terms of this Indenture;
- (8) that the Securities must be surrendered to the Paying Agent to collect payment;

- (9) that the Change in Control Purchase Price for any Security as to which a Change in Control Purchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Change in Control Purchase Date and the time of surrender of such Security as described in (8);
- (10) briefly, the procedures the Holder must follow to exercise rights under this Section 5.8;
- (11) briefly, the conversion rights, if any, of the Securities;
- (12) the procedures for withdrawing a Change in Control Purchase Notice;
- (13) that, unless the Company defaults in making payment of such Change in Control Purchase Price, interest, if any, on Securities surrendered for purchase by the Company will cease to accrue on and after the Change in Control Purchase Date; and
- (14) the CUSIP number(s) of the Securities.

In the event the Company has elected to pay the Change in Control Purchase Price with Ordinary Shares, the Change in Control Notice shall:

- (1) state that the Company will pay the Change in Control Purchase Price with Ordinary Shares;
- (2) set forth the method of calculating the number of Ordinary Shares to be paid;
- (3) state that because the Market Price of the Ordinary Shares will be determined prior to the Change in Control Purchase Date, Holders of the Securities will bear the market risk with respect to the value of the Ordinary Shares to be received from the date such Market Price is determined to the Change in Control Purchase Date.

(c) A Holder may exercise its rights specified in Section 5.8(a) upon delivery of a written notice of purchase (a "Change in Control Purchase Notice") to the Paying Agent at any time on or prior to the 30th day after the date the Company delivers its written Change in Control Purchase Notice, stating:

- (1) the certificate number of the Security which the Holder will deliver to be purchased or, if the Security is not certificated, the notice must comply with the appropriate Depository procedures;
- (2) the portion of the principal amount of the Security which the Holder will deliver to be purchased, which portion must be \$1,000 or an integral multiple thereof;
- (3) that such Security shall be purchased pursuant to the terms and conditions specified in Paragraph 9 of the Securities and this Indenture; and

- (4) in the event the Company elects, pursuant to Section 5.8(b), to pay the Change in Control Purchase Price in Ordinary Shares but the Change in Control Purchase Price shall ultimately be payable to such Holder in cash because any of the conditions to payment of the Change in Control Purchase Price in Ordinary Shares are not satisfied prior to the close of business on the Change in Control Purchase Date, whether such Holder elects (i) to withdraw such Change in Control Purchase Notice as to some or all of the Securities to which such Change in Control Purchase Notice relates (stating the principal amount at maturity and certificate numbers, if any, of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the entire Change in Control Purchase Price for all Securities (or portions thereof) to which such Change in Control Purchase Notice relates.

If a Holder, in such Holder's Change in Control Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 5.9, fails to indicate such Holder's choice with respect to the election set forth in clause (4) above, such Holder shall be deemed to have elected to receive cash in respect of the Change in Control Purchase Price for all Securities subject to such Change in Control Purchase Notice in the circumstances set forth in such clause (4).

The delivery of such Security to the Paying Agent with the Change in Control Purchase Notice (together with all necessary endorsements) at the offices of the Paying Agent shall be a condition to the receipt by the Holder of the Change in Control Purchase Price therefor; provided, however, that such Change in Control Purchase Price shall be so paid pursuant to this Section 5.8 only if the Security so delivered to the Paying Agent shall conform in all material respects to the description thereof set forth in the related Change in Control Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 5.8, a portion of a Security if the principal amount at maturity of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 5.8 shall be consummated by the delivery of the consideration to be received by the Holder on the Change of Control Purchase Date.

(d) COVENANTS OF THE COMPANY. All Ordinary Shares delivered upon purchase of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim.

(e) PROCEDURE UPON PURCHASE. The Company shall deposit cash (in respect of cash purchases under Section 5.8 or for fractional Ordinary Shares, as applicable) or Ordinary Shares, or a combination thereof, as applicable, at the time and in the manner as provided in Section 5.10, sufficient to pay the aggregate Change in Control Purchase Price of all Securities to

be purchased pursuant to this Section 5.8. As soon as practicable after the Change in Control Purchase Date, the Company shall deliver to each Holder entitled to receive Ordinary Shares through the Paying Agent, a certificate in global form for the number of full Ordinary Shares issuable in payment of the Change in Control Purchase Price and cash in lieu of any fractional shares. The person in whose name the certificate in global form for the Ordinary Shares is registered shall be treated as a holder of record of the Ordinary Shares on the Business Day following the Change in Control Purchase Date. No payment or adjustment will be made for dividends on the Ordinary Shares on the record date for which occurred on or prior to the Change in Control Purchase Date.

(f) TAXES. If a Holder of a purchased Security is paid in Ordinary Shares pursuant to this Section 5.8, the Company shall pay all stamp and other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of Ordinary Shares. However, the Holder shall pay any such tax which is due because the Holder requests the Ordinary Shares to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the Ordinary Shares being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the Ordinary Shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

Section 5.9 EFFECT OF PURCHASE NOTICE OR CHANGE IN CONTROL PURCHASE NOTICE. Upon receipt by the Paying Agent of the Purchase Notice or Change in Control Purchase Notice specified in Section 5.7(a) or Section 5.8(c), as applicable, the Holder of the Security in respect of which such Purchase Notice or Change in Control Purchase Notice, as the case may be, was given shall (unless such Purchase Notice or Change in Control Purchase Notice, as the case may be, is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Purchase Price or Change in Control Purchase Price, as the case may be, with respect to such Security. Such Purchase Price or Change in Control Purchase Price shall be paid to such Holder, subject to receipts of funds and/or securities by the Paying Agent, promptly following the later of (x) the Purchase Date or the Change in Control Purchase Date, as the case may be, with respect to such Security (provided the conditions in Section 5.7(d) or Section 5.8(c), as applicable, have been satisfied) and (y) the time of delivery of such Security to the Paying Agent by the Holder thereof in the manner required by Section 5.7(d) or Section 5.8(c), as applicable. Securities in respect of which a Purchase Notice or Change in Control Purchase Notice has been given by the Holder thereof may not be converted pursuant to Article XII hereof on or after the date of the delivery of such Purchase Notice or Change in Control Purchase Notice unless such Purchase Notice or Change in Control Purchase Notice has first been validly withdrawn as specified in the following two paragraphs.

A Purchase Notice or Change in Control Purchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Purchase Notice or Change in Control Purchase Notice, as the case may be, at any time prior to the close of business on the last day prior to the Purchase Date or the Change in Control Purchase Date, as the case may be, specifying:

- (1) the certificate number of the Security in respect of which such notice of withdrawal is being submitted or, if the Security is not certificated, the notice must comply with the appropriate Depositary procedures;
- (2) the principal amount at maturity of the Security with respect to which such notice of withdrawal is being submitted, and
- (3) the principal amount at maturity, if any, of such Security which remains subject to the original Purchase Notice or Change in Control Purchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Purchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in a Purchase Notice pursuant to the terms of Section 5.7(a)(1)(D) or (ii) a conditional withdrawal containing the information set forth in Section 5.7(a)(1)(D) and the preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the preceding paragraph.

Section 5.10 DEPOSIT OF PURCHASE PRICE OR CHANGE IN CONTROL PURCHASE PRICE. Prior to 10:00 a.m. New York City time on the Business Day following the Purchase Date or the Change in Control Purchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as the Paying Agent, shall segregate and hold in trust as provided in Section 2.4) an amount of cash (in immediately available funds if deposited on such Business Day) and/or Ordinary Shares, if permitted hereunder, sufficient to pay the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of all the Securities or portions thereof which are to be purchased as of the Purchase Date or Change in Control Purchase Date, as the case may be.

Section 5.11 SECURITIES PURCHASED IN PART. Any Certificated Security which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate principal amount at maturity equal to, and in exchange for, the portion of the principal amount at maturity of the Security so surrendered which is not purchased.

Section 5.12 COVENANT TO COMPLY WITH SECURITIES LAWS UPON PURCHASE OF SECURITIES. When complying with the provisions of Section 5.7 or 5.8 hereof (provided that such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 and Rule 14e-1 (or any successor provision) under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act, and (iii) otherwise comply with any

applicable Federal and state securities laws so as to permit the rights and obligations under Sections 5.7 and 5.8 to be exercised in the time and in the manner specified in Sections 5.7 and 5.8.

Section 5.13 REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company any cash or Ordinary Shares that remain unclaimed as provided in Paragraph 14 of the Securities, together with interest or dividends, if any, thereon (subject to the provisions of Section 9.1(f)), held by them for the payment of the Purchase Price or Change in Control Purchase Price, as the case may be; provided, however, that to the extent that the aggregate amount of cash or Ordinary Shares deposited by the Company pursuant to Section 5.10 exceeds the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of the Securities or portions thereof which the Company is obligated to purchase as of the Purchase Date or Change in Control Purchase Date, as the case may be, then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Purchase Date or Change in Control Purchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon (subject to the provisions of Section 9.1(f)).

ARTICLE VI

COVENANTS

Section 6.1 PAYMENT OF SECURITIES. The Company shall promptly make all payments in respect of the Securities including, without limitation, any Contingent Cash Interest, Additional Amounts and any Liquidated Damages, on the dates and in the manner provided in the Securities or pursuant to this Indenture or the Registration Rights Agreement. Any amounts of cash or Ordinary Shares to be given to the Trustee or Paying Agent, shall be deposited with the Trustee or Paying Agent by 10:00 a.m. New York City time by the Company on the required date. The Company may, at its option, make payments in respect of the Securities by check mailed to a Holder's registered address or, with respect to global Securities, by wire transfer. The Company shall make any required payments of Contingent Cash Interest, Additional Amounts and Liquidated Damages to the person in whose name each Security is registered at the close of business on the record date for such interest payment. The principal amount, Accreted Value, accrued Contingent Cash Interest, if any, Redemption Price, Purchase Price, Change in Control Purchase Price, Liquidated Damages, if any, and Additional Amounts, if any, shall be considered paid on the applicable date due if on such date (or, in the case of a Purchase Price or Change in Control Purchase Price, on the Business Day following the applicable Purchase Date or Change in Control Purchase Date, as the case may be) the Trustee or the Paying Agent holds, in accordance with this Indenture, cash or securities, if permitted hereunder, sufficient to pay all such amounts then due.

Section 6.2 SEC AND OTHER REPORTS. The Company shall file with the Trustee, within 15 days after it files such annual and quarterly reports, information, documents and other reports with the SEC, copies of its annual report and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. In the event the Company is at any time no longer subject to the

reporting requirements of Section 13 or 15(d) of the Exchange Act, it shall continue to provide the Trustee with annual and quarterly reports containing substantially the same information as would have been required to be filed with the SEC had the Company continued to have been subject to such reporting requirements. In such event, such annual and quarterly reports shall be provided at the times the Company would have been required to provide reports had it continued to have been subject to such reporting requirements. The Company also shall comply with the other provisions of TIA Section 314(a). Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely conclusively on Officers' Certificates).

Section 6.3 COMPLIANCE CERTIFICATE. The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 2001) an Officers' Certificate, stating whether or not to the best knowledge of the signers thereof, the Company is in default in the performance and observance of any of the terms, provisions and conditions of this Indenture (without regard to any period of grace or requirement of notice provided hereunder) and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge.

Section 6.4 FURTHER INSTRUMENTS AND ACTS. Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

Section 6.5 MAINTENANCE OF OFFICE OR AGENCY. The Company will maintain in the Borough of Manhattan, the City of New York, an office or agency of the Trustee, Registrar, Paying Agent and Conversion Agent where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange, purchase, redemption or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The office of State Street Bank and Trust Company, N.A., an affiliate of the Trustee, at 61 Broadway, 15th floor, New York, NY 10022 (Attention: Corporate Trust Trustee Administration: XL Capital Ltd Liquid Yield Option(TM) Notes due 2021), shall initially be such office or agency for all of the aforesaid purposes. The Company shall give prompt written notice to the Trustee of the location, and of any change in the location, of any such office or agency (other than a change in the location of the Corporate Trust Office of the Trustee). If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 13.2.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, the City of New York, for such purposes.

Section 6.6 DELIVERY OF CERTAIN INFORMATION. At any time when the Company is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder or any beneficial owner of Securities or holder or beneficial owner of Ordinary Shares issued upon conversion thereof, or in accordance with Section 5.8(c), the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or any beneficial owner of Securities or holder or beneficial owner of Ordinary Shares, or to a prospective purchaser of any such security designated by any such holder, as the case may be, to the extent required to permit compliance by such Holder or holder with Rule 144A under the Securities Act in connection with the resale of any such security. "Rule 144A Information" shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act. Whether a person is a beneficial owner shall be determined by the Company to the Company's reasonable satisfaction.

Section 6.7 ADDITIONAL AMOUNTS.

All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Securities will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Cayman Islands or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, levies, assessments or governmental charges is required by law. In that event, the Company will pay, or cause to be paid, such Additional Amounts as may be necessary in order that the net amounts receivable by a Holder after such withholding or deduction shall equal the respective amounts that would have been receivable by such Holder had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in relation to any payment in respect of any of the Securities (a) to, or to a third party on behalf of, a person who is liable for such taxes, duties, levies, assessments or governmental charges in respect of such Security by reason of his having some connection with (including, without limitation, being a citizen of, being incorporated or engaged in a trade or business in, or having a residence or principal place of business or other presence in) the Cayman Islands other than (i) the mere holding of such Security or (ii) the receipt of principal, Contingent Cash Interest, Liquidated Damages or other amount in respect of such Security; (b) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such Additional Amounts on presenting the same for payment on or before the expiry of such period of 30 days; (c) on account of any inheritance, gift, estate, personal property, sales or transfer or similar taxes, duties, levies, assessments or similar governmental charges; or (d) on account of any taxes, duties, levies, assessments or governmental charges that are payable otherwise than by withholding from payments in respect of such Security.

If the Company becomes subject generally at any time to any taxing jurisdiction other than or in addition to the Cayman Islands, references in this section to the Cayman Islands shall be read and construed as references to such other jurisdiction(s) and/or to the Cayman Islands.

Notwithstanding anything herein to the contrary, in the event that any deduction or withholding on account of tax be required to be made, or be made, in connection

with any European Union directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000, or any law implementing or complying with, or introduced in order to conform to, such directive, no additional amounts shall be payable or paid by the Company to any holder in respect of the Securities.

Any reference in this Indenture to principal, premium or interest in respect of the Securities, any redemption amount and any other amounts in the nature of principal, shall be deemed also to refer to any Additional Amounts that may be payable under this Indenture, and the express mention of the payment of Additional Amounts (if applicable) in any provision hereof shall not be construed as excluding Additional Amounts in those provision hereof where such express mention is not made.

Except as otherwise provided in or pursuant to this Indenture, if the Securities require the payment of Additional Amounts, at least 10 days prior to the first Relevant Date with respect to such Securities, and at least 10 days prior to each Relevant Date if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company or its designee shall furnish to the Trustee, the Registrar and the Paying Agent an Officer's Certificate instructing the Trustee and such Paying Agents whether such payment of principal of or interest on the Securities shall be made to Holders who are Non-U.S. Persons without withholding for or on account of any tax assessment or other governmental charge described above due to the payment of Additional Amounts by the Company. If any such payment of Additional Amounts shall be required, then such certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders, and the Company agrees to pay to the Trustee, the Registrar or the Paying Agent the Additional Amounts required.

ARTICLE VII

SUCCESSOR CORPORATION

Section 7.1 WHEN COMPANY MAY MERGE OR TRANSFER ASSETS. The Company shall not (1) consolidate with or merge with or into any other person (other than a Subsidiary) or convey, transfer, sell or lease its properties and assets substantially as an entirety to any person (other than a Subsidiary), (2) permit any person (other than a Subsidiary) to consolidate with or merge into the Company, or (3) permit any person (other than a Subsidiary) to convey, transfer, sell or lease that person's properties and assets substantially as an entirety to the Company, unless:

(a) in the case of (1) and (2) above, if the Company is not the surviving person, the surviving person expressly assumes, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the payment of the principal (including Contingent Additional Principal, if any) of, premium, if any, and Contingent Cash Interest on the LYONS and all of the obligations of the Company under the Securities and this Indenture;

(b) in all cases, immediately after giving effect to such transaction, no Event of Default, and no event that, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officers' Certificate stating that such consolidation, merger, conveyance, transfer, sale or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article VII and that all conditions precedent herein provided for relating to such transaction have been satisfied.

The successor person formed by such consolidation or into which the Company is merged or the successor person to which such conveyance, transfer, sale or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, except in the case of a lease and obligations the Company may have under a supplemental indenture pursuant to Section 12.15, the Company shall be discharged from all obligations and covenants under this Indenture and the Securities. Subject to Section 11.6, the Company, the Trustee and the successor person shall enter into a supplemental indenture to evidence the succession and substitution of such successor person and such discharge and release of the Company.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.1 EVENTS OF DEFAULT. An "Event of Default" occurs if:

(1) the Company defaults in the payment of the Accreted Value at maturity, upon redemption, repurchase or following a Change in Control, or any Additional Amounts in respect thereof, in each case when the same becomes due and payable;

(2) the Company defaults in the payment of any Contingent Cash Interest, Additional Amounts or Liquidated Damages when due and payable, and continuance of such default for a period of 30 days;

(3) the Company fails to comply with any of its agreements or covenants in the Securities or this Indenture (other than those referred to in clause (1) or (2) above) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(4) there shall have occurred either (i) a default by the Company under any instrument or instruments under which there is or may be secured or evidenced any Indebtedness of the Company (other than the Securities) having an outstanding principal amount of \$50,000,000 (or its foreign currency equivalent) or more, individually or in the aggregate, that has caused the holders thereof to declare such Indebtedness to be due and payable prior to its stated maturity, unless such declaration has been rescinded within 30 days or (ii) a default by the Company in the payment when due of the principal or premium, if any, of any bond, debenture, note or other evidence of the Company's Indebtedness, in each case for money borrowed, or in the payment of principal or premium under any mortgage, indenture, agreement or instrument of the Company under which there may be issued or by which there may be secured or evidenced any

Indebtedness of the Company for money borrowed, which default for payment of principal or premium, if any, is in an aggregate principal amount exceeding \$50,000,000 (or its foreign currency equivalent) when such Indebtedness becomes due and payable (whether at maturity, upon redemption or acceleration or otherwise), if such default shall continue unremedied or unwaived for more than 30 Business Days after the expiration of any grace period or extension of the time for payment applicable thereto;

(5) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(6) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee or sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors.

A Default under clause (3) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default (and such Default is not waived) within the time specified in clause (3) above after actual receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default".

The Company shall deliver to the Trustee, within 30 days after it becomes aware of the occurrence thereof, written notice of any event which with the giving of notice or the lapse of time, or both, would mature into an Event of Default under clauses (3) or (4) above, its status and what action the Company is taking or proposes to take with respect thereto.

Section 8.2 ACCELERATION. If an Event of Default (other than an Event of Default specified in Section 8.1(5) or (6)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate principal amount of the Securities at the time outstanding by notice to the Company and the Trustee, may declare the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, on all the Securities to be immediately due and payable. Upon such a declaration, such accelerated amount shall be due and payable immediately. If an Event of Default specified in Section 8.1(5) or (6) occurs and is continuing, the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, on all the Securities shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Security holder) may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of the Accreted Value plus accrued and unpaid Contingent

Cash Interest, if any, that have become due solely as a result of acceleration and if all amounts due to the Trustee under Section 9.7 have been paid. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 8.3 OTHER REMEDIES.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Security holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Section 8.4 WAIVER OF PAST DEFAULTS The Holders of a majority in aggregate principal amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder), may waive an existing Default and its consequences except (1) an Event of Default described in Section 8.1(1) or (2), (2) a Default in respect of a provision that under Section 11.2 cannot be amended without the consent of each Securityholder affected or (3) a Default which constitutes a failure to convert any Security in accordance with the terms of Article XII. When a Default is waived, it is deemed cured, but no such waiver shall extend to any subsequent or other Default or impair any consequent right. This Section 8.4 shall be in lieu of Section 316(a)1(B) of the TIA and such Section 316(a)1(B) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 8.5 CONTROL BY MAJORITY. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability unless the Trustee is offered indemnity satisfactory to it. This Section 8.5 shall be in lieu of Section 316(a)1(A) of the TIA and such Section 316(a)1(A) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 8.6 LIMITATION ON SUITS. A Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in aggregate principal amount at maturity of the Securities at the time outstanding make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of such notice, request and offer of security or indemnity; and

(5) the Holders of a majority in aggregate principal amount at maturity of the Securities at the time outstanding do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

Section 8.7 RIGHTS OF HOLDERS TO RECEIVE PAYMENT.

Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Accreted Value, Redemption Price, Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date, and to convert the Securities in accordance with Article XII, or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of such Holder.

Section 8.8 COLLECTION SUIT BY TRUSTEE. If an Event of Default described in Section 8.1(1) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount then owing with respect to the Securities and the amounts provided for in Section 9.7.

Section 8.9 TRUSTEE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the Accreted Value, Redemption Price, Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, in respect of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any such amount) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(a) to file and prove a claim for the whole amount of the Accreted Value, Redemption Price, Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel or any other amounts due the Trustee under Section 9.7) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee,

liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 8.10 PRIORITIES. If the Trustee collects any money pursuant to this Article VIII, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 9.7;

SECOND: to Securityholders for amounts due and unpaid on the Securities for the Accreted Value, Redemption Price, Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, as the case may be, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

THIRD: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 8.10. At least 15 days before such record date, the Trustee shall mail to each Securityholder and the Company a notice that states the record date, the payment date and the amount to be paid.

Section 8.11 UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 8.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 8.7 or a suit by Holders of more than 10% in aggregate principal amount of the Securities at the time outstanding. This Section 8.11 shall be in lieu of Section 315(e) of the TIA and such Section 315(e) is hereby expressly excluded from this Indenture, as permitted by the TIA.

Section 8.12 WAIVER OF STAY, EXTENSION OR USURY LAWS. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury or other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company from paying all or any portion of the Accreted Value, Redemption Price, Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, as contemplated herein, or

which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE IX

TRUSTEE

Section 9.1 DUTIES OF TRUSTEE. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default:

- (1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and
- (2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture, but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein. This Section 9.1(b) shall be in lieu of Section 5.15(a) of the TIA and such Section 315(a) is hereby expressly excluded from this Indenture, as permitted by the TIA.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

- (1) this paragraph (c) does not limit the effect of paragraph (b) of this Section 9.1;
- (2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and
- (3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 8.5.

Subparagraphs (c)(1), (2) and (3) shall be in lieu of Sections 315(d)(1), 315(d)(2) and 315(d)(3) of the TIA and such Sections 315(d)(1), 315(d)(2) and 315(d)(3) are hereby expressly excluded from this Indenture, as permitted by the TIA.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 9.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power or extend or risk its own funds or otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Money or Ordinary Shares held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee (acting in any capacity hereunder) shall be under no liability for interest on any money received by it hereunder unless otherwise agreed in writing with the Company.

