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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

COMMISSION FILE NUMBER 1-10804  
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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.)

CUMBERLAND HOUSE, 1 VICTORIA STREET, 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 /X/ No / /

As of August 11, 2000, there were outstanding 123,910,368 Class A Ordinary  
Shares, \$0.01 par value per share, of the registrant.

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## PART I--FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## XL CAPITAL LTD

## CONSOLIDATED BALANCE SHEETS

(U.S. DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	(UNAUDITED)	
	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
ASSETS		
Investments:		
Fixed maturities, available for sale at fair value (amortized cost: 2000, \$8,185,496; 1999, \$7,835,919)....	\$ 7,914,585	\$ 7,581,151
Equity securities, at fair value (cost: 2000, \$695,329; 1999, \$863,020).....	817,787	1,136,180
Short-term investments, at fair value (amortized cost: 2000, \$169,832; 1999, \$405,375).....	160,656	405,260
	-----	-----
Total investments.....	8,893,028	9,122,591
Cash and cash equivalents.....	874,147	557,749
Investments in affiliates.....	702,549	479,911
Other investments.....	171,114	165,613
Accrued investment income.....	128,023	111,590
Deferred acquisition costs.....	334,933	275,716
Prepaid reinsurance premiums.....	332,950	217,314
Premiums receivable.....	1,471,853	1,126,397
Reinsurance balances receivable.....	132,544	149,880
Unpaid losses and loss expenses recoverable.....	1,051,705	831,864
Intangible assets (accumulated amortization: 2000, \$146,471; 1999, \$118,663).....	1,609,037	1,626,946
Deferred tax asset, net.....	103,533	97,928
Other assets.....	333,956	327,413
	-----	-----
Total assets.....	\$16,139,372	\$15,090,912
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Unpaid losses and loss expenses.....	\$ 5,295,597	\$ 5,369,402
Deposit liabilities and policy benefit reserves.....	1,048,170	837,893
Unearned premiums.....	1,758,014	1,497,376
Notes payable and debt.....	461,029	410,726
Reinsurance balances payable.....	619,945	387,916
Net payable for investments purchased.....	1,128,003	622,260
Other liabilities.....	337,773	345,738
Minority interest.....	17,696	42,523
	-----	-----
Total liabilities.....	\$10,666,227	\$ 9,513,834
	-----	-----
Commitments and Contingencies		
Shareholders' Equity:		
Authorized, 999,990,000 ordinary shares, par value \$0.01 Issued and outstanding, ordinary shares (2000, 123,806,236; 1999, 127,807,414).....	1,238	1,278
Contributed surplus.....	2,443,357	2,520,136
Accumulated other comprehensive (loss) income.....	(129,664)	19,311
Deferred compensation.....	(23,184)	(28,797)
Retained earnings.....	3,181,398	3,065,150
	-----	-----
Total shareholders' equity.....	\$ 5,473,145	\$ 5,577,078
	-----	-----
Total liabilities and shareholders' equity.....	\$16,139,372	\$15,090,912
	=====	=====

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 JUNE 30		(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2000	1999	2000	1999
Revenues:				
Net premiums earned.....	\$ 503,375	\$414,386	\$ 997,874	\$ 801,139
Net investment income.....	136,440	132,593	264,967	268,273
Net realized gains on sales of investments....	5,075	17,584	73,782	85,060
Equity in net income of affiliates.....	25,756	16,642	43,235	9,335
Fee and other income.....	3,340	3,870	8,296	14,421
Total revenues.....	673,986	585,075	1,388,154	1,178,228
Expenses:				
Losses and loss expenses.....	328,540	351,172	631,374	565,623
Acquisition costs.....	115,658	88,229	219,352	165,018
Operating expenses.....	67,798	95,229	137,074	161,597
Interest expense.....	7,402	8,781	15,897	19,806
Amortization of intangible assets.....	13,756	12,778	27,808	23,185
Total expenses.....	533,154	556,189	1,031,505	935,229
Income before minority interest and income tax expense.....	140,832	28,886	356,649	242,999
Minority interest in net income of subsidiary.....	522	(26)	727	(541)
Income tax benefit.....	(2,174)	(33,796)	(10,321)	(28,979)
Net income.....	142,484	62,708	366,243	272,519
Change in net unrealized appreciation of investments.....	(132,990)	(92,276)	(138,660)	(207,074)
Foreign currency translation adjustments.....	(6,605)	(929)	(10,315)	(3,914)
Comprehensive income (loss).....	\$ 2,889	\$(30,497)	\$ 217,268	\$ 61,531
Weighted average ordinary shares and ordinary share equivalents outstanding--basic.....	124,431	126,785	124,948	127,599
Weighted average ordinary shares and ordinary share equivalents outstanding--diluted.....	125,680	129,876	125,878	131,359
Earnings per ordinary share and ordinary share equivalent--basic.....	\$ 1.15	\$ 0.49	\$ 2.93	\$ 2.14
Earnings per ordinary share and ordinary share equivalent--diluted.....	\$ 1.13	\$ 0.48	\$ 2.91	\$ 2.07

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(U.S. DOLLARS IN THOUSANDS)

	(UNAUDITED)	
	SIX MONTHS ENDED	
	JUNE 30	
	2000	1999
	-----	-----
Ordinary Shares:		
Balance-beginning of year.....	\$ 1,278	\$ 1,287
Issue of shares.....	--	--
Exercise of stock options.....	9	2
Repurchase of treasury shares.....	(49)	(20)
	-----	-----
Balance-end of period.....	\$ 1,238	\$ 1,269
	-----	-----
Contributed Surplus:		
Balance-beginning of year.....	\$2,520,136	\$2,508,062
Issue of shares.....	345	10,463
Exercise of stock options.....	18,872	4,504
Repurchase of treasury shares.....	(95,996)	(15,588)
	-----	-----
Balance-end of period.....	\$2,443,357	\$2,507,441
	-----	-----
Accumulated other comprehensive (loss) income:		
Balance-beginning of year.....	\$ 19,311	\$ 235,185
Net change in unrealized gains on investment portfolio, net of tax.....	(132,370)	(204,155)
Net change in unrealized gains on investment portfolio of affiliate.....	(6,290)	(2,919)
Currency translation adjustments.....	(10,315)	(3,914)
	-----	-----
Balance-end of period.....	\$ (129,664)	\$ 24,197
	-----	-----
Deferred Compensation:		
Balance-beginning of year.....	\$ (28,797)	\$ (22,954)
Forfeit (issue) of restricted shares.....	1,676	(8,472)
Amortization.....	3,937	3,829
	-----	-----
Balance-end of period.....	\$ (23,184)	\$ (27,597)
	-----	-----
Retained Earnings:		
Balance-beginning of year.....	\$3,065,150	\$2,891,023
Net income.....	366,243	272,519
Cash dividends paid.....	(113,358)	(99,578)
Repurchase of treasury shares.....	(136,637)	(83,724)
	-----	-----
Balance-end of period.....	\$3,181,398	\$2,980,240
	-----	-----
Total shareholders' equity.....	\$5,473,145	\$5,485,550
	=====	=====

See accompanying notes to Unaudited Consolidated Financial Statements.

XL CAPITAL LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. DOLLARS IN THOUSANDS)

	(UNAUDITED)	
	SIX MONTHS ENDED	
	JUNE 30	
	2000	1999
Cash flows (used in) provided by operating activities:		
Net income.....	\$ 366,243	\$ 272,519
Adjustments to reconcile net income to net cash provided by operating activities:		
Net realized gains on sales of investments.....	(73,782)	(85,060)
Amortization of discounts on fixed maturities.....	(18,327)	(4,096)
Equity in net income of affiliates.....	(43,235)	(9,335)
Amortization of deferred compensation.....	4,898	3,726
Amortization of intangible assets.....	27,808	23,185
Unpaid losses and loss expenses.....	(116,737)	88,297
Unearned premiums.....	260,638	197,203
Premiums receivable.....	(345,456)	(134,305)
Reinsurance balances receivable.....	17,336	(220,213)
Unpaid losses and loss expenses recoverable.....	(218,180)	139,670
Prepaid reinsurance premiums.....	(115,636)	(27,529)
Reinsurance balances payable.....	224,121	(29,041)
Other.....	(101,189)	35,555
Total adjustments.....	(497,741)	(21,943)
Net cash (used in) provided by operating activities.....	(131,498)	250,576
Cash flows provided by (used in) investing activities:		
Proceeds from sale of fixed maturities and short-term investments.....	11,969,453	8,012,746
Proceeds from redemption of fixed maturities and short-term investments.....	252,794	75,817
Proceeds from sale of equity securities.....	910,895	763,929
Purchases of fixed maturities and short-term investments.....	(11,793,330)	(7,889,648)
Purchases of equity securities.....	(687,876)	(518,671)
Deferred (gains) losses on forward contracts.....	(1,747)	691
Investments in affiliates.....	(131,005)	(185,585)
Acquisition of subsidiaries, net of cash acquired.....	(3,094)	(173,206)
Other investments.....	(29,659)	(38,409)
Deposit liabilities and policy benefit reserve.....	253,373	--
Other assets.....	(18,525)	(14,840)
Net cash provided by investing activities.....	721,279	32,824
Cash flows used in financing activities:		
Issue of restricted shares.....	2,021	1,988
Proceeds from exercise of stock options.....	18,881	4,506
Repurchase of treasury shares.....	(232,682)	(99,331)
Dividends paid.....	(113,358)	(99,578)
Proceeds from loans.....	50,300	234,079
Repayment of notes.....	--	(100,000)
Repayment of debentures.....	--	(101,737)
Minority interest.....	--	(4,900)
Net cash used in financing activities.....	(274,838)	(164,973)
Effects of exchange rate changes on cash on foreign currency cash balances.....	1,455	1,280
Increase in cash and cash equivalents.....	316,398	119,707
Cash and cash equivalents-beginning of year.....	557,749	480,874
Cash and cash equivalents-end of period.....	\$ 874,147	\$ 600,581

See accompanying notes to Unaudited Consolidated Financial Statements.

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 of 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. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount 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. Actual results could differ from those estimates.

2. BUSINESS COMBINATIONS AND CHANGE IN FISCAL YEAR END

(A) LATIN AMERICAN RE

On January 17, 2000, the Company entered into a stock repurchase agreement with Risk Capital Holdings. As part of this agreement, the Company received the remaining ownership (other than management shares) in Latin American Re.

(B) NAC RE CORP

In June 1999, the Company completed its merger with NAC Re Corp in an all-stock transaction. Following the merger, the Company changed its fiscal year end from November 30 to December 31 as a conforming pooling adjustment. All prior period information includes NAC as though it had always been a part of the Company. No adjustments were necessary to conform NAC's accounting policies although certain reclassifications were made to the NAC financial statements to conform to the Company's presentations.

The following table presents a reconciliation of consolidated total revenues and net income of the Company as previously reported, as adjusted for the Company's change in fiscal year end, and combined with the results of NAC for the six months ended June 30, 1999:

	CONSOLIDATED TOTAL REVENUES	CONSOLIDATED NET INCOME
	-----	-----
XL Capital--six months ended May 31, 1999.....	\$ 872,109	\$370,989
Less one month December 31, 1998.....	202,210	29,785
Add one month June 30, 1999.....	167,964	(44,264)
	-----	-----
XL Capital--six months ended June 30, 1999.....	\$ 837,863	\$296,940
NAC Re--six months ended June 30, 1999.....	340,365	(24,421)
	-----	-----
Combined results--six months ended June 30, 1999...	\$1,178,228	\$272,519
	=====	=====

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

## 3. SEGMENT INFORMATION

The Company is organized into four underwriting segments--insurance, reinsurance, Lloyd's syndicates and financial services--in addition to a corporate segment that includes the investment operations of the Company. The Company evaluates the performance of each segment based on underwriting profit or loss. Other items of revenue and expenditure of the Company are not evaluated at the segment level. In addition, management does not allocate assets by segment.

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 results and operational cash flows.

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

QUARTER ENDED JUNE 30, 2000

	INSURANCE	REINSURANCE	LLOYD'S SYNDICATES	FINANCIAL SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned.....	\$151,279	\$250,110	\$95,158	\$6,828	\$503,375
Fee and other income.....	3,934	3	(2,565)	1,968	3,340
Net losses and loss expenses (1).....	92,058	171,671	63,003	1,808	328,540
Acquisition costs.....	22,726	60,678	31,883	371	115,658
Operating expenses.....	19,724	26,220	3,072	6,414	55,430
Exchange losses (gains).....	480	(95)	(2,090)	--	(1,705)
	-----	-----	-----	-----	-----
Underwriting profit (loss).....	\$ 20,225	\$ (8,361)	\$(3,275)	\$ 203	\$ 8,792
Net investment income.....					136,440
Net realized gains on investments.....					5,075
Equity in net earnings of affiliates.....					25,756
Interest expense.....					7,402
Amortization of intangible assets.....					13,756
Corporate operating expenses.....					14,073
Minority interest.....					522
Income tax benefit.....					(2,174)
					-----
Net income.....					\$142,484
					=====
Loss and loss expense ratio (1).....	60.8%	68.6%	66.2%	26.5%	65.3%
Underwriting expense ratio.....	28.1%	34.8%	36.7%	99.4%	34.0%
	-----	-----	-----	-----	-----
Combined ratio.....	88.9%	103.4%	102.9%	125.9%	99.3%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$11.2 million relating to an intercompany stop loss agreement. Consolidated results are not affected by this agreement. The loss and loss expense ratio would have been 53.4% and 73.1% and the underwriting profit (loss) would have been \$31.4 million and \$(19.6) million in the insurance and reinsurance segments, respectively, had this stop loss agreement not been in place.



NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

3. SEGMENT INFORMATION (CONTINUED)  
 QUARTER ENDED JUNE 30, 1999

	INSURANCE	REINSURANCE	LLOYD'S SYNDICATES	FINANCIAL SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned.....	\$ 94,194	\$219,456	\$92,890	\$7,846	\$414,386
Fee and other income.....	(665)	--	6,393	597	6,325
Net losses and loss expenses (1) (2).....	65,450	108,929	79,637	2,156	256,172
Acquisition costs.....	15,965	49,156	23,536	(427)	88,230
Operating expenses (3).....	10,482	20,040	7,343	3,072	40,937
Exchange losses (gains).....	688	2,389	(1,793)	--	1,284
	-----	-----	-----	-----	-----
Underwriting profit (loss).....	\$ 944	\$ 38,942	\$(9,440)	\$3,642	\$ 34,088
Net investment income.....					132,593
Net realized gains on investments.....					17,584
Equity in net earnings of affiliates.....					16,642
Other income.....					(2,455)
Interest expense.....					8,781
Amortization of intangible assets.....					12,778
Corporate operating expenses.....					7,735
Loss reserve adjustment (2).....					95,000
One-time charges (3).....					45,272
Minority interest.....					(26)
Income tax benefit.....					(33,796)
					-----
Net income.....					\$ 62,708
					=====
Loss and loss expense ratio (1).....	69.5%	49.7%	85.7%	27.5%	61.8%
Underwriting expense ratio.....	28.1%	31.5%	33.3%	33.7%	31.2%
	-----	-----	-----	-----	-----
Combined ratio.....	97.6%	81.2%	119.0%	61.2%	93.0%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$62.0 million relating to an intercompany stop loss agreement. Consolidated results are not affected by this agreement. The loss and loss expense ratio would have been 3.7% and 77.9% and the underwriting profit (loss) would have been \$62.9 million and \$(23.1) million in the insurance and reinsurance segments, respectively, had this stop loss agreement not been in place.

(2) Net losses and loss expenses exclude an increase to loss reserves of \$95.0 million associated with the merger with NAC.

(3) Operating expenses exclude one-time charges of \$45.3 million associated with the merger with NAC.

XL CAPITAL LTD

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

3. SEGMENT INFORMATION (CONTINUED)  
SIX MONTHS ENDED JUNE 30, 2000

	INSURANCE	REINSURANCE	LLOYD'S SYNDICATES	FINANCIAL SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned.....	\$297,580	\$489,150	\$198,220	\$12,924	\$997,874
Fee and other income.....	5,206	232	(3,733)	6,591	8,296
Net losses and loss expenses (1).....	177,592	306,849	143,690	3,243	631,374
Acquisition costs.....	42,712	116,873	59,054	713	219,352
Operating expenses.....	38,162	52,652	7,943	11,648	110,405
Exchange (gains) losses.....	470	1,641	(2,394)	--	(283)
	-----	-----	-----	-----	-----
Underwriting profit (loss).....	\$ 43,850	\$ 11,367	\$(13,806)	\$ 3,911	\$ 45,322
Net investment income.....					264,967
Net realized gains on investments.....					73,782
Equity in net earnings of affiliates.....					43,235
Interest expense.....					15,897
Amortization of intangible assets.....					27,808
Corporate operating expenses.....					26,952
Minority interest.....					727
Income tax benefit.....					(10,321)
					-----
Net income.....					\$366,243
					=====
Loss and loss expense ratio (1).....	59.7%	62.7%	72.5%	25.1%	63.3%
Underwriting expense ratio.....	27.2%	34.7%	33.8%	95.6%	33.0%
	-----	-----	-----	-----	-----
Combined ratio.....	86.9%	97.4%	106.3%	120.7%	96.3%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$11.2 million relating to an intercompany stop loss agreement. Consolidated results are not affected by this agreement. The loss and loss expense ratio would have been 55.9% and 65.0% and the underwriting profit would have been \$55.1 million and \$0.2 million in the insurance and reinsurance segments, respectively, had this stop loss agreement not been in place.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

3. SEGMENT INFORMATION (CONTINUED)  
SIX MONTHS ENDED JUNE 30, 1999

	INSURANCE	REINSURANCE	LLOYD'S SYNDICATES	FINANCIAL SERVICES	TOTAL
	-----	-----	-----	-----	-----
Net premiums earned.....	\$196,485	\$418,095	\$174,189	\$12,370	\$801,139
Fee and other income.....	(2)	--	13,826	597	14,421
Net losses and loss expenses (1) (2).....	112,514	217,044	138,132	2,932	470,622
Acquisition costs.....	30,153	93,625	41,263	(22)	165,019
Operating expenses (3).....	25,966	43,173	19,972	6,150	95,261
Exchange (gains) losses.....	1,107	4,151	(2,332)	--	2,926
	-----	-----	-----	-----	-----
Underwriting profit (loss).....	\$ 26,743	\$ 60,102	\$ (9,020)	\$ 3,907	\$ 81,732
Net investment income.....					268,273
Net realized gains on investments.....					85,060
Equity in net earnings of affiliates.....					9,335
Interest expense.....					19,806
Amortization of intangible assets.....					23,185
Corporate operating expenses.....					18,138
Loss reserve adjustment (2).....					95,000
One-time charges (3).....					45,272
Minority interest.....					(541)
Income tax benefit.....					(28,979)
					-----
Net income.....					\$272,519
					=====
Loss and loss expense ratio (1).....	57.3%	51.9%	79.3%	23.7%	58.7%
Underwriting expense ratio.....	28.5%	32.7%	35.2%	49.5%	32.5%
	-----	-----	-----	-----	-----
Combined ratio.....	85.8%	84.6%	114.5%	73.2%	91.2%
	=====	=====	=====	=====	=====

(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, \$72.5 million relating to an intercompany stop loss agreement. Consolidated results are not affected by this agreement. The loss and loss expense ratio would have been 20.4% and 69.3% and the underwriting profit (loss) would have been \$99.2 million and \$(12.4) million in the insurance and reinsurance segments, respectively, had this stop loss agreement not been in place.

(2) Net losses and loss expenses exclude an increase to loss reserves of \$95.0 million associated with the merger with NAC.

(3) Operating expenses exclude one-time charges of \$45.3 million associated with the merger with NAC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

3. SEGMENT INFORMATION (CONTINUED)

The following table is an analysis of the Company's gross premiums written, net premiums written and net premiums earned by line of business:

QUARTER ENDED JUNE 30, 2000

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
	-----	-----	-----
Casualty insurance.....	\$137,041	\$ 96,029	\$ 79,674
Casualty reinsurance.....	102,627	65,362	104,289
Property catastrophe.....	46,995	41,397	36,358
Other property.....	121,385	94,841	91,577
Marine, energy, aviation and satellite.....	78,810	35,565	41,100
Lloyd's syndicates.....	131,867	110,304	95,158
Other.....	77,828	56,411	55,219
	-----	-----	-----
Total.....	\$696,553	\$499,909	\$503,375
	=====	=====	=====

QUARTER ENDED JUNE 30, 1999

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
	-----	-----	-----
Casualty insurance.....	\$ 68,263	\$ 53,234	\$ 65,597
Casualty reinsurance.....	83,368	69,382	72,397
Property catastrophe.....	28,864	19,867	37,910
Other property.....	77,634	48,336	66,831
Marine, energy, aviation and satellite.....	36,374	27,191	33,571
Lloyd's syndicates.....	149,552	125,919	92,890
Other.....	57,250	44,156	45,190
	-----	-----	-----
Total.....	\$501,305	\$388,085	\$414,386
	=====	=====	=====

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(U.S. DOLLARS IN THOUSANDS)

3. SEGMENT INFORMATION (CONTINUED)  
SIX MONTHS ENDED JUNE 30, 2000

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
	-----	-----	-----
Casualty insurance.....	\$ 234,538	\$ 169,566	\$157,902
Casualty reinsurance.....	257,793	179,116	192,226
Property catastrophe.....	124,831	118,617	65,636
Other property.....	286,686	216,856	174,183
Marine, energy, aviation and satellite.....	234,451	155,475	85,616
Lloyd's syndicates.....	295,606	169,981	198,220
Other.....	181,585	142,397	124,091
	-----	-----	-----
Total.....	\$1,615,490	\$1,152,008	\$997,874
	=====	=====	=====

SIX MONTHS ENDED JUNE 30, 1999

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
	-----	-----	-----
Casualty insurance.....	\$ 148,019	\$112,904	\$131,227
Casualty reinsurance.....	168,098	149,490	140,432
Property catastrophe.....	110,710	100,799	66,881
Other property.....	213,559	159,144	145,155
Marine, energy, aviation and satellite.....	139,543	111,601	69,861
Lloyd's syndicates.....	333,372	234,316	174,189
Other.....	119,995	103,752	73,394
	-----	-----	-----
Total.....	\$1,233,296	\$972,006	\$801,139
	=====	=====	=====

4. SHARE CAPITAL

In June 2000, the Company's Class B ordinary shares were converted into Class A ordinary shares on a one-for-one basis.

5. SUBSEQUENT EVENT

In July 2000, the Company sold its investment in FSA Holdings, Inc, which is included in equity securities at June 30, 2000. Proceeds of the sale were \$159.1 million, and based on the cost of \$105.0 million, gains of \$54.1 million were realized.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2000  
 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 1999  
 (U.S. DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

The following is a discussion of the Company's results of operations and financial condition. Prior period information presented is the combination of the results of the Company and NAC.

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 our beliefs and expectations, are forward looking-statements. These statements are based upon current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements, and therefore you should not place undue reliance on them. See "--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 audited Consolidated Financial Statements and notes thereto presented under Item 8 on Form 10-K for the year ended December 31, 1999.

RESULTS OF OPERATIONS

The following table presents an after tax analysis of the Company's net income and earnings per share for the three months ended June 30, 2000 and 1999:

	(UNAUDITED)	
	THREE MONTHS ENDED	
	JUNE 30	
	-----	-----
	2000	1999
	-----	-----
Net operating income (excluding net realized gains on investments and one time merger related adjustments).....	\$135,491	\$147,137
Net realized gains on investments.....	6,993	17,159
Increase to loss reserves for NAC Re (1).....	--	(61,750)
One-time related merger charges (1).....	--	(39,838)
	-----	-----
Net income.....	\$142,484	\$ 62,708
	=====	=====
Earnings per share--basic.....	\$ 1.15	\$ 0.49
Earnings per share--fully diluted.....	\$ 1.13	\$ 0.48

(1) NAC Re loss reserves were increased to align them with the Company's reserving methodologies and higher loss reserve factors. One-time charges relate to costs associated with the NAC merger. The pre-tax amounts are \$95.0 million and \$45.3 million, respectively.

Net operating income decreased in the second quarter of 2000 compared to the same period in 1999 primarily due to lower underwriting profit experienced in the Company's casualty lines of business in both the insurance and reinsurance segments. Further discussion is provided within the following segment analysis.

SEGMENTS

The Company is organized into four underwriting segments--insurance, reinsurance, Lloyd's syndicates and financial services--in addition to a corporate segment, which includes the investment operations of the Company. The results of each segment are discussed below.

The calculation of the underwriting ratios for all segments is as follows: 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

The insurance business is written primarily by XL Insurance, XL Europe, XL Insurance Company of New York, Greenwich Insurance, Indian Harbor Insurance, ECS and XL Specialty Insurance (formerly, Intercargo Corporation). Insurance business written includes general liability, other liability (including directors and officers, professional and employment practices liability), property, program business, marine, aviation, satellite and other product lines (including U.S. customs bond, surety, political risk and specialty lines).

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED)		
	THREE MONTHS ENDED		
	JUNE 30		
	2000	1999	% CHANGE
Net premiums earned.....	\$151,279	\$94,194	60.6%
Fee and other income.....	3,934	(665)	NM
Net losses and loss expenses.....	92,058	65,450	40.7%
Acquisition costs.....	22,726	15,965	42.3%
Operating expenses.....	19,724	10,482	88.2%
Exchange losses.....	480	688	NM
Net underwriting profit.....	\$ 20,225	\$ 944	NM

\* NM--Not Meaningful

Growth in the insurance segment is mainly due to the acquisition of both Intercargo (now known as XL Specialty Insurance) and ECS in the second quarter of 1999. There were no significant earnings from these companies in the second quarter of 1999.

ECS and XL Specialty Insurance contributed approximately \$116.0 million in gross premiums written and \$45.0 million in net premiums earned during the second quarter of 2000. ECS commenced writing business on behalf of the Company with effect from January 1, 2000. As the lag of the premium earning catches up to the premium written, net premium earned by ECS is expected to increase through 2000. Price increases have been experienced in the property lines which has contributed to the growth of net premiums earned, but pricing generally has remained unchanged on the liability lines of business.

Fee and other income is earned primarily from ECS by providing risk management consulting services.

The increases in net losses and loss expenses, acquisition costs and operating expenses are also primarily attributable to the acquisition of Intercargo and ECS.

The following table presents the ratios for the insurance segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2000	1999
Loss and loss expense ratio.....	60.8%	69.5%
Underwriting expense ratio.....	28.1%	28.1%
Combined ratio.....	88.9%	97.6%

The loss and loss expense ratio was affected by an intercompany stop loss agreement with a subsidiary in the reinsurance segment. In the quarters ended June 30, 2000 and 1999, \$11.2 million and \$62.0 million, respectively, of losses were included in the insurance segment and excluded from the reinsurance segment. The loss ratio would have been 53.4% and 3.7% and the underwriting profit would have been \$31.4 million and \$62.9 million in 2000 and 1999, respectively, had this agreement not been in place.

In addition, the Company has continued to apply higher actuarially estimated loss ratios established in the first quarter of 2000 to the casualty lines written in 2000 as competitive market conditions continued to negatively affect premium rates for these lines of business. In the second quarter of 1999, there was a reduction in loss reserves established on the Company's other liability lines written in prior years due to updated actuarially determined reserve estimates, where loss experience had developed more favorably than expected.

#### REINSURANCE OPERATIONS

The reinsurance business is written by XL Mid Ocean Re and Latin American Re, which primarily write property lines that are short-tail in nature, and NAC Re, which primarily writes long-tail casualty business. Business written in this segment includes casualty, property catastrophe, other property, marine, energy, aviation, satellite and other lines including political risk and specialty lines.

The following table summarizes the underwriting (loss) profit for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
Net premiums earned.....	\$250,110	\$219,456	14.0%
Fee and other income.....	3	--	NM
Net losses and loss expenses.....	171,671	108,929	57.6%
Acquisition costs.....	60,678	49,156	23.4%
Operating expenses.....	26,220	20,040	30.8%
Exchange (gains) losses.....	(95)	2,389	NM
Net underwriting (loss) profit.....	\$ (8,361)	\$ 38,942	NM

The increase in net premiums earned reflects additional net premiums written in prior quarters. Net premiums written for the second quarter are similar in 2000 and 1999. The Company has experienced some price increases on property and other short-tail lines of business. As in the insurance segment, pricing has not yet improved for the liability business. The Company has seen indications of improved pricing in the retrocession market, but the timing of the effect of this on lines written by the Company is not certain.

The increase in operating expenses is primarily due to an expansion in infrastructure necessary to support additional business written.



The following table presents the ratios for the reinsurance segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2000	1999
Loss and loss expense ratio.....	68.6%	49.7%
Underwriting expense ratio.....	34.8%	31.5%
Combined ratio.....	103.4%	81.2%
	=====	=====

The increase in the combined ratio is primarily due to the effect of an intercompany stop loss agreement with a subsidiary in the insurance segment. Net losses and loss expenses incurred in this segment in 2000 and 1999 reflect a recovery of \$11.2 million and \$62.0 million, respectively, under this agreement. The loss and loss expense ratio in 2000 and 1999 would have been 73.1% and 77.9% and the underwriting loss would have been \$19.6 million and \$23.1 million, respectively, had this agreement not been in place. The 1999 ratio does not include an adjustment to reserves of \$95.0 million at the time of the merger with NAC Re.

Business written on the casualty lines, primarily in 1999, has continued to experience a deterioration in losses in 2000. However, the loss ratio, excluding the stop loss agreement, was lower in 2000 compared to 1999 principally due to a larger number of catastrophic events in 1999, including the Sydney hailstorms, the Oklahoma tornadoes and satellite losses.

The increase in the underwriting expense ratio is mainly due to an increase in the acquisition expense ratio. The reinsurance segment is highly dependent on broker intermediaries and thus is subject to the costs charged on specific lines of business, including commissions paid to ceding companies. Higher acquisition costs in the second quarter of 2000 compared to 1999 reflect an increase in net premiums earned on lines of business where costs are higher.

#### LLOYD'S SYNDICATES

The Lloyd's operations comprise Brockbank and Denham. Brockbank provides underwriting and other services to five Lloyd's syndicates, two of which are dedicated corporate syndicates whose capital is provided by the Company. These dedicated corporate syndicates write a range of specialty lines, primarily of insurance but also reinsurance, in parallel with other syndicates managed by Brockbank. Denham provides similar services to one corporate syndicate whose capital is primarily provided by the Company and which specializes in liability coverages.

The following table summarizes the underwriting loss for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
Net premiums earned.....	\$95,158	\$92,890	2.4%
Fee and other income.....	(2,565)	6,393	NM
Net losses and loss expenses.....	63,003	79,637	(20.9)%
Acquisition costs.....	31,883	23,536	35.5%
Operating expenses.....	3,072	7,343	(58.2)%
Exchange gains.....	(2,090)	(1,793)	16.6%
Net underwriting loss.....	\$(3,275)	\$(9,440)	(65.3)%
	=====	=====	=====

Net premiums earned reflect the growth in business written by Brockbank and Denham due to an increase in corporate capacity in 2000 over 1999. The corporate syndicates increased capacity from approximately 43% to 50% at Brockbank and from 43% to 75% at Denham. Net premiums earned in 2000 was also affected by premium written in 1999 from the motor business at Brockbank, which was sold with effect from January 1, 2000. \$19.9 million in net premiums earned are attributable to the motor business in the 2000 quarter compared to \$33.7 million in 1999. The Company retains the run-off experience of this business. Lower earned premiums relating to the motor business will result in subsequent quarters.

Fee and other income includes \$4.5 million generated from the motor business in 1999. No such income was earned in 2000. Brockbank's managing agencies also earn profit commissions from the syndicates they manage. The second quarter of 1999 included \$1.0 million in profit commissions but due to the loss deterioration in the Lloyd's market, no commissions were earned in the second quarter of 2000. Managing agency expenses are offset against this income which has resulted in negative fee and other income in the quarter ended June 30, 2000.

The following table presents the ratios for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2000	1999
Loss and loss expense ratio.....	66.2%	85.7%
Underwriting expense ratio.....	36.7%	33.3%
Combined ratio.....	102.9%	119.0%
	=====	=====

The decrease in the loss ratio and increase in expense ratio includes the effect of the sale of the motor business. During the second quarter of 2000, the motor business had a loss ratio of 94.3% and an expense ratio of 21.3%. This compares to a 108.2% loss ratio and 17.8% expense ratio for the same period in 1999. In addition, there was some favorable loss development on certain lines of business written by Brockbank.

#### FINANCIAL SERVICES

The financial services business includes credit enhancements by financial guaranty insurance and reinsurance policies and credit default swaps written in respect of asset-backed, municipal and corporate risk obligation transactions.

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
Net premiums earned.....	\$6,828	\$7,846	(13.0)%
Fee and other income.....	1,968	597	NM
Net losses and loss expenses.....	1,808	2,156	(16.1)%
Acquisition costs.....	371	(427)	NM
Operating expenses.....	6,414	3,072	108.8%
Exchange gains.....	--	--	--
Net underwriting profit.....	\$ 203	\$3,642	(94.4)%
	=====	=====	=====

Financial guaranty premiums are earned over the life of the exposure. Certain premiums, such as those received on an installment basis, are not earned until the premium is reported. More of these premiums were written in 1999 which resulted in a higher net premiums earned.