Section 9.2 RIGHTS OF TRUSTEE. Subject to its duties and responsibilities under the TIA,

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officers' Certificate;

(c) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(d) The Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith which it believes to be authorized or within its rights or powers conferred under this Indenture;

(e) The Trustee may consult with counsel selected by it and any advice or Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or Opinion of Counsel.

(f) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Holders, pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee security or

indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(g) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(h) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney at the sole cost of the Company and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation;

(i) the Trustee shall not be deemed to have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other person employed to act hereunder; and

(k) the Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

Section 9.3 INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, Conversion Agent or co-registrar may do the same with like rights. However, the Trustee must comply with Sections 9.10 and 9.11.

Section 9.4 TRUSTEE'S DISCLAIMER. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use or application of the proceeds from the Securities, it shall not be responsible for any statement in the registration statement for the Securities under the Securities Act or in any offering document for the Securities, the Indenture or the Securities (other than its certificate of authentication), or the determination as to which beneficial owners are entitled to receive any notices hereunder.

Section 9.5 NOTICE OF DEFAULTS. If a Default occurs and if it is known to the Trustee, the Trustee shall give to each Securityholder notice of the Default within 90 days after it occurs or, if later, within 15 days after it is known to the Trustee, unless such Default shall have been cured or waived before the giving of such notice. Notwithstanding the preceding sentence, except in the case of a Default described in Section 8.1(1) or (2), the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Securityholders. The second sentence of this Section 9.5 shall be in lieu of the proviso to Section 315(b) of the TIA and such proviso is hereby expressly excluded from this Indenture, as permitted by the TIA. The Trustee shall not be deemed to have knowledge of a Default unless a Responsible Officer of the Trustee has received written notice of such Default.

Section 9.6 REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each May 15 beginning with the May 15 following the date of this Indenture, the Trustee shall mail to each Securityholder a brief report dated as of such May 15 that complies with TIA Section 313(a), if required by such Section 313(a). The Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Securityholders shall be filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company agrees to notify the Trustee promptly whenever the Securities become listed on any securities exchange and of any delisting thereof.

Section 9.7 COMPENSATION AND INDEMNITY. The Company agrees:

(a) to pay to the Trustee from time to time such compensation as the Company and the Trustee shall from time to time agree in writing for all services rendered by it hereunder (which compensation shall not be limited (to the extent permitted by law) by any provision of law in regard to the compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, advances and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee or any predecessor, Trustee and their agents for, and to hold them harmless against, any loss, damage, claim, liability, cost or expense (including attorney's fees and expenses, and taxes (other than taxes based upon, measured by or determined by the income of the Trustee)) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim (whether asserted by the Company or any Holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

To secure the Company's payment obligations in this Section 9.7, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay the principal amount, Accreted Value, Redemption Price,

Purchase Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Contingent Cash Interest, if any, as the case may be, on particular Securities.

The Company's payment obligations pursuant to this Section 9.7 shall survive the discharge of this Indenture and the resignation or removal of the Trustee. When the Trustee incurs expenses after the occurrence of a Default specified in Section 8.1(5) or (6), the expenses including the reasonable charges and expenses of its counsel, are intended to constitute expenses of administration under any bankruptcy law.

Section 9.8 REPLACEMENT OF TRUSTEE. The Trustee may resign by so notifying the Company; provided, however, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 9.8. The Holders of a majority in aggregate principal amount of the Securities at the time outstanding may remove the Trustee by so notifying the Trustee and the Company. The Company shall remove the Trustee if:

- (1) the Trustee fails to comply with Section 9.10;
- (2) the Trustee is adjudged bankrupt or insolvent;
- (3) a receiver or public officer takes charge of the Trustee or its property; or
- (4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company satisfactory in form and substance to the retiring Trustee and the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 9.7.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate principal amount of the Securities at the time outstanding may petition any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 9.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Section 9.9 SUCCESSOR TRUSTEE BY MERGER. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets (including the administration of the trust created by this Indenture) to, another corporation, the

resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

Section 9.10 ELIGIBILITY; DISQUALIFICATION. The Trustee shall at all times satisfy the requirements of TIA Sections 310(a)(1) and 310(b). The Trustee (or its parent holding company) shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition. Nothing herein contained shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA Section 310(b).

Section 9.11 PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE X

DISCHARGE OF INDENTURE

Section 10.1 DISCHARGE OF LIABILITY ON SECURITIES. When (i) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced or repaid pursuant to Section 2.7) for cancellation or (ii) all outstanding Securities have become due and payable and the Company deposits with the Trustee cash or Ordinary Shares sufficient to pay all amounts due and owing on all outstanding Securities (other than Securities replaced pursuant to Section 2.7), and if in either case the Company pays all other sums payable hereunder by the Company, then this Indenture shall, subject to Section 9.7, cease to be of further effect. The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and Opinion of Counsel and at the cost and expense of the Company.

Section 10.2 REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person and the Trustee and the Paying Agent shall have no further liability to the Securityholders with respect to such money or securities for that period commencing after the return thereof.

ARTICLE XI

AMENDMENTS

Section 11.1 WITHOUT CONSENT OF HOLDERS. The Company and the Trustee may amend or supplement this Indenture or the Securities without the consent of any Securityholder:

- (1) to cure any ambiguity, omission, defect or inconsistency;

(2) to make any modifications or amendments that do not, in the good faith opinion of the Company's Board of Directors and the Trustee, adversely affect the interests of the holders of the Securities in any material respect;

(3) to provide for the assumption of the Company's obligations under this Indenture by a successor upon any merger, consolidation or asset transfer as permitted by and in compliance with Article VII or Section 12.15;

(4) to provide any security for or guarantees of the Securities;

(5) to add Events of Default with respect to the Securities;

(6) to add to the Company's covenants for the benefit of the Securityholders or to surrender any right or power conferred upon the Company by this Indenture;

(7) to make any change necessary for the registration of the Securities under the Securities Act or to comply with the TIA, or any amendment thereto, or to comply with any requirement of the SEC in connection with the qualification of the Indenture under the TIA, provided that such modification or amendment does not, in the good faith opinion of the Company's Board of Directors and the Trustee, adversely affect the interests of the holders of the Securities in any material respect; or

(8) to provide for uncertificated Securities in addition to or in place of certificated Securities or to provide for bearer Securities.

Section 11.2 WITH CONSENT OF HOLDERS. With the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding, the Company and the Trustee may amend or supplement this Indenture or the Securities. However, without the consent of each Securityholder affected, an amendment to this Indenture or the Securities may not:

(1) reduce the rate or accrual of original issue discount referred to in paragraph 1 of the Securities or change the time for payment of interest thereon;

(2) reduce the principal amount at maturity or the Accreted Value of or extend the Stated Maturity of any Security;

(3) reduce the calculation of the value of the Ordinary Shares to which reference is made in determining whether Contingent Additional Principal or Contingent Cash Interest will be due on the Securities;

(4) reduce the Redemption Price, Purchase Price, Change in Control Purchase Price, Contingent Additional Principal, Original Issue Discount or Contingent Cash Interest of any Security or change the time at which the Securities may be redeemed or repurchased;

(5) make any payments on the Securities payable in currency other than as stated in the Security;

(6) make any change in the percentage of principal amount of Securities necessary to waive compliance with the provisions of Section 8.4 or this Section 11.2, except to increase any percentage set forth therein;

(7) make any change that in the good faith judgment of the Company's Board of Directors and the Trustee adversely affects the right to convert any Security in accordance with the terms thereof and this Indenture;

(8) make any change that in the good faith judgment of the Company's Board of Directors and the Trustee adversely affects the right to require the Company to purchase the Securities in accordance with the terms thereof and this Indenture;

(9) impair a Holder's right to institute suit for the enforcement of any payment on the Securities; or

(10) waive a continuing default or Event of Default regarding any payment on the Securities.

It shall not be necessary for the consent of the Holders under this Section 11.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

After an amendment under this Section 11.2 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment.

Section 11.3 COMPLIANCE WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall comply with the TIA.

Section 11.4 REVOCATION AND EFFECT OF CONSENTS, WAIVERS AND ACTIONS. Until an amendment, waiver or other action by Holders becomes effective, a consent thereto by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Securityholder.

Section 11.5 NOTATION ON OR EXCHANGE OF SECURITIES. Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Securities.

Section 11.6 TRUSTEE TO SIGN SUPPLEMENTAL INDENTURES. The Trustee shall sign any supplemental indenture authorized pursuant to this Article XI if the amendment contained

therein does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign such supplemental indenture. In signing such supplemental indenture the Trustee shall receive, and (subject to the provisions of Section 9.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

Section 11.7 EFFECT OF SUPPLEMENTAL INDENTURES. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE XII

CONVERSIONS

Section 12.1 CONVERSION PRIVILEGE. A Holder of a Security may convert such Security into Ordinary Shares at any time during the period stated in Paragraph 10 of the Securities. The number of Ordinary Shares issuable upon conversion of a Security per \$1,000 of principal amount at maturity thereof (the "Conversion Rate") shall be that set forth in Paragraph 10 of the Securities, subject to adjustment as herein set forth. The Company shall notify the Trustee of the date on which the Securities first become convertible, which certificate shall set forth the calculations on which such determination was made. Unless and until the Trustee receives such certificate, the Trustee may assume without inquiry that the Securities are not convertible.

A Holder may convert a portion of the principal amount at maturity of a Security if the portion converted is in a \$1,000 principal amount at maturity or an integral multiple of \$1,000. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of a Security.

In the event that the Ex-Dividend Time (as defined below) (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, combination or reclassification to which Section 12.6(1), (2), (3) or (5) applies occurs during the period applicable for calculating "Average Sale Price" pursuant to the definition in the preceding sentence, "Average Sale Price" shall be calculated for such period in a manner determined by the Board of Directors to reflect the impact of such dividend, subdivision, combination or reclassification on the Sale Price of the Ordinary Shares during such period.

"Time of Determination" means the time and date of the earlier of (i) the determination of stockholders entitled to receive rights, warrants or options or a distribution, in each case, to which Section 12.7 or 12.8 applies and (ii) the time ("Ex-Dividend Time") immediately prior to the commencement of "ex-dividend" trading for such rights, warrants or options or distribution on the NYSE or such other U.S. national or regional exchange or market on which the Ordinary Shares are then listed or quoted.

Section 12.2 CONVERSION PROCEDURE. To convert a Security a Holder must satisfy the requirements in Paragraph 10 of the Securities. The first Business Day on which the Holder satisfies all those requirements and submits such Holder's Securities for conversion is the conversion date (the "Conversion Date").

As soon as practicable after the Conversion Date, the Company shall deliver to the Holder, through the Conversion Agent, a certificate in global form for the number of full Ordinary Shares issuable upon the conversion or exchange and cash in lieu of any fractional share determined pursuant to Section 12.3. The person in whose name the certificate is registered shall be treated as a shareholder of record as of the close of business on the Conversion Date. Upon conversion of a Security in its entirety, such person shall no longer be a Holder of such Security.

No payment or adjustment will be made for dividends on, or other distributions with respect to, any Ordinary Shares except as provided in this Article XII. On conversion of a Security, that portion of accrued and unpaid Contingent Cash Interest, if any, through the Conversion Date with respect to the converted Security shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Ordinary Shares (together with the cash payment, if any, in lieu of fractional shares) for the Security being converted pursuant to the provisions hereof; and the fair market value of such Ordinary Shares (together with any such cash payment in lieu of fractional shares) shall be treated as issued, to the extent thereof, first in exchange for accrued and unpaid Contingent Cash Interest, if any, through the Conversion Date, and the balance, if any, of such fair market value of such Ordinary Shares (and any such cash payment) shall be treated as issued for the Accreted Value of the Security being converted pursuant to the provisions hereof. The Company will not adjust the conversion ratio to account for accrued interest, if any. If the Holder converts more than one Security at the same time, the number of Ordinary Shares issuable upon the conversion shall be based on the total Accreted Value of the Securities converted.

If the last day on which a Security may be converted is a Legal Holiday, the Security may be surrendered on the next succeeding day that is not a Legal Holiday.

Upon surrender of a Security that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security in an authorized denomination equal in principal amount to the unconverted portion of the Security surrendered.

Section 12.3 FRACTIONAL SHARES. The Company will not issue fractional Ordinary Shares upon conversion of a Security. Instead, the Company will pay cash based on the current Market Price for all fractional shares. The current market value of a fractional share shall be determined, to the nearest 1/1,000th of a share, by multiplying the Market Price of a full Ordinary Share by the fractional amount and rounding the product to the nearest whole cent. It is understood that if a Holder elects to have more than one Security converted, the number of Ordinary Shares shall be based on the Accreted Value of Securities to be purchased.

Section 12.4 TAXES ON CONVERSION. If a Holder submits a Security for conversion, the Company shall pay all stamp and all other duties, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein

with respect to the issuance of Ordinary Shares upon the conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificates representing the Ordinary Shares being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

Section 12.5 COMPANY TO PROVIDE STOCK. The Company shall, prior to issuance of any Securities under this Article XII, and from time to time as may be necessary, reserve out of its authorized but unissued Ordinary Shares a sufficient number of Ordinary Shares to permit the conversion of the Securities.

All Ordinary Shares delivered upon conversion of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued and fully paid and nonassessable, and shall be free from preemptive rights and free of any lien or adverse claim. The Company will endeavor promptly to comply with all federal and state securities laws regulating the offer and delivery of Ordinary Shares upon conversion of Securities, if any, and will list or cause to have quoted such Ordinary Shares on each national securities exchange or in the over-the-counter market or such other market on which the Ordinary Shares are then listed or quoted.

Section 12.6 ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If, after the Issue Date of the Securities, the Company, or in the case of (4) below, any Subsidiary of the Company:

(1) pays a dividend or makes another distribution to all holders of the Company's Ordinary Shares payable exclusively in Ordinary Shares on the Company's Ordinary Shares;

(2) subdivides the outstanding Ordinary Shares into a greater number of shares;

(3) combines the outstanding Ordinary Shares into a smaller number of shares; or

(4) pays a dividend or makes another distribution to all holders of the Company's Ordinary Shares consisting of the Company's debt, securities or assets or certain rights to purchase the Company's securities (other than Ordinary Shares or rights, warrants or options referred to in Section 12.7 and dividends and other distributions paid exclusively in cash),

then the conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that the Holder of a Security thereafter converted may receive the number of shares of Capital Stock of the Company which such Holder would have owned immediately following such action if such Holder had converted the Security immediately prior to such action; provided, however, that no adjustment shall be made pursuant to clause (4) if all the Holders of the Securities may participate.

The adjustment shall become effective immediately after the record date in the case of a dividend, distribution or subdivision and immediately after the effective date in the case of a combination or reclassification.

If after an adjustment a Holder of a Security upon conversion of such Security may receive shares of two or more classes of Capital Stock of the Company, the Conversion Rate shall thereafter be subject to adjustment upon the occurrence of an action taken with respect to any such class of Capital Stock as is contemplated by this Article XII with respect to the Ordinary Shares, on terms comparable to those applicable to Ordinary Shares in this Article XII.

Section 12.7 ADJUSTMENT FOR RIGHTS ISSUE. If after the Issue Date of the Securities, the Company distributes any rights or warrants to all holders of the Company's Ordinary Shares entitling them to purchase, for a period expiring within 60 days, Ordinary Shares at a price per share less than the then current Market Price as of the Time of Determination (except that no adjustment will be made if Holders of the Securities may participate in the distribution on a basis and with the notice that the Company's Board of Directors determines to be fair and appropriate), the Conversion Rate shall be adjusted in accordance with the formula:

$$R' = R \times \frac{(O + N)}{(O + (N \times P)/M)}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

O = the number of Ordinary Shares outstanding on the record date for the distribution to which this Section 12.7 is being applied.

N = the number of additional Ordinary Shares offered pursuant to the distribution.

P = the offering price per share of the additional shares.

M = the Market Price, minus, in the case of (i) a distribution to which Section 12.6(4) applies or (ii) a distribution to which Section 12.8 applies, for which, in each case, (x) the record date shall occur on or before the record date for the distribution to which this Section 12.7 applies and (y) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 12.7 applies, the fair market value (on the record date for the distribution to which this Section 12.7 applies) of the

(1) Capital Stock of the Company distributed in respect of each Ordinary Share in such Section 12.6(4) distribution and

(2) the Company's debt, securities or assets or certain rights, warrants or options to purchase securities of the Company distributed in respect of each Ordinary Share in such Section 12.8 distribution.

The Board of Directors shall determine fair market values for the purposes of this Section 12.7, except as Section 12.8 otherwise provides in the case of a spin-off.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this Section 12.7 applies. If all of the Ordinary Shares subject to such rights, warrants or options have not been issued when such rights, warrants or options expire, then the Conversion Rate shall promptly be readjusted to the Conversion Rate which would then be in effect had the adjustment upon the issuance of such rights, warrants or options been made on the basis of the actual number of Ordinary Shares issued upon the exercise of such rights, warrants or options.

No adjustment shall be made under this Section 12.7 if the application of the formula stated above in this Section 12.7 would result in a value of R' that is equal to or less than the value of R.

Section 12.8 ADJUSTMENT FOR OTHER DISTRIBUTIONS. If, after the Issue Date of the Securities, the Company distributes to all holders of its Ordinary Shares any of its debt, securities or assets or any rights, warrants or options to purchase securities of the Company (including securities or cash, but excluding (x) distributions of Capital Stock referred to in Section 12.6 and (y) distributions of rights, warrants or options referred to in Section 12.7 and (z) cash dividends or other cash distributions that are paid out of net income or retained earnings as shown on the books of the Company unless such cash dividends or other cash distributions are Extraordinary Cash Dividends) the Conversion Rate shall be adjusted, subject to the provisions of the last paragraph of this Section 12.8, in accordance with the formula:

$$R' = \frac{R \times M}{(M-F)}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

M = the Market Price, minus, in the case of a distribution to which Section 12.6(4) applies, for which (i) the record date shall occur on or before the record date for the distribution to which this Section 12.8 applies and (ii) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 12.8 applies, the fair market value (on the record date for the distribution to which this Section 12.8 applies) of any Capital Stock of the Company distributed in respect of each Ordinary Share in such Section 12.6(4) distribution.

F = the fair market value (on the record date for the distribution to which this Section 12.8 applies) of the assets, securities, rights, warrants or options to be distributed in respect of each Ordinary Share in the distribution to which this Section 12.8 is being applied (including, in the case of cash dividends or other cash distributions giving rise to an adjustment, all such cash distributed concurrently).

In the event the Company distributes shares of Capital Stock of a Subsidiary, the Conversion Rate will be adjusted, if at all, based on the market value of the Subsidiary stock so distributed relative to the market value of the Ordinary Shares, as discussed below. The Board of

Directors shall determine fair market values for the purposes of this Section 12.8, except that in respect of a dividend or other distribution of shares of Capital Stock of any class or series, or similar equity interests, of or relating to a Subsidiary or other business unit of the Company (a "Spin-off"), the fair market value of the securities to be distributed shall equal the average of the daily Sale Prices of those securities for the five consecutive Trading Days commencing on and including the sixth day of trading of those securities after the effectiveness of the Spin-off. In the event, however, that an underwritten initial public offering of the securities in the Spin-off occurs simultaneously with the Spin-off, fair market value of the securities distributed in the Spin-off shall mean the initial public offering price of such securities and the Market Price shall mean the Sale Price for the Ordinary Shares on the same Trading Day.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the distribution to which this Section 12.8 applies, except that an adjustment related to a Spin-off shall become effective at the earlier to occur of (i) 10 Trading Days after the effective date of the Spin-off and (ii) the initial public offering of the securities distributed in the Spin-off.

For purposes of this Section 12.8, the term "Extraordinary Cash Dividend" shall mean the sum of (i) any cash and the fair market value of any other consideration payable in respect of any tender offer by the Company or any of its Subsidiaries for Ordinary Shares consummated within the preceding 12 months not triggering a Conversion Rate adjustment and (ii) all other all-cash distributions to all or substantially all holders of Ordinary Shares made within the preceding 12 months not triggering a Conversion Rate adjustment, exceeds an amount equal to 12.5% of the market capitalization of the Ordinary Shares on the Business Day immediately preceding the day on which the Company declares the distribution.

If, upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Ordinary Shares, the aggregate amount of such cash dividend together with the amounts of all other cash dividends or cash distributions gives rise to an adjustment of the Conversion Rate pursuant to Section 12.6, then such cash dividend together with all such other cash dividends or cash distributions shall, for purposes of applying the formula set forth above in this Section 12.8, cause the value of "F" to equal (y) the aggregate amount of such cash dividend together with the amounts of such other cash dividends or cash distributions, minus (z) the aggregate amount of all cash dividends or cash distributions for which a prior adjustment in the Conversion Rate was previously made.

In the event that, with respect to any distribution to which this Section 12.8 would otherwise apply, the difference "M-F" as defined in the above formula is less than \$1.00 or "F" is equal to or greater than "M", then the adjustment provided by this Section 12.8 shall not be made and in lieu thereof the provisions of Section 12.16 shall apply to such distribution.

Section 12.9 ADJUSTMENT FOR COMPANY TENDER OFFER

If, after the Issue Date of the Securities, the Company or any Subsidiary of the Company pays holders of the Ordinary Shares in respect of a tender or exchange offer, other than an odd-lot offer, by the Company or any of its Subsidiaries for Ordinary Shares to the extent that the offer involves aggregate consideration that, together with (i) any cash and the fair market

value of any other consideration payable in respect of any tender offer by the Company or any of its Subsidiaries for shares of Ordinary Shares consummated within the preceding 12 months not triggering a Conversion Rate adjustment and (ii) all-cash distributions to all or substantially all holders of Ordinary Shares made within the preceding 12 months not triggering a Conversion Rate adjustment in each case, exceeds an amount equal to 12.5% of the market capitalization of the Ordinary Shares on the expiration date of the tender offer, the Conversion Rate shall be increased so that the same shall equal the price determined by multiplying the Conversion Rate in effect immediately prior to the effectiveness of the Conversion Rate increase contemplated by this Section 12.9 by a fraction of which the denominator shall be the number of Ordinary Shares outstanding (including any tendered or exchanged shares) at the last time tenders or exchanges may be made pursuant to such tender or exchange offer (the "Expiration Time") multiplied by the current market value per Ordinary Share on the Trading Day on the NYSE next succeeding the Expiration Time and the numerator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of Ordinary Shares (less any Purchased Shares) at the Expiration Time and the current market value per Ordinary Share on the Trading Day on the NYSE next succeeding the Expiration Time, such increase to become effective immediately prior to the opening of business on the day following the Expiration Time.

Section 12.10 WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the Conversion Rate need be made unless the adjustment would require an increase or decrease of at least 1% in the Conversion Rate. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Article XII shall be made to the nearest cent or to the nearest 1/1,000th of a share, as the case may be.

Section 12.11 WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made as a result of: (i) the issuance of the rights; (ii) the distribution of separate certificates representing the rights; (iii) the exercise or redemption of the rights in accordance with any rights agreement; or (iv) the termination or invalidation of the rights, in each case, pursuant to the Company's existing stockholders rights plan, as amended, modified, or supplemented from time to time or any newly adopted stockholders rights plans:

(1) upon the issuance of any Ordinary Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in Ordinary Shares under any plan;

(2) upon the issuance of any Ordinary Shares or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries; or

(3) upon the issuance of any Ordinary Shares pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the Securities were first issued.