Premiums received in respect of credit default swap transactions are included as fee income and earned over the life of the policies.

The following table presents the ratios for this segment:

	(UNAUDITED)	
	THREE MONTHS ENDED JUNE 30	
	2000	1999
Loss and loss expense ratio.....	26.5%	27.5%
Underwriting expense ratio.....	99.4%	33.7%
Combined ratio.....	125.9%	61.2%
	=====	=====

This segment generally writes business to an estimated loss ratio of approximately 25%. The calculation of the expense ratio excludes fee income derived from credit default swap transactions. If this income were included, the expense ratio and the combined ratio would be 77.1% and 103.6%, respectively. The high expense ratio reflects the start up nature of this segment.

#### INVESTMENT OPERATIONS

The following table illustrates the change in net investment income and net realized gains for the three-month periods ended June 30, 2000 and 1999:

	(UNAUDITED)		
	THREE MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
Net investment income.....	\$136,440	\$132,593	2.9%
Net realized gains.....	\$ 5,075	\$ 17,584	(71.1)%
Equity in net income of affiliates.....	\$ 25,756	\$ 16,642	54.8%

Net investment income has increased in the quarter primarily due to improved yields. This has been achieved despite an investment base that declined as a result of claims payments, the repurchase of the Company's shares and the reallocation of assets to other strategic investments, from which income is accounted for as equity in net earnings of affiliates. The decline of the investment base is offset by the inclusion of assets corresponding to the deposit liabilities assumed late in 1999. Investment income earned on these assets is reduced by the investment expense created by the accretion of these deposit liabilities.

Equity in net income of affiliates has increased in the quarter primarily due to an increase in investment affiliates of approximately \$300.0 million from June 30, 1999.

OTHER REVENUES AND EXPENSES

The following table sets forth other revenues and expenses for the quarters ended June 30, 2000 and 1999:

	(UNAUDITED)		
	THREE MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
Other income.....	--	(2,455)	NM
Amortization of intangible assets.....	13,756	12,778	7.6%
Corporate operating expenses.....	14,073	7,736	81.9%
Interest expense.....	7,402	8,781	(15.7)%
Minority interest.....	522	(26)	NM
Income tax benefit.....	(2,174)	(33,796)	NM

Other income represents a reclassification of a distribution of earnings from the Company's other investments to investment income.

The increase in amortization of intangible assets reflects additional goodwill generated from the acquisition of ECS, Inc and Intercargo Corporation late in the second quarter of 1999.

The increase in corporate operating expenses is mainly a result of the increase in corporate infrastructure necessary to support the expanding worldwide operations of the Company.

The decrease in interest expense reflects a reduction in indebtedness carried by the Company through the quarter in 2000 compared to 1999. The Company extinguished convertible debt assumed in connection with the NAC merger in the second quarter of 1999. In addition, the Company pooled capital with its existing operations as a result of acquisitions in the U.S. in 1999, which facilitated the repayment of debt during the third quarter of 1999. This decrease was partially offset by interest expense relating to interim borrowings used to finance the repurchase of shares in the quarter ended June 30, 2000.

The changes in the income tax benefit of the Company principally reflect improving results for the U.S. operations in 2000 compared to 1999. In 1999, a deterioration of the casualty reinsurance book for business underwritten prior to the merger with NAC resulted in a pre-tax net loss for the Company's U.S. operations.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2000  
 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1999  
 (U.S. DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

RESULTS OF OPERATIONS

The following table presents an after tax analysis of the Company's net income and earnings per share for the six months ended June 30, 2000 and 1999:

	SIX MONTHS ENDED JUNE 30	
	2000	1999
(UNAUDITED)		
Net operating income (excluding net realized gains on investments and one time merger related adjustments).....	\$286,292	\$291,283
Net realized gains on investments.....	79,951	83,700
Increase to loss reserves for NAC Re (1).....	--	(61,750)
One-time related merger charges (1).....	--	(40,714)
Net income.....	\$366,243	\$272,519
	=====	=====
Earnings per share--basic.....	\$ 2.93	\$ 2.14
Earnings per share--fully diluted.....	\$ 2.91	\$ 2.07

(1) NAC Re loss reserves were increased to align them with the Company's reserving methodologies and higher loss reserve factors. One-time charges relate to costs associated with the NAC merger. The pre-tax amounts are \$95.0 million and \$45.3 million, respectively.

INSURANCE OPERATIONS

The following table summarizes the underwriting profit for this segment:

	SIX MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
(UNAUDITED)			
Net premiums earned.....	\$297,580	\$196,485	51.5%
Fee and other income.....	5,206	(2)	NM
Net losses and loss expenses.....	177,592	112,514	57.8%
Acquisition costs.....	42,712	30,153	41.7%
Operating expenses.....	38,162	25,966	47.0%
Exchange losses.....	470	1,107	NM
Net underwriting profit.....	\$ 43,850	\$ 26,743	64.0%
	=====	=====	=====

Growth in the insurance segment is mainly due to the acquisition of Intercargo (now known as XL Specialty Insurance) and ECS in the second quarter of 1999. There were no significant earnings by these companies in the first six months of 1999.

ECS and XL Specialty Insurance contributed approximately \$179.0 million in gross premiums written and \$61.0 million in net premiums earned during the first six months of 2000. ECS commenced writing business on behalf of the Company with effect from January 1, 2000. As the lag of the premium earning catches up to the premium written, net premium earned by ECS is expected to increase through 2000.

Fee and other income is earned primarily by ECS by providing risk management consulting services.

The increase in net losses and loss expenses, acquisition costs and operating expenses is primarily attributable to the acquisition of Intercargo and ECS.

The following table presents the ratios for the insurance segment:

	SIX MONTHS ENDED JUNE 30	
	2000	1999
	(UNAUDITED)	
Loss and loss expense ratio.....	59.7%	57.3%
Underwriting expense ratio.....	27.2%	28.5%
Combined ratio.....	86.9%	85.8%

The loss and loss expense ratio was affected by an intercompany stop loss agreement with a subsidiary in the reinsurance segment. In the six months ended June 30, 2000 and 1999, \$11.2 million and \$72.5 million, respectively, of losses were included in the insurance segment and excluded from the reinsurance segment. The loss ratio in 2000 would have been 55.9% and in 1999 it would have been 20.4% and the underwriting profit would have been \$55.1 million and \$99.2 million, respectively, had this agreement not been in place.

Excluding the effects of the intercompany stop loss agreement, the increase in the loss ratio reflects the application of higher actuarially estimated loss ratios to the casualty lines written in 2000 as competitive market conditions continued to affect premium rates. In addition, in 1999 there was a reduction in loss reserves established on the Company's other liability lines written in prior years due to updated actuarially determined reserve estimates, where loss experience developed more favorably than expected.

The decrease in the expense ratio is primarily the result of higher earned premiums where the growth was proportionately greater than the increase in operating expenses and acquisition costs.

#### REINSURANCE OPERATIONS

The following table summarizes the underwriting profit for this segment:

	SIX MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
	(UNAUDITED)		
Net premiums earned.....	\$489,150	\$418,095	17.0%
Fee and other income.....	232	--	NM
Net losses and loss expenses.....	306,849	217,044	41.4%
Acquisition costs.....	116,873	93,625	24.8%
Operating expenses.....	52,652	43,173	22.0%
Exchange losses.....	1,641	4,151	NM
Net underwriting profit.....	\$ 11,367	\$ 60,102	NM

The increase in net premiums earned is mainly a result of an increase in net premiums written across most lines of business. This segment has experienced price increases for most product lines with the exception of the liability lines, which remain effectively unchanged.

The following table presents the ratios for the reinsurance segment:

	SIX MONTHS ENDED JUNE 30	
	2000	1999
	(UNAUDITED)	
Loss and loss expense ratio.....	62.7%	51.9%
Underwriting expense ratio.....	34.7%	32.7%
Combined ratio.....	97.4%	84.6%

The increase in the combined ratio is primarily due to the effect of an intercompany stop loss agreement with a subsidiary in the insurance segment. Net losses and loss expenses incurred in this segment in 2000 and 1999 reflect a recovery of \$11.2 million and \$72.5 million, respectively, under this agreement. The loss and loss expense ratio in 2000 and 1999 would have been 65.0% and 69.3%, respectively, and the underwriting results would have been a profit of \$0.2 million and a loss of \$12.4 million, respectively, had this agreement not been in place. The 1999 loss ratio does not include an adjustment to reserves for \$95.0 million at the time of the merger with NAC.

Business written on the casualty lines primarily in 1999 has continued to experience a deterioration in losses in 2000. However, the loss ratio excluding the stop loss agreement was lower in 2000 compared to 1999 principally due to a larger number of catastrophic events in 1999 including the Sydney hailstorms, the Oklahoma tornadoes and satellite losses.

The increase in the underwriting expense ratio is mainly due to an increase in the acquisition expense ratio. The reinsurance segment is highly dependent on broker intermediaries and thus, is subject to the costs charged on specific lines of business including commissions paid to ceding companies. Higher acquisitions costs in the second quarter of 2000 compared to 1999 reflect an increase in net premiums earned on lines of business where costs are higher.

LLOYD'S SYNDICATES

The following table summarizes the underwriting loss for this segment:

	SIX MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
	(UNAUDITED)		
Net premiums earned.....	\$198,220	\$174,189	13.8%
Fee and other income.....	(3,733)	13,826	NM
Net losses and loss expenses.....	143,690	138,132	4.0%
Acquisition costs.....	59,054	41,263	43.1%
Operating expenses.....	7,943	19,972	(60.2)%
Exchange gains.....	(2,394)	(2,332)	2.7%
Net underwriting loss.....	\$(13,806)	\$ (9,020)	(53.1)%

Net premiums earned reflect the growth in business written by Brockbank and Denham due principally to an increase in corporate capacity in 2000 over 1999. The corporate syndicates increased capacity from approximately 43% to 50% at Brockbank and from 43% to 75% at Denham. Although the Company has not written any motor business in 2000, net premiums earned were effectively flat due to increased premiums written during the third and fourth quarter of 1999. The Company retains the run-off experience of this business after it was sold with effect from January 1, 2000. Lower earned premiums relating to the motor business will result in subsequent quarters.

Fee and other income includes \$8.9 million generated from the motor business in 1999. No such income was earned in 2000. Brockbank's managing agencies also earn profit commissions from the

syndicates they manage. The first six months of 1999 included \$2.0 million in profit commissions but due to the loss deterioration in the Lloyd's market, no commissions were earned in the first six months of 2000. Managing agency expenses are offset against this income which has resulted in negative fee and other income in the six months ended June 30, 2000.

The following table presents the ratios for this segment:

	SIX MONTHS ENDED JUNE 30	
	2000	1999
	-----	
	(UNAUDITED)	
Loss and loss expense ratio.....	72.5%	79.3%
Underwriting expense ratio.....	33.8%	35.2%
	-----	
Combined ratio.....	106.3%	114.5%
	=====	

The decrease in the loss ratio includes the effect of the sale of the motor business. Loss ratios on this business were 89.4% and 99.5% for the first six months of 2000 and 1999, respectively. The decrease in the underwriting expense ratio is mainly a result of an increase in net premiums earned by Denham, which writes casualty lines which typically have lower acquisition costs than the business written at Brockbank.

#### FINANCIAL SERVICES

The following table summarizes the underwriting profit for this segment:

	SIX MONTHS ENDED JUNE 30		
	2000	1999	% CHANGE
	-----		
	(UNAUDITED)		
Net premiums earned.....	\$12,924	\$12,370	4.5%
Fee and other income.....	6,591	597	NM
Net losses and loss expenses.....	3,243	2,932	10.6%
Acquisition costs.....	713	(22)	NM
Operating expenses.....	11,648	6,150	89.4%
Exchange gains.....	--	--	--
	-----		
Net underwriting profit.....	\$ 3,911	\$ 3,907	0.1%
	=====		

Financial guaranty premiums are earned over the life of the exposure. Certain premiums, such as those received on an installment basis, are not earned until the premium is reported.

Premiums received in respect of credit default swap transactions are included as fee income and earned over the life of the policies. In addition, from time to time the Company will assist in structuring transactions that may result in fee income. These transactions tend to be irregular in nature. Such transactions require an investment of Company resources, which are included in operating expenses.

The following table presents the ratios for this segment:

	SIX MONTHS ENDED JUNE 30	
	2000	1999
	-----	
	(UNAUDITED)	
Loss and loss expense ratio.....	25.1%	23.7%
Underwriting expense ratio.....	95.6%	49.5%
	-----	
Combined ratio.....	120.7%	73.2%
	=====	

This segment generally writes business to a loss ratio of approximately 25%. The calculation of the expense ratio excludes fee and other income which includes \$4.9 million in income from credit default



swaps. If this income were included, the expense ratio and the combined ratio would be 69.3% and 94.4%, respectively. The high expense ratio reflects the start up nature of this segment.

#### INVESTMENT OPERATIONS

The following table illustrates the change in net investment income and net realized gains for the six-month periods ended June 30, 2000 and 1999:

	SIX MONTHS ENDED JUNE 30		% CHANGE
	2000	1999	
	(UNAUDITED)		
Net investment income.....	\$264,967	\$268,273	(1.2)%
Net realized gains.....	\$ 73,782	\$ 85,060	NM
Equity in net income of affiliates.....	\$ 43,235	\$ 9,335	NM

Although yields have improved in the second quarter of 2000, net investment income has decreased marginally in the first six months of 2000 compared to 1999. This is primarily due to lower returns in the first quarter of 2000. There has been a decline in the investment base as a result of claims payments, the repurchase of the Company's shares and the reallocation of assets to other strategic investments, from which income is accounted for as equity in net earnings of affiliates. The decline of the investment base is offset by the inclusion of assets corresponding to the deposit liabilities assumed late in 1999. Investment income earned on these assets is reduced by the investment expense created by the accretion of these deposit liabilities.

Equity in net income of affiliates in 2000 increased significantly over 1999 as a result of returns on the Company's strategic investments in investment management companies and the funds managed by these companies. 1999 also included a loss of \$7.0 million relating to Risk Capital, which was sold in January 2000.

#### OTHER REVENUES AND EXPENSES

The following table sets forth other revenues and expenses for the six months ended June 30, 2000 and 1999:

	SIX MONTHS ENDED JUNE 30		% CHANGE
	2000	1999	
	(UNAUDITED)		
Amortization of intangible assets.....	27,808	23,185	19.9%
Corporate operating expenses.....	26,952	18,138	48.6%
Interest expense.....	15,897	19,806	(19.7)%
Minority interest.....	727	(541)	NM
Income tax benefit.....	(10,321)	(28,979)	NM

The increase in amortization of intangible assets is primarily a result of additional goodwill generated from the acquisition of ECS and Intercargo late in the second quarter of 1999.

The increase in corporate operating expenses is a result of the increase in corporate infrastructure necessary to support the expanding worldwide operations of the Company.

The decrease in interest expense reflects a reduction in indebtedness carried by the Company through the six months in 2000 compared to 1999. The Company extinguished convertible debt assumed in connection with the NAC merger in the second quarter of 1999. In addition, the Company pooled capital with its existing operations as a result of acquisitions in the U.S. in 1999, which facilitated the repayment of debt during the third quarter of 1999. This decrease was partially offset by interest expense relating to interim borrowings used to finance the repurchase of shares in the six months ended June 30, 2000.

The changes in the income tax benefit of the Company principally reflects improving results for the U.S. operations in 2000 compared to 1999. In 1999, a deterioration of the casualty reinsurance book for business underwritten prior to the merger with NAC resulted in a pre-tax net loss for the Company's U.S. operations.

#### FINANCIAL CONDITION AND LIQUIDITY

As a holding company, XL Capital'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 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 June 30, 2000 was \$5.5 billion of which \$3.2 billion was retained earnings.

At June 30, 2000, total investments available for sale and cash net of unsettled investment trades were \$8.6 billion, compared to \$9.1 billion at December 31, 1999. This includes investments relating to the Company's asset accumulation business. During the first six months of 2000, the Company sold investments categorized as available for sale to fund strategic investments, the payment of claims and the repurchase of shares.

The Company's fixed income investments, including short-term investments, and cash equivalents at June 30, 2000 represented approximately 91% of invested assets and were managed by several outside investment management firms. Approximately 88% of fixed income securities are of 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 AA-.

The net payable for investments purchased increased from \$622.3 million at December 31, 1999 to \$1.1 billion as at June 30, 2000. This increase results from timing differences as investments are accounted for on a trade basis.

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 six months ended June 30, 2000 and 1999, the net amount of losses due to claims activity paid by the Company was \$976.3 million and \$536.0 million, respectively. Paid losses for the six months ended June 30, 2000 includes \$74.0 million relating to a commutation payment. The higher amount of paid claims in 2000 over 1999 has contributed to the negative operational cash flow

The Company establishes reserves to provide for the estimated expenses of settling claims, the general expenses of administering the claims adjustment process and for losses incurred but not reported. These reserves are determined 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 judgement 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 Company's reserving process includes a supplemental evaluation of the potential impact on claims liabilities from exposure to asbestos and environmental claims, including related loss adjustment expenses. The Company's claims and claim expense reserves for such exposures is less than 1% of the Company's reserves.

The Company has had several stock repurchase programs in the past as part of its capital management strategy. In June 1999, the Board of Directors rescinded the Company's share repurchase program. On January 9, 2000, the Board of Directors authorized a new program for the repurchase of shares up to \$500.0 million. The new share repurchase program was announced in conjunction with a dividend increase of \$0.04 per share per annum. Under this new program, the Company has purchased 4.9 million shares up to August 11, 2000 at a cost of \$231.9 million or \$47.56 per share.

As of June 30, 2000, the Company had bank, letter of credit and loan facilities available from a variety of sources including commercial banks totaling \$1.7 billion of which \$461.0 million in debt was outstanding. In addition, \$1.0 billion of letters of credit were outstanding, 60.2% of which were collateralized by the Company's investment portfolio, primarily supporting U.S. non-admitted business, and the Company's Lloyd's capital requirements.

The financing structure as of June 30, 2000 was as follows:

FACILITY -----	COMMITMENT -----	IN USE/ OUTSTANDING -----
DEBT:		
Company Term Note.....	\$ 11,000	\$ 11,000
2 facilities of 5 year Revolvers--total.....	350,000	350,000
7.15% Notes due 2005.....	100,000	100,000
	-----	-----
	\$ 461,000	\$ 461,000
	=====	=====
LETTERS OF CREDIT:		
7 facilities--total.....	\$1,246,500	\$1,033,000
	=====	=====

The Company's \$500.0 million 364-day revolving credit facility expired on June 28, 2000 and was replaced with a new facility in the same amount effective July 5, 2000. A syndicate of banks provides the new facility and borrowings are unsecured. There were no borrowings under the expired facility during the six months ended June 30, 2000. The Company's \$150.0 million 364-day revolving credit facility expired on March 31, 2000 and was not replaced.

Two syndicates of banks provide the two five-year facilities and borrowings are unsecured. Under these facilities, \$350.0 million outstanding at June 30, 2000 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 \$109.7 million borrowed to finance the acquisition of ECS and Intercargo during 1999. The weighted average interest rate on funds borrowed during the six months ended June 30, 2000 was approximately 6.4%.

At June 30, 2000 and June 30, 1999, the Company had \$100.0 million of 7.15% Senior Notes due November 15, 2005 outstanding.

Total pre-tax interest expense on the borrowings described above was \$15.9 million and \$19.8 million for the six months ended June 30, 2000 and 1999, respectively. Associated with the Company's bank and loan commitments are various loan covenants with which the Company was in compliance throughout both six month periods.

The Company had seven letter of credit facilities available at June 30, 2000, two from two syndicates of banks, three from U.K. banks and two from U.S. banks. These facilities are used to collateralize certain reinsureds' premium and unpaid loss reserves with the Company and for Lloyd's capital requirements of the Company's corporate syndicates. Of the letters of credit outstanding at June 30, 2000, approximately \$622.0 million were collateralized against the Company's investment portfolio and \$411.0 million were unsecured. On July 6, 2000, \$300.0 million of the syndicated secured facilities expired and was replaced with a syndicated unsecured facility of \$1.0 billion effective July 5, 2000. This new facility will replace existing facilities during the remainder of 2000.

#### YEAR 2000 CONSIDERATIONS

There was no significant impact from Year 2000 issues on the Company's technology systems. The Company did not experience any significant disruption due to the impact of Year 2000 issues on its service providers.

The Company is subject to risks associated with Year 2000 issues based upon the underwriting exposures that it assumes. All insurance and reinsurance subsidiaries of the Company examined the

potential exposure to Year 2000-related risks associated with the coverages that they provided. In some instances, Year 2000-related risks were expressly excluded from or included in certain coverages, and in other instances, coverage in respect of such risks is neither expressly excluded nor included. To the extent that Year 2000-related risks materialize, participants in the property and casualty insurance and reinsurance industry, including the Company, could pay or incur significant claims, losses or defense costs which could have a material adverse effect on the Company's results of operations and financial condition. The Company has been notified of certain year 2000-related claims. In view of the apparent lack of significant Year 2000-related losses, however, the Company does not expect to have a material exposure to Year 2000-related claims. See generally "--Cautionary Note Regarding Forward-Looking Statements".

#### CURRENT OUTLOOK

Pricing continues to improve on the Company's short-tail business, namely property, property catastrophe, marine and aviation. There have been some signs of price increases in the liability retrocession market, but to date no price improvements have been experienced in the casualty lines, written by the Company.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to 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.

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, among other things, actual developments in the global financial markets. The analysis methods used by the Company to assess and mitigate risk should not be considered projections of future events of losses or lack 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. dollars 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 EXPOSURE 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 specific 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 are of the opinion that potential gains exist in a particular currency, a forward contract may not be entered into. At June 30, 2000, forward foreign exchange contracts with notional principal amounts totaling \$179.2 million were outstanding. The fair value of these contracts as at June 30, 2000 was \$177.8 million with unrealized losses of \$1.4 million. Gains of \$27.9 million were realized during the six months ended June 30, 2000. 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 June 30, 2000 would have resulted in approximately \$11.9 million in unrealized losses and \$2.3 million in unrealized gains.

The Company also uses foreign exchange contracts to manage its exposure to the effects of fluctuating foreign currencies on the amount of its known claims payable in foreign currencies. These contracts are not designated as specific 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. At June 30, 2000, forward foreign exchange contracts with notional principal amounts totaling \$37.1 million were outstanding. The fair value of these contracts as at June 30, 2000 was \$39.4 million with unrealized gains of

\$2.3 million. Gains of \$7.3 million were realized during the six months ended June 30, 2000. 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 June 30, 2000 would have resulted in approximately \$5.8 million in unrealized gains and \$4.7 million in unrealized losses.

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 specific 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 June 30, 2000, the Company had \$19.0 million of such contracts outstanding, and had recognized \$1.8 million in realized and unrealized losses for the six month period. 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 June 30, 2000 would have resulted in approximately \$2.2 million in unrealized gains and \$1.9 million in unrealized losses.

#### FINANCIAL MARKET EXPOSURE

The Company also invests in a synthetic equity portfolio of S&P Index futures with an exposure approximately equal in amount to the market value of underlying assets held in this fund. As at June 30, 2000, the portfolio held \$68.6 million in exposure to S&P 500 Index futures and underlying assets of \$74.2 million. Based on this value, a 10% increase or decrease in the price of these futures would have resulted in exposure of \$75.5 million and \$61.8 million, respectively. The value of the futures is updated daily with the change recorded in income as a realized gain or loss. For the six months ended June 30, 2000, net realized gains from index futures totaled \$1.5 million as a result of the 1% decrease in the S&P Index.

Derivative investments are also utilized to add value to the portfolio where market inefficiencies are believed to exist. At June 30, 2000, bond and stock index futures outstanding were \$19.9 million with underlying investments having a market value of \$4.1 billion. A 10% appreciation or depreciation of these derivative instruments would have resulted in unrealized gains of \$2.0 million and unrealized losses of \$2.0 million.

#### 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 stockholders, any proxy statement, any Form 10-K or Form 8-K of the Company, including any amendments thereto, 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 generally, as well as its four underwriting sectors and its corporate segment (both as to underwriting and investment matters) specifically. Statements that are not historical facts or that include the words "expect", "intend", "plan", "believe", "project", "anticipate", "will", or similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the PSLRA.

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) ineffectiveness or obsolescence of the Company's business strategy due to changes in current or future market conditions; (ii) increased competition on the basis of pricing, capacity, coverage terms or other factors; (iii) 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; (iv) developments in the world's financial and capital markets which adversely affect the performance of the Company's investments or reduce fees earned by the Company's investment management affiliates; (v) changes in regulations or tax laws applicable to the Company, its subsidiaries, brokers or customers; (vi) acceptance of the Company's

products and services, including new products and services; (vii) changes in the availability, cost or quality of reinsurance or retrocessional coverage; (viii) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (ix) the impact of Year 2000-related issues on the Company's underwriting exposures; (x) loss of key personnel; (xi) the effects of mergers, acquisitions and divestitures; (xii) changes in rating agency policies or practices that may adversely affect the Company's claims paying ratings; (xiii) changes in accounting policies or practices; and (xiv) changes in general economic conditions, including inflation, foreign, exchange rates, and other factors. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with 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.

ITEM 1. LEGAL PROCEEDINGS

The Company, in common with the insurance and reinsurance industry in general, is a party to various legal proceedings, including arbitration, 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 and reinsurance 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

At the Annual General Meeting of Class A shareholders held on May 12, 2000 at the executive offices of the Company, Cumberland House, One Victoria Street, Hamilton, Bermuda, the shareholders approved the following:

1. To elect four Class II directors to hold office until 2003--F.B. Corby, J.T. Thornton, B.M. O'Hara and J.W. Weiser.

VOTES IN FAVOR	VOTES WITHHELD
101,277,613	203,029

2. To appoint PricewaterhouseCoopers LLP, New York, New York, to act as the independent auditors of the Company for the fiscal year ending December 31, 2001.

VOTES IN FAVOR	VOTES AGAINST	ABSTENTIONS
101,354,444,	50,074	76,123

3. To approve the amendment and restatement of the Company's 1991 Incentive Program.

VOTES IN FAVOR	VOTES AGAINST	ABSTENTIONS
69,074,647	23,770,021	389,154

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

- 10.14.31. 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 agents.
- 10.14.32. 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.
11. Statement Regarding Computation of Per Share Earnings.

(B) REPORTS ON FORM 8-K

None.

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.

/s/ XL CAPITAL LTD

-----  
(Registrant)

/s/ BRIAN M. O'HARA

-----  
Brian M. O'Hara  
President and Chief Executive Officer

August 14, 2000

/s/ ROBERT R. LUSARDI

-----  
Robert R. Lusardi  
Executive Vice President and Chief Financial  
Officer

August 14, 2000



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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 Party Hereto

and

THE CHASE MANHATTAN BANK,  
as Administrative Agent

-----  
\$500,000,000  
-----

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

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- EXHIBIT B-5 - Form of Opinion of Special Cayman Islands Counsel to XL Capital
- EXHIBIT B-6 - Form of Opinion of Special Irish Counsel to XL Europe
- EXHIBIT C - Form of Opinion of Special New York Counsel to Chase

364-DAY CREDIT AGREEMENT dated as of July 5, 2000, 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 Mm OCEAN REINSURANCE LTD, a Bermuda limited liability corporation ("XL MID OCEAN" 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"), the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The Borrowers have requested that the Lenders make loans to them in an aggregate principal amount not exceeding \$500,000,000 at any one time outstanding, and the Lenders are prepared to make such loans upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans constituting such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ADJUSTED LIBO RATE" means, for the Interest Period for any Eurodollar Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period MULTIPLIED BY (b) the Statutory Reserve Rate for such Interest Period.

"ADMINISTRATIVE AGENT" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly, Controls or is Controlled by or is under common Control with the Person specified.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate for such day

364-DAY CREDIT AGREEMENT

PLUS 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, as the case may be.

"APPLICABLE MARGIN" means (i) for the period from and including the date hereof to but not including the Commitment Termination Date, 0.33% per annum and (ii) in the event that the Term-Out Option has been exercised and is in effect, for the period from and including the Commitment Termination Date to but not including the first anniversary of the Commitment Termination Date, 0.455% per annum.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the aggregate principal amount of the Loans held by the Lenders or, if no Loans are outstanding, the Commitments most recently in effect, giving effect to any assignments.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"AVAILABILITY PERIOD" means the period from and including the Effective Date to and including the Commitment Termination Date.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER JURISDICTION" means (a) Bermuda, (b) the Cayman Islands, (c) the Republic of Ireland and (d) any other country (i) where any Borrower is licensed or qualified to do business or (ii) from or through which payments hereunder are made by any Borrower.

"BORROWERS" means each of XL Capital, XL America, XL Insurance, XL Europe and XL Mid Ocean.

"BORROWING" means (a) all ABR Loans made, converted or continued on the same date or (b) all Eurodollar Loans that have the same Interest Period.

"BORROWING REQUEST" means a request by a Borrower for a Borrowing in accordance with Section 2.03.

"BUSINESS DAY" means any day (a) that is not a Saturday, Sunday or other day on which commercial banks in New York City, London, the Cayman Islands, British West Indies, Bermuda or Ireland are authorized or required by law to remain closed and (b) if such day relates to a borrowing of, a payment or prepayment of principal of or interest on, a continuation or conversion of or into, or the Interest Period for, a Eurodollar Borrowing, or to a notice by a Borrower with respect to any such borrowing, payment, prepayment, continuation, conversion,

or interest Period, that is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CHANGE IN CONTROL" means the occurrence of any of the following events or conditions: (a) any Person or group of Persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, and the rules and regulations thereunder) shall have become the beneficial owner (as defined in rules promulgated by the SEC) of more than 40% of the voting securities of XL Capital; (b) the sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of XL Capital; or (c) a majority of the members of XL Capital's board of directors are persons who are then serving on the board of directors without having been elected by the board of directors or having been nominated for election by its shareholders.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.12(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHASE" means The Chase Manhattan Bank.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" means, with respect to each Lender, the commitment of such Lender to make Loans hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.06 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial amount of each Lender's Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$500,000,000.

"COMMITMENT TERMINATION DATE" means June 29, 2001.

"CONSOLIDATED NET WORTH" means, at any date, the consolidated stockholders' equity of XL Capital and its Subsidiaries.



"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"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.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"ENVIRONMENTAL LAWS" means any Law, whether now existing or subsequently enacted or amended, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of Persons, including but not limited to employees, to Hazardous Materials, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of Hazardous Materials or (d) regulation of the manufacture, use or introduction into commerce of Hazardous Materials, including their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage or disposal.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of a Borrower or any Subsidiary resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract or agreement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY RIGHTS" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including any shareholders' or voting trust agreements) for the issuance, sale, registration or voting of, or securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with any Borrower, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

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"ERISA EVENT" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Borrower or any of such Borrower's ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans constituting such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) Taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction in which any Borrower is located or (c) with respect to any Lender (other than an assignee pursuant to a request by XL Capital pursuant to Section 2.16(b)) any Indemnified Tax that (i) is in effect and would apply to amounts payable to such Lender at the time such Lender becomes a party to this Agreement (or designates a new lending office), other than any Indemnified Tax imposed on any payment to any Lender to the extent such Lender (or its assignee, as the case may be) was entitled, at the time of designation of a new lending office (or assignment, as the case may be) to receive additional amounts from such Borrower with respect to such Indemnified Tax pursuant to Section 2.14(a) or (ii) is attributable to such Lender's failure or inability to comply with Section 2.14(e).

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received

by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means, with respect to any Obligor, a principal financial officer of such Obligor.

"GAAP" means generally accepted accounting principles in the United States of America.

"GOVERNMENTAL AUTHORITY" means the government of the United States of America, or of any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor for the purpose of assuring the holder of such Indebtedness, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keepwell agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guarantee hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount of the Indebtedness in respect of which such Guarantee is made. The terms "GUARANTEE" and "GUARANTEED" used as a verb shall have a correlative meaning.

"GUARANTORS" means each of XL Capital, XL America, XL Insurance, XL Europe and XL Mid Ocean.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGING AGREEMENT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

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"INDEBTEDNESS" means, for any Person, without duplication (it being understood, for the avoidance of doubt, that insurance payment liabilities, as such, and liabilities arising in the ordinary course of such Person'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 (in each case other than in connection with the provision of financing to such Person or any of such Person's Affiliates) shall not be deemed to constitute Indebtedness): (i) all indebtedness or liability for or on account of money borrowed by, or for or on account of deposits with or advances to (but not including accrued pension costs, deferred income taxes or accounts payable of) such Person; (ii) all obligations (including contingent liabilities) of such Person evidenced by bonds, debentures, notes, banker's acceptances or similar instruments; (iii) all indebtedness or liability for or on account of property or services purchased or acquired by such Person; (iv) any amount secured by a Lien on property owned by such Person (whether or not assumed) and Capital Lease Obligations of such Person (without regard to any limitation of the rights and remedies of the holder of such Lien or the lessor under such capital lease to repossession or sale of such property); (v) the maximum available amount of all standby letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed); and (vi) all Guarantees of such Person.

"INDEMNIFIED TAXES" means Taxes (including Other Taxes) imposed on the Administrative Agent or any Lender on or with respect to any payment hereunder or the execution, delivery or enforcement of, or otherwise with respect to this Agreement, other than Excluded Taxes.