No adjustment need be made for a transaction referred to in 12.7 or 12.8 if Holders of the Securities may participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Ordinary Shares participate in the transaction. No adjustment need be made for a transaction referred to in 12.8 above if all Holders of the Securities may participate in the transaction.

No adjustment need be made for a change in the par value or no par value of the Ordinary Shares.

To the extent the Securities become convertible pursuant to this Article XII in whole or in part into cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

Section 12.12 NOTICE OF ADJUSTMENT. Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Holders a notice of the adjustment. The Company shall file with the Trustee and the Conversion Agent such notice briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate except to exhibit the same to any Holder desiring inspection thereof.

Section 12.13 VOLUNTARY INCREASE. The Company from time to time may increase the Conversion Rate by any amount at any time for at least 20 days, so long as the increase is irrevocable during such period. Whenever the Conversion Rate is increased, the Company shall mail to Securityholders and file with the Trustee and the Conversion Agent a notice of the increase. The Company shall mail the notice at least 15 days before the date the increased Conversion Rate takes effect. The notice shall state the increased Conversion Rate and the period it will be in effect. A voluntary increase of the Conversion Rate does not change or adjust the Conversion Rate otherwise in effect for purposes of Section 12.6, 12.7 or 12.8.

Section 12.14 NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the Conversion Rate pursuant to Section 12.6, 12.7, 12.8 or 12.9 (unless no adjustment is to occur pursuant to Section 12.11); or

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 12.16; or

(3) there is a liquidation or dissolution of the Company;

then the Company shall mail to Holders and file with the Trustee and the Conversion Agent a notice stating the proposed record date for a dividend, distribution or subdivision or the proposed

effective date of a combination, reclassification, consolidation, merger, binding share exchange, transfer, liquidation or dissolution. The Company shall file and mail the notice at least 15 days before such date. Failure to file or mail the notice or any defect in it shall not affect the validity of the transaction.

Section 12.15 REORGANIZATION OF COMPANY; SPECIAL DISTRIBUTIONS. If the Company is a party to a transaction subject to Section 7.1 (other than a sale of all or substantially all of the assets of the Company in a transaction in which the holders of Ordinary Shares immediately prior to such transaction do not receive securities, cash or other assets of the Company or any other person) or a merger or binding share exchange which reclassifies or changes its outstanding Ordinary Shares, the person obligated to deliver securities, cash or other assets upon conversion of Securities shall enter into a supplemental indenture. If the issuer of securities deliverable upon conversion of Securities is an Affiliate of the successor Company, that issuer shall join in the supplemental indenture.

The supplemental indenture shall provide that the Holder of a Security may convert it into the kind and amount of securities, cash or other assets which such Holder would have received immediately after the consolidation, merger, binding share exchange or transfer if such Holder had converted the Security immediately before the effective date of the transaction, assuming (to the extent applicable) that such Holder (i) was not a constituent person or an Affiliate of a constituent person to such transaction; (ii) made no election with respect thereto; and (iii) was treated alike with the plurality of non electing Holders. The supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article XII. The successor Company shall mail to Securityholders a notice briefly describing the supplemental indenture.

If the Company makes a distribution to all holders of its Ordinary Shares of any of its assets, or debt securities or any rights, warrants or options to purchase securities of the Company that, but for the provisions of the last paragraph of Section 12.8, would otherwise result in an adjustment in the Conversion Rate pursuant to the provisions of Section 12.8, then, from and after the record date for determining the holders of Ordinary Shares entitled to receive the distribution, a Holder of a Security that converts such Security in accordance with the provisions of this Indenture shall upon such conversion be entitled to receive, in addition to the shares of Ordinary Shares into which the Security is convertible, the kind and amount of securities, cash or other assets comprising the distribution that such Holder would have received if such Holder had converted the Security immediately prior to the record date for determining the holders of Ordinary Shares entitled to receive the distribution.

Section 12.16 COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Section 12.3, 12.6, 12.7, 12.8, 12.9, 12.10, 12.11, 12.15 or 12.17 is conclusive, absent manifest error.

Section 12.17 TRUSTEE'S ADJUSTMENT DISCLAIMER. The Trustee has no duty to determine when an adjustment under this Article XII should be made, how it should be made or what it should be. The Trustee has no duty to determine whether a supplemental indenture under Section 12.15 need be entered into or whether any provisions of any supplemental indenture are correct. The Trustee shall not be accountable for and makes no representation as to the validity

or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article XII. Each Conversion Agent shall have the same protection under this Section 12.17 as the Trustee.

Section 12.18 SIMULTANEOUS ADJUSTMENTS. In the event that this Article XII requires adjustments to the Conversion Rate under more than one of Sections 12.6(4), 12.7 or 12.8, and the record dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 12.6, second, the provisions of Section 12.8 and, third, the provisions of Section 12.7.

Section 12.19 SUCCESSIVE ADJUSTMENTS. After an adjustment to the Conversion Rate under this Article XII, any subsequent event requiring an adjustment under this Article XII shall cause an adjustment to the Conversion Rate as so adjusted.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 TRUST INDENTURE ACT CONTROLS. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

Section 13.2 NOTICES. Any request, demand, authorization, notice, waiver, consent or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows or transmitted by facsimile transmission (confirmed by guaranteed overnight courier) to the following facsimile numbers:

if to the Company:

XL Capital Ltd
 XL House
 One Bermudiana Road
 Hamilton, Bermuda HM11
 Facsimile No. (441) 292-5280
 Telephone No. (441) 292-8515
 Attention: Paul S. Giordano

if to the Trustee:

State Street Bank and Trust Company
 225 Asylum Street
 23rd Floor
 Hartford, Connecticut 06103
 Telephone No. (860) 244-1859
 Facsimile No. (860) 244-1897
 Attention: Corporate Trust Administration (XL Capital Liquid Yield
 Option(TM) Notes due 2021)

The Company or the Trustee by notice given to the other in the manner provided above may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Securityholder shall be mailed to the Securityholder, by first-class mail, postage prepaid, at the Securityholder's address as it appears on the registration books of the Registrar and shall be deemed sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar, Paying Agent, Conversion Agent or co-registrar.

Section 13.3 COMMUNICATION BY HOLDERS WITH OTHER HOLDERS. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent, the Conversion Agent and anyone else shall have the protection of TIA Section 312(c).

Section 13.4 CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) if required by the Trustee, an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent (to the extent of legal conclusions) have been complied with.

Section 13.5 STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that each person making such Officers' Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement that, in the opinion of such person, such covenant or condition has been complied with.

Section 13.6 SEPARABILITY CLAUSE. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.7 RULES BY TRUSTEE, PAYING AGENT, CONVERSION AGENT AND REGISTRAR. The Trustee may make reasonable rules for action by or a meeting of Securityholders. The Registrar, the Conversion Agent, the Paying Agent and the Reset Rate Agent may make reasonable rules for their functions.

Section 13.8 LEGAL HOLIDAYS. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and, if the action to be taken on such date is a payment in respect of the Securities, no interest, if any, shall accrue for the intervening period.

Section 13.9 GOVERNING LAW. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS INDENTURE AND THE SECURITIES.

Section 13.10 NO RECOURSE AGAINST OTHERS. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

Section 13.11 SUCCESSORS. All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

Section 13.12 MULTIPLE ORIGINALS. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

IN WITNESS WHEREOF, XL CAPITAL LTD has caused this Indenture to be duly executed as a deed the day and year first before written.

The common seal of)
XL CAPITAL LTD)
was hereunto affixed)
in the presence of)

Name: Paul S. Giordano
Title: Executive Vice President
General Counsel & Secretary

Witness:

Name: Jerry de St. Paer
Title: Executive Vice President
Chief Financial Officer

IN WITNESS WHEREOF, the undersigned, being duly authorized, has executed this Indenture as of the date first above written.

STATE STREET BANK AND TRUST COMPANY

By:

Name:

Title:

[FORM OF FACE OF GLOBAL SECURITY]

FOR PURPOSES OF SECTIONS 1273 AND 1275 OF THE INTERNAL REVENUE CODE, THIS SECURITY IS ISSUED WITH AN INDETERMINATE AMOUNT OF ORIGINAL ISSUE DISCOUNT FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND WILL BE SUBJECT TO THE REGULATIONS GOVERNING CONTINGENT PAYMENT DEBT INSTRUMENTS FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE DATE AND THE COMMENCEMENT DATE FOR THE ACCRUAL OF ORIGINAL ISSUE DISCOUNT IS SEPTEMBER 7, 2001, AND THE YIELD TO MATURITY FOR PURPOSES OF ACCRUING ORIGINAL ISSUE DISCOUNT IS 2.875% PER ANNUM. AS REQUIRED UNDER APPLICABLE TREASURY REGULATIONS, THE "COMPARABLE YIELD" IS SET FORTH IN SECTION 2.14 OF THE INDENTURE PURSUANT TO WHICH THIS SECURITY IS BEING ISSUED.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS TO NOMINEES OF THE DEPOSITORY TRUST COMPANY, OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN ARTICLE TWO OF THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

THIS SECURITY AND ANY ORDINARY SHARES ISSUABLE UPON THE CONVERSION OF THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF XL CAPITAL LTD THAT THIS SECURITY AND ANY ORDINARY SHARES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR

OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 OR ANOTHER AVAILABLE EXEMPTION THEREUNDER (IF AVAILABLE) OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS SECURITY, ANY ORDINARY SHARES ISSUABLE UPON ITS CONVERSION AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON REALES AND OTHER TRANSFERS OF THIS SECURITY AND ANY SUCH SHARES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION OR INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY AND ANY SUCH SHARES SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY AND ANY SUCH SHARES TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

XL CAPITAL LTD

Liquid Yield Option(TM) Notes due 2021

No. CUSIP:
 Issue Date: Original Issue Discount: \$ (for each
 Issue Price: \$ (for each \$1,000 principal \$1,000 principal amount at maturity)
 amount at maturity)

XL CAPITAL LTD, a Cayman Islands exempted limited company, promises to pay to Cede & Co. or registered assigns, the principal amount of dollars (U.S.\$) (subject to increase in certain circumstances as described on the other side of this Security) on September 7, 2021.

This Security shall not bear interest except as specified on the other side of this Security. This Security shall accrete original issue discount as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security.

Additional provisions of this Security are set forth on the other side of this Security.

Dated: September 7, 2001 XL CAPITAL LTD

By: _____

Title: _____

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

STATE STREET BANK AND TRUST COMPANY, as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

By _____
 Authorized Signatory

Dated:

[FORM OF REVERSE OF GLOBAL SECURITY]

Liquid Yield Option(TM) Notes due 2021

The Company issued the Securities under an Indenture dated as of September 7, 2001 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture.

1. INTEREST.

Except as provided below, this Security shall not bear periodic interest.

This Security shall accrete original issue discount at a rate of 2.875 % per annum, on a semi-annual bond equivalent basis using a 360-day year composed of twelve 30-day months, commencing on the Issue Date of this Security.

GENERAL. Except as described below under "-Contingent Cash Interest," we will not make periodic payments of interest on the Securities. Each Security will be issued at an issue price of \$565.01 per Security. However, the Securities will accrue original issue discount while they remain outstanding. Original issue discount is the difference between the issue price and the principal amount at maturity of a Security. Original issue discount will be calculated on a semi-annual bond equivalent basis at the yield to maturity of the Securities, using a 360-day year comprised of twelve 30-day months. The expected issue date for the Securities and the commencement date for the accrual of original issue discount will be September 7, 2001. Contingent Cash Interest on Securities converted after a record date but prior to the corresponding interest payment date will be paid to the Holder of the Securities on the record date but, upon conversion the Holder must pay the Company the interest which has accrued and will be paid on such interest payment date. No such payment need be made with respect to Securities which will be redeemed after a record date and prior to the corresponding interest payment date.

If the Purchase Price, Redemption Price, Change in Control Purchase Price Additional Amounts, Liquidated Damages or Accreted Value, as applicable, of a Security or any portion of such Purchase Price, Redemption Price, Change in Control Purchase Price, Additional Amounts, Liquidated Damages or Accreted Value, as applicable, is not paid when due (whether upon acceleration pursuant to Section 8.2 of the Indenture, upon the date set for payment of the Redemption Price pursuant to Paragraph 7 hereof, upon the date set for payment of the Purchase Price or the Change in Control Purchase Price pursuant to Paragraph 9 hereof, or upon the Stated Maturity of this Security), then in each such case the overdue amount shall, to the extent permitted by law, bear interest at the rate of 2.875% per annum, compounded semi-annually, which interest shall accrue from the date such overdue amount was originally due to the date payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable on demand and shall be based on a 360-day year comprised of twelve 30-day months.

2. CONTINGENT CASH INTEREST.

(a) Commencing after September 7, 2004 the Company shall make Contingent Cash Interest payments to the Holders of Securities, as below, during any Semiannual Period if, but only if, the average Securities' Market Price of one Security for the five Trading Days in the relevant Five-Trading-Day Measurement Period equals 120% or more of the Accreted Value of such Security. During any Semiannual Period when Contingent Cash Interest is payable pursuant to this Paragraph, each Contingent Cash Interest payment due and payable pursuant to this Paragraph on each \$1,000 Principal amount at maturity of Securities shall be calculated for any quarterly period of the applicable Semiannual Period, and in each instance shall equal the greater of (i) \$.46 multiplied by 5.277 or (ii) the sum of all Regular Cash Dividends paid by the Company per share on the Ordinary Shares during the applicable quarter of such Semiannual Period multiplied by the then applicable Conversion Rate.

Contingent Cash Interest, if any, shall accrue as of the 15th day preceding the last day of the relevant Semiannual Period (each a "Contingent Cash Interest Record Date"), or, if the Company pays Regular Cash Dividends on its Ordinary Shares during a quarter within the relevant Semiannual Period, as of the Ordinary Shares Record Date. If we only pay Regular Cash Dividends for one quarter within the relevant Semiannual Period, the remaining Contingent Cash Interest will accrue as of the Contingent Cash Interest Record Date.

The Original Issue Discount of the Securities will continue to accrue whether or not Contingent Cash Interest payments are made or any Contingent Additional Principal accrues.

(b) PAYMENT OF CONTINGENT CASH INTEREST. Accrued and unpaid Contingent Cash Interest, if any, shall be paid on the last day of such Semiannual Period or, if the Company pays a Regular Cash Dividends on the Ordinary Shares during a Semiannual Period, on the payment date for the related Ordinary Shares dividend (in each case, a "Contingent Cash Interest Payment Date"). Contingent Cash Interest payments on any Security that are payable, and are punctually paid or duly provided for, on any Contingent Cash Interest Payment Date shall be paid to the Person who is the Holder of that Security on the Contingent Cash Interest Record Date or the Ordinary Shares Record Date, as applicable, at the office or agency of the Company maintained for such purpose. Each payment of Contingent Cash Interest on any Security shall be paid (A) if such Security is held in the form of a Global Security, in same-day funds by transfer to an account maintained by the payee located inside the United States, or (B) if such Security is held in the form of a Certificated Security, by check, mailed to the address of such Holder as set forth in the Security Register. In the case of a Global Security, Contingent Cash Interest payable, will be paid on the applicable Contingent Cash Interest Payment Date to the Depository for the purpose of permitting DTC to credit the interest received by it in respect of such Global Security to the accounts of the beneficial owners thereof.

(c) NOTICE. Upon determination that Holders of Securities will be entitled to receive Contingent Cash Interest during a Semiannual Period, prior to the start of such Semiannual Period, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time.

(d) BID SOLICITATION AGENT. The Bid Solicitation Agent shall solicit bids from securities dealers which the Company indicates that it believes are willing to bid for the Securities. The Company initially appoints the Trustee to act as the Bid Solicitation Agent. The Company may change the Bid Solicitation Agent at its discretion; provided, however, the Bid Solicitation Agent may not be an Affiliate of the Company.

3. CONTINGENT ADDITIONAL PRINCIPAL.

(a) On September 7, 2002 and September 7, 2003, if the Sale Price of the Ordinary Shares is at or below the Ordinary Shares Threshold Price (as set forth in the first column under the schedule below) for at least 20 Trading Days during the Thirty-Trading-Day Measurement Period prior to that date, Contingent Additional Principal shall accrue on the Securities commencing on such date at a rate of either 0.50% or .645% per year, computed on a semiannual bond equivalent basis, on the sum of the Issue Price plus accrued Original Issue Discount to such date for a period of one year, in accordance with the schedule set forth below:

September 7, 2002

Ordinary Shares Threshold Price (expressed as a percentage of the Accreted Conversion Price of the Securities)	Contingent Additional Principal	Adjusted Yield
Equal to or less than 69% and greater than 65%	.50%	3.375%
Equal to or less than 65%	.645%	3.52%

September 7, 2003

Ordinary Shares Threshold Price (expressed as a percentage of the Accreted Conversion Price of the Securities)	Contingent Additional Principal	Adjusted Yield
Equal to or less than 75% and greater than 72%	.50%	3.375%
Equal to or less than 72%	.645%	3.52%

No Contingent Additional Principal will accrue after September 7, 2004.

(b) PAYMENT OF CONTINGENT ADDITIONAL PRINCIPAL. If payable, the Contingent Additional Principal shall be paid on the Stated Maturity of the Securities. Contingent Additional Principal shall be calculated on a semiannual bond equivalent basis, using a 360-day year consisting of twelve 30-day months.

(c) Notice. In the event that any Contingent Additional Principal accrues on the Securities, the Company will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on its Web site or through such other public medium as it may use at that time. The Company shall also notify the Trustee annually in writing, at such time that the Company files with the Trustee

its annual reports or other information or documents pursuant to Section 6.2 of the Indenture, of any accrual of Contingent Additional Principal and the resulting increase in the Principal amount at maturity per Security. Following its receipt of such notice, the Trustee shall provide such information to DTC for dissemination to the participants of DTC.

4. METHOD OF PAYMENT.

Subject to the terms and conditions of the Indenture and except as provided above in the case of Contingent Cash Interest, the Company will make payments in cash at Stated Maturity and payments in cash, Ordinary Shares or a combination thereof, as the case may be, in respect of Redemption Prices, Purchase Prices and Change in Control Purchase Prices to Holders who surrender Securities to a Paying Agent to collect such payments in respect of the Securities. The Company will pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts. However, the Company may make such cash payments by wire transfers of immediately available funds or, at the Company's option, by check payable in such money.

5. PAYING AGENT, CONVERSION AGENT AND REGISTRAR.

Initially, the Trustee will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent or Registrar without notice, other than notice to the Trustee; provided that the Company will maintain at least one Paying Agent in the State of New York, City of New York, Borough of Manhattan, which shall initially be an office or agency of the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent or Registrar.

6. INDENTURE.

The Company issued the Securities under an Indenture dated as of September 7, 2001 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are general unsecured obligations of the Company limited to \$508,842,000 aggregate principal amount at maturity (subject to adjustments for Contingent Additional Principal and Contingent Cash Interest, if any). The Indenture does not limit other indebtedness of the Company, secured or unsecured.

7. REDEMPTION AT THE OPTION OF THE COMPANY.

No sinking fund is provided for the Securities. Subject to the terms and conditions of this Indenture, the Securities are redeemable at the option of the Company in whole or in part, at any time or from time to time on, or after September 7, 2004 for a cash price equal to the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, up to the Redemption Date (the "Redemption Price").

8. NOTICE OF REDEMPTION.

Notice of redemption pursuant to Paragraph 7 of this Security will be mailed at least 15 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, interest ceases to accrue on such Securities or portions thereof on and after the Redemption Date. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part but only in integral multiples of \$1,000 of principal amount.

9. PURCHASE BY THE COMPANY AT THE OPTION OF THE HOLDER.

(a) Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, all or any portion of the Securities held by such Holder on September 7, 2002, September 7, 2003, September 7, 2004, September 7, 2006, September 7, 2008, September 7, 2011 and September 7, 2016 or the next Business Day following such dates to the extent such dates are not Business Days, in integral multiples of \$1,000 at a Purchase Price equal to the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, on the Purchase Date. To exercise such right, a Holder shall deliver to the Company a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business on the last day prior to such Purchase Date, and shall deliver the Securities to the Paying Agent as set forth in the Indenture.

The Purchase Price may be paid, at the option of the Company, in cash or by the issuance and delivery of Ordinary Shares, or in any combination thereof.

(b) At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to offer to purchase the Securities held by such Holder within 30 days (which purchase shall occur 45 days after the date of the Company's notice) after the occurrence of a Change in Control of the Company (as defined in the Indenture) for a Change in Control Purchase Price equal to the Accreted Value plus accrued and unpaid Contingent Cash Interest, if any, on the Change in Control Purchase Date, which Change in Control Purchase Price shall be paid in cash or, at the Company's option, Ordinary Shares (as calculated in accordance with Section 5.7 of the Indenture).

(c) Holders have the right to withdraw any Purchase Notice delivered pursuant to Paragraph 9(a) above or Change in Control Purchase Notice delivered pursuant to Paragraph 9(c), as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash (and/or Ordinary Shares if permitted under the Indenture) sufficient to pay the Purchase Price or Change in Control Purchase Price, as the case may be, of all Securities or portions thereof to be purchased as of the Purchase Date or the Change in Control Purchase Date, as the case may be, is deposited with the Paying Agent on the Business Day following the Purchase Date or the Change in Control Purchase Date and other interest ceases to accrue on

such Securities (or portions thereof) immediately after such Purchase Date or Change in Control Purchase Date, and the Holder thereof shall have no other rights as such other than the right to receive the Purchase Price or Change in Control Purchase Price upon surrender of such Security.

10. CONVERSION.

(a) The initial Conversion Rate is 5.277 Ordinary Shares per \$1,000 principal amount at maturity of Securities, subject to adjustment in certain events described in the Indenture. A Holder that surrenders Securities for conversion will receive cash in lieu of any fractional Ordinary Share based on the closing price of the Ordinary Shares of the Company on the Trading Day immediately prior to the conversion date.

(b) During any Conversion Period, Holders may surrender Securities for conversion into Ordinary Shares if the Sale Prices of the Ordinary Shares for a period of at least 20 Trading Days in the 30 consecutive Trading Day period ending on the first day of such Conversion Period is more than 110% of the Accreted Conversion Price per Ordinary Share as determined by the Conversion Agent on the first day of the Conversion Period. A "Conversion Period" will be the period from and including the thirtieth Trading Day in a fiscal quarter to but not including the thirtieth Trading Day in the immediately following fiscal quarter.

(c) A Holder may also surrender for conversion a Security or portion of a Security which has been called for redemption pursuant to Paragraph 7 hereof, and such Securities may be surrendered for conversion until the close of business on the Business Day immediately preceding the Redemption Date. A Security in respect of which a Holder has delivered a Purchase Notice or a Change in Control Purchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture.