"INTEREST ELECTION REQUEST" means a request by a Borrower to convert or continue a Borrowing in accordance with Section 2.05.

"INTEREST PAYMENT DATE" means (a) with respect to any ABR Loan, each Quarterly Date and (b) with respect to any Eurodollar Loan, the last day of each Interest Period therefor and, in the case of any Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at three-month intervals after the first day of such Interest Period.

"INTEREST PERIOD" means, for any Eurodollar Loan or Borrowing, the period commencing on the date of such Loan or Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as specified in the applicable Borrowing Request or Interest Election Request; PROVIDED that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Loan initially shall be the date on which such Loan is made and thereafter shall be the effective date of the most recent conversion or continuation of such Loan, and the date of a Borrowing comprising Loans that

have been converted or continued shall be the effective date of the most recent conversion or continuation of such Loans.

"LAW" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

"LENDER AFFILIATE" means, with respect to any Lender, (a) an Affiliate of such Lender or (b) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

"LENDERS" means the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LETTER OF CREDIT AGREEMENT" means the Letter of Credit and Reimbursement Agreement dated as of July 5, 2000 between the Obligors, the lenders party thereto and Chase, as administrative agent for such lenders.

"LIBO RATE" means, for the Interest Period for any Eurodollar Borrowing, the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to Dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for the offering of Dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the LIBO Rate for such Interest Period shall be the rate at which Dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" means, with respect to any asset, any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, including but not limited to any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

"LOANS" means the loans made by the Lenders to the Borrowers pursuant to this Agreement.

"MARGIN STOCK" means "margin stock" within the meaning of Regulations T, U and X of the Board.

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"MATERIAL ADVERSE EFFECT" means a material adverse effect on:

(a) the assets, business, financial condition or operations of a Borrower and its Subsidiaries taken as a whole; or (b) the ability of a Borrower to perform any of its payment or other material obligations under this Agreement.

"MATURITY DATE" means the Commitment Termination Date, as such date may be extended pursuant to the Term-Out Option.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NON-U.S. BENEFIT PLAN" means any plan, fund (including any superannuation fund) or other similar program established or maintained outside the United States by any Borrower or any of their Subsidiaries, with respect to which such Borrower or such Subsidiary has an obligation to contribute, for the benefit of employees of such Borrower or such Subsidiary, which plan, fund or other similar program provides, or results in, the type of benefits described in Section 3(1) or 3(2) of ERISA, and which plan is not subject to ERISA or the Code.

"OBLIGORS" means each of the Borrowers and each of the Guarantors.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA and in respect of which any Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PRIVATE ACT" means separate legislation enacted in Bermuda with the intention that such legislation apply specifically to a Borrower, in whole or in part.

"QUARTERLY DATES" means the last Business Day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"REGISTER" has the meaning assigned to such term in Section 10.04.

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REQUIRED LENDERS" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time.

"REVOLVING CREDIT EXPOSURE" means, with respect to any Lender at any time, the aggregate outstanding principal amount of such Lender's Loans at such time.

"SAP" means, as to each Borrower and each Subsidiary that offers insurance products, the statutory accounting practices prescribed or permitted by the relevant Governmental Authority for such Borrower's or such Subsidiary's domicile for the preparation of its financial statements and other reports by insurance corporations of the same type as such Borrower or such Subsidiary in effect on the date such statements or reports are to be prepared, except if otherwise notified by XL Capital as provided in Section 1.03.

"SEC" means the Securities and Exchange Commission or any successor entity.

"STATUTORY RESERVE RATE" means, for any day (or for the Interest Period for any Eurodollar Borrowing), a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one MINUS the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject on such day (or, with respect to an Interest Period, the denominator of which is the number one MINUS the arithmetic mean of such aggregates for the days in such Interest Period) with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" means, with respect to any Person (the "PARENT"), at any date, any corporation (or similar entity) of which a majority of the shares of outstanding capital stock normally entitled to vote for the election of directors (regardless of any contingency which does or may suspend or dilute the voting rights of such capital stock) is at such time owned directly or indirectly by the parent or one or more subsidiaries of the parent. Unless otherwise specified, "Subsidiary" means a Subsidiary of a Borrower.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TERM-OUT OPTION" has the meaning assigned to such term in Section 2.07(b).

"TOTAL FUNDED DEBT" means, at any time, all Indebtedness of XL Capital and its Subsidiaries which would at such time be classified in whole or in part as a liability on the consolidated balance sheet of XL Capital in accordance with GAAP.

"TRANSACTIONS" means the execution, delivery and performance by the Obligors of this Agreement, the borrowing of Loans and the use of the proceeds thereof.

"TYPE", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans constituting such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"WITHDRAWAL LIABILITY" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. ACCOUNTING TERMS; GAAP AND SAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP or SAP, as the context requires, each as in effect from time to time; PROVIDED that, if XL Capital notifies the Administrative Agent that the Borrowers request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or SAP, as the case may be, or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrowers that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or SAP, as the case may be, or in the application thereof, then such provision shall be interpreted on the basis of GAAP or SAP, as the



case may be, as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

## ARTICLE II

### THE CREDITS

SECTION 2.01. THE COMMITMENTS. Subject to the terms and conditions set forth herein, each Lender agrees to make Loans to a Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (a) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment or (b) the total Revolving Credit Exposures exceeding the total Commitments (it being understood that Loans may be made, or be outstanding, to more than one of the Borrowers at any time). Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, repay and reborrow Loans.

### SECTION 2.02. LOANS AND BORROWINGS.

(a) OBLIGATIONS OF LENDERS. Each Loan shall be made as part of a Borrowing consisting of Loans of the same Type made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; PROVIDED that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) TYPE OF LOANS. Subject to Section 2.11, each Borrowing shall be constituted entirely of ABR Loans or of Eurodollar Loans as any Borrower may request in accordance herewith. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; PROVIDED that any exercise of such option shall not affect the obligation of the Borrowers to repay such Loan in accordance with the terms of this Agreement.

(c) MINIMUM AMOUNTS; LIMITATION ON NUMBER OF BORROWINGS. Each Eurodollar Borrowing shall be in an aggregate amount of \$10,000,000 or a larger multiple of \$1,000,000. Each ABR Borrowing shall be in an aggregate amount equal to \$10,000,000 or a larger multiple of \$1,000,000; PROVIDED that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments. Borrowings of more than one Type may be outstanding at the same time; PROVIDED that there shall not at any time be more than a total of ten Eurodollar Borrowings outstanding.

(d) LIMITATIONS ON INTEREST PERIODS. Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request (or to elect to convert to or continue as a Eurodollar Borrowing) any Borrowing if the Interest Period requested therefor would end after the Maturity Date.

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SECTION 2.03. REQUESTS FOR BORROWINGS.

(a) NOTICE BY THE BORROWERS. To request a Borrowing, XL Capital shall notify the Administrative Agent of such request by telephone (i) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (ii) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by XL Capital.

(b) CONTENT OF BORROWING REQUESTS. Each telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the relevant Borrower;

(ii) the aggregate amount of the requested Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(v) in the case of a Eurodollar Borrowing, the Interest Period therefor, which shall be a period contemplated by the definition of the term "Interest Period" and permitted under Section 2.02(d); and

(vi) the location and number of such Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.04.

(c) NOTICE BY THE ADMINISTRATIVE AGENT TO THE LENDERS.

Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

(d) FAILURE TO ELECT. If no election as to the Type of a Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Borrowing, then the requested Borrowing shall be made instead as an ABR Borrowing.

SECTION 2.04. FUNDING OF BORROWINGS.

(a) FUNDING BY LENDERS. Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Loans available to the relevant Borrower by promptly crediting the amounts so received, in

like funds, to an account of such Borrower maintained with the Administrative Agent in New York City and designated by such Borrower in the applicable Borrowing Request.

(b) PRESUMPTION BY THE ADMINISTRATIVE AGENT. Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the relevant Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of such Borrower, the interest rate applicable to ABR Loans. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

#### SECTION 2.05. INTEREST ELECTIONS.

(a) ELECTIONS BY THE BORROWERS. The Loans constituting each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have the Interest Period specified in such Borrowing Request. Thereafter, the relevant Borrower may elect to convert such Borrowing to a Borrowing of a different Type or to continue such Borrowing as a Borrowing of the same Type and, in the case of a Eurodollar Borrowing, may elect the Interest Period therefor, all as provided in this Section. The relevant Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans constituting such Borrowing, and the Loans constituting each such portion shall be considered a separate Borrowing.

(b) NOTICE OF ELECTIONS. To make an election pursuant to this Section, XL Capital shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if XL Capital were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by XL Capital.

(c) CONTENT OF INTEREST ELECTION REQUESTS. Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be

specified pursuant to clauses (iii) and (iv) of this paragraph shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period therefor after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period" and permitted under Section 2.02(d).

(d) NOTICE BY THE ADMINISTRATIVE AGENT TO THE LENDERS.

Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) FAILURE TO ELECT; EVENTS OF DEFAULT. If XL Capital fails to deliver a timely and complete Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period therefor, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies XL Capital, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period therefor.

#### SECTION 2.06. TERMINATION AND REDUCTION OF THE COMMITMENTS.

(a) SCHEDULED TERMINATION. Unless previously terminated, the Commitments shall terminate at the close of business on the Commitment Termination Date.

(b) VOLUNTARY TERMINATION OR REDUCTION. The Borrowers may at any time terminate, or from time to time reduce, the Commitments; PROVIDED that (i) each reduction of the Commitments shall be in an amount that is \$20,000,000 or a larger multiple of \$10,000,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.08, the total Revolving Credit Exposures would exceed the total Commitments.

(c) NOTICE OF VOLUNTARY TERMINATION OR REDUCTION. XL Capital shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by XL Capital pursuant to this Section shall be irrevocable; PROVIDED that a notice of termination of the Commitments delivered by XL Capital

may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by XL Capital (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) EFFECT OF TERMINATION OR REDUCTION. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.07. REPAYMENT OF LOANS; TERM-OUT OPTION; EVIDENCE OF DEBT.

(a) REPAYMENT. Each Borrower hereby unconditionally promises to pay to the Administrative Agent for account of the Lenders, (i) in the event that the Term-Out Option has not been exercised, the outstanding principal amount of the Loans made to such Borrower on the Commitment Termination Date and (ii) in the event that the Term-Out Option has been exercised and is in effect, on the Maturity Date, the then unpaid principal amount of the Loans made to such Borrower outstanding at the close of business on the Commitment Termination Date.

(b) TERM-OUT OPTION. The Borrowers may, by notice given by XL Capital to the Administrative Agent (which shall promptly notify the Lenders) not less than 15 days prior to the Commitment Termination Date, extend the Maturity Date for all Loans outstanding at the close of business New York City time on the Commitment Termination Date to the first anniversary of the Commitment Termination Date (the "TERM-OUT OPTION"); PROVIDED that such extension shall not be effective with respect to any Lender unless:

(i) no Default shall have occurred and be continuing on each of the date of the notice requesting such extension and on the Commitment Termination Date; and

(ii) each of the representations and warranties made by the Borrowers in Article IV shall be true and complete on and as of each of the date of the notice requesting such extension and on the Commitment Termination Date with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Notwithstanding the foregoing, the Commitments of the Lenders to make Loans shall terminate on the Commitment Termination Date.

(c) Manner of Payment. Prior to any repayment or prepayment of any Borrowings hereunder, XL Capital shall select the Borrowing or Borrowings to be paid and shall notify the Administrative Agent by telephone (confirmed by telecopy) of such selection not later than 11:00 a.m., New York City time, three Business Days before the scheduled date of such repayment; PROVIDED that each repayment of Borrowings shall be applied to repay any outstanding ABR Borrowings before any other Borrowings. If XL Capital fails to make a timely selection of the Borrowing or Borrowings to be repaid or prepaid, such payment shall be applied, first, to pay any outstanding ABR Borrowings and, second, to other Borrowings in the order of the remaining duration of their respective Interest Periods (the Borrowing with the shortest

remaining Interest Period to be repaid first). Each payment of a Borrowing shall be applied ratably to the Loans included in such Borrowing.

(d) MAINTENANCE OF RECORDS BY LENDERS. Each Lender shall maintain in accordance with its usual practice records evidencing the indebtedness of each Borrower to such Lender resulting from each Loan made by such Lender to such Borrower, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(e) MAINTENANCE OF RECORDS BY THE ADMINISTRATIVE AGENT. The Administrative Agent shall maintain records in which it shall record (i) the amount of each Loan made to each Borrower hereunder, the Type thereof and each Interest Period therefor, (ii) the amount of any principal or interest due and payable or to become due and payable from such Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for account of the Lenders and each Lender's share thereof.

(f) EFFECT OF ENTRIES. The entries made in the records maintained pursuant to paragraph (d) or (e) of this Section shall be PRIMA FACIE evidence of the existence and amounts of the obligations recorded therein; PROVIDED that the failure of any Lender or the Administrative Agent to maintain such records or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

(g) PROMISSORY NOTES. Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, each Borrower shall prepare, execute and deliver to such Lender a promissory note payable to such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 10.04) be represented by one or more promissory notes in such form payable to the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

#### SECTION 2.08. PREPAYMENT OF LOANS.

(a) RIGHT TO PREPAY BORROWINGS. The Borrowers shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to the requirements of this Section.

(b) NOTICES, ETC. XL Capital shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment or (ii) in the case of prepayment of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; PROVIDED that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.06, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.06. Promptly following receipt of any such

notice relating to a Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.10 and shall be made in the manner specified in Section 2.07(c).

SECTION 2.09. FEES.

(a) FACILITY FEE. XL Capital agrees to pay to the Administrative Agent for account of each Lender a facility fee, which shall accrue at a rate per annum equal to 0.07%, (i) prior to the termination of such Lender's Commitment, on the daily amount of such Commitment (whether used or unused) during the period from and including the Effective Date to but excluding the earlier of the date such Commitment terminates and the Commitment Termination Date and (ii) if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which such Lender's Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable on each Quarterly Date and on (i) in the event the Term-Out Option has not been exercised, the earlier of the date the Commitments terminate and the Commitment Termination Date or (ii) in the event the Term-Out Option has been exercised and is in effect, on the Maturity Date, commencing on the first such date to occur after the date hereof; PROVIDED that any facility fees accruing after such earlier date or the Maturity Date, as the case may be, shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) UTILIZATION FEE. XL Capital agrees to pay to the Administrative Agent for account of each Lender a utilization fee at (i) the rate per annum equal to 0.05% on the amount of the outstanding Loans of such Lender for each day that the aggregate principal amount of outstanding Loans shall be greater than 33% but less than or equal to 66% of the aggregate outstanding Commitments then in effect and (ii) the rate per annum equal to 0.125% on the amount of the outstanding Loans of such Lender for each day that the aggregate principal amount of outstanding Loans shall exceed 66% of the aggregate outstanding Commitments then in effect. Accrued utilization fees shall be payable on each Quarterly Date and on the earlier of the date the Commitments terminate and the Commitment Termination Date; PROVIDED that such utilization fees shall not accrue after the Term-Out Option has been exercised and is in effect. All utilization fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) ADMINISTRATIVE AGENT FEES. XL Capital agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between XL Capital and the Administrative Agent.

(d) PAYMENT OF FEES. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of the

facility fees and the utilization fees referred to in paragraphs (a) and (b) of this Section, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.10. INTEREST.

(a) ABR LOANS. The Loans constituting each ABR Borrowing shall bear interest at a rate per annum equal to the Alternate Base Rate.

(b) EURODOLLAR LOANS. The Loans constituting each Eurodollar Borrowing shall bear interest at a rate per annum equal to the Adjusted LIBO Rate for the Interest Period for such Borrowing plus the Applicable Margin.

(c) DEFAULT INTEREST. Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrowers hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% PLUS the rate otherwise applicable to such Loan as provided above or (ii) in the case of any other amount, 2% PLUS the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) PAYMENT OF INTEREST. Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and upon (i) in the event the Term-Out Option has not been exercised, the date the Commitments terminate or (ii) in the event the TermOut Option has been exercised, the Maturity Date; PROVIDED that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the later of the Commitment Termination Date and the Maturity Date), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Borrowing prior to the end of the Interest Period therefor, accrued interest on such Borrowing shall be payable on the effective date of such conversion.

(e) COMPUTATION. All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.



SECTION 2.11. ALTERNATE RATE OF INTEREST. If prior to the commencement of the Interest Period for any Eurodollar Borrowing:

(a) the Administrative Agent determines in good faith (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (acting in good faith) that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their respective Loans included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to XL Capital and the Lenders by telephone or teletype as promptly as practicable thereafter and, until the Administrative Agent notifies XL Capital and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing to, or the continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and such Borrowing (unless prepaid) shall be continued as, or converted to, an ABR Borrowing and (ii) if any Borrowing Request requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

SECTION 2.12. INCREASED COSTS.

(a) INCREASED COSTS GENERALLY. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lenders of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or otherwise), then the Borrowers will pay to such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) CAPITAL REQUIREMENTS. If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender such

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additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) CERTIFICATES FROM LENDERS. A certificate of a Lender setting forth such Lender's good faith determination of the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to XL Capital and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof by XL Capital.

(d) DELAY IN REQUESTS. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; PROVIDED that the Borrowers shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies XL Capital of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90 day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.13. BREAK FUNDING PAYMENTS. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period therefor (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of an Interest Period therefor, (c) the failure to borrow, convert, continue or prepay any Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice is permitted to be revocable under Section 2.08(b) and is revoked in accordance herewith), or (d) the assignment as a result of a request by XL Capital pursuant to Section 2.16(b) of any Eurodollar Loan other than on the last day of an Interest Period therefor, then, in any such event, the Borrowers shall compensate each Lender for the loss attributable to such event. The loss to any Lender attributable to any such event shall be deemed to be an amount determined by such Lender to be equal to the excess, if any, of (i) the amount of interest that such Lender would pay for a deposit equal to the principal amount of such Loan for the period from the date of such payment, conversion, failure or assignment to the last day of the then current Interest Period for such Loan (or, in the case of a failure to borrow, convert or continue, the duration of the Interest Period that would have resulted from such borrowing, conversion or continuation) if the interest rate payable on such deposit were equal to the Adjusted LIBO Rate for such Interest Period, OVER (ii) the amount of interest that such Lender would earn on such principal amount for such period if such Lender were to invest such principal amount for such period at the interest rate that would be bid by such Lender (or an affiliate of such Lender) for Dollar deposits from other banks in the eurodollar market at the commencement of such period. A certificate of any Lender setting forth such Lender's good faith determination of any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to XL Capital and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof by XL Capital.

SECTION 2.14. TAXES.

(a) PAYMENTS FREE OF TAXES. Any and all payments by or on account of any obligation of the Borrowers hereunder shall be made free and clear of and without deduction for any Indemnified Taxes; PROVIDED that if any Borrower shall be required to deduct any Indemnified Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) PAYMENT OF OTHER TAXES BY THE BORROWERS. In addition, each Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) INDEMNIFICATION BY THE BORROWERS. The Borrowers shall indemnify the Administrative Agent and each Lender, within 10 days after written demand to XL Capital therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to XL Capital by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive as between such Lender or the Administrative Agent, as the case may be, and the Borrowers absent manifest error.

(d) EVIDENCE OF PAYMENTS. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, XL Capital on behalf of such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) EXEMPTIONS. Each Lender and the Administrative Agent shall, at the written request of XL Capital, provide to any Borrower such form, certification or similar documentation, if any (each duly completed, accurate and signed) as is currently required by any Borrower Jurisdiction or any other jurisdiction, or comply with such other requirements, if any, as is currently applicable in such Borrower Jurisdiction or any other jurisdiction, in order to obtain an exemption from, or reduced rate of, deduction, payment or withholding of Indemnified Taxes or Other Taxes to which such Lender or the Administrative Agent is entitled pursuant to an applicable tax treaty or the law of such Borrower Jurisdiction or any other jurisdiction; PROVIDED that XL Capital shall have furnished to such Lender or the Administrative Agent in a reasonably timely manner copies of such documentation and notice of such requirements together with applicable instructions. The Borrowers shall not be required to indemnify any Lender or the Administrative Agent under Section 2.14(a) or (c) for any Indemnified Taxes

or Other Taxes to the extent such Indemnified Taxes or Other Taxes would not be imposed but for the failure by such Lender or the Administrative Agent, as the case may be, to comply with the provisions of the preceding sentence. Upon the written request of XL Capital, each Lender and the Administrative Agent will provide to XL Capital such form, certification or similar documentation (each duly completed, accurate and signed) as may in the future be required by any Borrower Jurisdiction or any other jurisdiction, or comply with such other requirements, if any, as may be applicable in such Borrower Jurisdiction or any other jurisdiction in order to obtain an exemption from, or reduced rate of, deduction, payment or withholding of Indemnified Taxes or Other Taxes to which such Lender or the Administrative Agent is entitled pursuant to an applicable tax treaty or the law of the relevant jurisdiction, PROVIDED that neither such Lender nor the Administrative Agent shall have any obligation to provide such form, certification or similar document if it would be unduly burdensome, would require such Lender or the Administrative Agent to disclose any confidential information or would otherwise be materially disadvantageous to such Lender or the Administrative Agent and PROVIDED FURTHER that the Borrower shall have furnished to such Lender or the Administrative Agent in a reasonably timely manner copies of such documentation and notice of such requirements together with applicable instructions.

SECTION 2.15. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) PAYMENTS BY THE BORROWERS. The Borrowers shall make each payment required to be made by them hereunder (whether of principal, interest or fees, or under Section 2.12, 2.13 or 2.14, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments pursuant to Sections 2.12, 2.13, 2.14 and 10.03, which shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) APPLICATION OF INSUFFICIENT PAYMENTS. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) PRO RATA TREATMENT. Except to the extent otherwise provided herein: (i) each Borrowing shall be made from the Lenders, each payment of fees under Section 2.09 shall be made for account of the Lenders, and each termination or reduction of the amount of the

Commitments under Section 2.06 shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (ii) each Borrowing shall be allocated pro rata among the Lenders according to the amounts of their respective Commitments (in the case of the making of Loans) or their respective Loans that are to be included in such Borrowing (in the case of conversions and continuations of Loans); (iii) each payment or prepayment of principal of Loans by the Borrowers shall be made for account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; and (iv) each payment of interest on Loans by a Borrower shall be made for account of the Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable to the respective Lenders.

(d) SHARING OF PAYMENTS BY LENDERS. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon then due than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(e) PRESUMPTIONS OF PAYMENT. Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for account of the Lenders hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the relevant Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) CERTAIN DEDUCTIONS BY THE ADMINISTRATIVE AGENT. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.04(b) or 2.15(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof),

apply any amounts thereafter received by the Administrative Agent for account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.16. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) DESIGNATION OF A DIFFERENT LENDING OFFICE. If any Lender requests compensation under Section 2.12, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for account of any Lender pursuant to Section 2.14, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.12 or 2.14, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) REPLACEMENT OF LENDERS. If any Lender requests compensation under Section 2.12, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for account of any Lender pursuant to Section 2.14, or if any Lender defaults in its obligation to fund Loans hereunder, then XL Capital may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) XL Capital shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the relevant Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.12 or payments required to be made pursuant to Section 2.14, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the relevant Borrower to require such assignment and delegation cease to apply.

ARTICLE III

GUARANTEE

SECTION 3.01. THE GUARANTEE. Each Guarantor hereby jointly and severally guarantees to each Lender and the Administrative Agent and their respective successors and

assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to each of the Borrowers (other than such Guarantor in its capacity as a Borrower hereunder) and all other amounts from time to time owing to the Lenders or the Administrative Agent by such Borrowers under this Agreement, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "GUARANTEED OBLIGATION"). Each Guarantor hereby further jointly and severally agrees that if any Borrower (other than such Guarantor in its capacity as a Borrower hereunder) shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, such Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02. OBLIGATIONS UNCONDITIONAL. The obligations of the Guarantors under Section 3.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrowers under this Agreement or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Article III that the obligations of the Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted; or

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Borrower under this Agreement or any other

agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

SECTION 3.03. REINSTATEMENT. The obligations of the Guarantors under this Article III shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including reasonable fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04. SUBROGATION. The Guarantors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations and the expiration and termination of the Commitments they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in Section 3.01, whether by subrogation or otherwise, against any Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

SECTION 3.05. REMEDIES. The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Borrowers under this Agreement may be declared to be forthwith due and payable as provided in Article VIII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VIII) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by any Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 3.01.

SECTION 3.06. CONTINUING GUARANTEE. The guarantee in this Article III is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.07. RIGHTS OF CONTRIBUTION. The Guarantors (other than XL Capital) hereby agree, as between themselves, that if any such Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, each other Guarantor (other than XL Capital) shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section shall



be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor under the other provisions of this Article III and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section, (i) "EXCESS FUNDING GUARANTOR" means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "EXCESS PAYMENT" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "PRO RATA SHARE" means, for any Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Guarantor (excluding any shares of stock of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmaturing and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Guarantors (other than XL Capital) exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmaturing and unliquidated liabilities, but excluding the obligations of the Guarantors under this Article III) of all of the Guarantors (other than XL Capital), determined (A) with respect to any Guarantor that is a party hereto on the date hereof, as of the date hereof, and (B) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

SECTION 3.08. GENERAL LIMITATION ON GUARANTEE OBLIGATIONS. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 3.01 would otherwise, taking into account the provisions of Section 3.07, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Such Borrower and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and

is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within such Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by such Borrower and constitutes a legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of (including any exchange control approval), registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of such Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon such Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of such Borrower or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) FINANCIAL CONDITION. Such Borrower has heretofore furnished to the Lenders the consolidated balance sheet and statements of income, stockholders' equity and cash flows of such Borrower and its consolidated Subsidiaries (A) as of and for the fiscal years ended December 31, 1998 and December 31, 1999, reported on by PricewaterhouseCoopers LLP, independent public accountants (as provided in XL Capital's Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 1999), and (B) as of and for the fiscal quarter ended March 31, 2000, as provided in XL Capital's Report on Form 10-Q filed with the SEC for the fiscal quarter ended March 31, 2000. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of such Borrower and its respective consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP or (in the case of XL Europe, XL Insurance or XL Mid Ocean) SAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (B) of the first sentence of this paragraph.

(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 Borrower and its Subsidiaries, taken as a whole.

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SECTION 4.05. PROPERTIES.

(a) PROPERTY GENERALLY. Such Borrower and each of its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, subject only to Liens permitted by Section 7.03 and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) INTELLECTUAL PROPERTY. Such Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.06. LITIGATION AND ENVIRONMENTAL MATTERS.

(a) ACTIONS, SUITS AND PROCEEDINGS. Except as disclosed in Schedule III or as routinely encountered in claims activity, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of such Borrower, threatened against or affecting such Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement or the Transactions.

(b) ENVIRONMENTAL MATTERS. Except as disclosed in Schedule IV and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither such Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required for its business under any Environmental Law, (ii) has incurred any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 4.07. COMPLIANCE WITH LAWS AND AGREEMENTS. Such Borrower and each of its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 4.08. INVESTMENT AND HOLDING COMPANY STATUS. Such Borrower is not (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.09. TAXES. Such Borrower and each of its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or

caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect.

Except as could not reasonably be expected to result in a Material Adverse Effect, (i) all contributions required to be made by any Borrower or any of their Subsidiaries with respect to a Non-U.S. Benefit Plan have been timely made, (ii) each Non-U.S. Benefit Plan has been maintained in compliance with its terms and with the requirements of ally and all applicable laws and has been maintained, where required, in good standing with the applicable Governmental Authority and (iii) neither any Borrower nor any of their Subsidiaries has incurred any obligation in connection with the termination or withdrawal from any Non-U.S. Benefit Plan.

SECTION 4.11. DISCLOSURE. The reports, financial statements, certificates or other information furnished by such Borrower to the Lenders in connection with the negotiation of this Agreement or delivered hereunder (taken as a whole) do not contain any material misstatement of 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; PROVIDED that, with respect to projected financial information, such Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 4.12. USE OF CREDIT. Neither such Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock. No part of the proceeds of any Loan hereunder will be used to buy or carry any Margin Stock (except for repurchases of the capital stock of XL Capital and purchases of Margin Stock 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)). The purchase of any Margin Stock with the proceeds of any Loan will not be in violation of Regulation U or X of the Board and, after applying the proceeds of such Loan, not more than 25% of the value of the assets of XL Capital and its Subsidiaries taken as a whole consists or will consist of Margin Stock.

SECTION 4.13. SUBSIDIARIES. Set forth in Schedule V is a complete and correct

list of all of the Subsidiaries of XL Capital as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the percentage of ownership of such Subsidiary represented by such ownership interests. Except as disclosed in Schedule V, (x) each of XL, Capital and its Subsidiaries owns, free and clear of Liens, and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it in Schedule V, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) except as disclosed in filings of XL Capital with the SEC prior to the date hereof, there are no outstanding Equity Rights with respect to any Borrower.

SECTION 4.14. WITHHOLDING TAXES. Based upon information with respect to each Lender provided by each Lender or the Administrative Agent, as of the date hereof, the payment of principal of and interest on the Loans, the fees under Section 2.09 and all other amounts payable hereunder will not be subject, by withholding or deduction, to any Taxes imposed by any Borrower Jurisdiction.

SECTION 4.15. STAMP TAXES. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any promissory notes evidencing Loans made (or to be made), it is not necessary that this Agreement or such promissory notes or any other document be filed or recorded with any Governmental Authority or that any stamp or similar tax be paid on or in respect of this Agreement or such promissory notes, or any other document other than such filings and recordations that have already been made and such stamp or similar taxes that have already been paid.

SECTION 4.16. LEGAL FORM. Each of this Agreement and any promissory notes evidencing Loans made (or to be made) is in proper legal form under the laws of any Borrower Jurisdiction for the admissibility thereof in the courts of such Borrower Jurisdiction.

#### ARTICLE V

#### CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which the Administrative Agent shall have received each of the following documents, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to each Lender) in form and substance (or such condition shall have been waived in accordance with Section 10.02):

(a) EXECUTED COUNTERPARTS. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page to this Agreement) that such party has signed a counterpart of this Agreement.

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(b) OPINIONS OF COUNSEL TO THE OBLIGORS. Opinions, each dated the Effective Date, of (i) Paul S. Giordano, Esq., counsel to XL Capital, substantially in the form of Exhibit B-1, (ii) Martha Bannerman, Esq., counsel to XL America, substantially in the form of Exhibit B-2, (iii) Cahill Gordon & Reindel, special U.S. counsel for the Obligors, substantially in the form of Exhibit B-3, (iv) Conyers, Dill & Pearman, special Bermuda counsel to XL Insurance and XL Mid Ocean, substantially in the form of Exhibit B-4, (v) Hunter & Hunter, special Cayman Islands counsel to XL Capital, substantially in the form of Exhibit B-5 and (vi) A&L Goodbody, special Irish counsel to XL Europe, substantially in the form of Exhibit B-6.

(c) OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE. An opinion, dated the Effective Date, of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, substantially in the form of Exhibit C (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(d) CORPORATE DOCUMENTS. Such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Obligors, the authorization of the Transactions and any other legal matters relating to the Obligors, this Agreement or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(e) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of XL Capital, confirming compliance with the conditions set forth in the lettered clauses of the first sentence of Section 5.02.

(f) OTHER DOCUMENTS. Such other documents as the Administrative Agent or any Lender or special New York counsel to Chase may reasonably request.

The obligation of any Lender to make its initial Loan hereunder is also subject to the payment by XL Capital of such fees as XL Capital shall have agreed to pay to any Lender or the Administrative Agent in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the Loans hereunder (to the extent that reasonably detailed statements for such fees and expenses have been delivered to XL Capital).

The Administrative Agent shall notify the Borrowers and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) on or prior to 3:00 p.m., New York City time, on July 7, 2000 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 5.02. EACH CREDIT EVENT. The obligation of each Lender to make any Loan is additionally subject to the satisfaction of the following conditions:

(a) the representations and warranties of the Obligors set forth in this Agreement shall be true and correct on and as of the date of such Loan (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and

(b) at the time of and immediately after giving effect to such Loan, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Obligors on the date thereof as to the matters specified in the preceding sentence.

## ARTICLE VI

### AFFIRMATIVE COVENANTS

Until the Commitments 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 Lenders that:

SECTION 6.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. Each Borrower will furnish to the Administrative Agent and each Lender:

(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 Lenders 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 Europe, XL Insurance and XL, Mid Ocean) 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 Europe, XL Insurance and XL Mid Ocean) 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 Lenders 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 7.03, 7.05, 7.06 and 7.07 and (iii) stating whether any change in GAAP or (in the case of XL Europe, XL Insurance and XL Mid Ocean) SAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.04 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 Governmental Authority succeeding to any or all of the functions of said Commission, 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 7.03(g) and the aggregate book



value of liabilities which are subject to Liens permitted under Section 7.03(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 Administrative Agent or any Lender may reasonably request.

SECTION 6.02. NOTICES OF MATERIAL EVENTS. Each Borrower will furnish to the Administrative Agent and each Lender 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.

SECTION 6.03. 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 7.01. 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.

SECTION 6.04. 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.

SECTION 6.05. 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.

SECTION 6.06. 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 7.03) 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.

SECTION 6.07. 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 6.01 in conformity with GAAP and SAP, as applicable, and to maintain accountability for assets.

SECTION 6.08. 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.

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SECTION 6.09. 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).

SECTION 6.10. 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.

SECTION 6.11. VISITATION. Each Borrower will permit such Persons as any Lender 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 Lender may reasonably request. Each Borrower hereby authorizes its financial management to discuss with any Lender the affairs of such Borrower.

## ARTICLE VII

### NEGATIVE COVENANTS

Until the Commitments 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 Lenders that:

SECTION 7.01. 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.

SECTION 7.02. 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,

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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.

SECTION 7.03. 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 Part B of Schedule II;

(b) Liens arising from taxes, assessments, charges, levies or claims described in Section 6.06 that are not yet due or that remain payable without penalty or to the extent permitted to remain unpaid under the provision of Section 6.06;

(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 7.07(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 of their Subsidiaries or its becoming a Subsidiary, and Liens existing on any property acquired by any Borrower or any of their Subsidiaries 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.

SECTION 7.04. 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 Part A of Schedule II, (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.

SECTION 7.05. 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.

SECTION 7.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than the sum of (a) \$4,500,000,000 PLUS (b) 25% of net income (if positive) for each fiscal quarter of XL Capital commencing with the fiscal quarter ending June 30, 2000.

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SECTION 7.07. 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 Agreement;

(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 7.03(f); and

(g) Indebtedness existing on the date hereof and described in Part A of Schedule II and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof.

SECTION 7.08. CLAIMS PAVING 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 will maintain at all times a rating of at least "A" from Standard & Poor's Rating Services (or its successor).

SECTION 7.09. PRIVATE ACT. No Borrower will become subject to a Private Act other than the X.L. Insurance Company, Ltd. Act, 1989.

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ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of 3 or more days;

(c) any representation or warranty made or deemed made by any Borrower in or in connection with this Agreement or any amendment or modification hereof, or in any certificate or financial statement furnished pursuant to the provisions hereof, shall prove to have been false or misleading in any material respect as of the time made (or deemed made) or furnished;

(d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Article VII;

(e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) and such failure shall continue unremedied for a period of 20 or more days after notice thereof from the Administrative Agent (given at the request of any Lender) to such Obligor;

(f) any Borrower or any of its Subsidiaries shall default (i) in any payment of principal of or interest on any other obligation for borrowed money in principal amount of \$50,000,000 or more, or any payment of any principal amount of \$50,000,000 or more under Hedging Agreements, in each case beyond any period of grace provided with respect thereto, or (ii) in the performance of any other agreement, term or condition contained in any such agreement (other than Hedging Agreements) under which any such obligation in principal amount of \$50,000,000 or more is created, if the effect of such default is to cause or permit the holder or holders of such obligation (or trustee on behalf of such holder or holders) to cause such obligation to become due prior to its stated maturity or to terminate its commitment under such agreement, PROVIDED that this clause (f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(g) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging any Borrower a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of such Borrower under the Bermuda Companies Law or the Cayman Islands Companies Law (2000 Revision), or any other similar applicable Law, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Borrower or a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have continued undischarged and unstayed for a period of 60 days;

(h) any Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under the Bermuda Companies Law or the Cayman Islands Companies Law (2000 Revision) or any other similar applicable Law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate or other action shall be taken by such Borrower in furtherance of any of the aforesaid purposes;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$100,000,000 shall be rendered against any Borrower or any of its Subsidiaries or any combination thereof and the same shall not have been vacated, discharged, stayed (whether by appeal or otherwise) or bonded pending appeal within 45 days from the entry thereof;

(j) an ERISA Event (or similar event with respect to any Non-U. S. Benefit Plan) shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events and such similar events that have occurred, could reasonably be expected to result in liability of the Borrowers and their Subsidiaries in an aggregate amount exceeding \$100,000,000;

(k) a Change in Control shall occur;

(l) XL Capital shall cease to own, beneficially and of record, directly or indirectly all of the outstanding voting shares of capital stock of XL Insurance, XL Mid Ocean, XL America or XL Europe (except, in the case of any company organized under the laws of Bermuda, for a nominal number of shares owned by nominee shareholders required by the Bermuda Companies Law); or

(m) the guarantee contained in Article III shall terminate or cease, in whole or material part, to be a legally valid and binding obligation of each Guarantor or any Guarantor or any Person acting for or on behalf of any of such parties shall contest such



validity or binding nature of such guarantee itself or the Transactions, or any other Person shall assert any of the foregoing;

then, and in every such event (other than an event with respect to any Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and in case of any event with respect to any Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

#### ARTICLE IX

##### THE ADMINISTRATIVE AGENT

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its

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Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by a Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

The Administrative Agent may resign at any time by notifying the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right, in consultation with XL Capital, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent's resignation shall nonetheless become effective and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and (2) the Required Lenders shall perform the duties of the Administrative Agent (and all payments and communications provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly) until such time as the Required Lenders appoint a successor agent as provided for above in this paragraph. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring (or retired) Administrative

Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder (if not already discharged therefrom as provided above in this paragraph). The fees payable by XI, Capital to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between XL Capital and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything herein to the contrary, the Lead Arranger, Book Manager, Syndication Agent and Co-Documentation Agents named on the cover page of this Agreement shall not have any duties or liabilities under this Agreement, except in their capacity, if any, as Lenders.

#### ARTICLE X

##### MISCELLANEOUS

SECTION 10.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Borrower, to XL Capital at Cumberland House, One Victoria Street, Hamilton HM11 Bermuda, Attention of William Robbie (Telecopy No. (441) 292-8618); WITH A COPY to Paul Giordano, Esq. at the same address and telecopy number;

(b) if to the Administrative Agent, to The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Loan and Agency Services Group, Attention of Laura Rebecca (Telecopy No. (212) 552-7490; Telephone No. (212) 552-7253), WITH A COPY to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Donald Rands (Telecopy No. (212) 270-0670; Telephone No. (212) 270-5528); and

(c) if to a Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto (or, in the case of any such change by a Lender, by notice to the Borrowers and the Administrative Agent). All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. WAIVERS; AMENDMENTS.

(a) NO DEEMED WAIVERS; REMEDIES CUMULATIVE. No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) AMENDMENTS. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Obligors and the Required Lenders or by the Obligors and the Administrative Agent with the consent of the Required Lenders; PROVIDED that no such agreement shall:

(i) increase the Commitment of any Lender without the written consent of such Lender,

(ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby,

(iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby,

(iv) change Section 2.15(c) or 2.15(d) without the consent of each Lender affected thereby,

(v) release any of the Guarantors from any of their guarantee obligations under Article III without the written consent of each Lender, and

vi) change any of the provisions of this Section or the percentage in the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

and PROVIDED FURTHER that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 10.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) COSTS AND EXPENSES. The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of one legal counsel for the Administrative Agent and one legal counsel for the Lenders, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof and (iii) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any other document referred to herein.

(b) INDEMNIFICATION BY THE BORROWERS. The Borrowers shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and to hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee (but not including Excluded Taxes) incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from or arise out of the gross negligence or willful misconduct of such Indemnitee.

(c) REIMBURSEMENT BY LENDERS. To the extent that the Borrowers fail to pay any amount required to be paid by them to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; PROVIDED that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) WAIVER OF CONSEQUENTIAL DAMAGES, ETC. To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) PAYMENTS. All amounts due under this Section shall be payable promptly after written demand therefor.

#### SECTION 10.04. SUCCESSORS AND ASSIGNS.

(a) ASSIGNMENTS GENERALLY. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower shall assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ASSIGNMENTS BY LENDERS. Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); PROVIDED that

(i) except in the case of an assignment to a Lender or a Lender Affiliate, each of the Borrowers and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld),

(ii) except in the case of an assignment to a Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrowers and the Administrative Agent otherwise consent,

(iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement,

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and

(v) the assignee, if it shall not be a Lender, shall deliver an Administrative Questionnaire to the Administrative Agent (with a copy to XL Capital);

PROVIDED FURTHER that any consent of the Borrowers otherwise required under this paragraph shall not be required if an Event of Default under clause (a), (b), (g) or (h) of Article VIII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.13, 2.14 and 10.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose vehicle (an "SPV") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to Section 2.01, PROVIDED that (i) nothing herein shall constitute a commitment by any SPV to make any Loan, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) the Borrowers may bring any proceeding against either or both the Granting Lender or the SPV in order to enforce any rights of the Borrowers hereunder. The making of a Loan by an SPV hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPV shall be liable for any payment under this Agreement for which a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof arising out of any claim against such SPV under this Agreement. In addition, notwithstanding

anything to the contrary contained in this Section, any SPV may with notice to, but without the prior written consent of, the Borrowers or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions (consented to by the Borrowers and the Administrative Agent) providing liquidity and/or credit support (if any) with respect to commercial paper issued by such SPV to fund such Loans and such SPV may disclose, on a confidential basis, confidential information with respect to any Borrower and its Subsidiaries to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit liquidity enhancement to such SPV. This paragraph may not be amended without the consent of any SPV at the time holding Loans under this Agreement.

(c) MAINTENANCE OF REGISTER BATHE ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in New York City a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by any Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) EFFECTIVENESS OF ASSIGNMENTS. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) PARTICIPATIONS. Any Lender may, without the consent of the Borrowers or the Administrative Agent, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); PROVIDED that (i) any such participation sold to a Participant which is not a Lender, a Lender Affiliate or a Federal Reserve Bank shall be made only with the consent (which in each case shall not be unreasonably withheld) of XL Capital and the Administrative Agent, unless a Default has occurred and is continuing, in which case the consent of XL Capital shall not be required, (ii) such Lender's obligations under this Agreement shall remain unchanged, (iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification



or waiver of any provision of this Agreement; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) LIMITATIONS ON RIGHTS OF ASSIGNEES AND PARTICIPANTS. A Participant or Assignee shall not be entitled to receive any greater payment under Section 2.12 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant or the Lender interest assigned, unless the sale of the participation to such Participant or the assignment is made with the Borrowers' prior written consent.

(g) CERTAIN PLEDGES. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) NO ASSIGNMENTS TO ANY BORROWER OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan held by it hereunder to any Borrower or any of its Affiliates or Subsidiaries without the prior consent of each Lender.

SECTION 10.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.12, 2.13, 2.14 and 10.03 and Article IX shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract between and among the parties relating to the

subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. GOVERNING LAW; Jurisdiction; Etc.

(a) GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. Each Obligor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

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(c) WAIVER OF VENUE. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) SERVICE OF PROCESS. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) WAIVER OF IMMUNITIES. To the extent that any Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or execution, on the ground of sovereignty or otherwise) with respect to itself or its property, it hereby irrevocably waives, to the fullest extent permitted by applicable law, such immunity in respect of its obligations under this Agreement.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 10.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. TREATMENT OF CERTAIN INFORMATION;  
CONFIDENTIALITY.

(a) TREATMENT OF CERTAIN INFORMATION. Each of the Borrowers acknowledge that from time to time financial advisory, investment banking and other services may be offered or provided to any Borrower or one or more of their Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender and each of the Borrowers hereby authorizes each Lender to share any information delivered to such Lender by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that (i) any such information shall be used only for the purpose of

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advising the Borrowers or preparing presentation materials for the benefit of the Borrowers and (ii) any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) of this Section as if it were a Lender hereunder. Such authorization shall survive the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

(b) CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority having jurisdiction over the Administrative Agent or any Lender, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement in writing containing provisions substantially the same as those of this paragraph and for the benefit of the Borrowers, to (a) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (b) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (vii) with the consent of the Borrowers or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this paragraph or (B) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than a Borrower. For the purposes of this paragraph, "INFORMATION" means all information received from a Borrower relating to a Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Borrower; PROVIDED that, in the case of information received from a Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. Notwithstanding the foregoing, each of the Administrative Agent and the Lenders agree that they will not trade the securities of any of the Borrowers based upon non-public Information that is received by them.

SECTION 10.13. JUDGMENT CURRENCY. This is an international loan transaction in which the specification of Dollars and payment in New York City is of the essence, and the obligations of each Borrower under this Agreement to make payment to (or for account of) a Lender in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that such tender or recovery results in the effective receipt by such Lender in New York City of the full amount of Dollars payable to such Lender under this Agreement. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency (in this Section called the " JUDGMENT CURRENCY"), the rate of

exchange that shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase such Dollars at the principal office of the Administrative Agent in New York City with the judgment currency on the Business Day next preceding the day on which such judgment is rendered. The obligation of each Borrower in respect of any such sum due from it to the Administrative Agent or any Lender hereunder (in this Section called an "ENTITLED PERSON") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder in the judgment currency such Entitled Person may in accordance with normal banking procedures purchase and transfer Dollars to New York City with the amount of the judgment currency so adjudged to be due; and each Borrower hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify such Entitled Person against, and to pay such Entitled Person on demand, in Dollars, the amount (if any) by which the sum originally due to such Entitled Person in Dollars hereunder exceeds the amount of the Dollars so purchased and transferred.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC., as a Borrower and a Guarantor

By /s/ Martha G. Bannerman  
-----  
Name: Martha G. Bannerman  
Title:

XL INSURANCE LTD,  
as a Borrower and a Guarantor

By  
-----  
Name:  
Title:

XL EUROPE LTD,  
as a Borrower and a Guarantor

By  
-----  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD,  
as a Borrower and a Guarantor

By  
-----  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC.,  
as a Borrower and a Guarantor

By \_\_\_\_\_  
Name:  
Title:

XL INSURANCE LTD,  
as a Borrower and a Guarantor

By /s/ Christopher V. Greetham  
\_\_\_\_\_  
Name: Christopher V. Greetham  
Title: EVP and Chief Investment  
Officer

XL EUROPE LTD,  
as a Borrower and a Guarantor

By \_\_\_\_\_  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD,  
as a Borrower and a Guarantor

By /s/ Christopher V. Greetham  
\_\_\_\_\_  
Name: Christopher V. Greetham  
Title: EVP and Chief Investment  
Officer

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC.,  
as a Borrower and a Guarantor

By \_\_\_\_\_  
Name:  
Title:

XL INSURANCE LTD,  
as a Borrower and a Guarantor

By \_\_\_\_\_  
Name:  
Title:

XL EUROPE LTD,  
as a Borrower and a Guarantor

By           /s/ Walker Rainey  
\_\_\_\_\_  
Name: Walker Rainey  
Title: Executive Vice President and  
Chief Financial Officer

XL MID OCEAN REINSURANCE LTD,  
as a Borrower and a Guarantor

By \_\_\_\_\_  
Name:  
Title:



IN WITNESS WHEREOF, XL Capital has caused this Agreement 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/ Michael Siese

-----  
witness

By: /s/ Paul S. Giordano

-----  
Name: Paul S. Giordano  
Title: Secretary

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LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: \_\_\_\_\_ /s/ Donald Rands  
-----  
Name: Donald Rands  
Title: Vice President

CITIBANK, N.A.

By: \_\_\_\_\_  
-----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: \_\_\_\_\_  
-----  
Name:  
Title:

By: \_\_\_\_\_  
-----  
Name:  
Title:

MELLON BANK, N.A.

By: \_\_\_\_\_  
-----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: -----  
Name:  
Title:

CITIBANK, N.A.

By: /s/ Alan Chalmers  
-----  
Name: Alan Chalmers  
Title: Managing Director

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

MELLON BANK, N.A.

By: -----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: -----  
Name:  
Title:

CITIBANK, N.A.

By: -----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: /s/ John S. McGill  
-----  
Name: John S. McGill  
Title: Director

By: /s/ Ruth Leung  
-----  
Name: Ruth Leung  
Title: Director

MELLON BANK, N.A.

By: -----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: -----  
Name:  
Title:

CITIBANK, N.A.

By: -----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

MELLON BANK, N.A.

By: /s/ Susan M. Whitewood  
-----  
Name: Susan M. Whitewood  
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Lisa A. Pile  
-----  
Name: Lisa A. Pile  
Title: Assistant Vice President

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: -----  
Name:  
Title:

ABN AMRO BANK N.V.

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

BARCLAYS BANK PLC

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

FLEET NATIONAL BANK

By: -----  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: /s/ Samuel W. Bridges  
-----  
Name: Samuel W. Bridges  
Title: Senior Vice President

ABN AMRO BANK N.V.

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

BARCLAYS BANK PLC

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

FLEET NATIONAL BANK

By: -----  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: -----  
Name:  
Title:

ABN AMRO BANK N.V.

By: /s/ Ray Catt  
-----  
Name: Ray Catt  
Title: Head of Insurance Banking

By: /s/ Martyn Taplin  
-----  
Name: Martyn Taplin  
Title:

BARCLAYS BANK PLC

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:



FLEET NATIONAL BANK

By: -----  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: -----  
Name:  
Title:

ABN AMRO BANK N.V.

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

BARCLAYS BANK PLC

By: /s/ J.V. French  
-----  
Name: J.V. French  
Title: Relationship Director

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Sebastian Rocco  
-----  
Name: Sebastian Rocco  
Title: Senior Vice President

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST  
COMPANY

By: -----  
Name:  
Title:

THE BANK OF BERMUDA LIMITED

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: /s/ Debra Basler  
-----  
Name: Debra Basler  
Title: Vice President

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST  
COMPANY

By: -----  
Name:  
Title:

THE BANK OF BERMUDA LIMITED

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: /s/ Daniel J. Norton  
-----  
Name: Daniel J. Norton  
Title: Director

STATE STREET BANK AND TRUST  
COMPANY

By: -----  
Name:  
Title:

THE BANK OF BERMUDA LIMITED

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST  
COMPANY

By: /s/ Edward M. Anderson  
-----  
Name: Edward M. Anderson  
Title: Vice President

THE BANK OF BERMUDA LIMITED

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST  
COMPANY

By: -----  
Name:  
Title:

THE BANK OF BERMUDA LIMITED

By: /s/ Michael W. Collins  
-----  
Name: Mr. Michael Collins  
Title: Senior Vice President

COMERICA BANK

By: /s/ Carlyle E. Justus

-----  
Name: Carlyle E. Justus  
Title: First Vice President

364-DAY CREDIT AGREEMENT

## SCHEDULE I

## COMMITMENTS

NAME OF LENDER -----	COMMITMENT (\$) -----
The Chase Manhattan Bank	61,250,000
Citibank, N.A.	59,580,000
Deutsche Bank AG, New York and/or Cayman Islands Branches	59,580,000
Mellon Bank, N.A.	59,580,000
Fleet National Bank	33,330,000
Bank One, NA (Main Office Chicago)	33,330,000
ABN AMRO Bank N.V.	33,330,000
Barclays Bank PLC	33,330,000
Credit Lyonnais New York Branch	33,330,000
Bank of America, N.A.	33,330,000
First Union National Bank	16,670,000
State Street Bank and Trust Company	16,670,000
The Bank of Bermuda, Limited	10,000,000
Comerica Bank	16,670,000
TOTAL:	\$500,000,000

Schedule I to 364-Day Credit Agreement



SCHEDULE II

INDEBTEDNESS AND LIENS

Part A - INDEBTEDNESS

SCHEDULE II-A

INDEBTEDNESS

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 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.
4. Amendment No. 3 to Credit Agreement (5-Year) between Mid Ocean Limited and The Chase Manhattan Bank.
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.
9. Fourth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A.
10. Fifth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A.
11. Short Term Revolving Credit Agreement between XL Capital Ltd et al and Mellon Bank, N.A., dated as of June 30, 1999.

12. First Amendment to Short Term Revolving Credit Agreement between XL Capital Ltd et al. and Mellon Bank, N.A.
13. 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.
14. 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.
15. Letter of Credit Facility and Reimbursement Agreement dated as of December 30, 1999 by and among XL Insurance Ltd et al. and Mellon Bank, N.A.
16. First Amendment to Letter of Credit Facility and Reimbursement Agreement dated as of December 30, 1999 by and among XL Insurance Ltd et al. and Mellon Bank, N.A.
17. Letter of Credit Agreement dated as of December 17, 1999 by and among XL Insurance Ltd, XL Mid Ocean Reinsurance Ltd and The Chase Manhattan Bank.
18. First Amendment to Letter of Credit Agreement dated as of December 17, 1999 by and among XL Insurance Ltd, XL Mid Ocean Reinsurance Ltd and The Chase Manhattan Bank.
19. Letter of Credit Facility Agreement dated as of December 17, 1999 by and among XL Capital Ltd et al. and ING Bank, N.V. (London Branch).
20. Amendment No. 1 to Letter of Credit Facility Agreement dated as of December 17, 1999 by and among XL Capital Ltd et al. and ING Bank, N.V. (London Branch).
21. Letter of Credit Agreement (Secured) between Citibank and XL Mid Ocean Reinsurance Ltd, dated as of 19th May, 1993 (as amended).
22. \$11 million Term Loan Agreement between Exel Cumberland and the Bank of Bermuda (Luxembourg) S.A.
23. Semi-secured Letter of Credit Facility between Barclays Bank plc and NAC Reinsurance International Limited, dated November 16, 1999.
24. 7.15% Senior Notes due 2005 issued by NAC Reinsurance.

25. Arrangements for Letters of Credit issued for NAC Reinsurance Corp. for U.S. facility by Fleet Boston.

26. Arrangements for Letters of Credit issued for Latin America Reinsurance by Fleet Boston.

Part B - LIENS

SCHEDULE II TO 364-DAY CREDIT AGREEMENT

1. Liens existing pursuant to the agreement referred to in paragraphs 13 and 14 of Schedule II-A.
2. Liens existing pursuant to the agreement referred to in paragraph 21 of Schedule II-A.
3. Liens existing pursuant to the agreement referred to in paragraph 23 of schedule II-A.
4. Collateral held as blocked deposits at Barclays for Letters of Credit between Lloyd (Denham) and NAC Reinsurance International Ltd.

SCHEDULE III

LITIGATION

None.

SCHEDULE III TO 364-DAY CREDIT AGREEMENT

SCHEDULE IV

ENVIRONMENTAL MATTERS

None.

SCHEDULE IV TO 364-DAY CREDIT AGREEMENT

## SUBSIDIARIES

## SCHEDULE V TO 364-DAY CREDIT AGREEMENT

XL CAPITAL LTD - CAYMAN

-----

EXEL HOLDINGS LIMITED - CAYMAN(1)

- XL INSURANCE LTD - BERMUDA
  - XL FINANCIAL ASSURANCE LTD. (85%) - BERMUDA
  - XL CAPITAL PRODUCTS LTD - BERMUDA
  - XL INVESTMENTS LTD - BERMUDA
    - X.L. Investment Private Trustee Ltd. - BERMUDA
    - XL Investments (Barbados) Inc. - BARBADOS
    - First Cumberland Bank, Inc. - BARBADOS
    - Garrison Investments Inc. - BARBADOS
    - Kensington Investments Inc. - BARBADOS
      - XLB Partners Inc. - BARBADOS IBC
      - Cumberland Holdings, Inc. - DE
      - Cumberland California, Inc. - DE
      - Cumberland New York, Inc. - DE
    - InQuisLogic Ltd. - BARBADOS
    - InQuisLogic Inc. - DE
    - RiskConnect Ltd. - BARBADOS
    - RiskConnect Inc. - DE
- FINANCIAL SECURITY ASSURANCE INTERNATIONAL LTD. (80%) - BERMUDA
- XL GLOBAL SERVICES (BERMUDA) LTD. - BERMUDA
- XL HOLDINGS BARBADOS LTD. - BARBADOS
  - X.L. America Inc. - DE
  - Brockbank Insurance Services Inc. - CA
  - Global Credit Analytics, Inc. - DE
  - XL Global Services, Inc. - DE
  - NAC RE CORPORATION - DE
    - NAC Re International Holdings Ltd - UK
    - NAC Reinsurance International Limited - UK
    - Denham Syndicate Management Ltd - UK
    - Stonebridge Underwriting Ltd - UK
    - NAC Re International Services Co., Ltd - UK
    - NAC REINSURANCE CORPORATION (A - 76%) - NY
    - NAC Re Investment Holdings, Inc. - DE XL Capital Assurance, Inc. - NY Intercargo Corporation - DE
    - Intercargo International Limited - BVI
- ECS INC. - PA (70%)
  - ECS ALTERNATIVE MARKET SERVICES, INC. - PA
  - ECS HOLDINGS, INC. - DE
    - ECS International, Inc. - DE
    - ECS Asesores en Seguros Medioambientales, S.A.R.L. - SPAIN
    - The ECS Group, Ltd - UK
    - ECS Underwriting Ltd. - UK
    - Environmental Compliance Svcs Ltd. - UK

Consulting Services International Ltd. - UK  
 ECS Asesores en Aseguramiento de Riesgos  
 Ambientales S.A. de C.V. - MEXICO  
 Risk & Insurance Services, Inc. - BARBADOS  
 ECS UNDERWRITING, INC. - PA  
 ECS CLAIMS ADMINISTRATORS, INC. - PA  
 ECS RISK CONTROL, INC. - PA  
 ECS CHILD CARE CENTER, INC. - PA  
 X.L. ONE LTD. - BERMUDA  
 XL Europe (50%) - REPUBLIC OF IRELAND  
 X.L. TWO LTD. - BERMUDA  
 XL Europe (50%) - REPUBLIC OF IRELAND  
 XL Australia Pty Ltd - AUSTRALIA  
 XL Prevent Ltd - UK  
 IPT COMPLIANCE LIMITED - UK  
 EXEL CUMBERLAND LIMITED - UK  
 INQUISCAPITAL HOLDINGS (BERMUDA) LIMITED - BERMUDA  
 InQuisLogic (Bermuda) Limited - BERMUDA  
 RiskConnect Limited - BERMUDA  
 EXEL ACQUISITION LTD. - CAYMAN  
 GCR HOLDINGS LIMITED - CAYMAN (IN LIQUIDATION)  
 X.L. PROPERTY HOLDINGS LTD. - BERMUDA  
 MID OCEAN LIMITED - CAYMAN  
 MID OCEAN HOLDINGS LIMITED - BERMUDA  
 XL Mid Ocean Reinsurance Ltd - BERMUDA  
 ECS Reinsurance Ltd - BERMUDA  
 Global Capital Underwriting Ltd. - UK  
 LARC Holdings Ltd. - BERMUDA  
 Latin America Reinsurance Company Ltd. - BERMUDA  
 Ridgewood Holdings Company - BERMUDA  
 The Brockbank Group Plc - UK  
 Brockbank Holdings Limited - UK  
 Baltusrol Holdings Ltd - BERMUDA  
 County Down Limited - CORPORATE MEMBER SYNDICATE 2253  
 Dornoch Limited - CORPORATE MEMBER SYNDICATE 1209  
 Brockbank Underwriting Limited - UK  
 Brockbank Personal Lines Limited - SYNDICATES 253/2253  
 Cassidy Brockbank Limited (DORMANT)  
 Brockbank Syndicate Management Limited - SYNDICATES 588/861/1209  
 Brockbank Syndicate Services Limited

(1) 100% ownership unless otherwise indicated



[Form of Assignment and Acceptance]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the 364-Day Credit Agreement dated as of July 5, 2000 (as amended and in effect on the date hereof, the "CREDIT AGREEMENT"), between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Mid Ocean Reinsurance Ltd, the Lenders named therein and The Chase Manhattan Bank, as Administrative Agent for the Lenders. Terms defined in the Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sells and assigns, without recourse, to the Assignee named below, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the "ASSIGNED INTEREST") in the Assignor's rights and obligations under the Credit Agreement, including the interests set forth below in the Commitment of the Assignor on the Assignment Date and Loans owing to the Assignor which are outstanding on the Assignment Date, together with unpaid interest accrued on the assigned Loans to the Assignment Date, and the amount, if any, set forth below of the fees accrued to the Assignment Date for account of the Assignor. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) any documentation required to be delivered by the Assignee pursuant to Section 2.14(e) of the Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 10.04(b) of the Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

ASSIGNMENT AND ACCEPTANCE

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment  
("ASSIGNMENT DATE")1:

Principal Amount  
Assigned  
-----

Commitment Assigned:

\$

Loans:

\$

Fees Assigned (if any):

\$

- -----  
(1) Must be at least five Business Days after execution hereof by all parties

ASSIGNMENT AND ACCEPTANCE

The terms set forth above are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: \_\_\_\_\_  
Name:  
Title:

[NAME OF ASSIGNEE], as Assignee

By: \_\_\_\_\_  
Name:  
Title:

The undersigned hereby consent to the within assignment:(2)

XL CAPITAL LTD

By: \_\_\_\_\_  
Name:  
Title:

X.L. AMERICA, INC.

By: \_\_\_\_\_  
Name:  
Title:

- \_\_\_\_\_  
(2) Consents to be included to the extent required by Section 10.04(b) of the  
Credit Agreement.

ASSIGNMENT AND ACCEPTANCE

XL INSURANCE LTD

By: -----  
Name:  
Title:

XL EUROPE LTD

By: -----  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD

By: -----  
Name:  
Title:

THE CHASE MANHATTAN BANK,  
as Administrative Agent

By: -----  
Name:  
Title:

ASSIGNMENT AND ACCEPTANCE

[Form of Opinion of Special New York Counsel to Chase]

[\_\_\_\_\_], 2000

To the Lenders party to the Credit Agreement referred to below and The Chase Manhattan Bank, as Administrative Agent

Ladies and Gentlemen:

We have acted as special New York counsel to The Chase Manhattan Bank ("CHASE") in connection with the 364-Day Credit Agreement (the "CREDIT AGREEMENT") dated as of July 5, 2000, between XL Capital Ltd, ("XL CAPITAL"), X.L. America, Inc., ("XL AMERICA"), XL Insurance Ltd, ("XL INSURANCE"), XL Europe Ltd, ("XL EUROPE") and XL Mid Ocean Reinsurance Ltd, ("XL MID OCEAN" 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 lenders party thereto and Chase, as Administrative Agent, providing for loans to be made by said lenders to the Borrowers in an aggregate principal amount not exceeding \$500,000,000. Terms defined in the Credit Agreement are used herein as defined therein. This opinion letter is being delivered pursuant to Section 5.01(c) of the Credit Agreement.

In rendering the opinions expressed below, we have examined the following agreements, instruments and other documents:

(a) the Credit Agreement; and

(b) the promissory notes (if any) issued on the date hereof (the "NOTES" and, together with the Credit Agreement, the "CREDIT DOCUMENTS").

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied upon representations made in or pursuant to the Credit Agreement.

In rendering the opinions expressed below, we have assumed, with respect to all of the documents referred to in this opinion letter, that:

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

- (i) such documents have been duly authorized by, have been duly executed and delivered by, and (except to the extent set forth in the opinions expressed below as to the Obligor) constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;
- (ii) all signatories to such documents have been duly authorized; and
- (iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that each of the Credit Documents constitutes the legal, valid and binding obligation of each Obligor party thereto, enforceable against such Obligor in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as the enforceability of the Credit Documents is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of Section 10.03 of the Credit Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Credit Agreement to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) Clause (iii) of the second sentence of Section 3.02 of the Credit Agreement may not be enforceable to the extent that the Guaranteed Obligations are materially modified.

(D) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Lender is located (other than the State of New York) that limit the interest, fees or other charges such Lender may impose, (ii) the last sentence of Section 2.15(d), (iii) the first sentence of Section 10.09(b) of the Credit Agreement, insofar as such

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Credit Agreement and (iv) the waiver of inconvenient forum set forth in Section 10.09(c) of the Credit Agreement with respect to proceedings in the United States District Court for the Southern District of New York.

The foregoing opinions are limited to matters involving the Federal laws of the United States of America and the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

At the request of our client, this opinion letter is, pursuant to Section 5.01(c) of the Credit Agreement, provided to you by us in our capacity as special New York counsel to Chase and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Credit Agreement (other than your successors and assigns as Lenders and Persons that acquire participations in your extensions of credit under the Credit Agreement) without, in each instance, our prior written consent.

Very truly yours,

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

-----  
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 Hereto

and

THE CHASE MANHATTAN BANK,  
as Administrative Agent

-----  
\$1,000,000,000  
-----

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  
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EXHIBIT B-6 - Form of Opinion of Special Irish Counsel to XL Europe  
EXHIBIT C - Form of Opinion of Special New York Counsel to Chase

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT dated as of July 5, 2000, 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 MID OCEAN REINSURANCE LTD, a Bermuda limited liability corporation ("XL MID OCEAN" 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 Account Parties have requested that the Lenders issue letters of credit for their account in an aggregate face amount not exceeding \$1,000,000,000 at any one time outstanding, and the Lenders are prepared to issue such letters of credit upon the terms and conditions hereof. Accordingly, the parties hereto agree as follows:

#### ARTICLE I

##### DEFINITIONS

SECTION 1.01. DEFINED TERMS. As used in this Agreement, the following terms have the meanings specified below:

"ACCOUNT PARTIES" means each of XL Capital, XL America, XL Insurance, XL Europe and XL Mid Ocean.

"ACCOUNT PARTY JURISDICTION" means (a) Bermuda, (b) the Cayman Islands, (c) the Republic of Ireland and (d) any other country (i) where any Account Party is licensed or qualified to do business or (ii) from or through which payments hereunder are made by any Account Party.

"ADMINISTRATIVE AGENT" means Chase, in its capacity as administrative agent for the Lenders hereunder.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to a specified Person, another Person that directly, or indirectly, Controls or is Controlled by or is under common Control with the Person specified.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate for such day

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PLUS 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, as the case may be.

"APPLICABLE PERCENTAGE" means, with respect to any Lender, the percentage of the total Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 10.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"AVAILABILITY PERIOD" means the period from and including the Effective Date to and including the Commitment Termination Date.