(d) (i) Holders may also surrender Securities for conversion into Ordinary Shares during the five consecutive Trading Day period beginning 10 Business Days following any 10 consecutive trading-day period in which the average of the Trading Prices for a Security was less than 95% of the average Parity Value (as defined below) for that period.

The "Trading Price" of the Securities on any date of determination means the average of the secondary market bid quotations per Security obtained by State Street Bank and Trust Company for \$10,000,000 principal amount at maturity of the Securities at approximately 4:00 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers selected by the Company; provided that if at least three such bids cannot reasonably be obtained by State Street Bank and Trust Company, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid can reasonably be obtained by State Street Bank and Trust Company, this one bid shall be used. If State Street Bank and Trust Company cannot reasonably obtain at least one bid for \$10,000,000 principal amount of maturity of the Securities from a nationally recognized securities dealer or in the reasonable judgment of the Company, the bid quotations are not indicative of the secondary market value of the Securities, then the trading price of the Securities will equal (a) the then-applicable conversion rate of the Securities multiplied by (b) the closing price on the New York Stock Exchange of the Company's Ordinary Shares on such determination date; provided that the

Trustee shall not determine the trading price of the Securities unless requested by the Company; and provided, further, that the Company shall have no obligation to make such request unless a holder of Securities provides the Company with reasonable evidence that the trading price of the Security may be less than 95% of the average Parity Value; and at which time, the Company shall instruct the Trustee to determine the trading price of the Securities beginning on the next Trading Day on each successive Trading Day until the Trading Price is greater than or equal to 95% of the Parity Value of the Securities. The Trustee shall be entitled to select the appropriate method for determining the trading price of the Securities and shall be entitled to all of the rights of the trustee set forth in the Indenture in connection with any such determination. Any such determination shall be conclusive absent manifest error. The "Parity Value" of the Securities on any date of determination means the product of (x) the Sale Price of the Ordinary Shares on such date and (y) the number of Ordinary Shares including fractional shares into which such Securities are convertible on such date.

(ii) Notwithstanding paragraph (a)(ii) above, if at conversion the Sales Price of the Ordinary Shares is greater than 100% of the Accreted Conversion Price but less than or equal to 110% of the Accreted Conversion Price, then the Holders will receive, in lieu of Ordinary Shares based on the applicable Conversion Rate, cash or Ordinary Shares, or a combination of both cash and Ordinary Shares, with a value equal to the then Accreted Value of the Securities on the Conversion Date (an "Accreted Value Conversion"). If there is an Accreted Value Conversion, the Ordinary Shares will be valued at 100% of the average Sales Price for the five Trading Days ending on the third day prior to the date of conversion. If the Company elects to pay all or a portion of the Accreted Value upon an Accreted Value Conversion in Ordinary Shares, the Company will notify holders not less than five Business Days prior to the beginning of the five day period in which Holders can convert their Securities pursuant to an Accreted Value Conversion.

(e) In the event that the Company declares a dividend or distribution described in Section 10.7 of the Indenture, or a dividend or a distribution described in Section 10.8 of the Indenture where the fair market value of such dividend or distribution per Ordinary Share, as determined in the Indenture, exceeds 12.5% of the Sale Price of an Ordinary Share as of the Business Day prior to the date of declaration for such distribution, the Securities may be surrendered for conversion beginning on the date the Company gives notice to the Holders of such right, which shall be not less than 20 days prior to the Ex-Dividend Time for such dividend or distribution and Securities may be surrendered for conversion at any time thereafter until the close of business on the Business Day prior to the Ex-Dividend Time or until the Company announces that such distribution will not take place.

(f) A Holder may surrender for conversion a Security or portion of a Security during such period, if any, as (i) the credit rating assigned to the Securities by Standard & Poor's Rating Group (or its successors) is below BBB+, (ii) the credit rating assigned to the Securities by such rating agency is suspended or withdrawn or (iii) such rating agency is no longer rating the Securities.

(g) In the event the Company is a party to a consolidation, merger or binding share exchange, as set forth in Section 7.1 of the Indenture, pursuant to which the Ordinary Shares would be converted into cash, securities or other property as set forth in Section 12.15 of

the Indenture, the Securities may be surrendered for conversion at any time from and after the date which is 15 days prior to the date the Company announces as the anticipated effective time until 15 days after the actual date of such transaction.

(h) To surrender a Security for conversion, a Holder must (1) complete and manually sign the irrevocable conversion notice below (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Security to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents and (4) pay any transfer or similar tax, if required.

(i) A Holder may convert a portion of a Security if the principal amount at maturity of such portion is \$1,000 or an integral multiple of \$1,000. No payment or adjustment will be made for dividends on the Ordinary Shares except as provided in the Indenture. Except as provided in Paragraph 1 hereof, on conversion of a Security, the Holder will not receive any cash payment representing accrued interest with respect to the converted Securities. Instead, upon conversion the Company will deliver to the Holder a fixed number of Ordinary Shares and any cash payment to account for fractional shares. Accrued interest will be deemed paid in full rather than canceled, extinguished or forfeited. The Company will not adjust the Conversion Rate to account for accrued interest.

(j) The Conversion Rate will be adjusted as provided in Article XII of the Indenture. The Company may increase the Conversion Rate for at least 20 days, so long as the increase is irrevocable during such period.

(k) If the Company is a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of its assets as set forth in Section 7.1 of the Indenture, or upon certain distributions described in Section 12.8 of the Indenture, the right to convert a Security into Ordinary Shares may be changed into a right to convert it into securities, cash or other assets of the Company or another person.

11. CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION.

A Holder may surrender for conversion any of the Securities called for redemption at any time prior to the close of business one Business Day prior to the Redemption Date, even if it is not otherwise convertible at such time. If a Holder has already delivered a Purchase Notice or a Change in Control Purchase Notice with respect to a Security, however, the Holder may not surrender that Security for conversion until the Holder has withdrawn the notice in accordance with the Indenture.

12. DENOMINATIONS; TRANSFER; EXCHANGE.

The Securities are in fully registered form, without coupons, in denominations of \$1,000 of principal amount at maturity and integral multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a

Purchase Notice or Change in Control Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before the mailing of a notice of redemption of Securities to be redeemed.

13. PERSONS DEEMED OWNERS.

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

14. UNCLAIMED MONEY OR SECURITIES.

The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years, subject to applicable unclaimed property law. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

15. TRUSTEE DEALINGS WITH THE COMPANY.

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

16. CALCULATIONS IN RESPECT OF SECURITIES.

The Company will be responsible for making all calculations called for under the Securities. These calculations include, but not limited to, determinations of the market prices of the Securities and the Ordinary Shares, any accrued Contingent Cash Interest payable on the Securities, the Accreted Value of the Securities and the Accreted Conversion Price of the Securities. The Company will make these calculations in good faith and, absent manifest error, the calculations will be final and binding on Holders of the Securities. The Company will provide to the Trustee a schedule of its calculations, and the Trustee is entitled to rely upon the accuracy of such calculations without independent verification. The Trustee will forward the Company's calculations to any Holder of the Securities upon the request of such Holder.

17. NO RECOURSE AGAINST OTHERS.

A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. AUTHENTICATION.

This Security shall not be valid until an authorized signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

19. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entirety), JT TEN (=joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

20. GOVERNING LAW.

THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THE INDENTURE AND THIS SECURITY.

The Company will furnish to any Securityholder upon written request and without charge a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

XL Capital Ltd
XL House
One Bermudiana Road
Hamilton, Bermuda HM11
Attn: Gavin R. Arton

21. REGISTRATION RIGHTS.

The Holders of the Securities are entitled to the benefits of the Registration Rights Agreement, dated as of September 7, 2001, between the Company and Merrill Lynch & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated including the receipt of liquidated damages ("Liquidated Damages") upon a registration default (as defined in such agreement).

ASSIGNMENT FORM

CONVERSION NOTICE

To assign this Security, fill in the form below:

To convert this Security into Ordinary Shares of the Company, check the box []

I or we assign and transfer this Security to

To convert only part of this Security, state the principal amount to be converted (which must be \$1,000 or an integral multiple of \$1,000):

(Insert assignee's soc. sec. or tax ID no.)

If you want the stock certificate made out in another person's name fill in the form below:

(Print or type assignee's name, address and zip code)

(Insert the other person's soc. sec. tax ID no.)

and irrevocably appoint

agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

(Print or type other person's name, address and zip code)

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

Signature Guaranteed

Participant in a Recognized Signature Guarantee Medallion Program

By: _____
Authorized Signatory

Liquid Yield Option(TM) Notes due 2021

Transfer Certificate

In connection with any transfer of any of the Securities within the period prior to the expiration of the holding period applicable to the sales thereof under Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") (or any successor provision), the undersigned registered owner of this Security hereby certifies with respect to \$_____ principal amount at maturity of the above-captioned Securities presented or surrendered on the date hereof (the "Surrendered Securities") for registration of transfer, or for exchange or conversion where the securities issuable upon such exchange or conversion are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Securities for the reason checked below:

- A transfer of the Surrendered Securities is made to the Company or any of its subsidiaries; or
- The transfer of the Surrendered Securities complies with Rule 144A under the Securities Act; or
- The transfer of the Surrendered Securities is pursuant to an effective registration statement under the Securities Act, or
- The transfer of the Surrendered Securities is pursuant to another available exemption from the registration requirements of the Securities Act.

and unless the box below is checked, the undersigned confirms that, to the undersigned's knowledge, such Securities are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

- The transferee is an Affiliate of the Company.

DATE: -----

Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the person signing on behalf of such registered owner must be stated.)

Signature Guaranteed

Participant in a Recognized Signature

Guarantee Medallion Program

By: -----

Authorized Signatory

XL CAPITAL LTD

LIQUID YIELD OPTION(TM) NOTES DUE 2021

REGISTRATION RIGHTS AGREEMENT

September 7, 2001

Merrill Lynch, Pierce, Fenner
& Smith Incorporated
North Tower
World Financial Center
New York, New York 10281

Ladies and Gentlemen:

XL Capital Ltd, a Cayman Islands limited liability company (the "Company"), proposes to issue and sell to the Purchaser (as defined herein) upon the terms and conditions set forth in the Purchase Agreement (as defined herein) its Liquid Yield Option(TM) Notes due September 7, 2021 (the "Securities"), convertible into Ordinary Shares (as defined herein). In satisfaction of a condition to the obligations of the Purchaser thereunder, the Company agrees with the Purchaser for the benefit of Holders (as defined herein) from time to time of the Registrable Securities (as defined herein) as follows:

1. DEFINITIONS.

(a) Capitalized terms used herein without definition shall have the meanings ascribed to them in the Purchase Agreement. As used in this Agreement, the following defined terms shall have the following meanings:

"ACT" OR "SECURITIES ACT" means the United States Securities Act of 1933, as amended.

"AFFILIATE" of any specified person means any other person which, directly or indirectly, is in control of, is controlled by, or is under common control with such specified person. For purposes of this definition, control of a person means the power, direct or indirect, to direct or cause the direction of the management and policies of such person whether by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"APPLICABLE AMOUNT" means, with respect to each \$1,000 principal amount at maturity of Securities, the Accreted Value (as defined in the Indenture) plus any accrued and unpaid Contingent Cash Interest through the date of determination, or, with respect to Securities that have been converted to Ordinary Shares pursuant to the Indenture, such sum calculated as if such Securities had not been so converted.

"CLOSING DATE" means the First Time of Delivery as defined in the Purchase Agreement.

"COMMISSION" means the United States Securities and Exchange Commission, or any other federal agency at the time administering the Exchange Act or the Securities Act, whichever is the relevant statute for the particular purpose.

"DTC" means The Depository Trust Company.

"EFFECTIVENESS PERIOD" has the meaning assigned thereto in Section 2(b)(i) hereof.

"EFFECTIVE TIME" means the date on which the Commission declares the Shelf Registration Statement effective or on which the Shelf Registration Statement otherwise becomes effective.

"ELECTING HOLDER" has the meaning assigned thereto in Section 3(a)(iv) hereof.

"EXCHANGE ACT" means the United States Securities Exchange Act of 1934, as amended.

"HOLDER" means, any person that is the record owner of Registrable Securities (and includes any person that has a beneficial interest in any Registrable Security in book-entry form).

"INDENTURE" means the Indenture, dated as of September 7, 2001, between the Company and State Street Bank and Trust Company, as amended and supplemented from time to time in accordance with its terms.

"LIQUIDATED DAMAGES" has the meaning assigned thereto in Section 7(a) hereof.

"MANAGING UNDERWRITERS" means the investment banker or investment bankers and manager or managers that shall administer an underwritten offering, if any, conducted pursuant to Section 7 hereof.

"NASD RULES" means the Rules of the National Association of Securities Dealers, Inc., as amended from time to time.

"NOTICE AND QUESTIONNAIRE" means a Notice of Registration Statement and Selling Securityholder Questionnaire substantially in the form of Exhibit A hereto.

"ORDINARY SHARES" means the Company's Class A ordinary shares, par value \$0.01 per share.

The term "PERSON" means an individual, partnership, corporation, trust or unincorporated organization, or a government or agency or political subdivision thereof.

"PROSPECTUS" means the prospectus (including, without limitation, any preliminary prospectus, any final prospectus and any prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act) included in the Shelf Registration Statement, as amended or supplemented by any prospectus supplement with respect to the terms of the offering of any portion of the Registrable Securities covered by the Shelf Registration Statement and by all other amendments and supplements to such prospectus, including all material incorporated by reference in such prospectus and all documents filed after the date of such prospectus by the Company under the Exchange Act and incorporated by reference therein.

"PURCHASE AGREEMENT" means the purchase agreement, dated as of September 4, 2001, among the Purchaser and the Company relating to the Securities.

"PURCHASER" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"REGISTRABLE SECURITIES" means all or any portion of the Securities issued from time to time under the Indenture in registered form and the Ordinary Shares issuable upon conversion of such Securities; PROVIDED, HOWEVER, that a security ceases to be a Registrable Security when it is no longer a Restricted Security.

"REGISTRATION DEFAULT" has the meaning assigned thereto in Section 7(a) hereof.

"RESTRICTED SECURITY" means any Security or Ordinary Share issuable upon conversion thereof except any such Security or Ordinary Share which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the Shelf Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or is transferable pursuant to paragraph (k) of such Rule 144 (or any successor provision thereto), (iii) has been sold in compliance with Regulation S under the Securities Act (or any successor thereto) and does not constitute the unsold allotment of a distributor within the meaning of Regulation S under the Securities Act, (iv) has otherwise been transferred and a new Security or Ordinary Share not subject to transfer restrictions under the Securities Act has been delivered by or on behalf of the Company in accordance with Section 2.6(f) of the Indenture or (v) is otherwise transferable without restriction under the Securities Act.

"RULES AND REGULATIONS" means the published rules and regulations of the Commission promulgated under the Securities Act or the Exchange Act, as in effect at any relevant time.

"SHELF REGISTRATION" means a registration effected pursuant to Section 2 hereof.

"SHELF REGISTRATION STATEMENT" means a "shelf" registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or delayed basis by the Holders of, all of the Registrable Securities (other than Registrable Securities, the holders of which have failed to comply with Section 3(a)(iii) hereof) pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission, filed by the Company pursuant to the provisions of Section 2 of this Agreement, including the Prospectus contained therein, any amendments and supplements to such registration statement, including post-effective amendments, and all exhibits and all material incorporated by reference in such registration statement.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939, or any successor thereto, and the rules, regulations and forms promulgated thereunder, as the same shall be amended from time to time.

The term "UNDERWRITER" means any underwriter of Registrable Securities in connection with an offering thereof under a Shelf Registration Statement.

(b) Wherever there is a reference in this Agreement to a percentage of the "principal amount" of Registrable Securities or to a percentage of Registrable Securities, Ordinary Shares shall be treated as representing the Applicable Amount.

2. SHELF REGISTRATION.

(a) The Company shall, no later than 90 calendar days following the Closing Date, file with the Commission a Shelf Registration Statement relating to the offer and sale of the Registrable Securities by the Holders from time to time and, thereafter, shall use its reasonable best efforts to cause such Shelf Registration Statement to be declared effective under the Act as promptly as practicable, but in no event later than 210 calendar days following the Closing Date; PROVIDED, HOWEVER, that the Company may, upon written notice to all Holders, postpone having the Shelf Registration Statement declared effective for a reasonable period not to exceed 90 days if the Company possesses material non-public information and the Company reasonably determines that the disclosure of this material non-public information would have a material adverse effect on the Company and its subsidiaries taken as a whole or would impede the consummation of any proposed or pending material business transaction; PROVIDED, FURTHER, however, that no Holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement or to use the Prospectus forming a part thereof for resales of Registrable Securities unless such Holder is an Electing Holder.

(b) The Company shall use its reasonable best efforts:

(i) To keep the Shelf Registration Statement continuously effective in order to permit the Prospectus forming a part thereof to be usable by Holders until the earliest of (1) the date when all Registrable Securities of Holders that complete and deliver in a timely manner (as described in Section 3(a) hereof) the Notice and Questionnaire are registered under the Shelf Registration Statement and have been registered and disposed of in accordance with the Shelf Registration Statement; (2) the expiration of the period referred to in Rule 144(k) of the Act with respect to all Registrable Securities held by Persons that are not Affiliates of the Company; (3) the date when there are no outstanding Registrable Securities; and (4) two years from the date (the "Effective Date") such Shelf Registration Statement is declared effective (such period being referred to herein as the "Effectiveness Period"); and

(ii) If at any time the Securities, pursuant to Article XII of the Indenture, are convertible into securities other than Ordinary Shares, the Company shall, or shall cause any successor under the Indenture to agree to, cause such securities to be included in the Shelf Registration Statement no later than the date on which the Securities may then be convertible into such securities.

Other than due to any suspension of the use of the Prospectus pursuant to Section 2(c) hereof, the Company shall be deemed not to have used its reasonable best efforts to keep the Shelf Registration Statement effective during the requisite period if the Company voluntarily takes any action that would result in Holders of Registrable Securities covered thereby not being able to offer and sell any of such Registrable Securities during that period, unless such action is required by applicable law and the Company thereafter promptly complies with the requirements of paragraph 3(j) below.

(c) The Company may suspend the use of the Prospectus for a period not to exceed 45 days in any 90-day period or an aggregate of 90 days in any 360-day period if (i) the Prospectus would, in the Company's judgment, contain a material misstatement or omission as a result of an event that has occurred and is continuing or as a result of any proposed or pending material business transaction; and (ii) the Company reasonably determines that the disclosure of this material non-public information would have a material adverse effect on the Company and its subsidiaries taken as a whole or would impede the consummation of any proposed or pending material business transaction, PROVIDED; HOWEVER, that prior to

suspending the use of the Prospectus, the Company provides the Trustee with written notice of such suspension, which notice need not specify the nature of the event giving rise to such suspension.

However, if the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede the Company's ability to consummate such transaction, the Company may extend the suspension period from 45 days to 75 days. Each holder, by its acceptance of the Registrable Securities, agrees to hold any communication by the Company in response to a notice of a proposed sale in confidence.

3. REGISTRATION PROCEDURES. In connection with the Shelf Registration Statement, the following provisions shall apply:

(a) (i) Not less than 30 calendar days prior to the expected Effective Time of the Shelf Registration Statement, the Company shall give notice of its intention to file the Shelf Registration Statement to each holder of Registrable Securities in the manner provided by Section 13.2 of the Indenture; such notice shall be substantially in the form of the Notice and Questionnaire set forth as Exhibit A hereto; no Holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement as of the Effective Time, and no Holder shall be entitled to use the Prospectus forming a part thereof for resales of Registrable Securities at any time, unless such Holder has returned a completed and signed Notice and Questionnaire to the Company by the deadline for response set forth therein; PROVIDED, HOWEVER, that such deadline shall be at least 20 business days from the date on which the Notice and Questionnaire is first mailed to Holders.

(ii) Holders who have not returned a completed and signed Notice and Questionnaire to the Company by the deadline for response set forth therein may receive an additional Notice and Questionnaire from the Company upon request by the Holder. Following the receipt of a completed and signed Notice and Questionnaire, the Company will, prior to the Effective Time, include the Securities covered thereby in the Shelf Registration Statement, subject to restrictions on the timing and number of supplements to the Shelf Registration Statement provided for in this Section 3 and Section 6 hereof.

(iii) After the Effective Time of the Shelf Registration Statement, and subject to the Rules and Regulations and policies of the Commission, the Company shall, upon the request of any Holder of Registrable Securities that is not then an Electing Holder, promptly send a Notice and Questionnaire to such Holder. The Company shall not be required to take any action to name such Holder as a selling securityholder in the Shelf Registration Statement or to enable such Holder to use the Prospectus forming a part thereof for resales of Registrable Securities until such Holder has returned a completed and signed Notice and Questionnaire to the Company.

(iv) The term "Electing Holder" shall mean any Holder of Registrable Securities that has returned a completed and signed Notice and Questionnaire to the Company in accordance with (a)(i), (a)(ii) or (a)(iii) of this Section 3.

(b) The Company shall furnish to the counsel for the Holders of Registrable Securities, prior to the filing thereof with the Commission, a copy of the Shelf Registration Statement and each amendment or supplement, if any, to the Prospectus included therein, and shall afford such counsel a reasonable opportunity to comment thereon.

(c) The Company shall promptly take such action as may be necessary so that (i) each of the Shelf Registration Statement and any amendment thereto and the Prospectus forming a part thereof and any amendment or supplement thereto (and each report or other document incorporated therein by reference in each case) complies in all material respects with the Securities Act and the Exchange Act and the respective rules and regulations thereunder, (ii) each of the Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) each of the Prospectus forming a part of the Shelf Registration Statement, and any amendment or supplement to such Prospectus, does not at any time during the Effectiveness Period include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Company shall promptly advise each Electing Holder:

(i) when a Shelf Registration Statement and any amendment thereto has been filed with the Commission and when a Shelf Registration Statement or any post-effective amendment thereto has become effective, in each case, at the option of the Company, by making a public announcement thereof by a press release made through Dow Jones & Company, Inc. or Bloomberg Business News or such other public medium as the Company may use at such time;

(ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of any proceedings for such purpose;

(iii) of the receipt by the Company of any notification with respect to the suspension of the qualification of the securities included in the Shelf Registration Statement for sale in any jurisdiction or the initiation of any proceeding for such purpose; and
(iv) of the happening of any event or the existence of any state of facts that requires the making of any changes in the Shelf Registration Statement or the Prospectus included therein so that, as of such date, such Shelf Registration Statement and Prospectus do not contain an untrue statement of a material fact and do not omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to such Holders to suspend the use of the Prospectus until the requisite changes have been made, which notice need not specify the nature of the event giving rise to such suspension).

(e) The Company shall use its reasonable best efforts to prevent the issuance, and if issued to obtain the withdrawal, of any order suspending the effectiveness of the Shelf Registration Statement at the earliest possible time.

(f) The Company shall furnish to each Electing Holder, upon request, without charge, at least one copy of the Shelf Registration Statement and all post-effective amendments thereto, including

financial statements and schedules, and, if such Holder so requests in writing, all other documents and exhibits that are filed with or incorporated by reference in the Shelf Registration Statement.