"BACKSTOPPED LETTER OF CREDIT" means a letter of credit identified in Schedule VI (a) issued for account of an Account Party, (b) as to which the issuer thereof has become the beneficiary of a Letter of Credit issued hereunder under which such beneficiary is entitled to draw in an amount equal to any drawing under such identified letter of credit and (c) as to which, if the reimbursement obligations thereunder were originally secured, such beneficiary terminates any Lien securing such reimbursement obligations upon its receipt of such Letter of Credit.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BUSINESS DAY" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City, London, the Cayman Islands, British West Indies, Bermuda or Ireland are authorized or required by law to remain closed.

"CAPITAL LEASE OBLIGATIONS" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"CHANGE IN CONTROL" means the occurrence of any of the following events or conditions: (a) any Person or group of Persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, and the rules and regulations thereunder) shall have become the beneficial owner (as defined in rules promulgated by the SEC) of more than 40% of the voting securities of XL Capital; (b) the sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of XL Capital; or (c) a majority of the members of XL Capital's board of directors are persons who are then serving on

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the board of directors without having been elected by the board of directors or having been nominated for election by its shareholders.

"CHANGE IN LAW" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender (or, for purposes of Section 2.06(b), by any lending office of such Lender or by such Lender's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"CHASE" means The Chase Manhattan Bank.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time.

"COMMITMENT" means, with respect to each Lender, the commitment of such Lender to issue Letters of Credit hereunder. The initial amount of each Lender's Commitment is set forth on Schedule I, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable, but in each case as such Commitment may be (a) reduced from time to time pursuant to Section 2.04 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 10.04. The initial aggregate amount of the Lenders' Commitments is \$1,000,000,000.

"COMMITMENT TERMINATION DATE" means June 29, 2001.

"CONFIRMING LENDER" means, with respect to any Lender, any other bank that has agreed, by delivery of an agreement in form and substance satisfactory to the Administrative Agent that such other bank will itself honor the obligations of such Lender in respect of a draft complying with the terms of a Letter of Credit as if, and to the extent, such other bank were the "ISSUING LENDER" named in such Letter of Credit.

"CONSOLIDATED NET WORTH" means, at any time, the consolidated stockholders' equity of XL Capital and its Subsidiaries.

"CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "CONTROLLING" and "CONTROLLED" have meanings correlative thereto.

"CREDIT AGREEMENT" means the 364-Day Credit Agreement dated as of July 5, 2000 between the Obligors, the lenders party thereto and Chase, as administrative agent for such lenders.

"CREDIT DOCUMENTS" means, collectively, this Agreement and the Letter of Credit Documents.

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"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.

"DOLLARS" or "\$" refers to lawful money of the United States of America.

"EFFECTIVE DATE" means the date on which the conditions specified in Section 5.01 are satisfied (or waived in accordance with Section 10.02).

"ENVIRONMENTAL LAWS" means any Law, whether now existing or subsequently enacted or amended, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of Persons, including but not limited to employees, to Hazardous Materials, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of Hazardous Materials or (d) regulation of the manufacture, use or introduction into commerce of Hazardous Materials, including their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage or disposal.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of an Account Party or any Subsidiary resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract or agreement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"EQUITY RIGHTS" means, with respect to any Person, any subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including any shareholders' or voting trust agreements) for the issuance, sale, registration or voting of, or securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, such Person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that, together with any Account Party, is treated as a single employer under Section 414(b) or (c) of the Code, or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA EVENT" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or

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Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Account Party or any of such Account Party's ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Account Party or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Account Party or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Account Party or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Account Party or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EVENT OF DEFAULT" has the meaning assigned to such term in Article VIII.

"EXCLUDED TAXES" means, with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Account Party hereunder, (a) Taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits Taxes imposed by the United States of America or any similar Tax imposed by any other jurisdiction in which any Account Party is located or (c) with respect to any Lender (other than an assignee pursuant to a request by XL Capital pursuant to Section 2.09(b)) any Indemnified Tax that (i) is in effect and would apply to amounts payable to such Lender at the time such Lender becomes a party to this Agreement (or designates a new lending office), other than any Indemnified Tax imposed on any payment to any Lender to the extent such Lender (or its assignee, as the case may be) was entitled, at the time of designation of a new lending office (or assignment, as the case may be) to receive additional amounts from such Account Party with respect to such Indemnified Tax pursuant to Section 2.07(a) or (ii) is attributable to such Lender's failure or inability to comply with Section 2.07(e).

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FINANCIAL OFFICER" means, with respect to any Obligor, a principal financial officer of such Obligor.

"GAAP" means generally accepted accounting principles in the United States of America.

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"GOVERNMENTAL AUTHORITY" means the government of the United States of America, or of any other nation, or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"GUARANTEE" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any property constituting security therefor for the purpose of assuring the holder of such Indebtedness, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keepwell agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guarantee hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount of the Indebtedness in respect of which such Guarantee is made. The terms "GUARANTEE" and "GUARANTEED" used as a verb shall have a correlative meaning.

"GUARANTORS" means each of XL Capital, XL America, XL Insurance, XL Europe and XL Mid Ocean.

"HAZARDOUS MATERIALS" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"HEDGING AGREEMENT" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"INDEBTEDNESS" means, for any Person, without duplication (it being understood, for the avoidance of doubt, that insurance payment liabilities, as such, and liabilities arising in the ordinary course of such Person'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 (in each case other than in connection with the provision of financing to such Person or any of such Person's Affiliates) shall not be deemed to constitute Indebtedness): (i) all indebtedness or liability for or on account of money borrowed by, or for or on account of deposits with or advances to (but not including accrued pension costs, deferred income taxes or accounts payable of) such Person; (ii) all obligations (including contingent liabilities) of such

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Person evidenced by bonds, debentures, notes, banker's acceptances or similar instruments; (iii) all indebtedness or liability for or on account of property or services purchased or acquired by such Person; (iv) any amount secured by a Lien on property owned by such Person (whether or not assumed) and Capital Lease Obligations of such Person (without regard to any limitation of the rights and remedies of the holder of such Lien or the lessor under such capital lease to repossession or sale of such property); (v) the maximum available amount of all standby letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed); and (vi) all Guarantees of such Person.

"INDEMNIFIED TAXES" means Taxes (including Other Taxes) imposed on the Administrative Agent or any Lender on or with respect to any payment hereunder or the execution, delivery or enforcement of, or otherwise with respect to this Agreement other than Excluded Taxes.

"ISSUING LENDER" means any Lender in its capacity as an issuer of one or more Letters of Credit hereunder.

"LAW" means any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

"LC DISBURSEMENT" means a payment made by a Lender pursuant to a Letter of Credit.

"LC EXPOSURE" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time PLUS (b) the aggregate amount of all LC Disbursements under Letters of Credit that have not yet been reimbursed by or on behalf of the Account Parties at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"LENDER AFFILIATE" means with respect to any Lender, (a) an Affiliate of such Lender or (b) any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

"LENDERS" means the Persons listed on Schedule I and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance.

"LETTER OF CREDIT DOCUMENTS" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit.

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"LETTERS OF CREDIT" means Letters of Credit issued under Section 2.01.

"LIEN" means, with respect to any asset, any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, including but not limited to any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

"MARGIN STOCK" means "margin stock" within the meaning of Regulations T, U and X of the Board.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on: (a) the assets, business, financial condition or operations of an Account Party and its Subsidiaries taken as a whole; or (b) the ability of an Account Party to perform any of its payment or other material obligations under this Agreement.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NAIC" means the National Association of Insurance Commissioners.

"NAIC APPROVED LENDER" means (a) any Lender that is a bank listed on the most current Bank List of banks approved by the NAIC (the "NAIC LENDER LIST") or (b) any Lender as to which its Confirming Lender is a bank listed on the NAIC Lender List.

"NON-U.S. BENEFIT PLAN" means any plan, fund (including any superannuation fund) or other similar program established or maintained outside the United States by any Account Party or any of their Subsidiaries, with respect to which such Account Party or such Subsidiary has an obligation to contribute, for the benefit of employees of such Account Party or such Subsidiary, which plan, fund or other similar program provides, or results in, the type of benefits described in Section 3(1) or 3(2) of ERISA, and which plan is not subject to ERISA or the Code.

"OBLIGORS" means each of the Account Parties and each of the Guarantors.

"OTHER TAXES" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PERSON" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"PLAN" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302

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of ERISA, and in respect of which any Account Party or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PRIVATE ACT" means separate legislation enacted in Bermuda with the intention that such legislation apply specifically to an Account Party, in whole or in part.

"QUARTERLY DATES" means the last Business Day of March, June, September and December in each year, the first of which shall be the first such day after the date hereof.

"REGISTER" has the meaning assigned to such term in Section 10.04.

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REPLACED LETTER OF CREDIT" means a letter of credit identified in Schedule VI (a) issued for account of an Account Party and (b) as to which the beneficiary thereof has become the beneficiary of a Letter of Credit issued hereunder that contains a provision to the effect that such Letter of Credit shall be of no force or effect, and no drawing under such Letter of Credit may be made, unless and until the issuer of such identified letter of credit receives such identified letter of credit within 30 days after the date of issuance of such Letter of Credit together with instructions from such beneficiary to cancel such identified letter of credit.

"REQUIRED LENDERS" means, at any time, Lenders having Commitments representing more than 50% of the sum of the total Commitments at such time; provided that, if the Commitments have expired or been terminated, "Required Lenders" means Lenders having more than 50% of the aggregate LC Exposure of the Lenders.

"SAP" means, as to each Account Party and each Subsidiary that offers insurance products, the statutory accounting practices prescribed or permitted by the relevant Governmental Authority for such Account Party's or such Subsidiary's domicile for the preparation of its financial statements and other reports by insurance corporations of the same type as such Account Party or such Subsidiary in effect on the date such statements or reports are to be prepared, except if otherwise notified by XL Capital as provided in Section 1.03.

"SEC" means the Securities and Exchange Commission or any successor entity.

"SUBSIDIARY" means, with respect to any Person (the "PARENT"), at any date, any corporation (or similar entity) of which a majority of the shares of outstanding capital stock normally entitled to vote for the election of directors (regardless of any contingency which does or may suspend or dilute the voting rights of such capital stock) is at such time owned directly or

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indirectly by the parent or one or more subsidiaries of the parent. Unless otherwise specified, "Subsidiary" means a Subsidiary of an Account Party.

"TAXES" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"TOTAL FUNDED DEBT" means, at any time, all Indebtedness of XL Capital and its Subsidiaries which would at such time be classified in whole or in part as a liability on the consolidated balance sheet of XL Capital in accordance with GAAP.

"TRANSACTIONS" means the execution, delivery and performance by the Obligors of this Agreement and the other Credit Documents to which any Account Party is intended to be a party and the issuance of Letters of Credit hereunder.

"WITHDRAWAL LIABILITY" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. TERMS GENERALLY. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. ACCOUNTING TERMS; GAAP AND SAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP or SAP, as the context requires, each as in effect from time to time; provided that, if XL Capital notifies the Administrative Agent that the Account Parties request an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or SAP, as the case may be, or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Account Parties that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or SAP, as

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the case may be, or in the application thereof, then such provision shall be interpreted on the basis of GAAP or SAP, as the case may be, as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II

THE CREDITS

SECTION 2.01. THE COMMITMENTS.

(a) GENERAL. Subject to the terms and conditions set forth herein, at the request of any Account Party the Lenders agree at any time and from time to time during the Availability Period to issue Letters of Credit for account of such Account Party in an aggregate amount that will not result in the total LC Exposures exceeding the total Commitments (it being understood that Letters of Credit may be issued, or be outstanding, for the account of more than one of the Account Parties at any time). Each Letter of Credit shall be in such form as is consistent with the requirements of the applicable regulatory authorities in Illinois, California or New York as reasonably determined by the Administrative Agent or as otherwise agreed to by the Administrative Agent and XL Capital; PROVIDED that, without the prior consent of each Lender, no Letter of Credit may be issued that would vary the several and not joint nature of the obligations of the Lenders thereunder as provided in the next succeeding sentence. Each Letter of Credit shall be issued by all of the Lenders, acting through the Administrative Agent, at the time of issuance as a single multi-bank letter of credit, but the obligation of each Lender thereunder shall be several and not joint, based upon its Applicable Percentage of the aggregate undrawn amount of such Letter of Credit.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), an Account Party shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Administrative Agent) to the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension, as the case may be (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and the terms and conditions of (and such other information as shall be necessary to prepare, amend, renew or extend, as the case may be) such Letter of Credit. If any Letter of Credit shall provide for the automatic extension of the expiry date thereof unless the Administrative Agent gives notice that such expiry date shall not be extended, then the Administrative Agent will give such notice if requested to do so by the Required Lenders in a notice given to the Administrative Agent not more than 60 days, but not less than 45 days, prior to the current expiry date of such Letter of Credit. If requested by the Administrative Agent, such Account Party also shall submit a letter of credit application on Chase's standard form in connection with any request for a Letter of Credit. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of

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credit application or other agreement submitted by any Account Party to, or entered into by any Account Party with, the Administrative Agent relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(c) LIMITATIONS ON AMOUNTS. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon such issuance, amendment, renewal or extension of each Letter of Credit the Account Parties shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension, (A) the aggregate LC Exposure of the Lenders shall not exceed the excess, if any, of (i) the aggregate amount of the Commitments over (ii) the aggregate stated amount of all letters of credit identified in Schedule VI (other than Backstopped Letters of Credit and Replaced Letters of Credit) at the time outstanding and (B) the sum of (i) the LC Exposure of each Lender plus (ii) the aggregate stated amount of all letters of credit identified in Schedule VI issued by such Lender (other than Backstopped Letters of Credit and Replaced Letters of Credit) at the time outstanding shall not exceed the Commitment of such Lender.

(d) EXPIRY DATE. Each Letter of Credit shall expire at or prior to the close of business on the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension).

(e) OBLIGATION OF LENDERS. The obligation of any Lender under any Letter of Credit shall be several and not joint and shall at any time be in an amount equal to such Lender's Applicable Percentage of the aggregate undrawn amount of such Letter of Credit, and each Letter of Credit shall expressly so provide.

SECTION 2.02. ISSUANCE AND ADMINISTRATION. Each Letter of Credit shall be executed and delivered by the Administrative Agent in the name and on behalf of, and as attorney-in-fact for, each Lender party to such Letter of Credit, and the Administrative Agent shall act under each Letter of Credit, and each Letter of Credit shall expressly provide that the Administrative Agent shall act, as the agent of each Lender to (a) receive drafts, other demands for payment and other documents presented by the beneficiary under such Letter of Credit, (b) determine whether such drafts, demands and documents are in compliance with the terms and conditions of such Letter of Credit and (c) notify such Lender and the Account Parties that a valid drawing has been made and the date that the related LC Disbursement is to be made; provided that the Administrative Agent shall have no obligation or liability for any LC Disbursement under such Letter of Credit, and each Letter of Credit shall expressly so provide. Each Lender hereby irrevocably appoints and designates the Administrative Agent as its attorney-in-fact, acting through any duly authorized officer of Chase, to execute and deliver in the name and on behalf of such Lender each Letter of Credit to be issued by such Lender hereunder. Promptly upon the request of the Administrative Agent, each Lender will furnish to the Administrative Agent such powers of attorney or other evidence as any beneficiary of any Letter of Credit may reasonably request in order to demonstrate that the Administrative Agent has the power to act as attorney-in-fact for such Lender to execute and deliver such Letter of Credit.

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SECTION 2.03. REIMBURSEMENT OF LC DISBURSEMENTS. ETC.

(a) REIMBURSEMENT. If any Lender shall make any LC Disbursement in respect of any Letter of Credit, regardless of the identity of the Account Party of such Letter of Credit, the Account Parties jointly and severally agree that they shall reimburse such Lender in respect of such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than noon, New York City time, on (i) the Business Day that the Account Parties receive notice of such LC Disbursement, if such notice is received prior to 10:00 a.m., New York City time, or (ii) the Business Day immediately following the day that the Account Parties receive such notice, if such notice is not received prior to such time.

(b) REIMBURSEMENT OBLIGATIONS ABSOLUTE. The Account Parties' joint and several obligations to reimburse LC Disbursements as provided in paragraph (a) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment under a Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Letter of Credit (PROVIDED that the Account Parties shall not be obligated to reimburse such LC Disbursements unless payment is made against presentation of a draft or other document that at least substantially comply with the terms of such Letter of Credit), (iv) at any time or from time to time, without notice to any Account Party, the time for any performance of or compliance with any of such reimbursement obligations of any other Account Party shall be waived, extended or renewed, (v) any of such reimbursement obligations of any other Account Party shall be amended or otherwise modified in any respect, or any guarantee of any of such reimbursement obligations shall be released, substituted or exchanged in whole or in part or otherwise dealt with, (vi) the occurrence of any Default, (vii) the existence of any proceedings of the type described in clause (g) or (h) of Article VIII with respect to any other Account Party or any guarantor of any of such reimbursement obligations, (viii) any lack of validity or enforceability of any of such reimbursement obligations against any other Account Party or any guarantor of any of such reimbursement obligations, or (ix) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of the obligations of any Account Party hereunder.

Neither the Administrative Agent, nor any Lender nor any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond their control; PROVIDED that the foregoing shall not be construed to excuse the Administrative Agent or a Lender from liability to any Account Party to the extent of



any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Account Parties to the extent permitted by applicable law) suffered by any Account Party that are caused by the gross negligence or wilful misconduct of the Administrative Agent or a Lender. The parties hereto expressly agree that:

(i) the Administrative Agent may accept documents that appear on their face to be in substantial compliance with the terms of a Letter of Credit without responsibility for further investigation, regardless of any notice or information to the contrary, and may make payment upon presentation of documents that appear on their face to be in substantial compliance with the terms of such Letter of Credit;

(ii) the Administrative Agent shall have the right, in its sole discretion, to decline to accept such documents and to make such payment if such documents are not in strict compliance with the terms of such Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by the Administrative Agent when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof (and the parties hereto hereby waive, to the extent permitted by applicable law, any standard of care inconsistent with the foregoing).

(c) DISBURSEMENT PROCEDURES. The Administrative Agent shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under any Letter of Credit. The Administrative Agent shall promptly after such examination (i) notify each of the Lenders and the Account Parties by telephone (confirmed by telecopy) of such demand for payment and (ii) deliver to each Lender a copy of each document purporting to represent a demand for payment under such Letter of Credit. With respect to any drawing properly made under a Letter of Credit, each Lender will make an LC Disbursement in respect of such Letter of Credit in accordance with its liability under such Letter of Credit and this Agreement, such LC Disbursement to be made to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make any such LC Disbursement available to the beneficiary of such Letter of Credit by promptly crediting the amounts so received, in like funds, to the account identified by such beneficiary in connection with such demand for payment. Promptly following any LC Disbursement by any Lender in respect of any Letter of Credit, the Administrative Agent will notify the Account Parties of such LC Disbursement; PROVIDED that any failure to give or delay in giving such notice shall not relieve the Account Parties of their obligation to reimburse the Lenders with respect to any such LC Disbursement.

(d) INTERIM INTEREST. If any LC Disbursement is made, then, unless the Account Parties shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Account Parties reimburse such LC Disbursement, at the rate per annum equal to (i) 1% PLUS the Alternate Base Rate to but excluding the date three Business Days after such LC Disbursement and (ii) from and including

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the date three Business Days after such LC Disbursement, 3% plus the Alternate Base Rate.

(e) RIGHT OF CONTRIBUTION. The Account Parties hereby agree, as between themselves, that if any Account Party shall pay any reimbursement obligation in respect of any LC Disbursement with respect to a Letter of Credit issued to support the obligations of another Account Party (the "SPECIFIED ACCOUNT PARTY"), the Specified Account Party shall, on demand (but subject to the next sentence), pay to such first Account Party an amount equal to the amount of such reimbursement. The payment obligation of a Specified Account Party to another Account Party under this paragraph (e) shall be subordinate and subject in right of payment to the prior payment in full of the obligations of the Specified Account Party under this Agreement and each other Credit Document, and such other Account Party shall not exercise any right or remedy with respect to such reimbursement until payment and satisfaction in full of all of such obligations of the Specified Account Party.

#### SECTION 2.04. TERMINATION AND REDUCTION OF THE COMMITMENTS.

(a) SCHEDULED TERMINATION. Unless previously terminated, the Commitments shall terminate at the close of business on the Commitment Termination Date.

(b) VOLUNTARY TERMINATION OR REDUCTION. The Account Parties may at any time terminate, or from time to time reduce, the Commitments; PROVIDED that (i) each reduction of the Commitments shall be in an amount that is \$25,000,000 or a larger multiple of \$5,000,000 and (ii) the Account Parties shall not terminate or reduce the Commitments if the total LC Exposures would exceed the total Commitments.

(c) NOTICE OF VOLUNTARY TERMINATION OR REDUCTION. XL Capital shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by XL Capital pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by XL Capital may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by XL Capital (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied.

(d) EFFECT OF TERMINATION OR REDUCTION. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

#### SECTION 2.05. FEES.

(a) FACILITY FEE. XL Capital agrees to pay to the Administrative Agent for account of each Lender a facility fee, which shall accrue at a rate per annum equal to 0.07%, (i) prior to the termination of such Lender's Commitment, on the daily amount of such Commitment (whether used or unused) during the period from and including the Effective Date to but

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excluding the earlier of the date such Commitment terminates and the Commitment Termination Date and (ii) if such Lender continues to have any LC Exposure after its Commitment terminates, on the daily amount of such Lender's LC Exposure from and including the date on which such Lender's Commitment terminates to but excluding the date on which such Lender ceases to have any LC Exposure. Accrued facility fees shall be payable on each Quarterly Date and on the earlier of the date the Commitments terminate and the Commitment Termination Date; PROVIDED that after the termination of the Commitments, facility fees shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) LETTER OF CREDIT FEE. XL Capital agrees to pay to the Administrative Agent for account of each Lender a letter of credit fee which shall accrue at a rate per annum equal to 0.305% on the average daily aggregate undrawn amount of all outstanding Letters of Credit during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure. Letter of credit fees accrued through and including each Quarterly Date shall be payable on the third Business Day following such Quarterly Date, commencing on the first such date to occur after the Effective Date; PROVIDED that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Letter of credit fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) ADMINISTRATIVE AGENT FEES. XL Capital agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between XL Capital and the Administrative Agent.

(d) PAYMENT OF FEES. All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent for distribution, in the case of the facility fees and the letter of credit fees referred to in paragraphs (a) and (b) of this Section, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

#### SECTION 2.06. INCREASED COSTS.

(a) INCREASED COSTS GENERALLY. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for account of, or credit extended by, any Lender; or

(ii) impose on any Lender any other condition affecting this Agreement or any Letter of Credit;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender hereunder, then the Account Parties jointly and severally agree that they will pay to

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such Lender such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) CAPITAL REQUIREMENTS. If any Lender determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement or the Letters of Credit issued by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Account Parties will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) CERTIFICATES FROM LENDERS. A certificate of a Lender setting forth such Lender's good faith determination of the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to XL Capital and shall be conclusive absent manifest error. The Account Parties shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof by XL Capital.

(d) DELAY IN REQUESTS. Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such compensation; PROVIDED that the Account Parties shall not be required to compensate a Lender pursuant to this Section for any increased costs or reductions incurred more than 90 days prior to the date that such Lender notifies XL Capital of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor; PROVIDED FURTHER that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 90 day period referred to above shall be extended to include the period of retroactive effect thereof.

#### SECTION 2.07. TAXES.

(a) PAYMENTS FREE OF TAXES. Any and all payments by or on account of any obligation of the Account Parties hereunder shall be made free and clear of and without deduction for any Indemnified Taxes; PROVIDED that if any Account Party shall be required to deduct any Indemnified Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent or Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Account Party shall make such deductions and (iii) such Account Party shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) PAYMENT OF OTHER TAXES BY THE ACCOUNT PARTIES. In addition, each Account Party shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

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(c) INDEMNIFICATION BY THE ACCOUNT PARTIES. The Account Parties shall indemnify the Administrative Agent and each Lender, within 10 days after written demand to XL Capital therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to XL Capital by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive as between such Lender or the Administrative Agent, as the case may be, and the Account Parties absent manifest error.

(d) EVIDENCE OF PAYMENTS. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Account Party to a Governmental Authority, XL Capital on behalf of such Account Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) EXEMPTIONS. Each Lender and the Administrative Agent shall, at the written request of XL Capital, provide to any Account Party such form, certification or similar documentation, if any (each duly completed, accurate and signed) as is currently required by any Account Party Jurisdiction or any other jurisdiction, or comply with such other requirements, if any, as is currently applicable in such Account Party Jurisdiction or any other jurisdiction, in order to obtain an exemption from, or reduced rate of, deduction, payment or withholding of Indemnified Taxes or Other Taxes to which such Lender or the Administrative Agent is entitled pursuant to an applicable tax treaty or the law of such Account Party Jurisdiction or any other jurisdiction; provided that XL Capital shall have furnished to such Lender or the Administrative Agent in a reasonably timely manner copies of such documentation and notice of such requirements together with applicable instructions. The Account Parties shall not be required to indemnify any Lender or the Administrative Agent under Section 2.07(a) or (c) for any Indemnified Taxes or Other Taxes to the extent such Indemnified Taxes or Other Taxes would not be imposed but for the failure by such Lender or the Administrative Agent, as the case may be, to comply with the provisions of the preceding sentence. Upon the written request of XL Capital, each Lender and the Administrative Agent will provide to XL Capital such form, certification or similar documentation (each duly completed, accurate and signed) as may in the future be required by any Account Party Jurisdiction or any other jurisdiction, or comply with such other requirements, if any, as may be applicable in such Account Party Jurisdiction or any other jurisdiction in order to obtain an exemption from, or reduced rate of, deduction, payment or withholding of Indemnified Taxes or Other Taxes to which such Lender or the Administrative Agent is entitled pursuant to an applicable tax treaty or the law of the relevant jurisdiction, provided that neither such Lender nor the Administrative Agent shall have any obligation to provide such form, certification or similar document if it would be unduly burdensome, would require such Lender or the Administrative Agent to disclose any confidential information or would otherwise be materially disadvantageous to such Lender or the Administrative Agent and provide further that the Account Party shall have furnished to such Lender or the

Administrative Agent in a reasonably timely manner copies of such documentation and notice of such requirements together with applicable instructions.

SECTION 2.08. PAYMENTS GENERALLY; PRO RATA TREATMENT; SHARING OF SET-OFFS.

(a) PAYMENTS BY THE ACCOUNT PARTIES. The Account Parties shall make each payment required to be made by them hereunder (whether reimbursement of LC Disbursements, interest or fees, or under Section 2.06 or 2.07, or otherwise) or under any other Credit Document (except to the extent otherwise provided therein) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments pursuant to Sections 2.06, 2.07 and 10.03, which shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) APPLICATION OF INSUFFICIENT PAYMENTS. If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, to pay interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, to pay unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of unreimbursed LC Disbursements then due to such parties.

(c) PRO RATA TREATMENT. Except to the extent otherwise provided herein: (i) each reimbursement of LC Disbursements shall be made to the Lenders, each payment of fees under Section 2.05 shall be made for account of the Lenders, and each termination or reduction of the amount of the Commitments under Section 2.04 shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments and (ii) each payment of interest shall be made for account of the Lenders pro rata in accordance with the amounts of interest then due and payable to the respective Lenders.

(d) SHARING OF PAYMENTS BY LENDERS. If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its LC Disbursements and accrued interest thereon then due than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the LC Disbursements of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of LC Disbursements; PROVIDED that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such

participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Account Party pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in LC Disbursements to any assignee or participant, other than to any Account Party or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Account Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Account Party rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Account Party in the amount of such participation.

(e) PRESUMPTIONS OF PAYMENT. Unless the Administrative Agent shall have received notice from an Account Party prior to the date on which any payment is due to the Administrative Agent for account of the Lenders hereunder that such Account Party will not make such payment, the Administrative Agent may assume that such Account Party has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the relevant Account Party has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(f) CERTAIN DEDUCTIONS BY THE ADMINISTRATIVE AGENT. If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.08(e), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

#### SECTION 2.09. MITIGATION OBLIGATIONS; REPLACEMENT OF LENDERS.

(a) DESIGNATION OF A DIFFERENT LENDING OFFICE. If any Lender requests compensation under Section 2.06, or if any Account Party is required to pay any additional amount to any Lender or any Governmental Authority for account of any Lender pursuant to Section 2.07, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Letters of Credit hereunder or to assign its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the reasonable judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.06 or 2.07, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. Each Account Party hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) REPLACEMENT OF LENDERS. If any Lender requests compensation under Section 2.06, or if any Account Party is required to pay any additional amount to any Lender or any Governmental Authority for account of any Lender pursuant to Section 2.07, or if any

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Lender defaults in its obligation to make LC Disbursements hereunder, or if any Lender ceases to be an NAIC Approved Lender, then XL Capital may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 10.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); PROVIDED that (i) XL Capital shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding amount of its LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the relevant Account Party (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.06 or payments required to be made pursuant to Section 2.07, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the relevant Account Party to require such assignment and delegation cease to apply.

### ARTICLE III

#### GUARANTEE

SECTION 3.01. THE GUARANTEE. Each Guarantor hereby jointly and severally guarantees to each Lender and the Administrative Agent and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the LC Disbursements (and interest) made by the Lenders to each of the Account Parties (other than such Guarantor in its capacity as an Account Party hereunder) and all other amounts from time to time owing to the Lenders or the Administrative Agent by such Account Parties under this Agreement, in each case strictly in accordance with the terms thereof (such obligations being herein collectively called the "GUARANTEED OBLIGATIONS"). Each Guarantor hereby further jointly and severally agrees that if any Account Party (other than such Guarantor in its capacity as an Account Party hereunder) shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, such Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

SECTION 3.02. OBLIGATIONS UNCONDITIONAL. The obligations of the Guarantors under Section 3.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Account Parties under this Agreement or any other agreement or instrument referred to herein or therein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other

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circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Article that the obligations of the Guarantors hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted; or

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Account Party under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

SECTION 3.03. REINSTATEMENT. The obligations of the Guarantors under this Article shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Account Party in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantors jointly and severally agree that they will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including reasonable fees of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

SECTION 3.04. SUBROGATION. The Guarantors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations and the expiration and termination of the Commitments they shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in Section 3.01, whether by subrogation or otherwise, against any Account Party or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

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SECTION 3.05. REMEDIES. The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Borrowers under this Agreement may be declared to be forthwith due and payable as provided in Article VIII (and shall be deemed to have become automatically due and payable in the circumstances provided in Article VIII) for purposes of Section 3.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by any Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 3.01.

SECTION 3.06. CONTINUING GUARANTEE. The guarantee in this Article III is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

SECTION 3.07. RIGHTS OF CONTRIBUTION. The Guarantors (other than XL Capital) hereby agree, as between themselves, that if any such Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, each other Guarantor (other than XL Capital) shall, on demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor under the other provisions of this Article III and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section, (i) "EXCESS FUNDING GUARANTOR" means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (ii) "EXCESS PAYMENT" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (iii) "PRO RATA SHARE" means, for any Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate present fair saleable value of all properties of such Guarantor (excluding any shares of stock of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Guarantors (other than XL Capital) exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Guarantors under this Article III) of all of the Guarantors (other than XL Capital), determined (A) with respect to any Guarantor that is a party hereto on the date hereof,

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as of the date hereof, and (B) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

SECTION 3.08. GENERAL LIMITATION ON GUARANTEE OBLIGATIONS. In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantor under Section 3.01 would otherwise, taking into account the provisions of Section 3.07, be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under Section 3.01, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantor, any Lender, the Administrative Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Such Borrower and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 4.02. AUTHORIZATION; ENFORCEABILITY. The Transactions are within such Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, by all necessary shareholder action. This Agreement has been duly executed and delivered by such Borrower and constitutes a legal, valid and binding obligation of such Borrower, enforceable against such Borrower in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws of general applicability affecting the enforcement of creditors' rights and (b) the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 4.03. GOVERNMENTAL APPROVALS; NO CONFLICTS. The Transactions (a) do not require any consent or approval of (including any exchange control approval), registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of such Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any material indenture, agreement or other instrument binding upon such Borrower or any of its Subsidiaries or assets, or give rise to a right thereunder to

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require any payment to be made by any such Person, and (d) will not result in the creation or imposition of any Lien on any asset of such Borrower or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) FINANCIAL CONDITION. Such Borrower has heretofore furnished to the Lenders the consolidated balance sheet and statements of income, stockholders' equity and cash flows of such Borrower and its consolidated Subsidiaries (A) as of and for the fiscal years ended December 31, 1998 and December 31, 1999, reported on by PricewaterhouseCoopers LLP, independent public accountants (as provided in XL Capital's Report on Form 10-K filed with the SEC for the fiscal year ended December 31, 1999), and (B) as of and for the fiscal quarter ended March 31, 2000, as provided in XL Capital's Report on Form 10-Q filed with the SEC for the fiscal quarter ended March 31, 2000. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of such Borrower and its respective consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP or (in the case of XL Europe, XL Insurance or XL Mid Ocean) SAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (B) of the first sentence of this paragraph.

(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 Borrower and its Subsidiaries, taken as a whole.

SECTION 4.05. PROPERTIES.

(a) PROPERTY GENERALLY. Such Borrower and each of its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, subject only to Liens permitted by Section 7.03 and except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) INTELLECTUAL PROPERTY. Such Borrower and each of its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by such Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.06. LITIGATION AND ENVIRONMENTAL MATTERS.

(a) ACTIONS, SUITS AND PROCEEDINGS. Except as disclosed in Schedule III or as routinely encountered in claims activity, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority now pending against or, to the knowledge of such Borrower, threatened against or affecting such Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that could reasonably

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be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) that involve this Agreement or the Transactions.

(b) ENVIRONMENTAL MATTERS. Except as disclosed in Schedule IV and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither such Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required for its business under any Environmental Law, (ii) has incurred any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

SECTION 4.07. COMPLIANCE WITH LAWS AND AGREEMENTS. Such Borrower and each of its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 4.08. INVESTMENT AND HOLDING COMPANY STATUS. Such Borrower is not (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 4.09. TAXES. Such Borrower and each of its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which such Person has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 4.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by an amount that could reasonably be expected to result in a Material Adverse Effect.

Except as could not reasonably be expected to result in a Material Adverse Effect, (i) all contributions required to be made by any Borrower or any of their Subsidiaries with respect to a Non-U.S. Benefit Plan have been timely made, (ii) each Non-U.S. Benefit Plan has been maintained in compliance with its terms and with the requirements of ally and all applicable laws and has been maintained, where required, in good standing with the applicable Governmental Authority and (iii) neither any Borrower nor any of their Subsidiaries has

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incurred any obligation in connection with the termination or withdrawal from any Non-U.S. Benefit Plan.

SECTION 4.11. DISCLOSURE. The reports, financial statements, certificates or other information furnished by such Borrower to the Lenders in connection with the negotiation of this Agreement or delivered hereunder (taken as a whole) do not contain any material misstatement of 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; PROVIDED that, with respect to projected financial information, such Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 4.12. USE OF CREDIT. Neither such Borrower nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock. No part of the proceeds of any Loan hereunder will be used to buy or carry any Margin Stock (except for repurchases of the capital stock of XL Capital and purchases of Margin Stock 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)). The purchase of any Margin Stock with the proceeds of any Loan will not be in violation of Regulation U or X of the Board and, after applying the proceeds of such Loan, not more than 25% of the value of the assets of XL Capital and its Subsidiaries taken as a whole consists or will consist of Margin Stock.

SECTION 4.13. SUBSIDIARIES. Set forth in Schedule V is a complete and correct list of all of the Subsidiaries of XL Capital as of the date hereof, together with, for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding ownership interests in such Subsidiary and (iii) the percentage of ownership of such Subsidiary represented by such ownership interests. Except as disclosed in Schedule V, (x) each of XL, Capital and its Subsidiaries owns, free and clear of Liens, and has the unencumbered right to vote, all outstanding ownership interests in each Person shown to be held by it in Schedule V, (y) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (z) except as disclosed in filings of XL Capital with the SEC prior to the date hereof, there are no outstanding Equity Rights with respect to any Borrower.

SECTION 4.14. WITHHOLDING TAXES. Based upon information with respect to each Lender provided by each Lender or the Administrative Agent, as of the date hereof, the payment of principal of and interest on the Loans, the fees under Section 2.09 and all other amounts payable hereunder will not be subject, by withholding or deduction, to any Taxes imposed by any Borrower Jurisdiction.

SECTION 4.15. STAMP TAXES. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any promissory notes evidencing Loans made (or to be made), it is not necessary that this Agreement or such promissory notes or any other document be filed or recorded with any Governmental Authority or that any stamp or similar tax be paid on or in respect of this Agreement or such promissory notes, or any other document other than such filings and recordations that have already been made and such stamp or similar taxes that have already been paid.

SECTION 4.16. LEGAL FORM. Each of this Agreement and any promissory notes evidencing Loans made (or to be made) is in proper legal form under the laws of any Borrower Jurisdiction for the admissibility thereof in the courts of such Borrower Jurisdiction.

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ARTICLE V

CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which the Administrative Agent shall have received each of the following documents, each of which shall be satisfactory to the Administrative Agent (and to the extent specified below, to each Lender) in form and substance (or such condition shall have been waived in accordance with Section 10.02):

(a) EXECUTED COUNTERPARTS. From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page to this Agreement) that such party has signed a counterpart of this Agreement.

(b) OPINIONS OF COUNSEL TO THE OBLIGORS. Opinions, each dated the Effective Date, of (i) Paul S. Giordano, Esq., counsel to XL Capital, substantially in the form of Exhibit B-1, (ii) Martha Bannerman, Esq., counsel to XL America, substantially in the form of Exhibit B-2, (iii) Cahill Gordon & Reindel, special U.S. counsel for the Obligors, substantially in the form of Exhibit B-3, (iv) Conyers, Dill & Pearman, special Bermuda counsel to XL Insurance and XL Mid Ocean, substantially in the form of Exhibit B-4, (v) Hunter & Hunter, special Cayman Islands counsel to XL Capital, substantially in the form of Exhibit B-5 and (vi) A&L Goodbody, special Irish counsel to XL Europe, substantially in the form of Exhibit B-6.

(c) OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE. An opinion, dated the Effective Date, of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, substantially in the form of Exhibit C (and Chase hereby instructs such counsel to deliver such opinion to the Lenders).

(d) CORPORATE DOCUMENTS. Such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Obligors, the authorization of the Transactions and any other legal matters relating to the Obligors, this Agreement or the Transactions, all in form and substance reasonably satisfactory to the Administrative Agent and its counsel.

(e) OFFICER'S CERTIFICATE. A certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of XL Capital, confirming compliance with the conditions set forth in the lettered clauses of the first sentence of Section 5.02.

(f) OTHER DOCUMENTS. Such other documents as the Administrative Agent or any Lender or special New York counsel to Chase may reasonably request.

The obligation of any Lender to make its initial Loan hereunder is also subject to the payment by XL Capital of such fees as XL Capital shall have agreed to pay to

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any Lender or the Administrative Agent in connection herewith, including the reasonable fees and expenses of Milbank, Tweed, Hadley & McCloy LLP, special New York counsel to Chase, in connection with the negotiation, preparation, execution and delivery of this Agreement and the Loans hereunder (to the extent that reasonably detailed statements for such fees and expenses have been delivered to XL Capital).

The Administrative Agent shall notify the Borrowers and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 10.02) on or prior to 3:00 p.m., New York City time, on July 7, 2000 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 5.02. EACH CREDIT EVENT. The obligation of each Lender to make any Loan is additionally subject to the satisfaction of the following conditions:

(a) the representations and warranties of the Obligors set forth in this Agreement shall be true and correct on and as of the date of such Loan (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date); and

(b) at the time of and immediately after giving effect to such Loan, no Default shall have occurred and be continuing.

Each Borrowing shall be deemed to constitute a representation and warranty by the Obligors on the date thereof as to the matters specified in the preceding sentence.

#### ARTICLE VI

##### AFFIRMATIVE COVENANTS

Until the Commitments 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 Lenders that:

SECTION 6.01. FINANCIAL STATEMENTS AND OTHER INFORMATION. Each Borrower will furnish to the Administrative Agent and each Lender:

(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),

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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 Lenders 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 Europe, XL Insurance and XL, Mid Ocean) 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 Europe, XL Insurance and XL Mid Ocean) 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 Lenders 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 7.03, 7.05, 7.06 and 7.07 and (iii) stating whether any change in GAAP or (in the case of XL Europe, XL Insurance and XL Mid Ocean) SAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

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(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 Governmental Authority succeeding to any or all of the functions of said Commission, 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 7.03(g) and the aggregate book value of liabilities which are subject to Liens permitted under Section 7.03(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 Administrative Agent or any Lender may reasonably request.

SECTION 6.02. NOTICES OF MATERIAL EVENTS. Each Borrower will furnish to the Administrative Agent and each Lender 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.

SECTION 6.03. 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

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foregoing shall not prohibit any merger or consolidation permitted under Section 7.01. 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.

SECTION 6.04. 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.

SECTION 6.05. 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.

SECTION 6.06. 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 7.03) 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

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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.

SECTION 6.07. 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 6.01 in conformity with GAAP and SAP, as applicable, and to maintain accountability for assets.

SECTION 6.08. 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.

SECTION 6.09. 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).

SECTION 6.10. 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.

SECTION 6.11. VISITATION. Each Borrower will permit such Persons as any Lender 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 Lender may reasonably request. Each Borrower hereby authorizes its financial management to discuss with any Lender the affairs of such Borrower.

## ARTICLE VII

### NEGATIVE COVENANTS

Until the Commitments 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 Lenders that:

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SECTION 7.01. 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.

SECTION 7.02. 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.

SECTION 7.03. 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 Part B of Schedule II;

(b) Liens arising from taxes, assessments, charges, levies or claims described in Section 6.06 that are not yet due or that remain payable without penalty or to the extent permitted to remain unpaid under the provision of Section 6.06;

(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;

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(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 7.07(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 of their Subsidiaries or its becoming a Subsidiary, and Liens existing on any property acquired by any Borrower or any of their Subsidiaries 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.

SECTION 7.04. 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

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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 Part A of Schedule II, (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.

SECTION 7.05. 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.

SECTION 7.06. CONSOLIDATED NET WORTH. XL Capital will not permit its Consolidated Net Worth to be less than the sum of (a) \$4,500,000,000 PLUS (b) 25% of net income (if positive) for each fiscal quarter of XL Capital commencing with the fiscal quarter ending June 30, 2000.

SECTION 7.07. 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 Agreement;

(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 7.03(f); and

(g) Indebtedness existing on the date hereof and described in Part A of Schedule II and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof.

SECTION 7.08. CLAIMS PAVING 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

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will maintain at all times a rating of at least "A" from Standard & Poor's Rating Services (or its successor).

SECTION 7.09. PRIVATE ACT. No Borrower will become subject to a Private Act other than the X.L. Insurance Company, Ltd. Act, 1989.

ARTICLE VIII

EVENTS OF DEFAULT

If any of the following events ("EVENTS OF DEFAULT") shall occur:

- (a) any Borrower shall fail to pay any principal of any Loan when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;
- (b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of 3 or more days;
- (c) any representation or warranty made or deemed made by any Borrower in or in connection with this Agreement or any amendment or modification hereof, or in any certificate or financial statement furnished pursuant to the provisions hereof, shall prove to have been false or misleading in any material respect as of the time made (or deemed made) or furnished;
- (d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Article VII;
- (e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article) and such failure shall continue unremedied for a period of 20 or more days after notice thereof from the Administrative Agent (given at the request of any Lender) to such Obligor;
- (f) any Borrower or any of its Subsidiaries shall default (i) in any payment of principal of or interest on any other obligation for borrowed money in principal amount of \$50,000,000 or more, or any payment of any principal amount of \$50,000,000 or more under Hedging Agreements, in each case beyond any period of grace provided with respect thereto, or (ii) in the performance of any other agreement, term or condition contained in any such agreement (other than Hedging Agreements) under which any such obligation in principal amount of \$50,000,000 or more is created, if the effect of such default is to cause or permit the holder or holders of such obligation (or trustee on behalf of such holder or holders) to cause such obligation to become due prior to its stated maturity or to terminate its commitment under such agreement, PROVIDED that this clause

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(f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(g) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging any Borrower a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of such Borrower under the Bermuda Companies Law or the Cayman Islands Companies Law (2000 Revision), or any other similar applicable Law, and such decree or order shall have continued undischarged or unstayed for a period of 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Borrower or a substantial part of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have continued undischarged and unstayed for a period of 60 days;

(h) any Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization under the Bermuda Companies Law or the Cayman Islands Companies Law (2000 Revision) or any other similar applicable Law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate or other action shall be taken by such Borrower in furtherance of any of the aforesaid purposes;

(i) one or more judgments for the payment of money in an aggregate amount in excess of \$100,000,000 shall be rendered against any Borrower or any of its Subsidiaries or any combination thereof and the same shall not have been vacated, discharged, stayed (whether by appeal or otherwise) or bonded pending appeal within 45 days from the entry thereof;

(j) an ERISA Event (or similar event with respect to any Non-U. S. Benefit Plan) shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events and such similar events that have occurred, could reasonably be expected to result in liability of the Borrowers and their Subsidiaries in an aggregate amount exceeding \$100,000,000;

(k) a Change in Control shall occur;

(1) XL Capital shall cease to own, beneficially and of record, directly or indirectly all of the outstanding voting shares of capital stock of XL Insurance, XL Mid Ocean, XL America or XL Europe (except, in the case of any company organized under the laws of Bermuda, for a nominal number of shares owned by nominee shareholders required by the Bermuda Companies Law); or

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(m) the guarantee contained in Article III shall terminate or cease, in whole or material part, to be a legally valid and binding obligation of each Guarantor or any Guarantor or any Person acting for or on behalf of any of such parties shall contest such validity or binding nature of such guarantee itself or the Transactions, or any other Person shall assert any of the foregoing;

then, and in every such event (other than an event with respect to any Borrower described in clause (g) or (h) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and in case of any event with respect to any Borrower described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers.

#### ARTICLE IX

##### THE ADMINISTRATIVE AGENT

Each of the Lenders hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders, and (c) except as expressly set forth

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herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of their Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by a Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article V or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for any Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

The Administrative Agent may resign at any time by notifying the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right, in consultation with XL Capital, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent's resignation shall nonetheless become effective and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and (2) the Required Lenders shall perform the duties of the Administrative Agent (and all payments and communications provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly) until such time as the Required Lenders appoint a successor

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agent as provided for above in this paragraph. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder (if not already discharged therefrom as provided above in this paragraph). The fees payable by XI, Capital to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between XL Capital and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 10.03 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything herein to the contrary, the Lead Arranger, Book Manager, Syndication Agent and Co-Documentation Agents named on the cover page of this Agreement shall not have any duties or liabilities under this Agreement, except in their capacity, if any, as Lenders.

#### ARTICLE X

##### MISCELLANEOUS

SECTION 10.01. NOTICES. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to any Borrower, to XL Capital at Cumberland House, One Victoria Street, Hamilton HM11 Bermuda, Attention of William Robbie (Telecopy No. (441) 292-8618); WITH A COPY to Paul Giordano, Esq. at the same address and telecopy number;

(b) if to the Administrative Agent, to The Chase Manhattan Bank, 1 Chase Manhattan Plaza, 8th Floor, New York, New York 10081, Attention of Loan and Agency Services Group, Attention of Laura Rebecca (Telecopy No. (212) 552-7490; Telephone No. (212) 552-7253), WITH A COPY to The Chase Manhattan Bank, 270 Park Avenue, New York, New York 10017, Attention of Donald Rands (Telecopy No. (212) 270-0670; Telephone No. (212) 270-5528); and

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(c) if to a Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto (or, in the case of any such change by a Lender, by notice to the Borrowers and the Administrative Agent). All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 10.02. WAIVERS; AMENDMENTS.

(a) NO DEEMED WAIVERS; REMEDIES CUMULATIVE. No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default at the time.

(b) AMENDMENTS. Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Obligors and the Required Lenders or by the Obligors and the Administrative Agent with the consent of the Required Lenders; PROVIDED that no such agreement shall:

(i) increase the Commitment of any Lender without the written consent of such Lender,

(ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby,

(iii) postpone the scheduled date of payment of the principal amount of any Loan, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby,

(iv) change Section 2.15(c) or 2.15(d) without the consent of each Lender affected thereby,

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(v) release any of the Guarantors from any of their guarantee obligations under Article III without the written consent of each Lender, and

(vi) change any of the provisions of this Section or the percentage in the definition of the term "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender;

and PROVIDED FURTHER that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent hereunder without the prior written consent of the Administrative Agent.

SECTION 10.03. EXPENSES; INDEMNITY; DAMAGE WAIVER.

(a) COSTS AND EXPENSES. The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender, including the fees, charges and disbursements of one legal counsel for the Administrative Agent and one legal counsel for the Lenders, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made hereunder, including in connection with any workout, restructuring or negotiations in respect thereof and (iii) all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any governmental or revenue authority in respect of this Agreement or any other document referred to herein.

(b) INDEMNIFICATION BY THE BORROWERS. The Borrowers shall indemnify the Administrative Agent and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNITEE") against, and to hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnatee (but not including Excluded Taxes) incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or the use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on

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contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; PROVIDED that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses result from or arise out of the gross negligence or willful misconduct of such Indemnitee.

(c) REIMBURSEMENT BY LENDERS. To the extent that the Borrowers fail to pay any amount required to be paid by them to the Administrative Agent under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; PROVIDED that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(d) WAIVER OF CONSEQUENTIAL DAMAGES, ETC. To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or the use of the proceeds thereof.

(e) PAYMENTS. All amounts due under this Section shall be payable promptly after written demand therefor.

#### SECTION 10.04. SUCCESSORS AND ASSIGNS.

(a) ASSIGNMENTS GENERALLY. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower shall assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) ASSIGNMENTS BY LENDERS. Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); PROVIDED that

(i) except in the case of an assignment to a Lender or a Lender Affiliate, each of the Borrowers and the Administrative Agent must give their prior written consent to such assignment (which consent shall not be unreasonably withheld),

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(ii) except in the case of an assignment to a Lender or a Lender Affiliate or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrowers and the Administrative Agent otherwise consent,

(iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement,

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and

(v) the assignee, if it shall not be a Lender, shall deliver an Administrative Questionnaire to the Administrative Agent (with a copy to XL Capital);

PROVIDED FURTHER that any consent of the Borrowers otherwise required under this paragraph shall not be required if an Event of Default under clause (a), (b), (g) or (h) of Article VIII has occurred and is continuing. Upon acceptance and recording pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.12, 2.13, 2.14 and 10.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose vehicle (an "SPV") of such Granting Lender, identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrowers, the option to provide to the Borrowers all or any part of any Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to Section 2.01, PROVIDED that (i) nothing herein shall constitute a commitment by any SPV to make any Loan, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall be obligated to make such Loan pursuant to the terms hereof and (iii) the Borrowers may bring any proceeding against either or both the Granting Lender or the SPV in order to enforce any rights of the Borrowers hereunder. The making of a Loan by an SPV hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by the Granting Lender. Each party hereto hereby agrees that no SPV shall be liable for any payment under this Agreement for which

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a Lender would otherwise be liable, for so long as, and to the extent, the related Granting Lender makes such payment. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPV, it will not institute against, or join any other person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or similar proceedings under the laws of the United States or any State thereof arising out of any claim against such SPV under this Agreement. In addition, notwithstanding anything to the contrary contained in this Section, any SPV may with notice to, but without the prior written consent of, the Borrowers or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to its Granting Lender or to any financial institutions (consented to by the Borrowers and the Administrative Agent) providing liquidity and/or credit support (if any) with respect to commercial paper issued by such SPV to fund such Loans and such SPV may disclose, on a confidential basis, confidential information with respect to any Borrower and its Subsidiaries to any rating agency, commercial paper dealer or provider of a surety, guarantee or credit liquidity enhancement to such SPV. This paragraph may not be amended without the consent of any SPV at the time holding Loans under this Agreement.

(c) MAINTENANCE OF REGISTER BATHE ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices in New York City a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "REGISTER"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by any Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) EFFECTIVENESS OF ASSIGNMENTS. Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) PARTICIPATIONS. Any Lender may, without the consent of the Borrowers or the Administrative Agent, sell participations to one or more banks or other entities (a "PARTICIPANT") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); PROVIDED that (i) any such participation sold to a Participant which is not a Lender, a Lender Affiliate or a Federal Reserve Bank shall be made only with the consent (which in each case shall not be

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

unreasonably withheld) of XL Capital and the Administrative Agent, unless a Default has occurred and is continuing, in which case the consent of XL Capital shall not be required, (ii) such Lender's obligations under this Agreement shall remain unchanged, (iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iv) the Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; PROVIDED that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 10.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.12, 2.13 and 2.14 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(f) LIMITATIONS ON RIGHTS OF ASSIGNEES AND PARTICIPANTS. A Participant or Assignee shall not be entitled to receive any greater payment under Section 2.12 or 2.14 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant or the Lender interest assigned, unless the sale of the participation to such Participant or the assignment is made with the Borrowers' prior written consent.

(g) CERTAIN PLEDGES. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any such pledge or assignment to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such assignee for such Lender as a party hereto.

(h) NO ASSIGNMENTS TO ANY BORROWER OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any Loan held by it hereunder to any Borrower or any of its Affiliates or Subsidiaries without the prior consent of each Lender.

SECTION 10.05. SURVIVAL. All covenants, agreements, representations and warranties made by the Borrowers herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.12, 2.13, 2.14 and 10.03 and Article IX shall survive and remain in full

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof.

SECTION 10.06. COUNTERPARTS; INTEGRATION; EFFECTIVENESS. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract between and among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 5.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page to this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 10.07. SEVERABILITY. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 10.08. RIGHT OF SETOFF. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 10.09. GOVERNING LAW; Jurisdiction; Etc.

(a) GOVERNING LAW. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) SUBMISSION TO JURISDICTION. Each Obligor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) WAIVER OF VENUE. Each Obligor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) SERVICE OF PROCESS. Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 10.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

(e) WAIVER OF IMMUNITIES. To the extent that any Borrower has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution or execution, on the ground of sovereignty or otherwise) with respect to itself or its property, it hereby irrevocably waives, to the fullest extent permitted by applicable law, such immunity in respect of its obligations under this Agreement.

SECTION 10.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

SECTION 10.11. HEADINGS. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 10.12. TREATMENT OF CERTAIN INFORMATION;  
CONFIDENTIALITY.

(a) TREATMENT OF CERTAIN INFORMATION. Each of the Account Parties acknowledge that from time to time financial advisory, investment banking and other services may be offered or provided to any Account Party or one or more of their Subsidiaries (in connection with this Agreement or otherwise) by any Lender or by one or more subsidiaries or affiliates of such Lender and each of the Account Parties hereby authorizes each Lender to share any information delivered to such Lender by such Account Party and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Lender to enter into this Agreement, to any such subsidiary or affiliate, it being understood that (i) any such information shall be used only for the purpose of advising the Account Parties or preparing presentation materials for the benefit of the Account Parties and (ii) any such subsidiary or affiliate receiving such information shall be bound by the provisions of paragraph (b) of this Section as if it were a Lender hereunder. Such authorization shall survive the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

(b) CONFIDENTIALITY. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority having jurisdiction over the Administrative Agent or any Lender, (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party to this Agreement, (v) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to an agreement in writing containing provisions substantially the same as those of this paragraph and for the benefit of the Account Parties, to (a) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (b) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Account Party and its obligations, (vii) with the consent of the Account Parties or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this paragraph or (B) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than an Account Party. For the purposes of this paragraph, "INFORMATION" means all information received from an Account Party relating to an Account Party or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such Account Party; PROVIDED that, in the case of information received from an Account Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

Person would accord to its own confidential information. Notwithstanding the foregoing, each of the Administrative Agent and the Lenders agree that they will not trade the securities of any of the Account Parties based upon non-public Information that is received by them.

SECTION 10.13. JUDGMENT CURRENCY. This is an international loan transaction in which the specification of Dollars and payment in New York City is of the essence, and the obligations of each Account Party under this Agreement to make payment to (or for account of) a Lender in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that such tender or recovery results in the effective receipt by such Lender in New York City of the full amount of Dollars payable to such Lender under this Agreement. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency (in this Section called the "JUDGMENT CURRENCY"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase such Dollars at the principal office of the Administrative Agent in New York City with the judgment currency on the Business Day next preceding the day on which such judgment is rendered. The obligation of each Account Party in respect of any such sum due from it to the Administrative Agent or any Lender hereunder (in this Section called an "ENTITLED PERSON") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder in the judgment currency such Entitled Person may in accordance with normal banking procedures purchase and transfer Dollars to New York City with the amount of the judgment currency so adjudged to be due; and each Account Party hereby, as a separate obligation and notwithstanding any such judgment, agrees to indemnify such Entitled Person against, and to pay such Entitled Person on demand, in Dollars, the amount (if any) by which the sum originally due to such Entitled Person in Dollars hereunder exceeds the amount of the Dollars so purchased and transferred.

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC.,  
as an Account Party and a Guarantor

By: /s/ Martha G. Bannerman  
-----  
Name: Martha G. Bannerman  
Title:

XL INSURANCE LTD.,  
as an Account Party and a Guarantor

By: -----  
Name:  
Title:

XL EUROPE LTD,  
as an Account Party and a Guarantor

By: -----  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD.,  
as an Account Party and a Guarantor

By: -----  
Name:  
Title:

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC.,  
as an Account Party and a Guarantor

By: \_\_\_\_\_  
Name:  
Title:

XL INSURANCE LTD.,  
as an Account Party and a Guarantor

By: \_\_\_\_\_  
Name:  
Title:

XL EUROPE LTD,  
as an Account Party and a Guarantor

By: /s/ Walker Rainey  
\_\_\_\_\_  
Name: WALKER RAINEY  
Title: Executive Vice President  
and Chief Financial Officer

XL MID OCEAN REINSURANCE LTD.,  
as an Account Party and a Guarantor

By: \_\_\_\_\_  
Name:  
Title:



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

X.L. AMERICA, INC.,  
as an Account Party and a Guarantor

By: \_\_\_\_\_  
Name:  
Title:

XL INSURANCE LTD.,  
as an Account Party and a Guarantor

By: /s/ C. Greetham  
\_\_\_\_\_  
Name: CHRISTOPHER V. GREETHAM  
Title: EVP and Chief Investment  
Officer

XL EUROPE LTD,  
as an Account Party and a Guarantor

By: \_\_\_\_\_  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD.,  
as an Account Party and a Guarantor

By:/s/ C. Greetham  
\_\_\_\_\_  
Name: CHRISTOPHER V. GREETHAM  
Title: EVP and Chief Investment  
Officer

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

IN WITNESS WHEREOF, XL Capital has caused this Agreement 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/ Michael Siese  
-----  
witness

By /s/ Paul S. Giordano  
-----  
Name: PAUL S. GIORDANO  
Title: Secretary

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: /s/ Donald Rands

-----  
Name: DONALD RANDS  
Title: Vice President

CITIBANK, N.A.

By:

-----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

MELLON BANK, N.A.

By:

-----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By:

-----  
Name:  
Title:

CITIBANK, N.A.

By: /s/ Alan Chalmers

-----  
Name: ALAN CHALMERS  
Title: Managing Director

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

MELLON BANK, N.A.

By:

-----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By:

-----  
Name:  
Title:

CITIBANK, N.A.

By:

-----  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: /s/ John S. McGill

-----  
Name: JOHN S. MCGILL  
Title: Director

By: /s/ Ruth Leung

-----  
Name: RUTH LEUNG  
Title: Director

MELLON BANK, N.A.

By:

-----  
Name:  
Title:

LENDERS

THE CHASE MANHATTAN BANK,  
individually and as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

CITIBANK, N.A.

By: \_\_\_\_\_  
Name:  
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR  
CAYMAN ISLANDS BRANCHES

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

MELLON BANK, N.A.

By: /s/ Susan M. Whitehood  
\_\_\_\_\_  
Name: Susan M. Whitehood  
Title: Vice President

FLEET NATIONAL BANK

By: /s/ Lisa A. Pile

-----  
Name: LISA A. PILE  
Title: Assistant Vice President

BANK ONE, NA (MAIN OFFICE CHICAGO)

By:

-----  
Name:  
Title:

ABN AMRO BANK N.V.

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

BARCLAYS BANK PLC

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

FLEET NATIONAL BANK

By: \_\_\_\_\_  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: /s/ S. W. Bridges  
\_\_\_\_\_  
Name: SAMUEL W. BRIDGES  
Title: Senior Vice President

ABN AMRO BANK N.V.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

BARCLAYS BANK PLC

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT



FLEET NATIONAL BANK

By: -----  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: -----  
Name:  
Title:

ABN AMRO BANK N.V.

By: /s/ Ray Catt  
-----  
Name: RAY CATT  
Title: Head of Insurance Banking

By: /s/ Martyn Taplin  
-----  
Name: Martyn Taplin  
Title:

BARCLAYS BANK PLC

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

FLEET NATIONAL BANK

By: \_\_\_\_\_  
Name:  
Title:

BANK ONE, NA (MAIN OFFICE CHICAGO)

By: \_\_\_\_\_  
Name:  
Title:

ABN AMRO BANK N.V.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

BARCLAYS BANK PLC

By: /s/ J.V. French  
\_\_\_\_\_  
Name: J.V. French  
Title: Relationship Director

By: \_\_\_\_\_  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Sebastian Rocco

-----  
Name: SEBASTIAN ROCCO  
Title: Senior Vice President

BANK OF AMERICA, N.A.

By:

-----  
Name:  
Title:

ING BANK, N.V., LONDON BRANCH

By:

-----  
Name:  
Title:

By:

-----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By:

-----  
Name:  
Title:

STATE STREET BANK AND TRUST COMPANY

By:

-----  
Name:  
Title:

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: /s/ Debra Basler  
-----  
Name: DEBRA BASLER  
Title: Vice President

ING BANK, N.V., LONDON BRANCH

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST COMPANY

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

ING BANK, N.V., LONDON BRANCH

By: /s/ Mike Sharman  
-----  
Name: MIKE SHARMAN  
Title: Director

By: /s/ James Longden  
-----  
Name: JAMES LONGDEN  
Title: Director

FIRST UNION NATIONAL BANK

By: -----  
Name:  
Title:

STATE STREET BANK AND TRUST COMPANY

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: -----  
Name:  
Title:

BANK OF AMERICA, N.A.

By: -----  
Name:  
Title:

ING BANK, N.V., LONDON BRANCH

By: -----  
Name:  
Title:

By: -----  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: /s/ D. J. Norton  
-----  
Name: DANIEL J. NORTON  
Title: Director

STATE STREET BANK AND TRUST COMPANY

By: -----  
Name:  
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By: \_\_\_\_\_  
Name:  
Title:

BANK OF AMERICA, N.A.

By: \_\_\_\_\_  
Name:  
Title:

ING BANK, N.V., LONDON BRANCH

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

FIRST UNION NATIONAL BANK

By: \_\_\_\_\_  
Name:  
Title:

STATE STREET BANK AND TRUST COMPANY

By: /s/ Edward M. Anderson  
\_\_\_\_\_  
Name: EDWARD M. ANDERSON  
Title: Vice President

THE BANK OF BERMUDA LIMITED

By: /s/ Michael Collins

-----  
Name: MR. MICHAEL COLLINS  
Title: Sr. Vice President

COMERICA BANK

By:

-----  
Name:  
Title:

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT



THE BANK OF BERMUDA LIMITED

By:

-----  
Name:  
Title:

COMERICA BANK

By: /s/ Carlyle E. Justus

-----  
Name: CARLYLE E. JUSTUS  
Title: First Vice President

LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

## SCHEDULE I

## COMMITMENTS

NAME OF LENDER -----	COMMITMENT (\$) -----
The Chase Manhattan Bank	103,750,000
Citibank, N.A.	100,420,000
Deutsche Bank AG, New York and/or Cayman Islands Branches	100,420,000
Mellon Bank, N.A.	100,420,000
ING Bank, N.V., London Branch	75,000,000
Fleet National Bank	66,670,000
Bank One, NA (Main Office Chicago)	66,670,000
ABN AMRO Bank N.V.	66,670,000
Barclays Bank PLC	66,670,000
Credit Lyonnais New York Branch	66,670,000
Bank of America, N.A.	66,670,000
First Union National Bank	33,330,000
State Street Bank and Trust Company	33,330,000
Comerica Bank	33,330,000
The Bank of Bermuda, Limited	20,000,000
TOTAL:	\$1,000,000,000

SCHEDULE I TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

SCHEDULE II

INDEBTEDNESS AND LIENS

Part A - INDEBTEDNESS

SCHEDULE II-A

INDEBTEDNESS

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 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.
4. Amendment No. 3 to Credit Agreement (5-Year) between Mid Ocean Limited and The Chase Manhattan Bank.
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.
9. Fourth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A.
10. Fifth Amendment to Revolving Credit Agreement between XL Insurance Company, Ltd. and Mellon Bank, N.A.
11. Short Term Revolving Credit Agreement between XL Capital Ltd et al and Mellon Bank, N.A., dated as of June 30, 1999.

12. First Amendment to Short Term Revolving Credit Agreement between XL Capital Ltd et al. and Mellon Bank, N.A.
13. 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.
14. 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.
15. Letter of Credit Facility and Reimbursement Agreement dated as of December 30, 1999 by and among XL Insurance Ltd et al. and Mellon Bank, N.A.
16. First Amendment to Letter of Credit Facility and Reimbursement Agreement dated as of December 30, 1999 by and among XL Insurance Ltd et al. and Mellon Bank, N.A.
17. Letter of Credit Agreement dated as of December 17, 1999 by and among XL Insurance Ltd, XL Mid Ocean Reinsurance Ltd and The Chase Manhattan Bank.
18. First Amendment to Letter of Credit Agreement dated as of December 17, 1999 by and among XL Insurance Ltd, XL Mid Ocean Reinsurance Ltd and The Chase Manhattan Bank.
19. Letter of Credit Facility Agreement dated as of December 17, 1999 by and among XL Capital Ltd et al. and ING Bank, N.V. (London Branch).
20. Amendment No. 1 to Letter of Credit Facility Agreement dated as of December 17, 1999 by and among XL Capital Ltd et al. and ING Bank, N.V. (London Branch).
21. Letter of Credit Agreement (Secured) between Citibank and XL Mid Ocean Reinsurance Ltd, dated as of 19th May, 1993 (as amended).
22. \$11 million Term Loan Agreement between Exel Cumberland and the Bank of Bermuda (Luxembourg) S.A.
23. Semi-secured Letter of Credit Facility between Barclays Bank plc and NAC Reinsurance International Limited, dated November 16, 1999.
24. 7.15% Senior Notes due 2005 issued by NAC Reinsurance.