(g) The Company shall, during the Effectiveness Period, deliver to each Electing Holder, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in the Shelf Registration Statement and any amendment or supplement thereto as such Electing Holder may reasonably request; and the Company consents (except during the continuance of any event described in Section 3(d)(iv) above to the use of the Prospectus and any amendment or supplement thereto by each of the Electing Holders in connection with the offering and sale of the Registrable Securities covered by the Prospectus and any amendment or supplement thereto during the Effectiveness Period.

(h) Prior to any offering of Registrable Securities pursuant to the Shelf Registration Statement, the Company shall (i) register or qualify or cooperate with the Electing Holders and their counsel (which shall be Skadden, Arps, Slate, Meagher & Flom LLP) in connection with the registration or qualification of such Registrable Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions within the United States as any Electing Holder may reasonably request (other than the State of Florida), (ii) keep such registrations or qualifications in effect and comply with such laws so as to permit the continuance of offers and sales in such jurisdictions for so long as may be necessary to enable any Electing Holder or underwriter, if any, to complete its distribution of Registrable Securities pursuant to the Shelf Registration Statement, and (iii) take any and all other actions necessary or advisable to enable the disposition in such jurisdictions of such Registrable Securities; PROVIDED, HOWEVER, that in no event shall the Company be obligated to (A) qualify as a foreign corporation or as a dealer in securities in any jurisdiction where it would not otherwise be required to so qualify but for this Section 3(h) or (B) file any general consent to service of process in any jurisdiction where it is not as of the date hereof so subject.

(i) Upon the occurrence of any fact or event contemplated by paragraph 3(d)(iv) above, the Company shall, subject to Section 2(c) hereof, promptly prepare a post-effective amendment to the Shelf Registration Statement or an amendment or supplement to the related Prospectus or file any other required document so that, as thereafter delivered to Purchaser of the Registrable Securities included therein, the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Company notifies the Electing Holders of the occurrence of any event contemplated by paragraph 3(d)(v) above, the Electing Holder shall suspend the use of the Prospectus until the requisite changes to the Prospectus have been made.

(j) Not later than the Effective Time of the Shelf Registration Statement, the Company shall provide a CUSIP number for the Registrable Securities that are debt securities.

(k) The Company shall use its reasonable best efforts to comply with all applicable Rules and Regulations, and to make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after (i) the effective date (as defined in Rule 158(c) under the Securities Act) of the Shelf Registration Statement, (ii) the effective date of each post-effective amendment to the Shelf Registration Statement, and (iii) the date of each filing by the Company with the Commission of an Annual Report on Form 10-K that is incorporated by reference in the Shelf Registration Statement, an earning statement of the Company and its subsidiaries complying with

Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158).

(l) Not later than the Effective Time of the Shelf Registration Statement, the Company shall cause the Indenture to be qualified under the Trust Indenture Act; in connection with such qualification, the Company shall cooperate with the Trustee under the Indenture and the Holders (as defined in the Indenture) to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the Trust Indenture Act; and the Company shall execute, and shall use all reasonable efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner. In the event that any such amendment or modification referred to in this Section 3(m) involves the appointment of a new trustee under the Indenture, the Company shall appoint a new trustee thereunder pursuant to the applicable provisions of the Indenture.

(m) In the event of an underwritten offering conducted pursuant to Section 6 hereof, the Company shall, if requested, promptly include or incorporate in a Prospectus supplement or post-effective amendment to the Shelf Registration Statement such information as the Company and the Managing Underwriters reasonably agree should be included therein and shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after it is notified of the matters to be included or incorporated in such Prospectus supplement or post-effective amendment.

(n) The Company shall enter into such customary agreements, other than lock-up agreements unless the Company otherwise consents, (including an underwriting agreement in customary form in the event of an underwritten offering conducted pursuant to Section 6 hereof) and use its reasonable best efforts to take all other necessary action in order to effect the registration of the Registrable Securities in accordance with this Agreement, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification provisions and procedures substantially identical to those set forth in Section 5 hereof with respect to all parties to be indemnified pursuant to Section 5 hereof.

(o) The Company shall use its reasonable best efforts to:

(i)(A) make reasonably available for inspection by Electing Holders, any underwriter participating in any disposition pursuant to the Shelf Registration Statement, and any attorney, accountant or other agent retained by such Holders or any such underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries, provided, that if more than one attorney is representing the Electing Holders, such attorneys shall make reasonable efforts to coordinate their investigations in a manner so as not to cause undue burden to the Company, and (B) cause the Company's officers, directors and employees to supply all information reasonably requested by such Holders or any such underwriter, attorney, accountant or agent in connection with the Shelf Registration Statement, in each case, as is customary for similar due diligence examinations; PROVIDED, HOWEVER, that all records, information and documents that are designated in writing by the Company, in good faith, as confidential shall be kept confidential by such Electing Holders and any such underwriter, attorney, accountant or agent, unless such disclosure is made, after prior written notice to the Company and a reasonable opportunity on the part of the Company to prevent and/or limit such

disclosure, in connection with a court proceeding or required by law, or such records, information or documents become available to the public generally; and PROVIDED FURTHER that such inspection and information gathering shall be coordinated on behalf of the Electing Holders by one counsel designated by and on behalf of Electing Holders and other parties, which shall be Skadden, Arps, Slate, Meagher & Flom LLP;

(ii) in connection with any underwritten offering conducted pursuant to Section 6 hereof, make such representations and warranties to the Holders participating in such underwritten offering and to the Managing Underwriters, in form, substance and scope, and subject to such exceptions and qualifications, as are customarily made by the Company to underwriters in primary underwritten offerings of equity and convertible debt securities and covering matters including those set forth in the Purchase Agreement;

(iii) in connection with any underwritten offering conducted pursuant to Section 6 hereof, obtain opinions of counsel to the Company (which counsel and opinions (in form, scope and substance, and subject to such exceptions and qualifications) shall be reasonably satisfactory to the Managing Underwriters) addressed to each Holder participating in such underwritten offering and the underwriters, covering such matters as are customarily covered in opinions requested in primary underwritten offerings of equity and convertible debt securities (it being agreed that the matters to be covered by such opinions shall include, without limitation, as of the date of the opinion and as of the Effective Time of the Shelf Registration Statement or most recent post-effective amendment thereto, as the case may be, the absence from the Shelf Registration Statement and the Prospectus, including the documents incorporated by reference therein, of an untrue statement of a material fact or the omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading);

(iv) in connection with any underwritten offering conducted pursuant to Section 6 hereof, if requested, obtain "cold comfort" letters and updates thereof from the independent public accountants of the Company (and, if necessary, from the independent public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement, except Winterthur International), addressed to the underwriters, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings of offerings of equity and convertible debt securities of the Company;

(v) in connection with any underwritten offering conducted pursuant to Section 6 hereof, deliver such documents and certificates concerning such matters as are customarily covered by or in such documents and certificates as may be reasonably requested by the Managing Underwriters, if any, or Skadden, Arps, Slate, Meagher & Flom LLP, on behalf of all Electing Holders, including, without limitation, certificates to evidence compliance with Section 3(j)

hereof and with any conditions contained in the underwriting agreement or other agreements entered into by the Company.

(p) The Company will use its reasonable best efforts to cause the Ordinary Shares issuable upon conversion of the Securities to be listed on the New York Stock Exchange or other stock exchange or trading system on which the Ordinary Shares primarily trade on or prior to the Effective Time of the Shelf Registration Statement hereunder.

(q) In the event that any broker-dealer registered under the Exchange Act shall be an "affiliate" (as defined in Rule 2720(b)(1) of the NASD Rules (or any successor provision thereto)) of the Company or has a "conflict of interest" (as defined in Rule 2720(b)(7) of the NASD Rules (or any successor provision thereto)) and such broker-dealer shall underwrite, participate as a member of an underwriting syndicate or selling group or assist in the distribution of any Registrable Securities covered by the Shelf Registration Statement, whether as a Holder of such Registrable Securities or as an underwriter, a placement or sales agent or a broker or dealer in respect thereof, or otherwise, the Company shall assist such broker-dealer (at such broker-dealer's expense) in complying with the requirements of the NASD Rules, including, without limitation, by (A) engaging a "qualified independent underwriter" (as defined in Rule 2720(b)(15) of the NASD Rules (or any successor provision thereto)) to participate in the preparation of the registration statement relating to such Registrable Securities, to exercise usual standards of due diligence in respect thereto and to recommend the public offering price of such Registrable Securities, (B) indemnifying such qualified independent underwriter to the extent of the indemnification of underwriters provided in Section 5 hereof, and (C) providing such information to such broker-dealer as may be required in order for such broker-dealer to comply with the requirements of the NASD Rules.

4. REGISTRATION EXPENSES. Except as otherwise provided in Section 3, the Company shall bear all fees and expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and shall reimburse the Electing Holders for the reasonable fees and disbursements of a single counsel, which shall be Skadden, Arps, Slate, Meagher & Flom LLP, to act as counsel therefore in connection therewith. Each Electing Holder shall pay all underwriting discounts and commissions and transfer taxes, if any, relating to the sale or disposition of such Electing Holder's Registrable Securities pursuant to the Shelf Registration Statement.

5. INDEMNIFICATION AND CONTRIBUTION.

(a) INDEMNIFICATION BY THE COMPANY. Upon the registration of the Registrable Securities pursuant to Section 2 hereof, the Company shall indemnify and hold harmless each Electing Holder and each underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Registrable Securities, and each of their respective officers and directors and each person who controls such Electing Holder, underwriter, selling agent or other securities professional within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each such person being sometimes referred to herein as an "Indemnified Person") against any losses, claims, damages or liabilities, joint or several, to which such Indemnified Person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Shelf Registration Statement under which such Registrable Securities are to be registered under the Securities Act, or any Prospectus contained therein or furnished by the Company to any Indemnified Person, or any

amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company hereby agrees to reimburse such Indemnified Person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim as such expenses are incurred; PROVIDED, HOWEVER, that the Company shall not be liable to any such Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Shelf Registration Statement or Prospectus, or amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by such Indemnified Person expressly for use therein; PROVIDED FURTHER that as to any preliminary Prospectus, this indemnity agreement shall not inure to the benefit of any Indemnified Person on account of any loss, claim, damage, liability or action arising from the sale of the Registrable Securities sold pursuant to the Shelf Registration Statement to any person by such Indemnified Person if (i) that Indemnified Person failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act and (ii) the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such preliminary Prospectus was corrected in the Prospectus or a supplement or amendment thereto, as the case may be, unless in each case, such failure resulted from noncompliance by the Company with Section 3.

(b) INDEMNIFICATION BY THE HOLDERS AND ANY AGENTS AND UNDERWRITERS.

Each Electing Holder agrees, as a consequence of the inclusion of any of such Holder's Registrable Securities in such Shelf Registration Statement, and each underwriter, selling agent or other securities professional, if any, which facilitates the disposition of Registrable Securities shall agree, as a consequence of facilitating such disposition of Registrable Securities, severally and not jointly, to (i) indemnify and hold harmless the Company, its directors, its officers who sign any Shelf Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which the Company or such other persons may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in such Shelf Registration Statement or Prospectus, or any amendment or supplement, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by such Holder, underwriter, selling agent or other securities professional expressly for use therein, and to (ii) reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) NOTICES OF CLAIMS, ETC. Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party under this Section 5, notify such indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 5. In case any such action shall be brought against any indemnified party and it shall notify an indemnifying party of the commencement thereof, such indemnifying party

shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, such indemnifying party shall not be liable to such indemnified party under this Section 5 for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, (i) without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (x) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (y) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss of liability by reason of such settlement or judgment in accordance with this Section 5.

(d) CONTRIBUTION. If the indemnification provided for in this Section 5 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying party and the indemnified party in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying party or by such indemnified party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation (even if the Electing Holders or any underwriters, selling agents or other securities professionals or all of them were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 5(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Electing Holders and any underwriters, selling agents or other securities professionals in this Section 5(d) to contribute shall be several in proportion to the percentage of principal amount of Registrable Securities registered or underwritten, as the case may be, by them and not joint.

(e) Notwithstanding any other provision of this Section 5, in no event will any (i) Electing Holder be required to undertake liability to any person under this Section 5 for any amounts in excess of the dollar amount of the proceeds to be received by such Holder from the sale of such Holder's Registrable Securities (after deducting any fees, discounts and commissions applicable thereto) pursuant to any Shelf Registration Statement under which such Registrable Securities are to be registered under the Securities Act and (ii) underwriter, selling agent or other securities professional be required to undertake liability to any person hereunder for any amounts in excess of the discount, commission or other compensation payable to such underwriter, selling agent or other securities professional with respect to the Registrable Securities underwritten by it and distributed to the public.

(f) The obligations of the Company under this Section 5 shall be in addition to any liability which the Company may otherwise have to any Indemnified Person and the obligations of any Indemnified Person under this Section 5 shall be in addition to any liability which such Indemnified Person may otherwise have to the Company. The remedies provided in this Section 5 are not exclusive and shall not limit any rights or remedies which may otherwise be available to an indemnified party at law or in equity.

6. UNDERWRITTEN OFFERING. If Electing Holders of at least 33-1/3% in aggregate principal amount of the Registrable Securities then covered by the Shelf Registration Statement shall so request in writing to the Company, any Holder of Registrable Securities who desires to do so may sell Registrable Securities (in whole or in part) in an underwritten offering; PROVIDED, HOWEVER, that at least \$150,000,000 aggregate principal amount at maturity of such Registrable Securities shall be included in such offering; and the Company shall not be obligated to cooperate with more than one underwritten offering during the Effectiveness Period. Upon receipt of such a request, the Company shall provide all Holders of Registrable Securities written notice of the request, which notice shall inform such Holders that they have the opportunity to participate in the offering. In any such underwritten offering, the investment banker or bankers and manager or managers that will administer the offering will be selected by, and the underwriting arrangements with respect thereto (including the size of the offering) will be approved by, the Company; PROVIDED, HOWEVER, that such investment bankers and managers and underwriting arrangements must be reasonably satisfactory to the Company. No Holder may participate in any underwritten offering contemplated hereby unless (a) such Holder agrees to sell such Holder's Registrable Securities to be included in the underwritten offering in accordance with any approved underwriting arrangements, (b) such Holder completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements, lock-up letters and other documents required under the terms of such approved underwriting arrangements, and (c) if such Holder is not then an Electing Holder, such Holder returns a completed and signed Notice and Questionnaire to the Company in accordance with Section 3(a)(ii) hereof within a reasonable amount of time before such underwritten offering. The Holders participating in any underwritten offering shall be responsible for any underwriting discounts and commissions and fees and, subject to Section 4 hereof, expenses of their own counsel. The Company shall pay all expenses customarily borne by issuers, including but not limited to Commission filing fees, the fees and disbursements of its counsel and independent public accountants and any printing expenses incurred in connection with such underwritten offering. Notwithstanding the foregoing or the provisions of Section 3(n) hereof, upon receipt of a request from the Managing Underwriter or a representative of Holders of a majority of the Registrable Securities to be included in an underwritten offering to prepare and file an amendment or supplement to the Shelf Registration Statement and Prospectus in connection with an underwritten offering, the Company may delay the filing of any such amendment or supplement

for up to 90 days if the Board of Directors of the Company shall have determined in good faith that the Company has a bona fide business reason for such delay.

7. LIQUIDATED DAMAGES.

(a) Subject to any postponement on the effectiveness of the registration statement pursuant to Section 2(a) hereof or the use of the Prospectus pursuant to Section 2(c) hereof, if (i) on or prior to the 120th day following the Closing Date, a Shelf Registration Statement has not been filed with the Commission, (ii) on or prior to the 210th day following the Closing Date, such Shelf Registration Statement is not declared effective by the Commission, or (iii) (x) the Shelf Registration Statement ceases to be effective or fails to be usable subsequent to the 210th day following the Closing Date and (y) the Company does not cure the Shelf Registration Statement within ten business days by a post-effective amendment or a report filed pursuant to the Exchange Act or (z) if applicable, the Company does not terminate the suspension period pursuant to Section 2(c) hereof, by the 45th or 75th day, as the case may be (each, a "Registration Default"), the Company shall be required to pay in cash liquidated damages ("Liquidated Damages") in respect of the Registrable Securities, from and including the day following such Registration Default, but excluding the day on which such Shelf Registration Statement is either so filed or so filed and subsequently declared effective, as applicable, at a rate per annum equal to an additional one-quarter of one percent (0.25%) of the Applicable Amount, to and including the 90th day following such Registration Default and an additional one-quarter of one percent (0.25%) of the Applicable Amount from and after the 91st day following such Registration Default.

(b) In no event will Liquidated Damages accrue at a rate per year exceeding 0.50%. If a Holder has converted some or all of its Securities into Ordinary Shares, the Holder will be entitled to receive equivalent amounts based on the principal amount at maturity of the Securities converted. A Holder will not be entitled to Liquidated Damages unless it has provided all information requested by the Notice and Questionnaire prior to the deadline.

(c) In the event the Company fails to file a post-effective amendment to the Shelf Registration Statement required to be filed, or the post-effective amendment is not declared effective, within the periods required by Section 3, the Company shall pay Liquidated Damages at a rate per annum equal to an additional one-quarter of one percent (0.25%) from and including the date of such Registration Default until such time as such Registration Default is cured subject to the limitations on Liquidated Damages pursuant to paragraph (b) of this Section 7.

(d) Any amounts to be paid as Liquidated Damages pursuant to paragraphs (a) or (c) of this Section 7 shall be paid in cash semi-annually in arrears, with the first semi-annual payment due on the first September 7 or March 7, as applicable, following the date on which such Liquidated Damages begin to accrue.

(e) The Liquidated Damages as set forth in this Section 7 shall be the exclusive monetary remedy available to the Holders of Registrable Securities for such Registration Default or Effective Failure. In no event shall the Company be required to pay Liquidated Damages in excess of the applicable maximum amount of one-half of one percent (0.5%) per year set forth above, regardless of whether one or multiple Registration Defaults exist.

8. MISCELLANEOUS.

(a) OTHER REGISTRATION RIGHTS. The Company may grant registration rights that would permit any Person that is a third party the right to piggy-back on any Shelf Registration Statement, PROVIDED, HOWEVER, that if the Managing Underwriter of any underwritten offering conducted pursuant to Section 6 hereof notifies the Company and the Electing Holders that the total amount of securities which the Electing Holders and the holders of such piggy-back rights intend to include in any Shelf Registration Statement is so large as to materially threaten the success of such offering (including the price at which such securities can be sold), then the amount, number or kind of securities to be offered in such registration statement, in addition to the Registrable Securities, will be reduced on a pro rata basis to the extent necessary to reduce the total amount of securities to be included in such offering to the amount, number and kind recommended by the Managing Underwriter.

(b) AMENDMENTS AND WAIVERS. This Agreement, including this Section 8(b), may be amended, and waivers or consents to departures from the provisions hereof may be given, only by a written instrument duly executed by the Company and the Holders of a majority in aggregate principal amount of Registrable Securities then outstanding. Each Holder of Registrable Securities outstanding at the time of any such amendment, waiver or consent or thereafter shall be bound by any amendment, waiver or consent effected pursuant to this Section 8(b), whether or not any notice, writing or marking indicating such amendment, waiver or consent appears on the Registrable Securities or is delivered to such Holder.

(c) NOTICES. All notices and other communications provided for or permitted hereunder shall be given as provided in the Indenture.

(d) PARTIES IN INTEREST. The parties to this Agreement intend that all Holders of Registrable Securities shall be entitled to receive the benefits of this Agreement and that any Electing Holder shall be bound by the terms and provisions of this Agreement by reason of such election with respect to the Registrable Securities which are included in a Shelf Registration Statement. All the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the respective permitted successors and assigns of the parties hereto and any Holder from time to time of the Registrable Securities to the aforesaid extent.

(f) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(g) HEADINGS. The headings in this agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(H) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(i) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties hereto shall be enforceable to the fullest extent permitted by law.

(j) SURVIVAL. The respective indemnities, agreements, representations, warranties and other provisions set forth in this Agreement or made pursuant hereto shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Electing Holder, any director, officer or partner of such Holder, any agent or underwriter, any director, officer or partner of such agent or underwriter, or any controlling person of any of the foregoing, and shall survive the transfer and registration of the Registrable Securities of such Holder.

Please confirm that the foregoing correctly sets forth the agreement between the Company and you.

Very truly yours,

XL Capital Ltd

By: -----

Name:

Title:

Accepted as of the date hereof:
Merrill Lynch, Pierce, Fenner & Smith Incorporated

By: -----

Name:

Title:

XL Capital Ltd

INSTRUCTION TO DTC PARTICIPANTS

(DATE OF MAILING)

URGENT - IMMEDIATE ATTENTION REQUESTED

DEADLINE FOR RESPONSE: [DATE]

The Depository Trust Company ("DTC") has identified you as a DTC Participant through which beneficial interests in the XL Capital Ltd (the "Company") Liquid Yield Option(TM) Notes due 2021 (the "Securities") are held.

The Company is in the process of registering the Securities under the Securities Act of 1933, as amended, for resale by the beneficial owners thereof. In order to have their Securities included in the registration statement, beneficial owners must complete and return the enclosed Notice of Registration Statement and Selling Securityholder Questionnaire.

IT IS IMPORTANT THAT BENEFICIAL OWNERS OF THE SECURITIES RECEIVE A COPY OF THE ENCLOSED MATERIALS AS SOON AS POSSIBLE as their rights to have the Securities included in the registration statement depend upon their returning the Notice and Questionnaire by [DEADLINE FOR RESPONSE]. Please forward a copy of the enclosed documents to each beneficial owner that holds interests in the Securities through you. If you require more copies of the enclosed materials or have any questions pertaining to this matter, please contact Galvin R. Arton, XL Capital Ltd, XL House, One Bermudiana Road, Hamilton, Bermuda HM11.

XL Capital Ltd

Notice of Registration Statement

and

SELLING SECURITYHOLDER QUESTIONNAIRE

(Date)

Reference is hereby made to the Registration Rights Agreement, dated September 7, 2001 (the "Registration Rights Agreement") between XL Capital Ltd (the "Company") and Merrill Lynch, Pierce, Fenner & Smith Incorporated. Pursuant to the Registration Rights Agreement, the Company plans to file with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form [] (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Company's Liquid Yield Option(TM) Notes due September 7, 2021 (the "Securities") and the Class A Ordinary Shares, par value \$.01 per share (the "Ordinary Shares"), issuable upon conversion thereof. A copy of the Registration Rights Agreement is attached hereto. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Each beneficial owner of Registrable Securities (as defined below) is entitled to have the Registrable Securities beneficially owned by it included in the Shelf Registration Statement. In order to have Registrable Securities included in the Shelf Registration Statement, this Notice of Registration Statement and Selling Securityholder Questionnaire ("Notice and Questionnaire") must be completed, executed and delivered to the Company's counsel at the address set forth herein for receipt ON OR BEFORE [DEADLINE FOR RESPONSE]. Beneficial owners of Registrable Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling securityholders in the Shelf Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Registrable Securities.

Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and related Prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf Registration Statement and related Prospectus.

The term "REGISTRABLE SECURITIES" is defined in the Registration Rights Agreement to mean all or any portion of the Securities issued from time to time under the Indenture in registered form and the Ordinary Shares issuable upon conversion of such Securities; PROVIDED, HOWEVER, that a security ceases to be a Registrable Security when it is no longer a Restricted Security.

The term "RESTRICTED SECURITY" is defined in the Registration Rights Agreement to mean any Security or Ordinary Share issuable upon conversion thereof except any such Security or Ordinary Share which (i) has been effectively registered under the Securities Act and sold in a manner contemplated by the Shelf Registration Statement, (ii) has been transferred in compliance with Rule 144 under the Securities Act (or any successor provision thereto) or is transferable pursuant to paragraph (k) of such Rule 144 (or any successor provision thereto), (iii) has been sold in compliance with Regulation S under the Securities Act (or any successor thereto) and does not constitute the unsold allotment of a distributor within the meaning of Regulation S under the Securities Act, (iv) has otherwise been transferred and a new Security or Ordinary Share not subject to transfer restrictions under the Securities Act has been delivered by or on behalf of the Company in accordance with Section 2.6(f) of the Indenture, or (v) is otherwise transferable without restriction under the Securities Act.

ELECTION

The undersigned holder (the "Selling Securityholder") of Registrable Securities hereby elects to include in the Shelf Registration Statement the Registrable Securities beneficially owned by it and listed below in Item (3). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Registrable Securities by the terms and conditions of this Notice and Questionnaire and the Registration Rights Agreement, including, without limitation, Section 5 of the Registration Rights Agreement, as if the undersigned Selling Securityholder were an original party thereto.

Upon any sale of Registrable Securities pursuant to the Shelf Registration Statement, the Selling Securityholder will be required to deliver to the Company and Trustee the Notice of Transfer set forth as Exhibit B to the Registration Rights Agreement.

The Selling Securityholder hereby provides the following information to the Company and represents and warrants that such information is accurate and complete:

QUESTIONNAIRE

- (1) (a) Full Legal Name of Selling Securityholder:

(b) Full Legal Name of Registered Holder (if not the same as in (a) above) of Registrable Securities Listed in Item (3) below:

(c) Full Legal Name of DTC Participant (if applicable and if not the same as (b) above) Through Which Registrable Securities Listed in Item (3) below are Held:

- (2) Address for Notices to Selling Securityholder:

Telephone: -----
Fax: -----
Contact Person: -----

(3) Beneficial Ownership of Securities:

EXCEPT AS SET FORTH BELOW IN THIS ITEM (3), THE UNDERSIGNED DOES NOT BENEFICIALLY OWN ANY SECURITIES OR ORDINARY SHARES ISSUED UPON CONVERSION OF ANY SECURITIES.

- (a) Principal amount at maturity (subject to upward interest in the event of an upward interest adjustment) of Registrable Securities (as defined in the Registration Rights Agreement) beneficially owned:

CUSIP No(s). of such Registrable Securities: -----

Number of Ordinary Shares (if any) issued upon conversion of such Registrable Securities: -----

- (b) Principal amount at maturity (subject to upward interest in the event of an upward interest adjustment) of Securities other than Registrable Securities beneficially owned:

CUSIP No(s). of such other Securities: -----

Number of Ordinary Shares (if any) issued upon conversion of such other Securities: -----

- (c) Principal amount at maturity (subject to adjustment for Contingent Additional Principal) of Registrable Securities which the undersigned wishes to be included in the Shelf Registration Statement:

CUSIP No(s). of such Registrable Securities to be included in the Shelf Registration Statement: -----

Number of Ordinary Shares (if any) issued upon conversion of Registrable Securities which are to be included in the Shelf Registration Statement:

(4) Beneficial Ownership of Other Securities of the Company:

EXCEPT AS SET FORTH BELOW IN THIS ITEM (4), THE UNDERSIGNED SELLING SECURITYHOLDER IS NOT THE BENEFICIAL OR REGISTERED OWNER OF ANY ORDINARY SHARES OR ANY OTHER SECURITIES OF THE COMPANY, OTHER THAN THE SECURITIES AND ORDINARY SHARES LISTED ABOVE IN ITEM (3).

State any exceptions here:

(5) Relationships with the Company:

EXCEPT AS SET FORTH BELOW, NEITHER THE SELLING SECURITYHOLDER NOR ANY OF ITS AFFILIATES, OFFICERS, DIRECTORS OR PRINCIPAL EQUITY HOLDERS (5% OR MORE) HAS HELD ANY POSITION OR OFFICE OR HAS HAD ANY OTHER MATERIAL RELATIONSHIP WITH THE COMPANY (OR ITS PREDECESSORS OR AFFILIATES) DURING THE PAST THREE YEARS.

State any exceptions here:

(6) Plan of Distribution:

EXCEPT AS SET FORTH BELOW, THE UNDERSIGNED SELLING SECURITYHOLDER INTENDS TO DISTRIBUTE THE REGISTRABLE SECURITIES LISTED ABOVE IN ITEM (3) ONLY AS FOLLOWS (IF AT ALL): SUCH REGISTRABLE SECURITIES MAY BE SOLD FROM TIME TO TIME DIRECTLY BY THE UNDERSIGNED SELLING SECURITYHOLDER OR, ALTERNATIVELY, THROUGH UNDERWRITERS, BROKER-DEALERS OR AGENTS. SUCH REGISTRABLE SECURITIES MAY BE SOLD IN ONE OR MORE TRANSACTIONS AT FIXED PRICES, AT PREVAILING MARKET PRICES AT THE TIME OF SALE, AT VARYING PRICES DETERMINED AT THE TIME OF SALE, OR AT NEGOTIATED PRICES. SUCH SALES MAY BE EFFECTED IN TRANSACTIONS (WHICH MAY INVOLVE CROSSES OR BLOCK TRANSACTIONS) (I) ON ANY NATIONAL SECURITIES EXCHANGE OR QUOTATION SERVICE ON WHICH THE REGISTERED SECURITIES MAY BE LISTED OR QUOTED AT THE TIME OF SALE, (II) IN THE OVER-THE-COUNTER MARKET, (III) IN TRANSACTIONS OTHERWISE THAN ON SUCH EXCHANGES OR SERVICES OR IN THE OVER-THE-COUNTER MARKET, OR (IV) THROUGH THE WRITING OF OPTIONS. IN CONNECTION WITH SALES OF THE REGISTRABLE SECURITIES OR OTHERWISE, THE SELLING SECURITYHOLDER MAY ENTER INTO HEDGING TRANSACTIONS WITH BROKER-DEALERS, WHICH MAY IN TURN ENGAGE IN SHORT SALES OF THE REGISTRABLE SECURITIES IN THE COURSE OF HEDGING THE POSITIONS THEY ASSUME. THE SELLING SECURITYHOLDER MAY ALSO SELL REGISTRABLE SECURITIES SHORT AND DELIVER REGISTRABLE SECURITIES TO CLOSE OUT SUCH SHORT POSITIONS, OR LOAN OR PLEDGE REGISTRABLE SECURITIES TO BROKER-DEALERS THAT IN TURN MAY SELL SUCH SECURITIES.

State any exceptions here:

Note: In no event may such method(s) of distribution take the form of an underwritten offering of the Registrable Securities without the prior agreement of the Company.

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Exchange Act and the rules and regulations thereunder, particularly Regulation M.

In the event that the Selling Securityholder transfers all or any portion of the Registrable Securities listed in Item (3) above after the date on which such information is provided to the Company, the Selling Securityholder agrees to notify in writing the Company and any transferee(s) at the time of the transfer of its rights and obligations under this Notice and Questionnaire and the Registration Rights Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and related Prospectus. The Selling Securityholder understands that such information will be relied upon by the Company in connection with the preparation of the Shelf Registration Statement and related Prospectus.

In accordance with the Selling Securityholder's obligation under Section 3(a) of the Registration Rights Agreement to provide such information as may be required by law for inclusion in the Shelf Registration Statement, the Selling Securityholder agrees to promptly notify the Company in writing of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains in effect. All notices hereunder and pursuant to the Registration Rights Agreement shall be made in writing, by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

(i) To the Company:

XL Capital Ltd
One Bermudiana Road
Hamilton, Bermuda HM11
(441) 292-8515
Facsimile (441) 292-5280
Attention: Paul S. Giordano

(ii) With a copy to:

Cahill Gordon & Reindel
80 Pine Street
New York, NY 10005
(212) 701-3000
Facsimile (212) 269-5420
Attention: Micael J. Ohler

Once this Notice and Questionnaire is executed by the Selling Securityholder and received by the Company's counsel, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the Selling Securityholder (with respect to the Registrable Securities beneficially owned by such Selling Securityholder and listed in Item (3) above). This Agreement shall be governed in all respects by the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated: -----

Selling Securityholder
(Print/type full legal name of beneficial owner of Registrable Securities)

By: -----
Name:
Title:

PLEASE RETURN THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE FOR RECEIPT ON OR BEFORE [DEADLINE FOR RESPONSE] TO THE COMPANY'S COUNSEL AT:

NOTICE OF TRANSFER PURSUANT TO REGISTRATION STATEMENT

State Street Bank and Trust Company
225 Asylum Street
23rd Floor
Hartford, Connecticut 06103
Attention: [Corporate Trust Services]

Re: XL Capital Ltd (the "Company")
Liquid Yield Option(TM) Notes
due 2021 (the "Securities")

Dear Sirs:

Please be advised that _____ has transferred \$_____ aggregate principal amount at maturity (subject to adjustment for Contingent Additional Principal) of the above-referenced Securities pursuant to an effective Registration Statement on Form [___] (File No. 333-____) filed by the Company.

We hereby certify that the prospectus delivery requirements, if any, of the Securities Act of 1933, as amended, have been satisfied and that the above-named beneficial owner of the Notes is named as a "Selling Holder" in the Prospectus dated _____, or in supplements thereto, and that the aggregate principal amount at maturity (subject to upward adjustment in the event of an upward interest adjustment) of the Securities transferred are the Securities listed in such Prospectus opposite such owner's name.

Dated:

Very truly yours,

(Name)

By:

(Authorized Signature)

EXECUTION COUNTERPART

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1 dated as of September 26, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies ("XL CAPITAL"), XL INSURANCE LTD, a Bermuda limited liability company ("XL INSURANCE"), MID OCEAN LIMITED, a corporation duly organized and validly existing under the laws of the Cayman Islands, British West Indies ("MID OCEAN") and XL RE, LTD (formerly known as XL MID OCEAN REINSURANCE LTD), a Bermuda limited liability company ("XL RE" and, together with XL Capital, XL Insurance and Mid Ocean, each a "BORROWER" and each a "GUARANTOR" and, collectively, the "BORROWERS" and the "GUARANTORS"; the Borrowers and the Guarantors being collectively referred to as the "OBLIGORS"), the BANKS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Obligors, the Banks and the Administrative Agent are parties to an Amended and Restated Credit Agreement dated as of August 31, 2001 (the "CREDIT AGREEMENT"), providing, subject to the terms and conditions thereof, for loans to be made by said Banks to the Borrowers in an aggregate principal amount not exceeding \$100,000,000. The Obligors, the Banks and the Administrative Agent wish to amend the Credit Agreement in certain respects and accordingly the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. AMENDMENTS. Effective as provided in Section 4 below, the Credit Agreement is hereby amended as follows:

2.01. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Clause (b) of Section 8.04 is hereby amended to read in its entirety as follows:

"(b) NO MATERIAL ADVERSE CHANGE. Since December 31, 2000, there has been no material adverse change in the assets, business, financial condition or operations of such Borrower and its Subsidiaries, taken as a whole, except for losses caused by or relating to or arising out of the terrorist events of September 11, 2001; PROVIDED, HOWEVER, that XL Capital remains in compliance with Section 9.17."

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

2.03. Section 9.17 of the Credit Agreement is hereby amended to read in its entirety as follows:

"9.17 CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than \$4,250,000,000."

Section 3. REPRESENTATIONS AND WARRANTIES. Each Obligor hereby represents and warrants to the Administrative Agent and the Banks that (i) the representations and warranties set forth in Section 8 of the Credit Agreement are, on the date hereof, true and complete as if made on the date hereof (and after giving effect to this Amendment No. 1) and as if each reference in said Section 8 to "this Agreement" includes reference to this Amendment No. 1 and (ii) both immediately prior to and as of the date hereof, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 above shall become effective, as of the date hereof, upon the satisfaction of the following conditions precedent:

4.01. EXECUTION BY ALL PARTIES. This Amendment No. 1 shall have been executed and delivered by each of the Obligors and the Majority Banks.

4.02. AMENDMENT FEE. The Administrative Agent shall have received for the account of each Bank that consents to this Amendment No. 1 (evidenced by receipt by the Administrative Agent of an executed counterpart of this Amendment No. 1) an amendment fee in an amount equal to 0.03% of the sum of outstanding Loans and unused Commitments of each such Bank.

4.03. OTHER DOCUMENTS. Receipt by the Administrative Agent of such other documents as the Administrative Agent or special New York counsel to Chase may reasonably request.

Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. Nothing in

this Amendment No. 1 shall constitute a waiver of any rights and/or remedies that the Banks and/or the Administrative Agent may have under the Credit Agreement and nothing contained herein shall obligate the Banks to grant any future waiver of any provision of the Credit Agreement. XL Capital shall pay all reasonable expenses incurred by the Administrative Agent, including the reasonable fees, charges and disbursements of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, in connection with the preparation, negotiation, execution and delivery of this Amendment No. 1. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment No. 1 to be duly executed and delivered as of the day and year first
above written.

XL INSURANCE LTD,
as a Borrower and a Guarantor

By /s/ CHRIS COELHO

Name: Chris Coehlo
Title: Chief Financial Officer

MID OCEAN LIMITED,
as a Borrower and a Guarantor

By /s/ HENRY C. V. KEELING

Name: Henry C. V. Keeling
Title: President

XL RE LTD, (formerly known as MID
OCEAN REINSURANCE LTD),
as a Borrower and a Guarantor

By /s/ HENRY C. V. KEELING

Name: Henry C. V. Keeling
Title: President & Chief Executive Officer

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

IN WITNESS WHEREOF, XL Capital has caused this Amendment No. 1 to be duly executed as a Deed by an authorized officer as of the day and year first above written.

EXECUTED AS A DEED by XL CAPITAL LTD,
as a Borrower and a Guarantor

/s/ PAUL GIORDANO

witness

By /s/ MICHAEL SIESE

Name: Michael Siese
Title: Senior Vice President & Controller

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

BANKS

THE CHASE MANHATTAN BANK, Individually
and as Administrative Agent

By /s/ HELEN L. NEWCOMB

Title: Vice President

CITIBANK N.A.

By: /s/ MICHAEL TAYLOR

Title: VP

By:

Title:

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

By: /s/ RUTH LEUNG

Title: Ruth Leung - Director

By: /s/ CLINTON M. JOHNSON

Title: Clinton M. Johnson - Managing Director

MELLON BANK, N.A.

By: /s/ KARLA K. MALOOF

Title: Vice President

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

ROYAL BANK OF CANADA

By _____
Title:

THE BANK OF BERMUDA LIMITED

By: /s/ A. KERRY DAVISON

Title: VP - Credit Manager -
Corporate Cash Management

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ KEN RICCIARDI

Title: VP

STATE STREET BANK AND TRUST COMPANY

By: /s/ EDWARD M. ANDERSON

Title: Vice President

BANQUE NATIONALE DE PARIS

By _____
Title:

By _____
Title:

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

THE BANK OF NOVA SCOTIA NY AGENCY

By: /s/ TODD MELLER

Title: Managing Director

AMENDMENT NO. 1 TO CREDIT AGREEMENT (5-YEAR)

EXECUTION COUNTERPART

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

AMENDMENT NO. 1 dated as of September 26, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies ("XL CAPITAL"), X.L. AMERICA, INC., a Delaware corporation ("XL AMERICA"), XL INSURANCE LTD, a Bermuda limited liability corporation ("XL INSURANCE"), XL EUROPE LTD, a company incorporated under the laws of Ireland ("XL EUROPE") and XL RE LTD, a Bermuda limited liability corporation ("XL RE" and, together with XL Capital, XL America, XL Insurance and XL Europe, each a "BORROWER" and each a "GUARANTOR" and, collectively, the "BORROWERS" and the "GUARANTORS"; the Borrowers and the Guarantors being collectively referred to as the "OBLIGORS"), each of the lenders that is a signatory hereto (individually, a "LENDER" and, collectively, the "LENDERS"), and THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "ADMINISTRATIVE AGENT").

The Obligors, the Lenders and the Administrative Agent are parties to a 364-Day Credit Agreement dated as of June 29, 2001 (the "CREDIT AGREEMENT"), providing, subject to the terms and conditions thereof, for loans to be made by said Lenders to the Borrowers in an aggregate principal amount not exceeding \$500,000,000. The Obligors, the Lenders and the Administrative Agent wish to amend the Credit Agreement in certain respects and accordingly the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. AMENDMENTS. Effective as provided in Section 4 below, the Credit Agreement is hereby amended as follows:

2.01. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Clause (b) of Section 4.04 is hereby amended to read in its entirety as follows:

"(b) NO MATERIAL ADVERSE CHANGE. Since December 31, 2000, there has been no material adverse change in the assets, business, financial condition or operations of such Borrower and its Subsidiaries, taken as a whole, except for losses caused by or relating to or arising out of the terrorist events of September 11, 2001; PROVIDED, HOWEVER, that XL Capital remains in compliance with Section 7.06."

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

2.03. Section 7.06 of the Credit Agreement is hereby amended to read in its entirety as follows:

"SECTION 7.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than \$4,250,000,000."

Section 3. REPRESENTATIONS AND WARRANTIES. Each Obligor hereby represents and warrants to the Administrative Agent and the Lenders that (i) the representations and warranties set forth in Article IV of the Credit Agreement are, on the date hereof, true and complete as if made on the date hereof (and after giving effect to this Amendment No. 1) and as if each reference in said Article IV to "this Agreement" includes reference to this Amendment No. 1 and (ii) both immediately prior to and as of the date hereof, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 above shall become effective, as of the date hereof, upon the satisfaction of the following conditions precedent:

4.01. EXECUTION BY ALL PARTIES. This Amendment No. 1 shall have been executed and delivered by each of the Obligors and the Required Lenders.

4.02. AMENDMENT FEE. The Administrative Agent shall have received for the account of each Lender that consents to this Amendment No. 1 (evidenced by receipt by the Administrative Agent of an executed counterpart of this Amendment No. 1) an amendment fee in an amount equal to 0.03% of the sum of Revolving Credit Exposures and unused Commitments of each such Lender.

4.03. OTHER DOCUMENTS. Receipt by the Administrative Agent of such other documents as the Administrative Agent or special New York counsel to Chase may reasonably request.

Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. Nothing in this Amendment No. 1 shall constitute a waiver of any rights and/or remedies that the Lenders and/or the Administrative Agent may have under the Credit Agreement and nothing contained herein shall obligate the Lenders to grant any future waiver of any provision of the Credit Agreement. XL Capital shall pay all reasonable expenses incurred by the Administrative Agent, including the reasonable fees, charges and disbursements of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, in connection with the preparation, negotiation, execution and delivery of this Amendment No. 1. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment No. 1 to be duly executed and delivered as of the day and year first
above written.

X.L. AMERICA, INC.,
as a Borrower and a Guarantor

By /s/ MARTHA BANNERMAN

Name: Martha Bannerman
Title: Executive Vice President & General
Counsel

XL INSURANCE LTD,
as a Borrower and a Guarantor

By /s/ CHRIS COELHO

Name: Chris Coehlo
Title: Chief Financial Officer

XL EUROPE LTD,
as a Borrower and a Guarantor

By /s/ FIONA MULDOON

Name: Fiona Muldoon
Title: Chief Financial Officer
and Company Secretary

XL RE LTD,
as a Borrower and a Guarantor

By /s/ HENRY C. V. KEELING

Name: Henry C. V. Keeling
Title: President & Chief Executive Officer

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

IN WITNESS WHEREOF, XL Capital has caused this Amendment No. 1 to be duly executed as a Deed by an authorized officer as of the day and year first above written.

EXECUTED AS A DEED by XL CAPITAL LTD,
as a Borrower and a Guarantor

/s/ PAUL GIORDANO

witness

By /s/ MICHAEL SIESE

Name: Michael Siese
Title: Senior Vice President & Controller

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

LENDERS

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent

By /s/ HELEN L. NEWCOMB

Name: Helen L. Newcomb
Title: Vice President

CITIBANK, N.A.

By: /s/ MICHAEL A. TAYLOR

Name: Michael A. Taylor
Title: Vice President

MELLON BANK, N.A.

By: /s/ KARLA K. MALOOF

Name: Karla K. Maloof
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ DEBRA BASLER

Name: Debra Basler
Title: Vice President

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

BANK ONE, NA

By: /s/ GRETCHEN ROETZER

Name: Gretchen Roetzer
Title: Assistant Vice President

BARCLAYS BANK PLC

By: /s/ RP JOHNSON

Name: RP Johnson
Title: Relationship Director

By:

Name:
Title:

By:

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ KEN RICCIARDI

Name: Ken Ricciardi
Title: VP

DEUTSCHE BANK AG

By: /s/ RUTH LEUNG

Name: Ruth Leung
Title: Director

By: /s/ CLINTON JOHNSON

Name: Clinton Johnson
Title: Managing Director

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ JONATHAN WALLIN

Name: Jonathan Wallin
Title: Vice President

By: /s/ ERIKA WALTEB-ENGEMANN

Name: Erika Walteb-Engemann
Title: Director

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

FLEET NATIONAL BANK

By: /s/ LAWRENCE DOWNS

Name: Lawrence Downs
Title: Associate

LLOYDS TSB BANK PLC

By: /s/ MICHAEL GILLIGAN

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

By: /s/ PAUL D. BRIAMONTE

Name: Paul D. Briamonte
Title: Director

THE BANK OF BERMUDA LIMITED

By: /s/ A. KERRY DAVISON

Name: A. Kerry Davidson
Title: VP - Credit Manager,
Corporate Cash Management

By: /s/ MICHAEL COLLINS

Name: Michael Collins
Title: Head of Corporate Cash Management

ABN AMRO BANK N.V., LONDON BRANCH

By: /s/ DW MILLS

Name: DW Mills
Title:

By: /s/ MARTYN TAPLIN

Name: Martyn Taplin
Title:

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

BANCO SANTANDER CENTRAL HISPANO, S.A.