25. Arrangements for Letters of Credit issued for NAC Reinsurance Corp. for U.S. facility by Fleet Boston.

26. Arrangements for Letters of Credit issued for Latin America Reinsurance by Fleet Boston.

SCHEDULE II TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

SCHEDULE II-B

LIENS

1. Liens existing pursuant to the agreement referred to in paragraphs 13 and 14 of Schedule II-A.
2. Liens existing pursuant to the agreement referred to in paragraph 21 of Schedule II-A.
3. Liens existing pursuant to the agreement referred to in paragraph 23 of schedule II-A.
4. Collateral held as blocked deposits at Barclays for Letters of Credit between Lloyd (Denham) and NAC Reinsurance International Ltd.

SCHEDULE III

LITIGATION

None.

SCHEDULE III TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

SCHEDULE IV

ENVIRONMENTAL MATTERS

None.

SCHEDULE IV TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT



## SUBSIDIARIES

## SCHEDULE V TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

XL CAPITAL LTD - CAYMAN

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 EXEL HOLDINGS LIMITED - CAYMAN(1)  
 XL INSURANCE LTD - BERMUDA  
 XL FINANCIAL ASSURANCE LTD. (85%) - BERMUDA  
 XL CAPITAL PRODUCTS LTD - BERMUDA  
 XL INVESTMENTS LTD - BERMUDA  
 X.L. Investment Private Trustee Ltd. - BERMUDA  
 XL Investments (Barbados) Inc. - BARBADOS  
 First Cumberland Bank, Inc. - BARBADOS  
 Garrison Investments Inc. - BARBADOS  
 Kensington Investments Inc. - BARBADOS  
 XLB Partners Inc. - BARBADOS IBC  
 Cumberland Holdings, Inc. - DE  
 Cumberland California, Inc. - DE  
 Cumberland New York, Inc. - DE  
 InQuisLogic Ltd. - BARBADOS  
 InQuisLogic Inc. - DE  
 RiskConnect Ltd. - BARBADOS  
 RiskConnect Inc. - DE  
 FINANCIAL SECURITY ASSURANCE INTERNATIONAL LTD. (80%) - BERMUDA  
 XL GLOBAL SERVICES (BERMUDA) LTD. - BERMUDA  
 XL HOLDINGS BARBADOS LTD. - BARBADOS  
 X.L. America Inc. - DE  
 Brockbank Insurance Services Inc. - CA  
 Global Credit Analytics, Inc. - DE  
 XL Global Services, Inc. - DE  
 NAC RE CORPORATION - DE  
 NAC Re International Holdings Ltd - UK  
 NAC Reinsurance International Limited - UK  
 Denham Syndicate Management Ltd - UK  
 Stonebridge Underwriting Ltd - UK  
 NAC Re International Services Co., Ltd - UK  
 NAC REINSURANCE CORPORATION (A - 76%) - NY  
 NAC Re Investment Holdings, Inc. - DE XL Capital  
 Assurance, Inc. - NY Intercargo Corporation - DE  
 Intercargo International Limited - BVI  
 ECS INC. - PA (70%)  
 ECS ALTERNATIVE MARKET SERVICES, INC. - PA  
 ECS HOLDINGS, INC. - DE  
 ECS International, Inc. - DE  
 ECS Asesores en Seguros Medioambientales,  
 S.A.R.L. - SPAIN  
 The ECS Group, Ltd - UK  
 ECS Underwriting Ltd. - UK  
 Environmental Compliance Svcs Ltd. - UK

Consulting Services International Ltd. - UK  
 ECS Asesores en Aseguramiento de Riesgos  
 Ambientales S.A. de C.V. - MEXICO  
 Risk & Insurance Services, Inc. - BARBADOS  
 ECS UNDERWRITING, INC. - PA  
 ECS CLAIMS ADMINISTRATORS, INC. - PA  
 ECS RISK CONTROL, INC. - PA  
 ECS CHILD CARE CENTER, INC. - PA  
 X.L. ONE LTD. - BERMUDA  
 XL Europe (50%) - REPUBLIC OF IRELAND  
 X.L. TWO LTD. - BERMUDA  
 XL Europe (50%) - REPUBLIC OF IRELAND  
 XL Australia Pty Ltd - AUSTRALIA  
 XL Prevent Ltd - UK  
 IPT COMPLIANCE LIMITED - UK  
 EXEL CUMBERLAND LIMITED - UK  
 INQUISCAPITAL HOLDINGS (BERMUDA) LIMITED - BERMUDA  
 InQuisLogic (Bermuda) Limited - BERMUDA  
 RiskConnect Limited - BERMUDA  
 EXEL ACQUISITION LTD. - CAYMAN  
 GCR HOLDINGS LIMITED - CAYMAN (IN LIQUIDATION)  
 X.L. PROPERTY HOLDINGS LTD. - BERMUDA  
 MID OCEAN LIMITED - CAYMAN  
 MID OCEAN HOLDINGS LIMITED - BERMUDA  
 XL Mid Ocean Reinsurance Ltd - BERMUDA  
 ECS Reinsurance Ltd - BERMUDA  
 Global Capital Underwriting Ltd. - UK  
 LARC Holdings Ltd. - BERMUDA  
 Latin America Reinsurance Company Ltd. - BERMUDA  
 Ridgewood Holdings Company - BERMUDA  
 The Brockbank Group Plc - UK  
 Brockbank Holdings Limited - UK  
 Baltusrol Holdings Ltd - BERMUDA  
 County Down Limited - CORPORATE MEMBER SYNDICATE 2253  
 Dornoch Limited - CORPORATE MEMBER SYNDICATE 1209  
 Brockbank Underwriting Limited - UK  
 Brockbank Personal Lines Limited - SYNDICATES 253/2253  
 Cassidy Brockbank Limited (DORMANT)  
 Brockbank Syndicate Management Limited - SYNDICATES 588/861/1209  
 Brockbank Syndicate Services Limited

(1) 100% ownership unless otherwise indicated

SCHEDULE VI

Letters of Credit

SCHEDULE VI TO LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

XL CAPITAL LTD

LETTERS OF CREDIT IN ISSUE AT JUNE 27, 2000

BANK	SCHEME	BENEFICIARY	NUMBER	AMOUNT	CCY	RATE	USD
Bank One	Mini-syndicate	NAC Reinsurance	TBA	30,000,000.00	USD	1.00	30,000,000.00
<b>BANK ONE TOTAL</b>							<b>30,000,000.00</b>
Barclays	NAC International	The Council Of Lloyd's	99234	1,200,000.00	GBP	1.50	1,800,000.00
Barclays	NAC International	The Council Of Lloyd's	98239	25,000,000.00	GBP	1.50	37,500,000.00
<b>BARCLAYS TOTAL</b>							<b>39,300,000.00</b>
Chase	Bilateral	NAC Reinsurance	TBA	100,000,000.00	USD	1.00	100,000,000.00
<b>CHASE TOTAL</b>							<b>100,000,000.00</b>
Citibank	Non-London Scheme	American International Underwriters	300385	529,768.64	USD	1.00	529,768.64
Citibank	Non-London Scheme	American International Underwriters	600585	3,751,538.60	USD	1.00	3,751,538.60
Citibank	Non-London Scheme	American International Underwriters	600887	1,679,462.27	USD	1.00	1,679,462.27
Citibank	Non-London Scheme	American International Underwriters	600895	29,497.00	USD	1.00	29,497.00
Citibank	Non-London Scheme	American States Insurance	600274	12,065.00	USD	1.00	12,065.00
Citibank	Non-London Scheme	Amerisure Companies	600440	44,945.00	USD	1.00	44,945.00
Citibank	Non-London Scheme	Arkwright Mutual Insurance Co	600337	13,621.73	USD	1.00	13,621.73
Citibank	Non-London Scheme	Arkwright Mutual Insurance Company	600474	243,635.15	USD	1.00	243,635.15
Citibank	Non-London Scheme	Arkwright Mutual Insurance Company	600487	264,692.00	USD	1.00	264,692.00
Citibank	Non-London Scheme	Arkwright Mutual Insurance Company	600592	750,000.00	USD	1.00	750,000.00
Citibank	Non-London Scheme	Atlantic Mutual Company	600460	6,412.45	USD	1.00	6,412.45
Citibank	Non-London Scheme	Atlantic Mutual Company	600471	20,590.97	USD	1.00	20,590.97
Citibank	Non-London Scheme	Atlantic Mutual Insurance Company	600593	209,241.70	USD	1.00	209,241.70
Citibank	Non-London Scheme	Axa Reinsurance Company	300918	9,227.19	USD	1.00	9,227.19
Citibank	Non-London Scheme	Axa Reinsurance Company	300919	12,184.33	USD	1.00	12,184.33
Citibank	Non-London Scheme	Barclays Bank Plc	400094	65,498.04	USD	1.00	65,498.04
Citibank	Non-London Scheme	Century Indemnity Company	600899	36,162,350.00	USD	1.00	36,162,350.00
Citibank	Non-London Scheme	Century National Insurance Company	600340	859,339.75	USD	1.00	859,339.75
Citibank	Non-London Scheme	Chubb And Son Inc For And On Behalf	159779	411,161.39	USD	1.00	411,161.39
Citibank	Non-London Scheme	Chubb And Son Inc For And On Behalf	600296	671.88	USD	1.00	671.88
Citibank	Non-London Scheme	Chubb And Son Inc.	159782	764,080.29	USD	1.00	764,080.29
Citibank	Non-London Scheme	Chubb And Son Incorporated For And	600473	79,253.45	USD	1.00	79,253.45
Citibank	Non-London Scheme	Church Insurance Company	600326	5,040.85	USD	1.00	5,040.85
Citibank	Non-London Scheme	Church Insurance Company	600327	37,914.90	USD	1.00	37,914.90
Citibank	Non-London Scheme	Church Insurance Company	600583	45,400.00	USD	1.00	45,400.00
Citibank	Non-London Scheme	Church Mutual Insurance Company	600412	3,316.35	USD	1.00	3,316.35
Citibank	Non-London Scheme	Cigna Reinsurnace Company	81324	15,123.99	USD	1.00	15,123.99
Citibank	Non-London Scheme	Citibank Na As Trustee Surplus Line	600654	34,240.00	USD	1.00	34,240.00

Citibank	Non-London Scheme	Citibank Na As Trustee Surplus Line	600655	1,227,942.00	USD	1.00	1,227,942.00
Citibank	Non-London Scheme	Colonia Insurance Company	600618	36,000.00	USD	1.00	36,000.00
Citibank	Non-London Scheme	Colonial Penn Insurance Company	600135	17,059.25	USD	1.00	17,059.25
Citibank	Non-London Scheme	Commercial Union Insurance Company	600289	20,444.45	USD	1.00	20,444.45
Citibank	Non-London Scheme	Commercial Union Insurance Company	600486	91,233.10	USD	1.00	91,233.10
Citibank	Non-London Scheme	Commercial Union Insurance Company	600594	164,808.14	USD	1.00	164,808.14
Citibank	Non-London Scheme	Continental Casualty Company	600584	268,012.57	USD	1.00	268,012.57
Citibank	Non-London Scheme	Employers Mutual Casualty Company	600449	26,702.11	USD	1.00	26,702.11
Citibank	Non-London Scheme	Employers Mutual Casualty Company	600622	130,500.00	USD	1.00	130,500.00
Citibank	Non-London Scheme	Everest Reinsurance Company	600572	105,371.85	USD	1.00	105,371.85
Citibank	Non-London Scheme	Everest Reinsurance Company	600880	18,641.00	USD	1.00	18,641.00
Citibank	Non-London Scheme	Farmers Mutual Hail Ins Co Of Iowa	600617	12,150.00	USD	1.00	12,150.00
Citibank	Non-London Scheme	Fire Insurance Exchange	600422	15,600.00	USD	1.00	15,600.00
Citibank	Non-London Scheme	Fire Insurance Exchange	600862	5,883,074.20	USD	1.00	5,883,074.20
Citibank	Non-London Scheme	Firemans Fund Insurance Companies	600574	51,864.67	USD	1.00	51,864.67
Citibank	Non-London Scheme	First Allmerica Financial Life	600480	35,402.83	USD	1.00	35,402.83
Citibank	Non-London Scheme	Folksamerica Re	600619	72,000.00	USD	1.00	72,000.00
Citibank	Non-London Scheme	Folksamerica Re Co	600143	142,462.44	USD	1.00	142,462.44
Citibank	Non-London Scheme	G.E Reinsurance Corporation	600130	52,673.70	USD	1.00	52,673.70
Citibank	Non-London Scheme	G.Lloyd-Roberts Synd 55	400067	62,388.93	USD	1.00	62,388.93
Citibank	Non-London Scheme	General Accident Insurance Company	600295	7,376.30	USD	1.00	7,376.30
Citibank	Non-London Scheme	General Accident Insurance Company	600446	54,525.86	USD	1.00	54,525.86
Citibank	Non-London Scheme	General Accident Insurance Company	600485	220,972.70	USD	1.00	220,972.70
Citibank	Non-London Scheme	General American Life Insurance	600483	25,464.56	USD	1.00	25,464.56
Citibank	Non-London Scheme	Gerling America Insurance Company	600577	114,618.82	USD	1.00	114,618.82
Citibank	Non-London Scheme	Great American Insurance Company	600433	47,627.14	USD	1.00	47,627.14
Citibank	Non-London Scheme	Gryphon Insurance Group For And On	600410	767,955.76	USD	1.00	767,955.76
Citibank	Non-London Scheme	Harleysville Insurance Company	600621	18,000.00	USD	1.00	18,000.00
Citibank	Non-London Scheme	Hartford Fire Insurance Company	600197	77,165.63	USD	1.00	77,165.63
Citibank	Non-London Scheme	Hartford Fire Insurance Company	600416	3,343.20	USD	1.00	3,343.20
Citibank	Non-London Scheme	Hartford Fire Insurance Company	600451	235,022.34	USD	1.00	235,022.34
Citibank	Non-London Scheme	Hartford Fire Insurance Company	600579	22,576.77	USD	1.00	22,576.77
Citibank	Non-London Scheme	Hartford Fire Insurance Company	600587	262,903.70	USD	1.00	262,903.70
Citibank	Non-London Scheme	Hartford Steam Boiler	600455	625,366.78	USD	1.00	625,366.78
Citibank	Non-London Scheme	Hartford Steam Boiler	600589	8,464,787.17	USD	1.00	8,464,787.17
Citibank	Non-London Scheme	Hartford Steam Boiler Inspection	600287	98,310.29	USD	1.00	98,310.29
Citibank	Non-London Scheme	Hartford Steam Boiler Inspection	600865	1,785,523.16	USD	1.00	1,785,523.16
Citibank	Non-London Scheme	Home Ins. Company	63966	93,510.63	USD	1.00	93,510.63
Citibank	Non-London Scheme	Home Insurance Companies	159781	123,236.00	USD	1.00	123,236.00
Citibank	Non-London Scheme	Home Insurance Company	300378	315,215.27	USD	1.00	315,215.27
Citibank	Non-London Scheme	Home Insurance Company Inc	600085	181,146.00	USD	1.00	181,146.00
Citibank	Non-London Scheme	Insurance Company Of North America	600578	405,086.00	USD	1.00	405,086.00

Citibank	Non-London Scheme	Insurance Corp Of New York	600616	36,000.00	USD	1.00	36,000.00
Citibank	Non-London Scheme	Kemper Insurance Group	600292	36,764.10	USD	1.00	36,764.10
Citibank	Non-London Scheme	Liberty Mutual Insurance Co	600565	195,320.00	USD	1.00	195,320.00
Citibank	Non-London Scheme	Lloyds Of London	81556	3,051,607.00	GBP	1.50	4,577,410.50
Citibank	Non-London Scheme	Lloyds Syndicate 1209 Premium	400123	3,848,797.00	GBP	1.50	5,773,195.50
Citibank	Non-London Scheme	Lloyds Syndicate 1209 Premium Trust	400077	295,064.00	GBP	1.50	442,596.00
Citibank	Non-London Scheme	Lloyds Syndicate 1209 Premium Trust	400089	153,770.00	GBP	1.50	230,655.00
Citibank	Non-London Scheme	Lloyds Syndicate 1209 Premium Trust	400111	599,003.00	GBP	1.50	898,504.50
Citibank	Non-London Scheme	Lloyds Syndicate 861 Premium	400110	1,215,059.00	GBP	1.50	1,822,588.50
Citibank	Non-London Scheme	Lloyds Syndicate 861 Premium	400122	5,101,893.00	GBP	1.50	7,652,839.50
Citibank	Non-London Scheme	Lloyds Syndicate 861 Premium Trust	400076	911,249.00	GBP	1.50	1,366,873.50
Citibank	Non-London Scheme	Lloyds Syndicate 861 Premium Trust	400090	406,821.00	GBP	1.50	610,231.50
Citibank	Non-London Scheme	Lmi Insurance Company	600268	75,644.41	USD	1.00	75,644.41
Citibank	Non-London Scheme	Maryland Casualty Company	600086	29,196.25	USD	1.00	29,196.25
Citibank	Non-London Scheme	Michigan Millers Mutual Insurance	600136	11,835.00	USD	1.00	11,835.00
Citibank	Non-London Scheme	Mt. Hawley Insurance Company	600317	25,362.00	USD	1.00	25,362.00
Citibank	Non-London Scheme	Mt.Hawley Insurance Co	600549	97,811.00	USD	1.00	97,811.00
Citibank	Non-London Scheme	Mutual Marine Office	600290	10,319.60	USD	1.00	10,319.60
Citibank	Non-London Scheme	Mutual Marine Office	600573	4,563.44	USD	1.00	4,563.44
Citibank	Non-London Scheme	Nac Reinsurance Corporation	601050	150,000,000.00	USD	1.00	150,000,000.00
Citibank	Non-London Scheme	National Reinsurance Corp.	600310	350,000.00	USD	1.00	350,000.00
Citibank	Non-London Scheme	National Reinsurance Corporation	400056	174,929.85	USD	1.00	174,929.85
Citibank	Non-London Scheme	National Reinsurance Corporation	600271	87,639.00	USD	1.00	87,639.00
Citibank	Non-London Scheme	National Union Fire Ins. Co.	159158	2,535,464.56	USD	1.00	2,535,464.56
Citibank	Non-London Scheme	National Union Fire Insurance	600291	38,685.56	USD	1.00	38,685.56
Citibank	Non-London Scheme	National Union Fire Insurance	600463	193,654.01	USD	1.00	193,654.01
Citibank	Non-London Scheme	National Union Fire Insurance Co	600466	318,570.00	USD	1.00	318,570.00
Citibank	Non-London Scheme	National Union Fire Insurance Co Of	159784	420,121.36	USD	1.00	420,121.36
Citibank	Non-London Scheme	National Union Fire Insurance Co.	600170	1,383,915.26	USD	1.00	1,383,915.26
Citibank	Non-London Scheme	Nat'L Liability	600624	70,500.00	USD	1.00	70,500.00
Citibank	Non-London Scheme	Navigators Insurance Company	600623	15,000.00	USD	1.00	15,000.00
Citibank	Non-London Scheme	North River Insurance Company	600861	36,223.00	USD	1.00	36,223.00
Citibank	Non-London Scheme	Ohio Casualty Group	600411	27,937.50	USD	1.00	27,937.50
Citibank	Non-London Scheme	Ohio Casualty Insurance Group	600571	50,730.00	USD	1.00	50,730.00
Citibank	Non-London Scheme	Pan American Insurance	160379	1,035,392.00	USD	1.00	1,035,392.00
Citibank	Non-London Scheme	Pawtucket Mutual Insurance Co	159783	64,333.86	USD	1.00	64,333.86
Citibank	Non-London Scheme	Pennsylvania Lumbermens Mutual	600615	23,850.00	USD	1.00	23,850.00
Citibank	Non-London Scheme	Phoenix Home Life Mutual Insurance	600479	30,992.49	USD	1.00	30,992.49
Citibank	Non-London Scheme	Preferred Risk Insurance	160378	1,035,392.00	USD	1.00	1,035,392.00
Citibank	Non-London Scheme	Protection Mutual Insurance Company	600180	8,781.68	USD	1.00	8,781.68
Citibank	Non-London Scheme	Protection Mutual Insurance Company	600417	48,563.78	USD	1.00	48,563.78
Citibank	Non-London Scheme	Protection Mutual Insurance Company	600564	348,496.84	USD	1.00	348,496.84

Citibank	Non-London Scheme	Prudential Property And Casualty	600575	149,106.23	USD	1.00	149,106.23
Citibank	Non-London Scheme	Puerto Rican American Insurance	160377	753,381.31	USD	1.00	753,381.31
Citibank	Non-London Scheme	R.A. Edwards Syndicate 219	400091	419,552.98	GBP	1.50	629,329.47
Citibank	Non-London Scheme	R.L.I. Insurance Company	600548	16,092.00	USD	1.00	16,092.00
Citibank	Non-London Scheme	Reliance Insurance Company	600164	243,946.21	USD	1.00	243,946.21
Citibank	Non-London Scheme	Reliance Insurance Company	600270	555,781.00	USD	1.00	555,781.00
Citibank	Non-London Scheme	Reliance Insurance Company	600464	316,191.50	USD	1.00	316,191.50
Citibank	Non-London Scheme	Reliance Insurance Company	600489	146,143.43	USD	1.00	146,143.43
Citibank	Non-London Scheme	Republic Insurance Company	601044	43,710.45	USD	1.00	43,710.45
Citibank	Non-London Scheme	Royal Indemnity Company	159309	4,275.06	USD	1.00	4,275.06
Citibank	Non-London Scheme	Royal Indemnity Company	159310	74,646.20	USD	1.00	74,646.20
Citibank	Non-London Scheme	Royal Speciality Underwriting Inc	600630	1,821,284.00	USD	1.00	1,821,284.00
Citibank	Non-London Scheme	Royal Specialty Underwriters	600423	681,571.00	USD	1.00	681,571.00
Citibank	Non-London Scheme	Royal Specialty Underwriters	600424	246,653.00	USD	1.00	246,653.00
Citibank	Non-London Scheme	Royal Specialty Underwriters Inc	600331	33,699.00	USD	1.00	33,699.00
Citibank	Non-London Scheme	Royal Specialty Underwriters Inc.	600330	98,774.00	USD	1.00	98,774.00
Citibank	Non-London Scheme	Royal Specialty Underwriting Inc	600631	706,150.00	USD	1.00	706,150.00
Citibank	Non-London Scheme	S.A. Holmes Esq & Others	81447	178,500.00	USD	1.00	178,500.00
Citibank	Non-London Scheme	S.A. Holmes Esq & Others Synd	81448	178,500.00	USD	1.00	178,500.00
Citibank	Non-London Scheme	Scottsdale Insurance Co	600439	281,759.79	USD	1.00	281,759.79
Citibank	Non-London Scheme	Scottsdale Insurance Company	600562	11,489.00	USD	1.00	11,489.00
Citibank	Non-London Scheme	Scottsdale Insurance Company	600563	7,948.00	USD	1.00	7,948.00
Citibank	Non-London Scheme	Shelter Mutual Insurance Company	600457	1,658.50	USD	1.00	1,658.50
Citibank	Non-London Scheme	St Paul Fire And Marine Insurance	600468	16,215.26	USD	1.00	16,215.26
Citibank	Non-London Scheme	St.Paul Fire And Marine Insurance	600595	65,277.10	USD	1.00	65,277.10
Citibank	Non-London Scheme	St.Paul Fire And Marine Insurance	600613	98,435.16	USD	1.00	98,435.16
Citibank	Non-London Scheme	The Equitable Life Assurance	600478	103,622.39	USD	1.00	103,622.39
Citibank	Non-London Scheme	The Guardian Life Insurance Company	600475	32,110.10	USD	1.00	32,110.10
Citibank	Non-London Scheme	The Hawaiian Insurance And Guaranty	300386	5,169.00	USD	1.00	5,169.00
Citibank	Non-London Scheme	The Mutual Life Insurance Company	600476	48,956.80	USD	1.00	48,956.80
Citibank	Non-London Scheme	The Netherlands Insurance Companies	600461	55,772.24	USD	1.00	55,772.24
Citibank	Non-London Scheme	The Prudential Insurance Company Of	600477	24,158.14	USD	1.00	24,158.14
Citibank	Non-London Scheme	The Trustees Of Syndicate 588	400132	1,839,453.00	GBP	1.50	2,759,179.50
Citibank	Non-London Scheme	The Trustes Of Syndicate 1209	400133	947,597.00	GBP	1.50	1,421,395.50
Citibank	Non-London Scheme	Tig Insurance Company	600419	94,440.00	USD	1.00	94,440.00
Citibank	Non-London Scheme	Transatlantic Reinsurance Company	600420	93,941.50	USD	1.00	93,941.50
Citibank	Non-London Scheme	Travelers Casualty And Surety Co	600328	12,981.72	USD	1.00	12,981.72
Citibank	Non-London Scheme	Travelers Casualty And Surety Co	600472	10,534.37	USD	1.00	10,534.37
Citibank	Non-London Scheme	Travelers Insurance Company	600336	146,181.04	USD	1.00	146,181.04
Citibank	Non-London Scheme	Travlrs Casualty And Surety Co	600459	288,906.44	USD	1.00	288,906.44
Citibank	Non-London Scheme	United Service Auto Association	600090	56,662.33	USD	1.00	56,662.33
Citibank	Non-London Scheme	United States Fidelity And	600448	64,350.00	USD	1.00	64,350.00

Citibank	Non-London Scheme	United States Fire Insurance Co	600860	159,979.00	USD	1.00	159,979.00
Citibank	Non-London Scheme	Unum Life Insurance Co Of America	600482	51,467.71	USD	1.00	51,467.71
Citibank	Non-London Scheme	Vesta Fire Insurance	81327	8,442.75	USD	1.00	8,442.75
Citibank	Non-London Scheme	Vesta Fire Insurance Company	600275	7,062.00	USD	1.00	7,062.00
Citibank	Non-London Scheme	Vesta Fire Insurance Company	600430	16,619.00	USD	1.00	16,619.00
Citibank	Non-London Scheme	Vesta Fire Insurance Corporation	400046	135,545.25	USD	1.00	135,545.25
Citibank	Non-London Scheme	Vesta Fire Insurance Corporation	600580	408,851.00	USD	1.00	408,851.00
Citibank	Non-London Scheme	Vesta Fire Insurance Corporation	600581	6,797.95	USD	1.00	6,797.95
Citibank	Non-London Scheme	Vesta Fire Insurance Corporation	600867	19,478.00	USD	1.00	19,478.00
Citibank	Non-London Scheme	Westchester Fire Insurance Company	600272	135,075.00	USD	1.00	135,075.00
Citibank	Non-London Scheme	Westchester Fire Insurance Company	600470	36,525.00	USD	1.00	36,525.00
Citibank	Non-London Scheme	Worcester Insurance Company	600620	36,000.00	USD	1.00	36,000.00
Citibank	Non-London Scheme	Zurich American Insurance Co	600863	602,275.00	USD	1.00	602,275.00
Citibank	Non-London Scheme	Zurich American Insurance Company	600467	46,493.98	USD	1.00	46,493.98
Citibank	Non-London Scheme	Zurich American Insurance Company	600590	270,586.18	USD	1.00	270,586.18
Citibank	Non-London Scheme	Zurich American Insurance Company	600591	134,518.74	USD	1.00	134,518.74
Citibank	Non-London Scheme	Zurich American Insurance Us Branch	600586	203,000.00	USD	1.00	203,000.00
Citibank	Non-London Scheme	Zurich Insurance Company	600864	2,042,040.00	USD	1.00	2,042,040.00
Citibank	Non-London Scheme	Zurich Insurance Company Us Branch	600442	314,844.00	USD	1.00	314,844.00
Citibank	Non-London Scheme	Zurich Insurance Company Us Branch	600443	14,250.66	USD	1.00	14,250.66
Citibank	London Scheme	A.A.U.	2252	653,874.46	USD	1.00	653,874.46
Citibank	Non-London Scheme	A.I.G. Global Trade And Political	159780	389,898.69	USD	1.00	389,898.69
Citibank	Non-London Scheme	Aetna Casualty And Surety Company	600329	929,099.93	USD	1.00	929,099.93
Citibank	Non-London Scheme	Aig Global Trade And Political	601047	1,124,996.62	USD	1.00	1,124,996.62
Citibank	Non-London Scheme	Aig Global Trade And Political Risk	600438	205,368.91	USD	1.00	205,368.91
Citibank	Non-London Scheme	Alec Sharp 1207	400112	598,043.00	GBP	1.50	897,064.50
Citibank	Non-London Scheme	Allendale Appalachian Affiliated Fm	600441	737,321.71	USD	1.00	737,321.71
Citibank	Non-London Scheme	Allendale Mutual Insurance Company	158957	54,232.74	USD	1.00	54,232.74
Citibank	Non-London Scheme	Allianz Life Insurance Company Of	600484	5,287.70	USD	1.00	5,287.70
Citibank	Non-London Scheme	Allied Dealers Ins Svcs For And On	600167	2,446.00	USD	1.00	2,446.00
Citibank	Non-London Scheme	Allied Dealers Ins Svcs For And On	600168	31,388.00	USD	1.00	31,388.00
Citibank	Non-London Scheme	Allied Group Inc.	600866	347,999.05	USD	1.00	347,999.05
Citibank	London Scheme	Allstate Insurance Company	7292	31,278.11	USD	1.00	31,278.11
Citibank	Non-London Scheme	Allstate Insurance Company	600481	86,442.91	USD	1.00	86,442.91
Citibank	Non-London Scheme	Allstate Insurance Company	600567	520,834.00	USD	1.00	520,834.00
Citibank	Non-London Scheme	American Home Assurance Co	600570	678,282.97	USD	1.00	678,282.97
Citibank	London Scheme	American Home Assurance Company	202451	113,877.66	USD	1.00	113,877.66
Citibank	London Scheme	American Home Assurance Company	202767	3,552.62	USD	1.00	3,552.62
Citibank	London Scheme	American Home Assurance Company	202768	525.01	USD	1.00	525.01
Citibank	London Scheme	American Home Assurance Company	202920	81,894.87	USD	1.00	81,894.87
Citibank	London Scheme	American Home Assurance Company	203664	195,674.21	USD	1.00	195,674.21
Citibank	London Scheme	American Home Assurance Company	203667	6,531.99	USD	1.00	6,531.99

Citibank	London Scheme	American Home Assurance Company	203691	3,817.06	USD	1.00	3,817.06
Citibank	London Scheme	American Home Assurance Company	204531	22,396.91	USD	1.00	22,396.91
Citibank	London Scheme	American Home Assurance Company	204532	76,081.98	USD	1.00	76,081.98
Citibank	Non-London Scheme	American Home Assurance Company	600432	73,489.35	USD	1.00	73,489.35
Citibank	London Scheme	American Steamship Owners	204715	148,540.88	USD	1.00	148,540.88
Citibank	London Scheme	Century Indemnity Company	204622	28,394.39	USD	1.00	28,394.39
Citibank	London Scheme	Chatham Reinsurance Corp	204614	49,118.82	USD	1.00	49,118.82
Citibank	London Scheme	Chubb & Son A Division Of Federa	204825	15,268.62	USD	1.00	15,268.62
Citibank	London Scheme	Chubb & Son Inc.	204117	155,508.86	USD	1.00	155,508.86
Citibank	London Scheme	Chubb & Son Inc.	204118	3,600.00	USD	1.00	3,600.00
Citibank	London Scheme	Chubb & Son, A Division Of Feder	204820	125,000.00	USD	1.00	125,000.00
Citibank	London Scheme	Cigna International	202580	24,244.97	USD	1.00	24,244.97
Citibank	London Scheme	Cigna Property & Casualty	204453	150,555.40	USD	1.00	150,555.40
Citibank	London Scheme	Commercial Union Ins Co	505	76,366.82	USD	1.00	76,366.82
Citibank	London Scheme	Commonwealth Insurance Company	204229	76,125.97	USD	1.00	76,125.97
Citibank	London Scheme	Everest Reinsurance Company	202794	144,726.40	USD	1.00	144,726.40
Citibank	London Scheme	Factory Mutual Insurance Company	204678	191,100.00	USD	1.00	191,100.00
Citibank	London Scheme	Farm Bureau Mutual Insurance	204808	4,694.00	USD	1.00	4,694.00
Citibank	London Scheme	Fireman'S Fund Insurance Co	203857	46,508.80	USD	1.00	46,508.80
Citibank	London Scheme	Fireman'S Fund Insurance Co	203858	46,546.78	USD	1.00	46,546.78
Citibank	London Scheme	General American Life Insurance	10279	33,550.59	USD	1.00	33,550.59
Citibank	London Scheme	Generali (U.S.Branch)	202398	3,256.21	USD	1.00	3,256.21
Citibank	London Scheme	Great American Ins Co	914	104,231.70	USD	1.00	104,231.70
Citibank	London Scheme	Gulf Insurance Company	11748	44,667.26	USD	1.00	44,667.26
Citibank	London Scheme	Hartford Fire Insurance Company	201719	11,626.51	USD	1.00	11,626.51
Citibank	London Scheme	Highlands Insurance Company	203787	17,321.59	USD	1.00	17,321.59
Citibank	London Scheme	Highlands Insurance Company	203795	43,758.59	USD	1.00	43,758.59
Citibank	London Scheme	Houston Casualty Company	204802	420,008.00	USD	1.00	420,008.00
Citibank	London Scheme	Liberty International Underwrite	204680	50,000.00	USD	1.00	50,000.00
Citibank	London Scheme	Liberty International Underwrite	204681	286.87	USD	1.00	286.87
Citibank	London Scheme	Liberty International Underwrite	204691	26,453.13	USD	1.00	26,453.13
Citibank	London Scheme	Liberty International Underwrite	204775	50,000.00	USD	1.00	50,000.00
Citibank	London Scheme	Marine Office Of America Corp.	204754	26,780.80	USD	1.00	26,780.80
Citibank	London Scheme	Marine Office Of America Corp.	204785	64,505.73	USD	1.00	64,505.73
Citibank	London Scheme	Marine Office Of America Corp.	204810	146,760.00	USD	1.00	146,760.00
Citibank	London Scheme	Mutual Marine Office Incorporated	202443	1,198,914.97	USD	1.00	1,198,914.97
Citibank	London Scheme	Mutual Marine Office, Inc.	202888	1,904.61	USD	1.00	1,904.61
Citibank	London Scheme	Mutual Marine Office, Inc	204717	44,107.95	USD	1.00	44,107.95
Citibank	London Scheme	Mutual Marine Office, Inc.	203920	660,380.70	USD	1.00	660,380.70
Citibank	London Scheme	Mutual Marine Office, Inc.	203921	1,019,663.66	USD	1.00	1,019,663.66
Citibank	London Scheme	Mutual Marine Office, Inc.	203533	12,700.00	USD	1.00	12,700.00
Citibank	Non-London Scheme	NAC	TBA	40,000,000.00	USD	1.00	40,000,000.00



Citibank	London Scheme	New York Marine And General	203532	6,250.00	USD	1.00	6,250.00
Citibank	London Scheme	Phoenix Home Life Mutual Insuran	6803	43,492.91	USD	1.00	43,492.91
Citibank	London Scheme	Rca Syndicate #1, Ltd	203303	2,995.63	USD	1.00	2,995.63
Citibank	London Scheme	Reliance Insurance Company	201569	331,501.34	USD	1.00	331,501.34
Citibank	London Scheme	Reliance Insurance Company	202383	7,950.00	USD	1.00	7,950.00
Citibank	London Scheme	Reliance Insurance Company	202537	6,588.90	USD	1.00	6,588.90
Citibank	London Scheme	Reliance Insurance Company	203812	22,651.64	USD	1.00	22,651.64
Citibank	London Scheme	Reliance Insurance Company	204024	68,478.38	USD	1.00	68,478.38
Citibank	London Scheme	Reliance Insurance Company	204025	38,929.65	USD	1.00	38,929.65
Citibank	London Scheme	Reliance Insurance Company	204637	78,251.09	USD	1.00	78,251.09
Citibank	London Scheme	Reliance Insurance Company	301200	33,219.54	USD	1.00	33,219.54
Citibank	London Scheme	Reliance National Insurance Comp	204641	5,714.40	USD	1.00	5,714.40
Citibank	London Scheme	Relianceinsurance Company	204078	3,194.91	USD	1.00	3,194.91
Citibank	London Scheme	Royal Indemnity Company	203693	15,274.75	USD	1.00	15,274.75
Citibank	London Scheme	Royal Indemnity Company	203731	21,785.35	USD	1.00	21,785.35
Citibank	London Scheme	Somerset Marine Inc.	202813	20,671.09	USD	1.00	20,671.09
Citibank	London Scheme	Somerset Marine Inc.	202814	39,002.04	USD	1.00	39,002.04
Citibank	London Scheme	Somerset Marine Inc.For&On Behal	203909	37,052.40	USD	1.00	37,052.40
Citibank	London Scheme	Somerset Marine, Inc.	202816	31,201.62	USD	1.00	31,201.62
Citibank	London Scheme	Somerset Marine, Inc.	202817	62,403.24	USD	1.00	62,403.24
Citibank	London Scheme	Somerset Marine, Inc.	202818	31,201.62	USD	1.00	31,201.62
Citibank	London Scheme	Somerset Marine, Inc.	202820	15,600.82	USD	1.00	15,600.82
Citibank	London Scheme	Somerset Marine, Inc.	202821	131,436.82	USD	1.00	131,436.82
Citibank	London Scheme	Somerset Marine, Inc.	202822	15,600.82	USD	1.00	15,600.82
Citibank	London Scheme	Somerset Marine, Inc.	202823	42,902.23	USD	1.00	42,902.23
Citibank	London Scheme	Somerset Marine, Inc.	204120	13,395.80	USD	1.00	13,395.80
Citibank	London Scheme	Somerset Marine, Inc.	204121	26,791.60	USD	1.00	26,791.60
Citibank	London Scheme	Somerset Marine, Inc.	204122	13,395.80	USD	1.00	13,395.80
Citibank	London Scheme	Somerset Marine, Inc.	204123	26,791.59	USD	1.00	26,791.59
Citibank	London Scheme	Somerset Marine, Inc.	204124	13,395.80	USD	1.00	13,395.80
Citibank	London Scheme	Somerset Marine, Inc.	204125	359,833.86	USD	1.00	359,833.86
Citibank	London Scheme	Somerset Marine, Inc.	204126	13,395.80	USD	1.00	13,395.80
Citibank	London Scheme	Somerset Marine, Inc.	204794	5,781.25	USD	1.00	5,781.25
Citibank	London Scheme	Somerset Marine, Inc.	204795	11,562.50	USD	1.00	11,562.50
Citibank	London Scheme	Somerset Marine, Inc.	204796	5,781.25	USD	1.00	5,781.25
Citibank	London Scheme	Somerset Marine, Inc.	204797	5,781.25	USD	1.00	5,781.25
Citibank	London Scheme	Somerset Marine, Inc.	204798	86,718.75	USD	1.00	86,718.75
Citibank	London Scheme	St Paul Fire & Marine	912	79,167.26	USD	1.00	79,167.26
Citibank	London Scheme	St Paul Fire & Marine Ins	11843	5,128.16	USD	1.00	5,128.16
Citibank	London Scheme	St. Paul Reinsurance Management	204833	100,194.21	USD	1.00	100,194.21
Citibank	London Scheme	St.Paul Fire & Marine Ins. Co.	64415	25,750.34	USD	1.00	25,750.34
Citibank	London Scheme	State Mutual Life Assurance Comp	6805	20,330.77	USD	1.00	20,330.77

Citibank	London Scheme	Swiss Re America Corp	204734	301,250.00	USD	1.00	301,250.00
Citibank	London Scheme	The Equitable Life Assurance	6802	129,981.26	USD	1.00	129,981.26
Citibank	London Scheme	The Guardian Life Insurance Comp	6799	43,758.39	USD	1.00	43,758.39
Citibank	London Scheme	The Mutual Life Insurance Compan	6800	38,030.22	USD	1.00	38,030.22
Citibank	London Scheme	The Reliance Insurance Company	203265	31,032.02	USD	1.00	31,032.02
Citibank	London Scheme	The Reliance Insurance Company	204216	54,599.23	USD	1.00	54,599.23
Citibank	London Scheme	The Reliance Insurance Company	204235	55,243.60	USD	1.00	55,243.60
Citibank	London Scheme	The Reliance Insurance Company	204236	51,089.10	USD	1.00	51,089.10
Citibank	London Scheme	Underwriters Reinsurance Company	204799	30,000.00	USD	1.00	30,000.00
Citibank	London Scheme	Underwriters Reinsurance Company	204809	25,471.57	USD	1.00	25,471.57
Citibank	London Scheme	Underwriters Reinsurance Company	204823	19,218.75	USD	1.00	19,218.75
Citibank	London Scheme	Underwriters Reinsurance Company	301225	20,392.34	USD	1.00	20,392.34
Citibank	London Scheme	Unum Life Insurance Company Of	9195	93,756.89	USD	1.00	93,756.89
Citibank	London Scheme	W.Q.I.S	202277	117,355.19	USD	1.00	117,355.19
Citibank	London Scheme	Wm. H. Mcgee & Co., Inc.	204739	15,832.55	USD	1.00	15,832.55
CITIBANK TOTAL							323,364,346.08
Deutsche	Mini-syndicate	Nac Reinsurance	TBA	30,000,000.00	USD	1.00	30,000,000.00
DEUTSCHE TOTAL							30,000,000.00
First Union	Mini-syndicate	Nac Reinsurance	TBA	30,000,000.00	USD	1.00	30,000,000.00
FIRST UNION TOTAL							30,000,000.00
Fleet	Mini-syndicate	Nac Reinsurance	TBA	30,000,000.00	USD	1.00	30,000,000.00
FLEET TOTAL							30,000,000.00
Fleet (LAR)	LAR	Edifrent Sa	TBA	234,000.00	USD	1.00	234,000.00
Fleet (LAR)	LAR	Escala Internacional	TBA	102,213.17	USD	1.00	102,213.17
FLEET (LAR) TOTAL							336,213.17
Fleet (NAC)	NAC US	ALAS	TBA	6,060,530.00	USD	1.00	6,060,530.00
Fleet (NAC)	NAC US	NAC Landlord	TBA	500,000.00	USD	1.00	500,000.00
FLEET (NAC) TOTAL							6,560,530.00
ING Barings	Bilateral	The Council Of Lloyds	101642	92,500,000.00	GBP	1.50	138,750,000.00
ING BARINGS TOTAL							138,750,000.00
Mellon	Mellon	250 Park Ave	S864527	1,500,000.00	USD	1.00	1,500,000.00
Mellon	Mellon	Aig Global Trade & Political Risk Ins. Co.	S861894	1,462,954.14	USD	1.00	1,462,954.14
Mellon	Mellon	Allendale Mutual Insurance Co.	S850355	32,640.31	USD	1.00	32,640.31
Mellon	Mellon	Allendale/Appalachian/Affiliated F.M.	S844674	814,552.96	USD	1.00	814,552.96
Mellon	Mellon	Alliance Insurance Company	S866310	958,472.00	USD	1.00	958,472.00
Mellon	Mellon	Allianz Insurance Company	S860632	104,216.00	USD	1.00	104,216.00
Mellon	Mellon	Allied Group Inc.	S861383	75,652.00	USD	1.00	75,652.00
Mellon	Mellon	Altus Holdings Ltd. Or Alternative Re Ltd.	S857727	1,666,667.00	USD	1.00	1,666,667.00
Mellon	Mellon	American Agricultural Insurance Company	S850356	38,837.45	USD	1.00	38,837.45
Mellon	Mellon	American Family Mutual Insurance Co.	S861429	910,996.88	USD	1.00	910,996.88
Mellon	Mellon	American Home Assurance Co.	S850386	121,110.90	USD	1.00	121,110.90
Mellon	Mellon	American Int'L Underwriters Overseas Assoc.	S861455	32,271.00	USD	1.00	32,271.00

Mellon	Mellon	American Int'L Underwriters Overseas Assoc.	S861456	1,857,374.12	USD	1.00	1,857,374.12
Mellon	Mellon	American Int'L Underwriters Overseas Assoc.	S861473	709,814.09	USD	1.00	709,814.09
Mellon	Mellon	American States Insurance Co.	S844677	17,277.00	USD	1.00	17,277.00
Mellon	Mellon	American Strategic Insurance Company	S859057	5,900,000.00	USD	1.00	5,900,000.00
Mellon	Mellon	Arkwright Mutual Insurance Co.	S850280	4,050.00	USD	1.00	4,050.00
Mellon	Mellon	Arkwright Mutual Insurance Co.	S862692	5,584,521.10	USD	1.00	5,584,521.10
Mellon	Mellon	Armed Forces Insurance Exchange	S866374	127,709.79	USD	1.00	127,709.79
Mellon	Mellon	Attorney'S Liability Assurance Society	1349	12,106,985.91	USD	1.00	12,106,985.91
Mellon	Mellon	Axa Global	S861936	25,851.51	USD	1.00	25,851.51
Mellon	Mellon	Axa Reinsurance Co	S861430	305,655.12	USD	1.00	305,655.12
Mellon	Mellon	California Insurance Group	S844678	3,352.00	USD	1.00	3,352.00
Mellon	Mellon	Century Indemnity Company	S857288	11,530,000.00	USD	1.00	11,530,000.00
Mellon	Mellon	Cgu Insurance Co.	S844669	1,101,658.88	USD	1.00	1,101,658.88
Mellon	Mellon	Cgu Insurance Co.	S844671	13,735.97	USD	1.00	13,735.97
Mellon	Mellon	Chubb & Son Inc.	S861330	4,000,000.00	USD	1.00	4,000,000.00
Mellon	Mellon	Chubb & Son Inc.	S861731	4,820,965.51	USD	1.00	4,820,965.51
Mellon	Mellon	Chubb & Son Inc.	S866688	501,853.00	USD	1.00	501,853.00
Mellon	Mellon	Cincinnati Insurance Co.	S861529	36,849.12	USD	1.00	36,849.12
Mellon	Mellon	Colonial Penn Insurance Co.	S844679	21,130.84	USD	1.00	21,130.84
Mellon	Mellon	Commercial Union Insurance Co.	S844681	5,591.00	USD	1.00	5,591.00
Mellon	Mellon	Continental Casualty Company	S866982	1,026,247.00	USD	1.00	1,026,247.00
Mellon	Mellon	Employer'S Insurance Co. Of Wausau, A Mutual Co.	S844713	4,650.00	USD	1.00	4,650.00
Mellon	Mellon	Employer'S Mutual Casualty Co	S861405	64,930.47	USD	1.00	64,930.47
Mellon	Mellon	Employers Mutual Casualty Co.	S861932	12,925.76	USD	1.00	12,925.76
Mellon	Mellon	Financial Security Assurance Inc.	S861505	17,031,794.80	USD	1.00	17,031,794.80
Mellon	Mellon	Financial Security Assurance Inc.	S866732	233,600.42	USD	1.00	233,600.42
Mellon	Mellon	Fire Insurance Exchange	S861492	11,102.44	USD	1.00	11,102.44
Mellon	Mellon	Fire Insurance Exchange	S861530	413,415.96	USD	1.00	413,415.96
Mellon	Mellon	Fireman'S Fund	S866375	705,155.00	USD	1.00	705,155.00
Mellon	Mellon	Florida Family Mutual Insurance Company	S861332	20,166.00	USD	1.00	20,166.00
Mellon	Mellon	Florida Select Insurance Company	S862293	68,250.00	USD	1.00	68,250.00
Mellon	Mellon	Folksamerica Re	S861928	51,703.03	USD	1.00	51,703.03
Mellon	Mellon	General Accident Ins. Co Of America	S861506	843,617.70	USD	1.00	843,617.70
Mellon	Mellon	General Accident Insurance Company	S861384	1,350,396.53	USD	1.00	1,350,396.53
Mellon	Mellon	General Mutual Reinsurance Co.	S861514	232,075.72	USD	1.00	232,075.72
Mellon	Mellon	Grange Mutual Casualty Company	S861331	6,526.44	USD	1.00	6,526.44
Mellon	Mellon	Great American Insurance Co.	S850354	34,859.94	USD	1.00	34,859.94
Mellon	Mellon	Guideone Mutual Insurance Co.	S866561	41,831.51	USD	1.00	41,831.51
Mellon	Mellon	Harleysville Insurance Co.	S861931	25,851.51	USD	1.00	25,851.51
Mellon	Mellon	Hartford Fire Insurance Co.	S844682	651,791.00	USD	1.00	651,791.00
Mellon	Mellon	Hartford Fire Insurance Company	S866417	21,403.90	USD	1.00	21,403.90
Mellon	Mellon	Hastings Mutual Inaurance Co	S861406	1,403.25	USD	1.00	1,403.25

Mellon	Mellon	Hsb Industrial Risk Insureres	S861335	556,213.00	USD	1.00	556,213.00
Mellon	Mellon	Industrial Risk Insurance	S844323	50,555.80	USD	1.00	50,555.80
Mellon	Mellon	Industrial Risk Insurance	S861753	365,000.00	USD	1.00	365,000.00
Mellon	Mellon	Industrial Risk Insurers	S866240	80,000.00	USD	1.00	80,000.00
Mellon	Mellon	Industrial Risk Insurers	S866372	374,436.07	USD	1.00	374,436.07
Mellon	Mellon	Industrial Risk Insurers	S866602	143,367.00	USD	1.00	143,367.00
Mellon	Mellon	Insurance Corp Of Ny	S861929	77,554.54	USD	1.00	77,554.54
Mellon	Mellon	Kemper Insurance Company	S862337	1,619,052.22	USD	1.00	1,619,052.22
Mellon	Mellon	Lexington Insurance Co.	S850300	120,463.26	USD	1.00	120,463.26
Mellon	Mellon	Maine Mutual Fire Insurance Co	S861404	6,795.04	USD	1.00	6,795.04
Mellon	Mellon	Mbia Inaurance Corp.	S861472	2,491,000.00	USD	1.00	2,491,000.00
Mellon	Mellon	Meridian Mutual Insurance Co.	S850308	6,392.00	USD	1.00	6,392.00
Mellon	Mellon	Michigan Millers Mutual Insurance Co.	S844683	10,741.50	USD	1.00	10,741.50
Mellon	Mellon	Millers Mutual Insurance Association	S850292	2,256.04	USD	1.00	2,256.04
Mellon	Mellon	Mutual Marine Office, Inc.	S844706	10,030.14	USD	1.00	10,030.14
Mellon	Mellon	Nac Reinsurance	S866718	70,000,000.00	USD	1.00	70,000,000.00
Mellon	Mini-syndicate	Nac Reinsurance	TBA	30,000,000.00	USD	1.00	30,000,000.00
Mellon	Mellon	National Grange Mutual Insurance Co.	S861333	28,875.71	USD	1.00	28,875.71
Mellon	Mellon	National Union Fire Insurance Co. Of Pittsburgh	S844707	95,207.02	USD	1.00	95,207.02
Mellon	Mellon	Nat'L Liability	S861934	6,462.88	USD	1.00	6,462.88
Mellon	Mellon	Nat'L Union Fire Insurance Co. Of Pgh Pa	S861491	42,865.37	USD	1.00	42,865.37
Mellon	Mellon	Navigators Insurance Company	S861933	89,510.97	USD	1.00	89,510.97
Mellon	Mellon	New Castle Mutual Insurance Co.	S844708	3,904.50	USD	1.00	3,904.50
Mellon	Mellon	New York Marine & General Ins. Co.	S861528	729,461.25	USD	1.00	729,461.25
Mellon	Mellon	Ohio Casualty Insurance Co.	S850290	306,982.76	USD	1.00	306,982.76
Mellon	Mellon	Pa National Mutual Casualty Insurance Co.	S848880	15,603.83	USD	1.00	15,603.83
Mellon	Mellon	Penn. National Mutual Casualty Insurance Co.	S866601	23,892.54	USD	1.00	23,892.54
Mellon	Mellon	Pennsylvania Lumbermans Mutual	S861930	17,126.53	USD	1.00	17,126.53
Mellon	Mellon	Protection Mututal Insurance Company	S862336	455,160.00	USD	1.00	455,160.00
Mellon	Mellon	Ranger Insurance Company	S861470	260,607.00	USD	1.00	260,607.00
Mellon	Mellon	Republic Insurance Company	S866813	43,710.45	USD	1.00	43,710.45
Mellon	Mellon	Royal Specialty Underwriting	S866571	697,756.00	USD	1.00	697,756.00
Mellon	Mellon	Royal Specialty Underwriting	S866572	1,365,148.00	USD	1.00	1,365,148.00
Mellon	Mellon	Shelter Mutual Insurance Company	S850353	11,174.00	USD	1.00	11,174.00
Mellon	Mellon	Sorema North American Reinsurance Co.	S861935	16,157.20	USD	1.00	16,157.20
Mellon	Mellon	St. Paul Fire & Marine	S866416	232,976.52	USD	1.00	232,976.52
Mellon	Mellon	St. Paul Fire & Marine Insurance Co.	S850304	19,337.78	USD	1.00	19,337.78
Mellon	Mellon	St. Paul Fire & Marine Insurance Co.	S861336	408,561.50	USD	1.00	408,561.50
Mellon	Mellon	St. Paul Fire & Marine Insurance Co.	S861407	104,588.85	USD	1.00	104,588.85
Mellon	Mellon	St. Paul Fire & Marine Insurance Co.	S861408	128,142.00	USD	1.00	128,142.00
Mellon	Mellon	St. Paul Reinsurance	S861334	360,615.68	USD	1.00	360,615.68
Mellon	Mellon	St. Paul'S Fire & Marine	S861400	1,506,658.27	USD	1.00	1,506,658.27

Mellon	Mellon	Sunshine State Insurance	S857359	3,500,000.00	USD	1.00	3,500,000.00
Mellon	Mellon	Swiss Re Financial Corp	S857725	3,000,000.00	USD	1.00	3,000,000.00
Mellon	Mellon	The Council Of Lloyds	1345	4,750,700.00	GBP	1.50	7,126,050.00
Mellon	Mellon	The Council Of Lloyds	1348	1,000,000.00	GBP	1.50	1,500,000.00
Mellon	Mellon	The Council Of Lloyds	1365	35,850,000.00	GBP	1.50	53,775,000.00
Mellon	Mellon	The Fire & Casualty Ins. Co. Of Conn.	S866239	1,103,760.00	USD	1.00	1,103,760.00
Mellon	Mellon	The Netherlands Insurance Cos.	S850299	1,736.60	USD	1.00	1,736.60
Mellon	Mellon	The Shelby Insurance Co.	S850297	6,368.69	USD	1.00	6,368.69
Mellon	Mellon	Tig Insurance Co.	S844712	56,541.80	USD	1.00	56,541.80
Mellon	Mellon	Traveler'S Casualty And Surety Co.	S844672	14,213.27	USD	1.00	14,213.27
Mellon	Mellon	U.S. District Judge For The District Of Wyoming	1350	9,800,000.00	USD	1.00	9,800,000.00
Mellon	Mellon	United States Fidelity & Guarranty	S861401	47,143.90	USD	1.00	47,143.90
Mellon	Mellon	United States Fire Ins. Co	S861561	41,323.17	USD	1.00	41,323.17
Mellon	Mellon	Usf & G	S866707	107,690.00	USD	1.00	107,690.00
Mellon	Mellon	Westchester Fire Insurance Company	S866570	360,979.00	USD	1.00	360,979.00
Mellon	Mellon	Westchester Surplus Lines Insurance Co.	S844714	45,303.56	USD	1.00	45,303.56
Mellon	Mellon	X L America	S864236	1,000,000.00	USD	1.00	1,000,000.00
Mellon	Mellon	X.L. Europe Insurance - Trust For Alien Surplus Lines	1343	5,400,000.00	USD	1.00	5,400,000.00
Mellon	Mellon	Xl Insurance Company Of New York, Inc.	S861471	19,100,000.00	USD	1.00	19,100,000.00
Mellon	Mellon	Yusada Fire & Marine Insurance Co	S866706	243,727.64	USD	1.00	243,727.64
Mellon	Mellon	Zurich Ins. Co. / American Guarantee Liability Ins. Co.	S861560	6,664,337.00	USD	1.00	6,664,337.00
MELLON TOTAL							305,024,961.83
GRAND TOTAL							1,033,336,051.08

[Form of Assignment and Acceptance]

ASSIGNMENT AND ACCEPTANCE

Reference is made to the Letter of Credit and Reimbursement Agreement dated as of July 5, 2000 (as amended and in effect on the date hereof, the "Letter of Credit Agreement"), between XL Capital Ltd, X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd and XL Mid Ocean Reinsurance Ltd, the Lenders named therein and The Chase Manhattan Bank, as Administrative Agent for the Lenders. Terms defined in the Letter of Credit Agreement are used herein with the same meanings.

The Assignor named below hereby sells and assigns, without recourse, to the Assignee named below, and the Assignee hereby purchases and assumes, without recourse, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below (the "ASSIGNED INTEREST") in the Assignor's rights and obligations under the Letter of Credit Agreement, including the interests set forth below in the Commitment of the Assignor on the Assignment Date, together with the participations in Letters of Credit and LC Disbursements held by the Assignor on the Assignment Date, and the amount, if any, set forth below of the fees accrued to the Assignment Date for the account of the Assignor. The Assignee hereby acknowledges receipt of a copy of the Letter of Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Letter of Credit Agreement and, to the extent of the interests assigned by this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Letter of Credit Agreement.

This Assignment and Acceptance is being delivered to the Administrative Agent together with (i) any documentation required to be delivered by the Assignee pursuant to Section 2.07(e) of the Letter of Credit Agreement, duly completed and executed by the Assignee, and (ii) if the Assignee is not already a Lender under the Letter of Credit Agreement, an Administrative Questionnaire in the form supplied by the Administrative Agent, duly completed by the Assignee. The [Assignee/Assignor] shall pay the fee payable to the Administrative Agent pursuant to Section 10.04(b) of the Letter of Credit Agreement.

This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of New York.

ASSIGNMENT AND ACCEPTANCE

Date of Assignment:

Legal Name of Assignor:

Legal Name of Assignee:

Assignee's Address for Notices:

Effective Date of Assignment  
("ASSIGNMENT DATE")(1):

Principal Amount  
Assigned  
-----

Commitment Assigned: \$

Fees Assigned (if any): \$

-----  
(1) Must be at least five Business Days after execution hereof by all required parties.

ASSIGNMENT AND ACCEPTANCE

The terms set forth above are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: -----  
Name:  
Title:

[NAME OF AS SIGNEE], as Assignee

By: -----  
Name:  
Title:

The undersigned hereby consent to the within assignment:(2)

XL CAPITAL LTD

By: -----  
Name:  
Title:

X.L. AMERICA, INC.

By: -----  
Name:  
Title:

-----  
(2) Consents to be included to the extent required by Section 9.04(b) of the Letter of Credit Agreement.

ASSIGNMENT AND ACCEPTANCE



XL INSURANCE LTD

By: \_\_\_\_\_  
Name:  
Title:

XL EUROPE LTD

By: \_\_\_\_\_  
Name:  
Title:

XL MID OCEAN REINSURANCE LTD

By: \_\_\_\_\_  
Name:  
Title:

THE CHASE MANHATTAN BANK,  
as Administrative Agent

By: \_\_\_\_\_  
Name:  
Title:

ASSIGNMENT AND ACCEPTANCE

[Form of Opinion of Special New York Counsel to Chase]

[\_\_\_\_\_], 2000

To the Lenders party to the Letter of Credit Agreement referred to below and The Chase Manhattan Bank, as Administrative Agent

Ladies and Gentlemen:

We have acted as special New York counsel to The Chase Manhattan Bank ("CHASE") in connection with the Letter of Credit and Reimbursement Agreement (the "LETTER OF CREDIT AGREEMENT") dated as of July 5, 2000, between XL Capital Ltd, ("XL CAPITAL"), X.L. America, Inc., ("XL AMERICA"), XL Insurance Ltd, ("XL INSURANCE"), XL Europe Ltd, ("XL EUROPE") and XL Mid Ocean Reinsurance Ltd, ("XL MID OCEAN" 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 lenders party thereto and Chase, as Administrative Agent, providing for letters of credit to be issued by said lenders to the Account Parties in an aggregate principal amount not exceeding \$1,000,000,000. Terms defined in the Letter of Credit Agreement are used herein as defined therein. This opinion letter is being delivered pursuant to Section 5.01(c) of the Letter of Credit Agreement.

In rendering the opinions expressed below, we have examined the Letter of Credit Agreement.

In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with authentic original documents of all documents submitted to us as copies. When relevant facts were not independently established, we have relied upon representations made in or pursuant to the Letter of Credit Agreement.

In rendering the opinions expressed below, we have assumed, with respect to all of the documents referred to in this opinion letter, that:

- (i) such documents have been duly authorized by, have been duly executed and delivered by, and (except to the extent set forth in the opinions expressed below as to the Obligors) constitute legal, valid, binding and enforceable obligations of, all of the parties to such documents;
- (ii) all signatories to such documents have been duly authorized; and

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

- (iii) all of the parties to such documents are duly organized and validly existing and have the power and authority (corporate or other) to execute, deliver and perform such documents.

Based upon and subject to the foregoing and subject also to the comments and qualifications set forth below, and having considered such questions of law as we have deemed necessary as a basis for the opinions expressed below, we are of the opinion that the Letter of Credit Agreement constitutes the legal, valid and binding obligation of each Obligor party thereto, enforceable against such Obligor in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as the enforceability of the Letter of Credit Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law), including (a) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (b) concepts of materiality, reasonableness, good faith and fair dealing.

The foregoing opinions are subject to the following comments and qualifications:

(A) The enforceability of Section 10.03 of the Letter of Credit Agreement may be limited by (i) laws rendering unenforceable indemnification contrary to Federal or state securities laws and the public policy underlying such laws and (ii) laws limiting the enforceability of provisions exculpating or exempting a party, or requiring indemnification of a party for, liability for its own action or inaction, to the extent the action or inaction involves gross negligence, recklessness, willful misconduct or unlawful conduct.

(B) The enforceability of provisions in the Letter of Credit Agreement to the effect that terms may not be waived or modified except in writing may be limited under certain circumstances.

(C) Clause (iii) of the second sentence of Section 3.02 of the Letter of Credit Agreement may not be enforceable to the extent that the Guaranteed Obligations are materially modified.

(D) We express no opinion as to (i) the effect of the laws of any jurisdiction in which any Lender is located (other than the State of New York) that limit the interest, fees or other charges such Lender may impose, (ii) the last sentence of Section 2.08(d), (iii) the first sentence of Section 10.09(b) of the Letter of Credit Agreement, insofar as such sentence relates to the subject matter jurisdiction of the United States District Court for the Southern District of New York to adjudicate any controversy related to the Letter of Credit Agreement and (iv) the waiver of inconvenient forum set forth in Section 10.09(c) of the Letter of Credit Agreement with respect to proceedings in the United States District Court for the Southern District of New York.

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

The foregoing opinions are limited to matters involving the Federal laws of the United States of America and the law of the State of New York, and we do not express any opinion as to the laws of any other jurisdiction.

At the request of our client, this opinion letter is, pursuant to Section 5.01(c) of the Letter of Credit Agreement, provided to you by us in our capacity as special New York counsel to Chase and may not be relied upon by any Person for any purpose other than in connection with the transactions contemplated by the Letter of Credit Agreement (other than your successors and assigns as Lenders and Persons that acquire participations in your extensions of credit under the Letter of Credit Agreement) without, in each instance, our prior written consent.

Very truly yours,

WJM/RJW

OPINION OF SPECIAL NEW YORK COUNSEL TO CHASE

## XL CAPITAL LTD

COMPUTATION OF EARNINGS PER ORDINARY SHARE  
AND ORDINARY SHARE EQUIVALENT

(U.S. DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2000	1999	2000	1999
	(UNAUDITED)		(UNAUDITED)	
<b>BASIC EARNINGS PER SHARE:</b>				
Net income.....	\$142,484	\$62,708	\$366,243	\$272,519
Weighted average ordinary shares outstanding.....	124,431	126,785	124,948	127,599
Basic earnings per share.....	\$ 1.15	\$ 0.49	\$ 2.93	\$ 2.14
	=====	=====	=====	=====
<b>DILUTED EARNINGS PER SHARE:</b>				
Net income.....	\$142,484	\$62,708	\$366,243	\$272,519
Add back after-tax interest on convertible debentures.....	--	876	--	1,752
Adjusted net income.....	142,484	63,584	366,243	274,271
	=====	=====	=====	=====
Weighted average ordinary shares outstanding-basic...	124,431	126,785	124,948	127,599
Average stock options outstanding (1).....	1,249	1,254	930	1,923
Assumed conversion of convertible debentures (2).....	--	1,837	--	1,837
	-----	-----	-----	-----
Weighted average ordinary shares outstanding-diluted.....	125,680	129,876	125,878	131,359
Diluted earnings per share.....	\$ 1.13	\$ 0.48	\$ 2.91	\$ 2.07
	=====	=====	=====	=====
Dividends per share.....	\$ 0.45	\$ 0.44	\$ 0.90	\$ 0.88
	=====	=====	=====	=====

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

(2) 1999 reflects the assumed conversion of the 5.25% Convertible Subordinated Debentures due 2000, formerly issued by NAC Re. These debentures were called in June 1999 and the actual conversion is reflected in 1999.



6-MOS

DEC-31-2000  
JAN-01-2000  
JUN-30-2000  
8,075,241  
0  
0  
817,787  
0  
0  
8,893,028  
874,147  
132,544  
334,933  
16,139,372  
5,295,597  
1,758,014  
1,048,170  
0  
461,029  
0  
0  
1,238  
5,471,907  
16,139,372  
997,874  
264,967  
73,782  
51,531  
631,374  
219,352  
180,779  
356,649  
(10,321)  
366,243  
0  
0  
0  
366,243  
2.93  
2.91  
0  
0  
0  
0  
0  
0  
0