By: /s/ PHIL PERRY

Name: Phil Perry
Title: Senior Vice President

By: /s/ SEN LOUIE

Name: Sen Louie
Title: Assistant Vice President

COMERICA BANK

By: /s/ MARTIN G. ELLIS

Name: Martin G. Ellis
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ DANIEL J. NORTON

Name: Daniel J. Norton
Title: Director

NATIONAL WESTMINSTER BANK PLC

By: /s/

Name:
Title:

STATE STREET BANK AND TRUST COMPANY

By: /s/ EDWARD M. ANDERSON

Name: Edward M. Anderson
Title: Vice President

AMENDMENT NO. 1 TO 364-DAY CREDIT AGREEMENT

*

CONFORMED COPY

SEVENTH AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of September 26, 2001 (this "Amendment"), by and among XL Insurance Ltd, XL Re Ltd (formerly known as XL Mid Ocean Reinsurance Ltd), EXEL Acquisition Ltd. and XL Capital Ltd, as Guarantors and, except in the case of EXEL Acquisition, as Borrowers (the Guarantors and the Borrowers being referred to herein collectively as the "XL Parties"), Mellon Bank, N.A., as Agent (the "Agent"), and the banks listed on the signature pages hereto (collectively, the "Banks").

W I T N E S S E T H:

- - - - -

WHEREAS, the XL Parties, the Banks, and the Agent are parties to a Revolving Credit Agreement, dated as of June 6, 1997, (as amended by the First Amendment thereto, dated as of November 5, 1997, the Second Amendment thereto, dated as of August 3, 1998, the Third Amendment thereto, dated as of December 4, 1998, the Fourth Amendment thereto, dated as of June 30, 1999, the Fifth Amendment thereto, dated as of February 25, 2000, and the Sixth Amendment thereto, dated as of August 27, 2001, the "Credit Agreement"), pursuant to which the Banks have agreed, on the terms and subject to the conditions described therein, to make, and have made, Loans to the Borrowers; and

WHEREAS, the XL Parties have requested the Banks to make certain additional changes to the Credit Agreement; and

WHEREAS, the Banks are willing to amend the Credit Agreement as set forth below; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Credit Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT

(a) Section 6.06 of the Credit Agreement is hereby amended to read in its entirety as follows:

6.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than \$4,250,000,000 at any time.

(b) Section 3.05 of the Credit Agreement is hereby amended to read in its entirety as follows:

3.05. NO ADVERSE CHANGES. Since November 30, 1996, there has been no occurrence or event which has had a Material Adverse Effect, except (insofar as clause (a) of the definition of the term "Material Adverse Effect is concerned) for losses caused by or relating to or arising out of the terrorist events of September 11, 2001; PROVIDED, however, that XL Capital remains in compliance with Section 6.06.

SECTION 2. EFFECTIVENESS. This Amendment shall become effective upon the satisfaction of the following conditions precedent: (i) this Amendment shall have been executed and delivered by the XL Parties, the Agent and the Required Banks and (ii) the Agent shall have received for the account of each Bank which shall have consented to this Amendment (evidenced by receipt by the Agent of an executed counterpart of this Amendment) an amendment fee in an amount equal to 0.03% of the

Committed Amount of such Bank. XL Capital agrees to pay such amendment fee to each Bank which consents to this Amendment (so evidenced) whether the counterpart of this Amendment signed by such Bank is received by the Agent before or after this Amendment becomes effective.

SECTION 3. MISCELLANEOUS. The Credit Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect. Nothing in this Amendment shall constitute a waiver of any rights or remedies that the Banks or the Agent may have under the Credit Agreement and nothing contained herein shall obligate the Banks to grant any future waiver of any provision of the Credit Agreement. XL Capital shall pay all reasonable expenses incurred by the Agent, including the reasonable fees, charges and disbursements of Reed Smith LLP, counsel for the Agent, in connection with the preparation, negotiation, execution and delivery of this Amendment. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

SECTION 4. GOVERNING LAW. This Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the laws of said Commonwealth.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

XL INSURANCE LTD,
as a Borrower and as a Guarantor

By: /s/ CHRISTOPHER COELHO

Title: SENIOR VICE PRESIDENT & CFO

XL RE LTD (formerly known as XL MID
OCEAN REINSURANCE LTD),
as a Borrower and as a Guarantor

By: /s/ HENRY KEELING

Title: PRESIDENT & CEO

EXEL ACQUISITION LTD.,
as a Guarantor

By: /s/ BRIAN O'HARA

Title: PRESIDENT

XL CAPITAL LTD, as a Borrower and
as a Guarantor

By: /s/ BRIAN O'HARA

Title: PRESIDENT & CEO

Seventh Amendment to Revolving Credit Agreement (XL)

MELLON BANK, N.A., as a Bank
and as Agent

By: /s/ KARLA K. MALOOF

Title: VICE PRESIDENT

BANK OF TOKYO - MITSUBISHI LTD.,
as a Bank

By: _____

Title: _____

DEUTSCHE BANK AG, NEW YORK OR
CAYMAN ISLANDS BRANCHES,
as a Bank

By: /s/ RUTH LEUNG

Title: DIRECTOR

By: /s/ CLINTON M. JOHNSON

Title: MANAGING DIRECTOR

THE BANK OF NOVA SCOTIA,
as a Bank

By: /s/ TODD MELLER

Title: MANAGING DIRECTOR

THE CHASE MANHATTAN BANK,
as a Bank

By: /s/ HELEN L. NEWCOMB

Title: VICE PRESIDENT

THE BANK OF BERMUDA LIMITED,
as a Bank

By: /s/ A. KERRY DAVISON

Title: V.P. CREDIT MANAGER,

CORPORATE CASH MANAGEMENT

ROYAL BANK OF CANADA,
as a Bank

By:

Title:

BANQUE NATIONALE DE PARIS,
as a Bank

By:

Title:

By:

Title:

BANK OF AMERICA, N. A.,
as a Bank

By: /s/ DEBRA BASLER

Title: VICE PRESIDENT

CREDIT LYONNAIS NEW YORK BRANCH,
as a Bank

By: /s/ KEN RICCIARDI

Title: VICE PRESIDENT

By:

Title:

BAYERISCHE HYPO- UND VEREINSBANK AG,
Grand Cayman Branch, as a Bank

By: /s/ DEBRA LASKOWSKI

Title: MANAGING DIRECTOR

By: /s/ MICHAEL F. DAVIS

Title: DIRECTOR

FLEET NATIONAL BANK, as a Bank

By:

Title:

CONFORMED COPY

SIXTH AMENDMENT TO REVOLVING CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO REVOLVING CREDIT AGREEMENT, dated as of August 27, 2001 (this "Amendment"), by and among XL Insurance Ltd, XL Re Ltd (formerly known as XL Mid Ocean Reinsurance Ltd), EXEL Acquisition Ltd. and XL Capital Ltd, as Guarantors and, except in the case of EXEL Acquisition, as Borrowers (the Guarantors and the Borrowers being referred to herein collectively as the "XL Parties"), Mellon Bank, N.A., as Agent (the "Agent"), and the banks listed on the signature pages hereto (collectively, the "Banks").

W I T N E S S E T H :
- - - - -

WHEREAS, the XL Parties, the Banks, and the Agent are parties to a Revolving Credit Agreement, dated as of June 6, 1997, (as amended by the First Amendment thereto, dated as of November 5, 1997, the Second Amendment thereto, dated as of August 3, 1998, the Third Amendment thereto, dated as of December 4, 1998, the Fourth Amendment thereto, dated as of June 30, 1999 and the Fifth Amendment thereto, dated as of February 25, 2000, the "Credit Agreement"), pursuant to which the Banks have agreed, on the terms and subject to the conditions described therein, to make Loans to the Borrowers; and

WHEREAS, the XL Parties have requested the Banks to make certain additional changes to the Credit Agreement; and

WHEREAS, the Banks are willing to amend the Credit Agreement as set forth below; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Credit Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual covenants herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT

(a) Each of Article V and Article VI of the Credit Agreement is hereby amended and restated in their entirety to read as set forth on Annex I to this Amendment.

(b) Section 1.01 of the Credit Agreement is hereby amended by adding thereto, in appropriate alphabetical sequence, the following definitions:

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Financial Officer" means, with respect to any Obligor, a principal financial officer of such Obligor.

"Obligor" means each of the Borrowers and each of the Guarantors.

"SEC" means the Securities and Exchange Commission or any successor entity.

"XL Mid Ocean" and "XL Re" shall mean XL Re Ltd, formerly known as XL Mid Ocean Reinsurance Ltd.

(c) Section 1.01 of the Credit Agreement is hereby amended by deleting the respective definitions of the terms "Asset Accumulation Lien" and "Total Adjusted Funded Debt" appearing therein.

(d) The Credit Agreement is hereby amended by deleting Schedules 6.03(a), 6.03(g) and 6.08(d).

(e) The Credit Agreement is hereby amended by adding thereto a Schedule 6.03 in the form attached to this Amendment as Annex II.

(f) The Credit Agreement is hereby amended by adding thereto a Schedule 6.07 in the form attached to this Amendment as Annex III.

SECTION 2. EFFECTIVENESS; EFFECT OF AMENDMENT. This Amendment shall become effective upon execution and delivery hereof by the XL Parties, the Agent and the Required Banks. The Credit Agreement, as amended by this Amendment, is in all respects ratified, approved and confirmed and shall, as so amended, remain in full force and effect.

SECTION 3. GOVERNING LAW. This Amendment shall be deemed to be a contract under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed and enforced in accordance with the laws of said Commonwealth.

SECTION 4. COUNTERPARTS. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

Sixth Amendment to Revolving Credit Agreement (XL)

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

XL INSURANCE LTD,
as a Borrower and as a Guarantor

By: /s/ PAUL S. GIORDANO

Title: EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL & SECRETARY

XL RE LTD (formerly known as XL MID
OCEAN REINSURANCE LTD),
as a Borrower and as a Guarantor

By: /s/ PAUL S. GIORDANO

Title: EXECUTIVE VICE PRESIDENT
GENERAL COUNSEL & SECRETARY

EXEL ACQUISITION LTD.,
as a Guarantor

By: /s/ PAUL S. GIORDANO

Title: SECRETARY & DIRECTOR

XL CAPITAL LTD, as a Borrower and
as a Guarantor

By: /s/ PAUL S. GIORDANO

Title: EXECUTIVE VICE PRESIDENT
GENERAL COUNSEL & SECRETARY

Sixth Amendment to Revolving Credit Agreement (XL)

MELLON BANK, N.A., as a Bank
and as Agent

By: /s/ KARLA K. MALOOF

Title: VICE PRESIDENT

BANK OF TOKYO - MITSUBISHI LTD.,
as a Bank

By:

Title:

DEUTSCHE BANK AG, NEW YORK OR
CAYMAN ISLANDS BRANCHES,
as a Bank

By: /s/ CLINTON JOHNSON

Title: MANAGING DIRECTOR

By: /s/ RUTH LEUNG

Title: DIRECTOR

THE BANK OF NOVA SCOTIA,
as a Bank

By:

Title:

THE CHASE MANHATTAN BANK,
as a Bank

By: /s/ HELEN L. NEWCOMB

Title: VICE PRESIDENT

THE BANK OF BERMUDA LIMITED,
as a Bank

By: /s/ A. KERRY DAVISON

Title: VICE PRESIDENT, Credit Manager

ROYAL BANK OF CANADA,
as a Bank

By: /s/ ALEXANDER BIRR

Title: SENIOR MANAGER

BANQUE NATIONALE DE PARIS,
as a Bank

By:

Title:

By:

Title:

BANK OF AMERICA, N. A.,
as a Bank

By: /s/ DEBRA BASLER

Title: VICE PRESIDENT

CREDIT LYONNAIS NEW YORK BRANCH,
as a Bank

By: /s/ PETER RASMUSSEN

Title: FIRST VICE PRESIDENT

By:

Title:

HYPOVEREINSBANK, as a Bank

By:

Title:

By:

Title:

FLEET NATIONAL BANK, as a Bank

By: /s/ ANSON HARRIS

Title: DIRECTOR

ARTICLE V

AFFIRMATIVE COVENANTS

Until the commitments of the Banks under Section 2.01 hereof to make Loans have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full, the Borrowers covenant and agree with the Banks that:

5.01. FINANCIAL STATEMENTS AND OTHER INFORMATION.

Each Borrower will furnish to the Agent and each Bank:

(a) within 135 days after the end of each fiscal year of such Borrower (but in the case of XL Capital, within 100 days after the end of each fiscal year of XL Capital), the audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of such Borrower and its consolidated Subsidiaries as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year (if such figures were already produced for such corresponding period or periods) (it being understood that delivery to the Banks of XL Capital's Report on Form 10-K filed with the SEC shall satisfy the financial statement delivery requirements of this paragraph (a) to deliver the annual financial statements of XL Capital so long as the financial information required to be contained in such Report is substantially the same as the financial information required under this paragraph (a)), all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of such Borrower and its consolidated Subsidiaries on

a consolidated basis in accordance with GAAP or (in the case of XL Insurance and XL Re) SAP, as the case may be, consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of such Borrower, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of such Borrower and its consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year (if such figures were already produced for such corresponding period or periods), all certified by a Financial Officer of such Borrower as presenting fairly in all material respects the financial condition and results of operations of such Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or (in the case of XL Insurance and XL Re) SAP, as the case may be, consistently applied, subject to normal year-end audit adjustments and the absence of footnotes (it being understood that delivery to the Banks of XL Capital's Report on Form 10-Q filed with the SEC shall satisfy the financial statement delivery requirements of this paragraph (b) to deliver the quarterly financial statements of XL Capital so long as the financial information required to be contained in such Report is substantially the same as the financial information required under this paragraph (b));

(c) concurrently with any delivery of financial statements under clause (a) or (b) of this Section, a certificate signed on behalf of each Borrower by a Financial Officer (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Sections 6.03, 6.05, 6.06 and 6.07 and (iii) stating whether any change in GAAP or (in the case of XL

Insurance and XL Re) SAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.03 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of financial statements under clause (a) of this Section, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their examination of such financial statements of any Default (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by such Borrower or any of its respective Subsidiaries with the SEC, or any Official Body succeeding to any or all of the functions of the SEC, or with any U.S. or other securities exchange, or distributed by such Borrower to its shareholders generally, as the case may be;

(f) concurrently with any delivery of financial statements under clause (a) or (b) of this Section, a certificate of a Financial Officer of XL Capital, setting forth on a consolidated basis for XL Capital and its consolidated Subsidiaries as of the end of the fiscal year or quarter to which such certificate relates (i) the aggregate book value of assets which are subject to Liens permitted under Section 6.03(g) and the aggregate book value of liabilities which are subject to Liens permitted under Section 6.03(g) (it being understood that the reports required by paragraphs (a) and (b) of this Section shall satisfy the requirement of this clause (i) of this paragraph (f) if such reports set forth separately, in accordance with GAAP, line items corresponding to such aggregate book values) and (ii) a calculation showing the portion of each of such aggregate amounts which portion is attributable to transactions among wholly-owned Subsidiaries of XL Capital; and

(g) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of XL Capital or any of its Subsidiaries, or compliance with the terms of this Agreement, as the Agent or any Bank may reasonably request.

5.02. NOTICES OF MATERIAL EVENTS. Each Borrower will furnish to the Agent and each Bank prompt written notice of the following:

(a) the occurrence of any Default; and

(b) any event or condition constituting, or which could reasonably be expected to have, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the relevant Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken by such Borrower with respect thereto.

5.03. PRESERVATION OF EXISTENCE AND FRANCHISES. Each Borrower will, and will cause each of its Subsidiaries to, maintain its corporate existence and its material rights and franchises in full force and effect in its jurisdiction of incorporation; PROVIDED that the foregoing shall not prohibit any merger or consolidation permitted under Section 6.01. Each Borrower will, and will cause each of its Subsidiaries to, qualify and remain qualified as a foreign corporation in each jurisdiction in which failure to receive or retain such qualification would have a Material Adverse Effect.

5.04. INSURANCE. Each Borrower will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurers, insurance with respect to its properties in such amounts as is customary in the case of corporations engaged

in the same or similar businesses having similar properties similarly situated.

5.05. MAINTENANCE OF PROPERTIES. Each Borrower will, and will cause each of its Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition the properties now or hereafter owned, leased or otherwise possessed by and used or useful in its business and will make or cause to be made all needful and proper repairs, renewals, replacements and improvements thereto so that the business carried on in connection therewith may be properly conducted at all times except if the failure to do so would not have a Material Adverse Effect; PROVIDED, HOWEVER, that the foregoing shall not impose on such Borrower or any Subsidiary of such Borrower any obligation in respect of any property leased by such Borrower or such Subsidiary in addition to such Borrower's obligations under the applicable document creating such Borrower's or such Subsidiary's lease or tenancy.

5.06. PAYMENT OF TAXES AND OTHER POTENTIAL CHARGES AND PRIORITY CLAIMS; PAYMENT OF OTHER CURRENT LIABILITIES. Each Borrower will, and will cause each of its Subsidiaries to, pay or discharge:

(a) on or prior to the date on which penalties attach thereto, all taxes, assessments and other governmental charges or levies imposed upon it or any of its properties or income;

(b) on or prior to the date when due, all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon any such property; and

(c) on or prior to the date when due, all other lawful claims which, if unpaid, might result in the creation of a Lien upon any such property (other than Liens not forbidden by Section 6.03) or which, if unpaid, might give rise to a claim entitled to priority over general creditors of such Borrower in any proceeding under the Bermuda Companies Law or Bermuda Insurance

Law, or any insolvency proceeding, liquidation, receivership, rehabilitation, dissolution or winding-up involving such Borrower or such Subsidiary;

PROVIDED that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, such Borrower need not pay or discharge any such tax, assessment, charge, levy or claim so long as the validity thereof is contested in good faith and by appropriate proceedings diligently conducted and so long as such reserves or other appropriate provisions as may be required by GAAP or SAP, as the case may be, shall have been made therefor and so long as such failure to pay or discharge does not have a Material Adverse Effect.

5.07. FINANCIAL ACCOUNTING PRACTICES. Such Borrower will, and will cause each of its consolidated Subsidiaries to, make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect its transactions and dispositions of its assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements required under Section 5.01 in conformity with GAAP and SAP, as applicable, and to maintain accountability for assets.

5.08. COMPLIANCE WITH APPLICABLE LAWS. Each Borrower will, and will cause each of its Subsidiaries to, comply with all applicable Laws (including but not limited to the Bermuda Companies Law and Bermuda Insurance Laws) in all respects; PROVIDED that such Borrower or any Subsidiary of such Borrower will not be deemed to be in violation of this Section as a result of any failure to comply with any such Law which would not (i) result in fines, penalties, injunctive relief or other civil or criminal liabilities which, in the aggregate, would have a Material Adverse Effect or (ii) otherwise impair the ability of such Borrower to perform its obligations under this Agreement.

5.09. USE OF PROCEEDS. Each Borrower will use the proceeds of all Loans for its general corporate purposes (which may include funding acquisitions, paying dividends and repurchasing securities).

5.10. CONTINUATION OF AND CHANGE IN BUSINESSES. Each Borrower and its Subsidiaries will continue to engage in substantially the same business or businesses it engaged in (or proposes to engage in) on the date of this Agreement and businesses related or incidental thereto.

5.11. VISITATION. Each Borrower will permit such Persons as any Bank may reasonably designate to visit and inspect any of the properties of such Borrower, to discuss its affairs with its financial management, and provide such other information relating to the business and financial condition of such Borrower at such times as such Bank may reasonably request. Each Borrower hereby authorizes its financial management to discuss with any Bank the affairs of such Borrower.

ARTICLE VI

NEGATIVE COVENANTS

Until the commitments of the Banks under Section 2.01 hereof to make Loans have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full, each of the Borrowers covenants and agrees with the Banks that:

6.01. MERGERS. No Borrower will merge with or into or consolidate with any other Person, except that if no Default shall occur and be continuing or shall exist at the time of such merger or consolidation or immediately thereafter and after giving effect thereto any Borrower may merge or consolidate with any other corporation, including a Subsidiary, if such Borrower shall be the surviving corporation.

6.02. DISPOSITIONS. No Borrower will, nor will it permit any of its Subsidiaries to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily (any of the foregoing being referred to in this Section as a "Disposition" and any series of related Dispositions constituting but a single Disposition), any of its properties or assets, tangible or intangible (including but not limited to sale, assignment, discount or other disposition of accounts, contract rights, chattel paper or general intangibles with or without recourse), except:

(a) Dispositions in the ordinary course of business involving current assets or other assets classified on such Borrower's balance sheet as available for sale;

(b) sales, conveyances, assignments or other transfers or dispositions in immediate exchange for cash or tangible assets, PROVIDED that any such sales, conveyances or transfers shall not individually, or in the aggregate for the Borrowers and their respective Subsidiaries, exceed \$500,000,000 in any calendar year; or

(c) Dispositions of equipment or other property which is obsolete or no longer used or useful in the conduct of the business of such Borrower or its Subsidiaries.

6.03. LIENS. No Borrower will, nor will it permit any of its Subsidiaries to, create, incur, assume or permit to exist any Lien on any property or assets, tangible or intangible, now owned or hereafter acquired by it, except:

(a) Liens existing on the date hereof (and extension, renewal and replacement Liens upon the same property, provided that the amount secured by each Lien constituting such an extension, renewal or replacement Lien shall not exceed the amount secured by the Lien theretofore existing) and listed on Schedule 6.03;

(b) Liens arising from taxes, assessments, charges, levies or claims described in Section 5.06 that are not yet due or that remain payable without penalty or to the extent permitted to remain unpaid under the provision of Section 5.06;

(c) Liens on property securing all or part of the purchase price thereof to such Borrower and Liens (whether or not assumed) existing on property at the time of purchase thereof by such Borrower (and extension, renewal and replacement Liens upon the same property); PROVIDED (i) each such Lien is confined solely to the property so purchased, improvements thereto and proceeds thereof, and (ii) the aggregate amount of the obligations secured by all such Liens on any particular property at any time purchased by such Borrower, as applicable, shall not exceed 100% of the lesser of the fair market value of such property at such time or the actual purchase price of such property;

(d) zoning restrictions, easements, minor restrictions on the use of real property, minor irregularities in title thereto and other minor Liens that do not in the aggregate materially detract from the value of a property or asset to, or materially impair its use in the business of, such Borrower or any such Subsidiary;

(e) Liens securing Indebtedness permitted by Section 6.07(c) covering assets whose market value is not materially greater than the amount of the Indebtedness secured thereby plus a commercially reasonable margin;

(f) Liens on cash and securities of a Borrower or its Subsidiaries incurred as part of the management of its investment portfolio in accordance with XL Capital's Statement of Investment Policy Objectives and Guidelines as in effect on the date hereof or as it may be changed from time to time by a resolution duly adopted by the board of directors of XL Capital (or any committee thereof);

(g) Liens on (i) assets received, and on actual or imputed investment income on such assets received, relating and identified to specific insurance payment liabilities or to liabilities arising in the ordinary course of any Borrower's or any of their Subsidiary's business as an insurance or reinsurance company (including GICs) or corporate member of The Council of Lloyd's or as a provider of financial or investment services or contracts, or the proceeds thereof, in each case held in a segregated trust or other account and securing such liabilities or (ii) any other assets subject to any trust or other account arising out of or as a result of contractual, regulatory or any other requirements; PROVIDED that in no case shall any such Lien secure Indebtedness and any Lien which secures Indebtedness shall not be permitted under this clause (g);

(h) statutory and common law Liens of materialmen, mechanics, carriers, warehousemen and landlords and other similar Liens arising in the ordinary course of business; and

(i) Liens existing on property of a Person immediately prior to its being consolidated with or merged into any Borrower or any Subsidiary of a Borrower or its becoming a Subsidiary, and Liens existing on any property acquired by any Borrower or any Subsidiary of a Borrower at the time such property is so acquired (whether or not the Indebtedness secured thereby shall have been assumed) (and extension, renewal and replacement Liens upon the same property, PROVIDED that the amount secured by each Lien constituting such an extension, renewal or replacement Lien shall not exceed the amount secured by the Lien theretofore existing); PROVIDED that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Subsidiary or such acquisition of property and (ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property.

6.04. TRANSACTIONS WITH AFFILIATES. No Borrower will, nor will it permit any of its Subsidiaries to, enter into or carry out any transaction with (including, without limitation, purchase or lease property or services to, loan or advance to or enter into, suffer to remain in existence or amend any contract, agreement or arrangement with) any Affiliate of such Borrower, or directly or indirectly agree to do any of the foregoing, except (i) transactions involving guarantees or co-obligors with respect to any Indebtedness described in Schedule 6.07, (ii) transactions among the Borrowers and their wholly-owned Subsidiaries and (iii) transactions with Affiliates in good faith in the ordinary course of such Borrower's business consistent with past practice and on terms no less favorable to such Borrower or any Subsidiary than those that could have been obtained in a comparable transaction on an arm's length basis from an unrelated Person.

6.05. RATIO OF TOTAL FUNDED DEBT TO TOTAL CAPITALIZATION. XL Capital will not permit its ratio of (a) Total Funded Debt to (b) the sum of Total Funded Debt PLUS Consolidated Net Worth to be greater than 0.35:1.00 at any time.

6.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than the sum of (a) \$4,600,000,000 PLUS (b) 25% of net income (if positive) for each fiscal quarter of XL Capital commencing with the fiscal quarter ending June 30, 2001.

6.07. INDEBTEDNESS. No Borrower will, nor will it permit any of its Subsidiaries to, at any time create, incur, assume or permit to exist any Indebtedness, or agree, become or remain liable (contingent or otherwise) to do any of the foregoing, except:

(a) Indebtedness created hereunder;

(b) Indebtedness incurred pursuant to the Letter of Credit and Reimbursement Agreement dated as of June 29, 2001 between the Obligors, the lenders party thereto and The Chase Manhattan Bank, as the administrative agent for such lenders;

(c) secured Indebtedness (including secured reimbursement obligations with respect to letters of credit) of any Borrower or any Subsidiary in an aggregate principal amount (for all Borrowers and their respective Subsidiaries) not exceeding \$300,000,000 at any time outstanding;

(d) other unsecured Indebtedness, so long as upon the incurrence thereof no Default would occur or exist;

(e) Indebtedness consisting of accounts or claims payable and accrued and deferred compensation (including options) incurred in the ordinary course of business by any Borrower or any Subsidiary;

(f) Indebtedness incurred in transactions described in Section 6.03(f); and

(g) Indebtedness existing on the date hereof and described in Schedule 6.07 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof.

6.08. CLAIMS PAYING RATINGS. XL Capital will maintain at all times a claims-paying rating of at least "A" from A.M. Best & Co. (or its successor) and XL Insurance and XL Re will maintain at all times a rating of at least "A" from Standard & Poor's Rating Services (or its successors).

6.09. PRIVATE ACT. No Borrower will become subject to a Private Act other than the X.L. Insurance Company, Ltd. Act, 1989.

SCHEDULE 6.03

LIENS

Letter of Credit and Reimbursement Agreement dated June 30, 1999, between XL Insurance Ltd, XL Capital Ltd, XL Europe Ltd, XL Mid Ocean Reinsurance Ltd, and The Brockbank Group plc as Account Parties and XL Insurance Ltd, XL Capital Ltd, XL Mid Ocean Reinsurance Ltd and XL Investments Ltd as Guarantors and Mellon Bank, N.A. as Issuing Bank and Agent.

First amendment to Letter of Credit and Reimbursement Agreement dated June 30, 1999, between XL Insurance Ltd, XL Capital Ltd, XL Europe Ltd, XL Mid Ocean Reinsurance Ltd, and The Brockbank Group plc as Account Parties and XL Insurance Ltd, XL Capital Ltd, XL Mid Ocean Reinsurance Ltd and XL Investments Ltd as Guarantors and Mellon Bank, N.A. as Issuing Bank and Agent dated January 21, 2000.

Second amendment to Letter of Credit and Reimbursement Agreement dated June 30, 1999, between XL Insurance Ltd, XL Capital Ltd, XL Europe Ltd, XL Mid Ocean Reinsurance Ltd, and The Brockbank Group plc as Account Parties and XL Insurance Ltd, XL Capital Ltd, XL Mid Ocean Reinsurance Ltd and XL Investments Ltd as Guarantors and Mellon Bank, N.A. as Issuing bank and Agent dated November 28, 2000.

Letter of Credit Agreement dated May 19, 1993, between Mid Ocean Limited and Citibank International plc.

Annex III to Sixth Amendment

SCHEDULE 6.07

1. Credit Agreement (5-Year) between Mid Ocean Limited and The Chase Manhattan Bank, incorporated by reference to Exhibit 10.14.1 to the Company's Annual Report on Form 10-K (No. 1-10804) for the year ended November 30, 1998.
2. Amendment to No. 1 to Credit Agreement (5-Year) between Mid Ocean Limited and The Chase Manhattan Bank, incorporated by reference to Exhibit 10.14.2 to the Company's Annual Report on Form 10-K (No. 1-10804) for the year ended November 30, 1998.
3. Amendment No.2 to Credit Agreement (5-year) between Mid Ocean Limited and The Chase Manhattan Bank, incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
4. Amendment No.3 to Credit Agreement (5-year) between Mid Ocean Limited and The Chase Manhattan Bank, incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
5. Revolving Credit Agreement Between XL Insurance Company, Ltd. and Mellon Bank N.A., incorporated by reference to Exhibit (b)(2) of the GCR Schedule 14D-1, incorporated by reference to Exhibit 10.14.14 to the Company's Annual Report on Form 10-K (No. 1-10804) for the year ended November 30, 1998.
6. First Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank N.A., incorporated by reference to Exhibit 10.14.15 to the Company's Annual Report on Form 10-K for the year ended November 30, 1998.
7. Second Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank N.A., incorporated by reference to Exhibit 10.14.16 to the Company's Annual Report on Form 10-K for the year ended November 30, 1998.
8. Third Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A., incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
9. Fourth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A., incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.
10. Fifth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A., incorporated by

reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

11. Letter of Credit Facility and Reimbursement Agreement dated as of June 30, 1999 by and among XL Insurance Ltd. et al. and Mellon Bank, N.A., incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

12. First Amendment to Letter of Credit Facility and Reimbursement Agreement dated as of June 30, 1999 by and among XL Insurance Ltd. et al. and Mellon Bank, N.A., incorporated by reference to Exhibit 10.14.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999

13. Second Amendment to Letter of Credit Facility and Reimbursement Agreement, dated as of November 28, 2000, by and among XL Insurance Ltd, XL Europe Ltd, XL Mid Ocean Reinsurance Ltd, XL Brockbank Group plc, and XL Investments Ltd and Mellon Bank.

14. 364-day Credit Agreement, dated as of July 5, 2000, between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Mid Ocean Reinsurance Ltd, as borrowers and guarantors, the lenders named therein. The Chase Manhattan Bank, as administrative agent, Chase Securities Inc., as advisor, lead arranger and book manager, Deutsche Bank AG, as syndication agent, and Mellon Bank, N.A. and Citibank, N.A., as co-documentation agent, incorporated by reference to the Company's quarterly report on Form 10-Q for June 2000.

15. Letter of Credit and Reimbursement Agreement, dated as of July 5, 2000, between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Mid Ocean Reinsurance Ltd, as account parties and guarantors, the lenders party thereto, The Chase Manhattan Bank, as administrative agent, Chase Securities Inc., as advisor, lead arranger and book manager, Deutsche Bank AG, as syndication agent, and Mellon Bank, N.A. and Citibank, N.A., as co-documentation agents, incorporated by reference to the Company's quarterly report on Form 10-Q for June 2000.

16. Letter of Credit and Reimbursement Agreement, dated November 3, 2000, between the Company, the guarantors named therein, the lenders named therein, Citibank International plc, as agent and trustee for the lenders, and Solomon Brothers International Limited, as arranger.

17. Letter of Credit Agreement (Secured) between XL Mid Ocean Reinsurance Ltd and Citibank International plc dated May 19, 1993 (as amended) incorporated by reference to the Company's Prospectus Supplement dated November 3, 1998.

18. Private Placement of \$255m 6.58% Senior Notes due 2011 issued by X.L. America, Inc. dated April 12, 2001. Issue

arranged by Lehman Brothers and guaranteed by XL Capital Ltd, XL Insurance Ltd, and XL Re Ltd.

19 XL Capital Ltd Zero-Coupon Convertible Debentures due May 23, 2001. Arranged by Goldman, Sachs & Co., Deutsche Banc Alex. Brown, and Dresdner Kleinwort Wasserstein and described in the Offering Circular dated May 18, 2001.

20. 7.15% Senior Notes due 2005 issued by NAC Reinsurance.

EXECUTION COUNTERPART

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

AMENDMENT NO. 1 dated as of September 26, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies ("XL CAPITAL"), X.L. AMERICA, INC., a Delaware corporation ("XL AMERICA"), XL INSURANCE LTD, a Bermuda limited liability corporation ("XL INSURANCE"), XL EUROPE LTD, a company incorporated under the laws of Ireland ("XL EUROPE") and XL RE LTD, a Bermuda limited liability corporation ("XL RE" and, together with XL Capital, XL America, XL Insurance and XL Europe, each an "ACCOUNT PARTY" and each a "GUARANTOR" and collectively, the "ACCOUNT PARTIES" and the "GUARANTORS"; the Account Parties and the Guarantors being collectively referred to as the "OBLIGORS"), the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Obligors, the Lenders and the Administrative Agent are parties to a Letter of Credit and Reimbursement Agreement dated as of June 29, 2001 (the "CREDIT AGREEMENT"), providing, subject to the terms and conditions thereof, for the issuance of letters of credit for the account of the Account Parties in an aggregate face amount not exceeding \$1,000,000,000. The Obligors, the Lenders and the Administrative Agent wish to amend the Credit Agreement in certain respects and accordingly the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. AMENDMENTS. Effective as provided in Section 4 below, the Credit Agreement is hereby amended as follows:

2.01. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Clause (b) of Section 4.04 is hereby amended to read in its entirety as follows:

"(b) NO MATERIAL ADVERSE CHANGE. Since December 31, 2000, there has been no material adverse change in the assets, business, financial condition or operations of such Account Party and its Subsidiaries, taken as a whole, except for losses caused by or relating to or arising out of the terrorist events of September 11, 2001; PROVIDED, HOWEVER, that XL Capital remains in compliance with Section 7.06."

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

2.03. Section 7.06 of the Credit Agreement is hereby amended to read in its entirety as follows:

"SECTION 7.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than \$4,250,000,000."

Section 3. REPRESENTATIONS AND WARRANTIES. Each Obligor hereby represents and warrants to the Administrative Agent and the Lenders that (i) the representations and warranties set forth in Article IV of the Credit Agreement are, on the date hereof, true and complete as if made on the date hereof (and after giving effect to this Amendment No. 1) and as if each reference in said Article IV to "this Agreement" includes reference to this Amendment No. 1 and (ii) both immediately prior to and as of the date hereof, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 above shall become effective, as of the date hereof, upon the satisfaction of the following conditions precedent:

4.01. EXECUTION BY ALL PARTIES. This Amendment No. 1 shall have been executed and delivered by each of the Obligors and the Required Lenders.

4.02. AMENDMENT FEE. The Administrative Agent shall have received for the account of each Lender that consents to this Amendment No. 1 (evidenced by receipt by the Administrative Agent of an executed counterpart of this Amendment No. 1) an amendment fee in an amount equal to 0.03% of the sum of LC Exposures and unused Commitments of each such Lender.

4.03. OTHER DOCUMENTS. Receipt by the Administrative Agent of such other documents as the Administrative Agent or special New York counsel to Chase may reasonably request.

Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. Nothing in this Amendment No. 1 shall constitute a waiver of any rights and/or remedies that the Lenders and/or the Administrative Agent may have under the Credit Agreement and nothing contained herein shall obligate the Lenders to grant any future waiver of any provision of the Credit Agreement. XL Capital shall pay all reasonable expenses incurred by the Administrative Agent, including the reasonable fees, charges and disbursements of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, in connection with the preparation, negotiation, execution and delivery of this Amendment No. 1. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

X.L. AMERICA, INC.,
as a Account Party and a Guarantor

By /s/ MARTHA BANNERMAN

Name: Martha Bannerman
Title: Executive Vice President & General
Counsel

XL INSURANCE LTD,
as a Account Party and a Guarantor

By /s/ CHRIS COELHO

Name: Chris Coehlo
Title: Senior Vice President &
Chief Financial Officer

XL EUROPE LTD,
as a Account Party and a Guarantor

By /s/ FIONA MULDOON

Name: Fiona Muldoon
Title: Chief Financial Officer
and Company Secretary

XL RE LTD,
as a Account Party and a Guarantor

By /s/ HENRY C. V. KEELING

Name: Henry C. V. Keeling
Title: President & Chief Executive Officer

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, XL Capital has caused this Amendment No. 1 to be duly executed as a Deed by an authorized officer as of the day and year first above written.

EXECUTED AS A DEED by XL CAPITAL LTD,
as an Account Party and a Guarantor

/s/ PAUL GIORDANO

witness

By /s/ MICHAEL SIESE

Name: Michael Siese
Title: Senior Vice President & Treasurer

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

LENDERS

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent

By /s/ HELEN L. NEWCOMB

Name: Helen L. Newcomb
Title: Vice President

CITIBANK, N.A.

By: /s/ MICHAEL TAYLOR

Name: Michael Taylor
Title: VP

MELLON BANK, N.A.

By: /s/ KARLA K. MALOOF

Name: Karla K. Maloof
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ DEBRA BASLER

Name: Debra Basler
Title: Vice President

BANK ONE, NA

By: /s/ GRETCHEN ROETZER

Name: Gretchen Roetzer
Title: Assistant Vice President

BARCLAYS BANK PLC

By: /s/ RP JOHNSON

Name: RP Johnson
Title: Relationship Director

By:

Name:
Title:

By:

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ KEN RICCIARDI

Name: Ken Ricciardi
Title: VP

DEUTSCHE BANK AG

By: /s/ RUTH LEUNG

Name: Ruth Leung
Title: Director

By: /s/ CLINTON JOHNSON

Name: Clinton Johnson
Title: Managing Director

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ JONATHAN WALLIN

Name: Jonathan Wallin
Title: Vice President

By: /s/ ERIKA WALTEB-ENGEMANN

Name: Erika Walteb-Engemann
Title: Director

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

FLEET NATIONAL BANK

By: /s/ LAWRENCE DOWNS

Name: Lawrence Downs
Title: Associate:

LLOYDS TSB BANK PLC

By: /s/ MICHAEL GILLIGAN

Name: Michael Gilligan
Title: Director

By: /s/ PAUL D. BRIAMONTE

Name: Paul D. Briamonte
Title: Director - Project Finance

ABN AMRO BANK N.V., LONDON BRANCH

By: /s/ DW MILLS

Name: DW Mills
Title:

By: /s/ MARTYN TAPLIN

Name: Martyn Taplin
Title:

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

BANCO SANTANDER CENTRAL HISPANO, S.A.

By: /s/ PHIL PERRY

Name: Phil Perry
Title: Senior Vice President

By: /s/ SEN LOUIE

Name: Sen Louie
Title: Assistant Vice President

COMERICA BANK

By: /s/ MARTIN G. ELLIS

Name: Martin G. Ellis
Title: Vice President

FIRST UNION NATIONAL BANK

By: /s/ DANIEL J. NORTON

Name: Daniel J. Norton
Title: Director

NATIONAL WESTMINSTER BANK PLC

By: /s/

Name:
Title:

STATE STREET BANK AND TRUST COMPANY

By: /s/ EDWARD M. ANDERSON

Name: Edward M. Anderson
Title: Vice President

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

AMENDMENT NO. 1 dated as of September 26, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies (the Account Party"), X.L. AMERICA, INC., a Delaware corporation ("XL AMERICA"), XL INSURANCE LTD, a Bermuda limited liability company ("XL INSURANCE"), XL EUROPE LTD, a company incorporated under the laws of Ireland ("XL EUROPE") and XL RE LTD, (formerly known as XL MID OCEAN REINSURANCE LTD), a Bermuda limited liability company (formerly known as XL MID OCEAN REINSURANCE LTD) ("XL RE" and, together with the Account Party in its capacity as a Guarantor, XL America, XL Insurance and XL Europe, each a "GUARANTOR" and collectively, the "GUARANTORS"; the Guarantors and the Account Party being collectively referred to as the "OBLIGORS"), the LENDERS party hereto, CITIBANK INTERNATIONAL PLC, as agent and trustee for the Lenders, the "AGENT" and "SECURITY TRUSTEE", and SALOMON BROTHERS INTERNATIONAL LIMITED, as "Arranger".

The Obligors, the Lenders, the Agent and the Arranger are parties to a Letter of Credit and Reimbursement Agreement dated November 3, 2000 (the "CREDIT AGREEMENT"), providing, subject to the terms and conditions thereof, for the issuance of letters of credit for the account of the Account Party in an aggregate face amount not exceeding (pound)225,000,000. The Obligors, the Lenders, and the Agent wish to amend the Credit Agreement in certain respects and accordingly the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement are used herein as defined therein.

Section 2. AMENDMENTS. Effective as provided in Section 4 below, the Credit Agreement is hereby amended as follows:

2.01. References in the Credit Agreement (including references to the Credit Agreement as amended hereby) to "this Agreement" (and indirect references such as "hereunder", "hereby", "herein" and "hereof") shall be deemed to be references to the Credit Agreement as amended hereby.

2.02. Clause (b) of Section 17.5 is hereby amended to read in its entirety as follows:

"(b) NO MATERIAL ADVERSE CHANGE. Since December 31, 1999, there has been no material adverse change in the assets, business, financial condition or operations of such Obligor and its Subsidiaries, taken as a whole, except for losses caused by or relating to or arising out of the terrorist events of September 11, 2001; PROVIDED, HOWEVER, that the Account Party remains in compliance with Clause 19.6 hereof."

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

-2-

2.03. Section 19.6 of the Credit Agreement is hereby amended to read in its entirety as follows:

"19.6. CONSOLIDATED NET WORTH The Account Party will not permit its Consolidated Net Worth to be less than the sum of (a) \$4,250,000,000 plus (b) 25% of net income (if positive) for each fiscal quarter of the Account Party commencing with the fiscal quarter ending September 30, 2002."

Section 3. REPRESENTATIONS AND WARRANTIES. Each Obligor hereby represents and warrants to the Agent and the Lenders that (i) the representations and warranties set forth in Clause 17 of the Credit Agreement are, on the date hereof, true and complete as if made on the date hereof (and after giving effect to this Amendment No. 1) and as if each reference in said Clause 17 to "this Agreement" includes reference to this Amendment No. 1 and (ii) both immediately prior to and as of the date hereof, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments to the Credit Agreement set forth in Section 2 above shall become effective, as of the date hereof, upon the satisfaction of the following conditions precedent:

4.01. EXECUTION BY ALL PARTIES. This Amendment No. 1 shall have been executed and delivered by each of the Obligors and the Majority Lenders.

4.02. AMENDMENT FEE. The Agent shall have received for the account of each Lender that consents to this Amendment No. 1 (evidenced by receipt by the Agent of an executed counterpart of this Amendment No. 1) an amendment fee in an amount equal to 0.03% of the sum of LC Exposures and unused Commitments of each such Lender.

Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. Nothing in this Amendment No. 1 shall constitute a waiver of any rights and/or remedies that the Lenders and/or the Agent may have under the Credit Agreement and nothing contained herein shall obligate the Lenders to grant any future waiver of any provision of the Credit Agreement. The Account Party shall pay all reasonable

expenses incurred by the Agent, including the reasonable fees, charges and disbursements of Freshfields, Bruckhaus Deringer, special United Kingdom counsel to the Agent, in connection with the preparation, negotiation, execution and delivery of this Amendment No. 1. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the laws of England and Wales.

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

DULY DELIVERED AS A DEED by the Chargor on the date inserted

above.

EXECUTED as a DEED) /s/ Paul S. Giordano
for and on behalf of)
XL CAPITAL LTD) /s/ Michael A. Siese

SIGNED)
for and on behalf of)
CITIBANK INTERNATIONAL PLC)

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

ACCOUNT PARTY

EXECUTED as a DEED
by XL CAPITAL LTD

By /s/ Paul S. Giordano

Name: Paul S. Giordano
Title: EVP, General Counsel & Secretary

Witness Name: Michael A. Siese

Occupation: SVP & Controller

Signature: /s/ Michael Siese

GUARANTORS

EXECUTED as a DEED
by XL CAPITAL LTD

By /s/ Paul S. Giordano

Name: Paul S. Giordano
Title: EVP, General Counsel & Secretary

Witness Name: Michael A. Siese

Occupation: SVP & Controller

Signature: /s/ Michael Siese

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

X.L. AMERICA, INC.

By: /s/ Martha G. Bannerman
Name: Martha G. Bannerman
Title: Executive Vice President & General Counsel

XL INSURANCE LTD

By: /s/ Christopher Coelho
Name: Christopher Coelho
Title: SVP & Chief Financial Officer

XL EUROPE LTD

By: /s/ Fiona Muldoon
Name: Fiona Muldoon
Title: Chief Financial Officer & Company Secretary

XL RE LTD (formerly known as XL MID
OCEAN REINSURANCE LTD)

By: /s/ Henry C. V. Keeling
Name: Henry C. V. Keeling
Title: President & Chief Executive Officer

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

AGENT

CITIBANK INTERNATIONAL PLC

By: /s/ Sonia Gosparini
Name: Sonia Gosparini
Title:

SECURITY TRUSTEE

CITIBANK INTERNATIONAL PLC

By:
Name:
Title:

LENDERS

CITIBANK, N.A.

By: /s/ Michael A. Taylor
Name: Michael A. Taylor
Title: Vice President

BARCLAYS BANK PLC

By: /s/ Paul Johnson
Name: Paul Johnson
Title: Relationship Director

ING BANK, N.V, LONDON BRANCH

By:
Name:
Title:

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Ken Ricciardi
Name: Ken Ricciardi
Title: Vice President

NATIONAL WESTMINSTER BANK PLC

By: /s/ John Mallett
Name: John Mallett
Title: Senior Corporate Manager, City Market Group

AMENDMENT NO. 1 TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT