SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

COMMISSION FILE NUMBER 1-10804

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

CAYMAN ISLANDS	98-0191089
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

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

(441) 292-8515
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

Yes [X] No [_]

As of August 9, 2001, there were outstanding 125,692,218 Class A Ordinary Shares, $0.01 par value per share, of the registrant.

XL CAPITAL LTD

INDEX TO FORM 10-Q

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, 2001	DECEMBER 31, 2000
A S S E T S		
Investments:		
Fixed maturities, at fair value (amortized cost: 2001, $8,735,489; 2000, $8,714,196)	$ 8,583,185	$ 8,605,081
Equity securities, at fair value (cost: 2001, $531,546; 2000, $515,440)	512,042	557,460
Short-term investments, at fair value (amortized cost: 2001, $315,546; 2000, $347,147)	313,039	339,007
Total investments available for sale	9,408,266	9,501,548
Investments in affiliates	909,000	792,723
Other investments	245,106	177,651
Total investments	10,562,372	10,471,922
Cash and cash equivalents	1,676,981	930,469
Accrued investment income	148,911	143,235
Deferred acquisition costs	379,751	309,268
Prepaid reinsurance premiums	471,278	391,789
Premiums receivable	1,487,691	1,119,723
Reinsurance balances receivable	282,231	196,002
Unpaid losses and loss expenses recoverable	1,633,094	1,339,767
Intangible assets (accumulated amortization: 2001, $206,431; 2000, $177,260)	1,575,275	1,591,108
Deferred tax asset, net	162,739	152,168
Other assets	335,360	296,501
Total assets	$ 18,715,683	$ 16,941,952
L I A B I L I T I E S A N D S H A R E H O L D E R S' E Q U I T Y		
Liabilities:		
Unpaid losses and loss expenses	$ 6,050,013	$ 5,672,062
Deposit liabilities and policy benefit reserves	1,234,317	1,209,926
Unearned premiums	2,188,254	1,741,393
Notes payable and debt	1,294,673	450,032
Reinsurance balances payable	547,938	441,900
Net payable for investments purchased	1,068,027	1,372,476
Other liabilities	611,569	439,433
Minority interest	41,578	41,062
Total liabilities	$ 13,036,369	$ 11,368,284
Commitments and Contingencies		
Shareholders' Equity:		
Authorized, 999,990,000 ordinary shares, par value $0.01		
Issued and outstanding:		
Ordinary shares (2001, 125,654,707; 2000, 125,020,676)	$ 1,256	$ 1,250
Contributed surplus	2,537,435	2,497,416
Accumulated other comprehensive loss	(247,900)	(104,712)
Deferred compensation	(28,055)	(17,727)
Retained earnings	3,416,578	3,197,441
Total shareholders' equity	$ 5,679,314	$ 5,573,668
Total liabilities and shareholders' equity	$ 18,715,683	$ 16,941,952

See accompanying notes to Unaudited Consolidated Financial Statements.

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

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
Revenues:				
Net premiums earned	$ 640,984	$ 503,375	$ 1,183,138	$ 997,874
Net investment income	140,800	136,440	270,151	264,967
Net realized (losses) gains on investments	(31,072)	5,075	29,099	73,782
Equity in net income of affiliates	29,514	25,756	57,902	43,235
Fee income and other	11,493	3,340	18,562	8,296
Total revenues	791,719	673,986	1,558,852	1,388,154
Expenses:				
Losses and loss expenses	386,951	328,540	717,155	631,374
Acquisition costs	143,202	115,658	269,074	219,352
Operating expenses	89,506	67,798	161,394	137,074
Interest expense	15,800	7,402	23,312	15,897
Amortization of intangible assets	14,703	13,756	29,171	27,808
Total expenses	650,162	533,154	1,200,106	1,031,505
Income before minority interest and income tax	141,557	140,832	358,746	356,649
Minority interest in net income of subsidiary	(652)	522	517	727
Income tax expense (benefit)	13,603	(2,174)	10,694	(10,321)
Net income	$ 128,606	$ 142,484	$ 347,535	$ 366,243
Change in net unrealized depreciation of investments	(59,299)	(132,990)	(109,706)	(138,660)
Foreign currency translation adjustments	(7,360)	(6,605)	(33,482)	(10,315)
Comprehensive income	$ 61,947	$ 2,889	$ 204,347	$ 217,268
Weighted average ordinary shares and ordinary share equivalents outstanding-basic	125,396	124,431	125,312	124,948
Weighted average ordinary shares and ordinary share equivalents outstanding - diluted	127,765	125,680	127,546	125,878
Earnings per ordinary share and ordinary share equivalent-basic	$1.03	$1.15	$2.77	$2.93
Earnings per ordinary share and ordinary share equivalent - diluted	$1.01	$1.13	$2.72	$2.91

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	
	2001	2000
Ordinary Shares:		
Balance-beginning of year	$ 1,250	$ 1,278
Issue of shares	1	--
Exercise of stock options	7	9
Repurchase of treasury shares	(2)	(49)
Balance-end of period	$ 1,256	$ 1,238
Contributed Surplus:		
Balance-beginning of year	$ 2,497,416	$ 2,520,136
Issue of shares	15,993	345
Exercise of stock options	28,633	18,872
Repurchase of treasury shares	(4,607)	(95,996)
Balance-end of period	$ 2,537,435	$ 2,443,357
Accumulated other comprehensive (loss) income:		
Balance-beginning of year	$ (104,712)	$ 19,311
Net change in unrealized losses on investment portfolio, net of tax	(110,470)	(132,370)
Net change in unrealized gains (losses) on investment portfolio of affiliate	764	(6,290)
Currency translation adjustments	(33,482)	(10,315)
Balance-end of period	$ (247,900)	$ (129,664)
Deferred Compensation:		
Balance-beginning of year	$ (17,727)	$ (28,797)
(Issue) forfeit of restricted shares	(15,103)	1,676
Amortization	4,775	3,937
Balance-end of period	$ (28,055)	$ (23,184)
Retained Earnings:		
Balance-beginning of year	$ 3,197,441	$ 3,065,150
Net income	347,535	366,243
Cash dividends paid	(116,944)	(113,358)
Repurchase of treasury shares	(11,454)	(136,637)
Balance-end of period	$ 3,416,578	$ 3,181,398
Total shareholders' equity	$ 5,679,314	$ 5,473,145

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	
	2001	2000
Cash flows provided by (used in) operating activities:		
Net income	$ 347,535	$ 366,243
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Net realized gains on investments	(29,099)	(73,782)
Amortization of discounts on fixed maturities	(21,517)	(18,327)
Equity in net income of affiliates	(57,902)	(43,235)
Amortization of deferred compensation	4,775	4,898
Accretion of convertible debt	3,138	--
Amortization of intangible assets	29,171	27,808
Accretion of deposit liabilities and policy reserves	39,639	--
Unpaid losses and loss expenses	373,453	(116,737)
Unearned premiums	446,861	260,638
Premiums receivable	(367,968)	(345,456)
Unpaid losses and loss expenses recoverable	(293,327)	(218,180)
Prepaid reinsurance premiums	(79,489)	(115,636)
Reinsurance balances receivable	(86,229)	17,336
Deferred acquisition costs	(69,323)	(57,458)
Reinsurance balances payable	106,038	224,121
Other	88,806	(43,731)
Total adjustments	87,027	(497,741)
Net cash provided by (used in) operating activities	434,562	(131,498)
Cash flows provided by (used in) investing activities:		
Proceeds from sale of fixed maturities and short-term investments	13,857,761	11,969,453
Proceeds from redemption of fixed maturities and short-term investments	345,521	252,794
Proceeds from sale of equity securities	515,591	910,895
Purchases of fixed maturities and short-term investments	(14,506,336)	(11,793,330)
Purchases of equity securities	(475,660)	(687,876)
Deferred gains on forward contracts	--	(1,747)
Investments in affiliates	(66,974)	(131,005)
Acquisition of subsidiaries, net of cash acquired	(20,586)	(3,094)
Other investments	(76,145)	(29,659)
Fixed assets	(14,599)	(18,525)
Net cash (used in) provided by investing activities	(441,427)	467,906
Cash flows provided by (used in) financing activities:		
Issue of shares	--	2,021
Proceeds from exercise of share options	28,640	18,881
Repurchase of treasury shares	(16,063)	(232,682)
Dividends paid	(116,944)	(113,358)
Proceeds from loans	891,500	50,300
Repayment of loans	(50,000)	--
Deposit liabilities and policy benefit reserves	16,699	253,373
Net cash provided by (used in) financing activities	753,832	(21,465)
Effects of exchange rate changes on foreign currency cash	(455)	1,455
Increase in cash and cash equivalents	746,512	316,398
Cash and cash equivalents-beginning of year	930,469	557,749
Cash and cash equivalents-end of period	$ 1,676,981	$ 874,147

See accompanying notes to Unaudited Consolidated Financial Statements.

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

1. BASIS OF PRESENTATION

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

The Financial Accounting Standards Board issued Statement ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets," in July, 2001. SFAS 141 addresses financial accounting and reporting for the acquisition of other companies and is effective for transactions initiated after June 30, 2001. The Company will adopt this standard for the acquisition of Winterthur International (see Note 7). SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets both upon their acquisition and after they have initially been recognized in the financial statements. This standard is effective for fiscal years beginning after December 15, 2001, and will be adopted by the Company on January 1, 2002. The Company is currently in the process of assessing the effect of the adoption of SFAS 142 on its results of operations, financial condition and liquidity.

3. SEGMENT INFORMATION

The Company is organized into three underwriting segments - insurance, reinsurance and financial products and services - in addition to a corporate segment that includes the investment operations of the Company. Lloyd's syndicates are part of the insurance segment but are described separately as the nature of the business written and the market in which the Lloyd's syndicates underwrite are significantly different to the Company's other insurance operations. The Company evaluates the performance of each segment based on underwriting profit or loss. Certain business written by the Company has loss experience generally characterized as low frequency and high severity. This may result in volatility in both the Company's and an individual segment's results and operational cash flows. See "Cautionary Note Regarding Forward-Looking Statements" in Item 3.

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

3. SEGMENT INFORMATION (CONTINUED)

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, 2001

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	$ 221,536	$ 118,387	$292,407	$ 8,654	$640,984
Fee income and other	2,624	(2,211)	714	10,366	11,493
Net losses and loss expenses	123,162	78,436	183,339	2,014	386,951
Acquisition costs	31,368	34,551	76,126	1,157	143,202
Operating expenses	28,621	4,944	23,069	6,863	63,497
Exchange (gains) losses	(639)	3,422	4,825	--	7,608
Underwriting profit (loss)	$ 41,648	$ (5,177)	$ 5,762	$ 8,986	$ 51,219
Net investment income					140,800
Net realized losses on investments					(31,072)
Equity in net income of affiliates					29,514
Interest expense					15,800
Amortization of intangible assets					14,703
Corporate operating expenses					18,401
Minority interest					(652)
Income tax					13,603
Net income					$128,606
Loss and loss expense ratio	55.6%	66.2%	62.7%	23.3%	60.4%
Underwriting expense ratio	27.1%	33.4%	33.9%	92.7%	32.2%
Combined ratio	82.7%	99.6%	96.6%	116.0%	92.6%

3. SEGMENT INFORMATION (CONTINUED)

QUARTER ENDED JUNE 30, 2000

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	$ 151,279	$ 95,158	$ 250,110	$6,828	$ 503,375
Fee income and other	3,934	(2,565)	3	1,968	3,340
Net losses and loss expenses (1)	92,058	63,003	171,671	1,808	328,540
Acquisition costs	22,726	31,883	60,678	371	115,658
Operating expenses	19,724	3,072	26,220	6,414	55,430
Exchange (gains) losses	480	(2,090)	(95)	--	(1,705)
Underwriting profit (loss)	$ 20,225	$ (3,275)	$ (8,361)	$ 203	$ 8,792
Net investment income					136,440
Net realized gains on investments					5,075
Equity in net income of affiliates					25,756
Interest expense					7,402
Amortization of intangible assets					13,756
Corporate operating expenses					14,073
Minority interest					522
Income tax					(2,174)
Net income					$ 142,484
Loss and loss expense ratio (1)	60.8%	66.2%	68.6%	26.5%	65.3%
Underwriting expense ratio	28.1%	36.7%	34.8%	99.4%	34.0%
Combined ratio	88.9%	102.9%	103.4%	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 arrangement. Consolidated results are not affected by this arrangement. 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 arrangement not been in place.

3. SEGMENT INFORMATION (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2001

	INSURANCE	LLOYD'S SYNDICATES	REINSURANCE	FINANCIAL PRODUCTS AND SERVICES	TOTAL
Net premiums earned	$ 398,850	$ 210,546	$559,267	$14,475	$1,183,138
Fee income and other	4,647	(1,609)	151	15,373	18,562
Net losses and loss expenses	217,367	144,362	351,797	3,629	717,155
Acquisition costs	56,171	65,699	145,726	1,478	269,074
Operating expenses	54,596	11,756	39,775	18,220	124,347
Exchange losses (gains)	(1,186)	2,587	5,037	--	6,438
Underwriting profit (loss)	$ 76,549	$ (15,467)	$ 17,083	$ 6,521	$ 84,686
Net investment income					270,151
Net realized gains on investments					29,099
Equity in net income of affiliates					57,902
Interest expense					23,312
Amortization of intangible assets					29,171
Corporate operating expenses					30,609
Minority interest					517
Income tax					10,694
Net income					$ 347,535
Loss and loss expense ratio	54.5%	68.6%	62.9%	25.1%	60.6%
Underwriting expense ratio	27.8%	36.8%	33.2%	136.1%	33.3%
Combined ratio	82.3%	105.4%	96.1%	161.2%	93.9%

3. SEGMENT INFORMATION (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2000

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

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(1) Net losses incurred for the insurance segment include, and the reinsurance segment exclude, $11.2 million relating to an intercompany stop loss arrangement. Consolidated results are not affected by this arrangement. 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 arrangement not been in place.

3. SEGMENT INFORMATION (CONTINUED)

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

QUARTER ENDED JUNE 30, 2001

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	$ 250,039	$170,261	$113,502
Casualty reinsurance	118,932	81,271	92,391
Property catastrophe	50,892	44,726	41,035
Other property	175,535	128,075	124,787
Marine, energy, aviation and satellite	77,088	36,959	49,606
Lloyd's syndicates	162,242	145,042	118,387
Other	171,119	142,818	101,276
Total	$1,005,847	$749,152	$640,984

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

3. SEGMENT INFORMATION (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2001

	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	NET PREMIUMS EARNED
Casualty insurance	$ 439,226	$ 281,970	$ 198,510
Casualty reinsurance	290,322	204,316	163,780
Property catastrophe	153,050	142,568	77,857
Other property	353,081	254,968	219,118
Marine, energy, aviation and satellite	254,665	152,367	111,428
Lloyd's syndicates	379,238	279,582	210,546
Other	287,110	245,635	201,899
Total	$2,156,692	$1,561,406	$1,183,138

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

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

4. BUSINESS COMBINATION

During the six months ended June 30, 2001, the Company acquired The London Assurance of America, Inc., a company licensed in forty five U.S. States, for the purpose of obtaining licenses for the financial guaranty operations of the Company. The cost of the acquisition less cash acquired was $20.6 million. Goodwill arising from the acquisition amounted to $11.3 million.

5. NOTES PAYABLE AND DEBT AND FINANCING ARRANGEMENTS

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

In May 2001, the Company issued Zero Coupon Convertible Debentures due 2021 with a yield to maturity of 2.625%. The gross proceeds to the Company were $600.0 million. Funds were received net of $13.5 million of related expenses that were capitalized and will be expensed over one year. Proceeds of the debt will be used to finance the Winterthur International acquisition discussed in Note 7 below and general corporate purposes.

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

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2001	2000	2001	2000
BASIC EARNINGS PER SHARE :				
Net income	$128,606	$142,484	$347,535	$366,243
Weighted average ordinary shares outstanding	125,396	124,431	125,312	124,948
Basic earnings per share	$ 1.03	$ 1.15	$ 2.77	$ 2.93
DILUTED EARNINGS PER SHARE :				
Net income	$128,606	$142,484	$347,535	$366,243
Weighted average ordinary shares outstanding-basic	125,396	124,431	125,312	124,948
Average stock options outstanding (1)	2,369	1,249	2,234	930
Weighted average ordinary shares outstanding-diluted	127,765	125,680	127,546	125,878
Diluted earnings per share	$ 1.01	$ 1.13	$ 2.72	$ 2.91
DIVIDENDS PER SHARE	$ 0.46	$ 0.45	$ 0.92	$ 0.90

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

7. SUBSEQUENT EVENT

On July 25, 2001, the Company completed the acquisition of Winterthur International ("WI") in an all-cash transaction valued at approximately $405.0 million. The purchase price of the acquisition is based on financial statements for the business being acquired as at December 31, 2000, and is subject to adjustment based on the completion of audited financial statements for WI as at and for the period ended June 30, 2001. The acquisition of WI will be given economic effect as at July 1, 2001.

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

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

This "Management's Discussion and Analysis of Results of Operations and Financial Condition" contains forward-looking statements which involve inherent risks and uncertainties. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based upon current plans, estimates and 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 Management's Discussion and Analysis of Results of Operations and Financial Condition, and the audited Consolidated Financial Statements and notes thereto presented under Item 7 and Item 8, respectively, of the Company's Form 10-K for the year ended December 31, 2000.

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, 2001 and 2000:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net operating income (excluding net realized gains and losses on investments)	$ 160,062	$ 135,491	18.1%
Net realized (losses) gains on investments	(31,456)	6,993	NM
Net income	$ 128,606	$ 142,484	(9.7)%
Earnings per share - basic	$1.03	$1.15	
Earnings per share - diluted	$1.01	$1.13	

* NM - Not Meaningful

Net operating income increased in the second quarter of 2001 compared to the second quarter of 2000 primarily due to an improvement in underwriting profit. The increase in underwriting profit was partially offset by an increase in income tax expense. Underwriting results are discussed in further detail in each of the following segments.

SEGMENTS

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

The calculations of the underwriting ratios for all segments follow. The combined ratio is the sum of the loss and loss expense ratio and the underwriting expense ratio. The loss and loss expense ratio is calculated by

dividing net losses and loss expenses by net premiums earned, and the underwriting expense ratio is calculated by dividing the total of acquisition costs and operating expenses by net premiums earned.

INSURANCE OPERATIONS - EXCLUDING LLOYD'S SYNDICATES

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

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$221,536	$151,279	46.4%
Fee income and other	2,624	3,934	(33.3)%
Net losses and loss expenses	123,162	92,058	33.8%
Acquisition costs	31,368	22,726	38.0%
Operating expenses	28,621	19,724	45.1%
Exchange (gains) losses	(639)	480	NM
Underwriting profit	$ 41,648	$ 20,225	106.0%

The insurance segment experienced growth in net premiums earned primarily as a result of a continued increase in gross premiums written in the current and prior periods. Gross premiums written increased in the quarter ended June 30, 2001 compared to the quarter ended June 30, 2000 principally due to new business written in environmental, professional liability and directors and officers liability lines, contributing approximately $65.0 million of additional gross written premiums and $30.0 million of additional net premiums earned in the quarter. The Company also wrote approximately $40.0 million and earned approximately $27.0 million in certain aviation and satellite business in the second quarter of 2001. This business was included in the reinsurance segment until December 31, 2000, when the Company realigned its operations. The insurance operations generally continue to experience premium rate increases in most lines of business, ranging from 5% to 8% on excess casualty lines and up to 20% on large property risks assumed.

The following table presents the ratios for the insurance segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	55.6%	60.8%
Underwriting expense ratio	27.1%	28.1%
Combined ratio	82.7%	88.9%

Net losses and loss expenses in the second quarter of 2000 included $11.2 million relating to an intercompany stop loss arrangement. The loss and loss expense ratio would have been 53.4% had this arrangement not been in place. There was no intercompany stop loss arrangement in effect in 2001.

Excluding the effects of the intercompany stop loss arrangement, the loss ratio was higher in 2001 compared to 2000 due in part to net losses incurred of $5.3 million related to Tropical Storm Allison. The three months ended June 30, 2001 and 2000 included favorable development of loss reserves related to previous underwriting years. In 2001, the effect of this development was offset by the change in the mix of business and the related loss ratios.

The underwriting expense ratio decreased in the second quarter of 2001 compared to the second quarter of 2000 due to the significant increase in net premiums earned relative to the change in operating expenses.

INSURANCE OPERATIONS - LLOYD'S SYNDICATES

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

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

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 118,387	$ 95,158	24.4%
Fee income and other	(2,211)	(2,565)	13.8%
Net losses and loss expenses	78,436	63,003	24.5%
Acquisition costs	34,551	31,883	8.4%
Operating expenses	4,944	3,072	61.0%
Exchange losses (gains)	3,422	(2,090)	NM
Underwriting loss	$ (5,177)	$ (3,275)	(58.1)%

Net premiums earned for the second quarter of 2001 increased due to greater gross premiums written. Gross premiums written in the same period increased by approximately $30.4 million from the second quarter of 2000 primarily due to a higher proportion of the total syndicates' capacity provided by the Company, currently at 63% compared to 53% in the prior year. Net premiums earned were partially offset by the reduction in net premiums earned related to the motor business sold at the end of 1999. The Company retains the residual liability on this business, and the related net premiums earned in the three months ended June 30, 2001 and 2000 were nil and $19.9 million, respectively. Net premiums earned were also affected by a decrease in reinsurance costs relating to a stop loss policy under which coverage was significantly reduced in 2001 as compared to 2000. While this has reduced reinsurance costs, it exposes the Company's Lloyd's syndicates to potentially higher net losses.

The Company's Lloyd's managing agencies earn fees and may, dependent upon underwriting results, earn profit commissions from syndicates they manage in order to offset their operating expenses. No commissions were earned in the second quarters of 2001 and 2000 due to loss deterioration in the Lloyd's market, resulting in expenses in excess of fee income.

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

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

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	66.2%	66.2%
Underwriting expense ratio	33.4%	36.7%
Combined ratio	99.6%	102.9%

Although the loss and loss expense ratio is unchanged from the second quarter of 2000 to the second quarter of 2001, the second quarter of 2000 included the residual liability of the motor business, which had a loss ratio of 94.3% on net premiums earned of $19.9 million. Excluding the motor business, the loss and loss expense ratio for the second quarter of 2000 would have been 58.8%. No losses were realized on the motor business in the second quarter of 2001. The increase in the loss and loss expense ratio resulted from continued deterioration on reserves related to prior underwriting years in addition to net losses incurred of $3.0 million related to Tropical Storm Allison. The underwriting expense ratio decreased in the second quarter of 2001 compared to the second quarter of 2000 primarily due to the effect of higher reinsurance costs in 2000 that reduced net premiums earned on the non-motor book. The increase in operating expenses also reflects the increase in the syndicates' capacity provided by the Company and therefore, a greater proportion of expenses is allocated to the Company.

REINSURANCE OPERATIONS

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

The following table summarizes the underwriting results for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$292,407	$ 250,110	16.9%
Fee income and other	714	3	NM
Net losses and loss expenses	183,339	171,671	6.8%
Acquisition costs	76,126	60,678	25.5%
Operating expenses	23,069	26,220	(12.0)%
Exchange losses (gains)	4,825	(95)	NM
Underwriting profit (loss)	$ 5,762	$ (8,361)	NM

The increase in net premiums earned reflects increases in gross premiums written across most lines of business in the second quarter of 2001 compared to the second quarter of 2000 primarily due to an increase in premium rates across most lines of business, including up to 20% on property catastrophe and U.S. casualty lines. The effect of the increases was reduced by premiums earned by certain aviation and satellite business that is now included in the insurance segment. This business was included in the reinsurance segment until December 31, 2000.

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

The following table presents the ratios for the reinsurance segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	62.7%	68.6%
Underwriting expense ratio	33.9%	34.8%
Combined ratio	96.6%	103.4%

Net losses and loss expenses in the second quarter of 2000 exclude $11.2 million relating to an intercompany stop loss arrangement. The loss and loss expense ratio would have been 73.1% had this arrangement not been in place. The reduction in the loss ratio in 2001 compared to 2000 is due to several factors. The second quarter of 2000 included loss deterioration in the casualty lines. In the second quarter of 2001, there was favorable loss development on non-casualty business written in prior underwriting years. This was partially offset by a net loss of $20.0 million relating to Tropical Storm Allison.

The underwriting expense ratio is slightly lower in the second quarter of 2001 compared to the second quarter of 2000 due mainly to lower operating expenses on a higher net premium earned base. Operating expenses decreased in the second quarter of 2001 as compared to the second quarter of 2000 primarily due to a reduction in certain accrued compensation expenses of $2.0 million.

FINANCIAL PRODUCTS AND SERVICES

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

Financial guaranties are conditional commitments that guarantee the performance of a customer to a third party. The Company's potential liability in the event of non-performance by the issuer of the insured obligation is represented by its proportionate share of the aggregate outstanding principal and interest payable ("insurance in force") on such insured obligation. At June 30, 2001, the Company's aggregate insurance in force was approximately $16.0 billion.

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 8,654	$6,828	26.7%
Fee income and other	10,366	1,968	NM
Net losses and loss expenses	2,014	1,808	11.4%
Acquisition costs	1,157	371	NM
Operating expenses	6,863	6,414	7.0%
Underwriting profit	$ 8,986	$ 203	NM

Financial guaranty premiums are earned over the life of the exposure, which is generally longer than that in the Company's other operating segments. Certain premiums, such as those received on an installment basis, are not earned until the premium is reported. Gross premiums written increased from $13.1 million in the second quarter of 2000 to $29.2 million in the second quarter of 2001 principally due to a new weather related risk management transaction written in 2001. However, net premiums earned increased only marginally for the same period due to a change in the mix of business with longer earnings patterns.

The Company provides credit protection in credit default swap form, in addition to financial guaranty insurance form. These contracts are recorded at fair value. Revenues received in respect of credit default swaps, together with fair value adjustments, are included as fee income and earned over the life of the policies. Fee income for the quarters ended June 30, 2001 and 2000 related to credit default swaps and weather related derivative activity. Fee income and other for the quarter ended June 30, 2001 also includes a gain of $1.3 million related to the fair value adjustment on credit default swaps and a gain of $3.9 million related to weather derivatives.

The following table presents the combined ratios for this segment:

	(UNAUDITED) THREE MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	23.3%	26.5%
Underwriting expense ratio	92.7%	99.4%
Combined ratio	116.0%	125.9%

The Company's financial guaranty operations write business with an expected loss ratio of approximately 25%. The calculation of the underwriting expense ratio excludes fee income and other derived from credit default swap and weather related transactions. If this income were included, the expense ratio and the combined ratio would have been 42.1% and 65.4%, respectively, as at June 30, 2001, and 77.1% and 103.6%, respectively, as at June 30, 2000. Included in the underwriting expense ratio in the quarter ended June 30, 2001 is an adjustment of approximately $3.0 million for the deferral of certain operating expenses related to underwriting activity, in line with industry practice.

INVESTMENT OPERATIONS

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

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net investment income	$ 140,800	$136,440	3.2%
Net realized (losses) gains on investments	$ (31,072)	$ 5,075	NM

Net investment income increased from the second quarter of 2000 as compared to the second quarter of 2001 due primarily to interest on the receipt of net funds of $844.6 million related to new debt issued by the Company during the second quarter of 2001. The majority of this new debt had not been utilized at June 30, 2001. This interest was partially offset by a reduction in investment yields for the three months ended June 30, 2001 compared to the quarter ended June 30, 2000, respectively. The Company anticipates that future investment income may be negatively affected by the reduction of interest rates by the Federal Reserve.

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

Net realized losses on investments in the second quarter of 2001 related to losses realized on sales of fixed income securities and equities, in addition to losses on derivatives used to increase the duration of investment assets relating to the deposit liabilities. Net realized gains on investments in the second quarter of 2000 were realized primarily from the sale of equity securities.

OTHER REVENUES AND EXPENSES

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

	(UNAUDITED) THREE MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Equity in net income of affiliates	$ 29,514	$ 25,756	14.6%
Amortization of intangible assets	14,703	13,756	6.9%
Corporate operating expenses	18,401	14,073	30.8%
Interest expense	15,800	7,402	113.5%
Minority interest	(652)	522	NM
Income tax	13,603	(2,174)	NM

The increase in equity in net income of affiliates for the quarter ended June 30, 2001 compared to the quarter ended June 30, 2000 is primarily attributable to greater returns on the Company's investments in investment funds, partially offset by decreased earnings from investments in the management companies that administer these funds. Earnings from insurance and reinsurance affiliates improved from the second quarter of 2000 to the second quarter of 2001.

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 increase in interest expense reflects an increase in indebtedness from new debt issued by the Company during the quarter ended June 30, 2001. The Company's financing structure is outlined in "Financial Condition and Liquidity."

The change in the income taxes of the Company primarily reflects the effects of an improvement in the results of the Company's U.S. operations in the quarter ended June 30, 2001 as compared to the quarter ended June 30, 2000.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2000 (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, 2001 and 2000:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net operating income (excluding net realized gains on investments)	$316,796	$286,292	10.7%
Net realized gains on investments	30,739	79,951	(61.6)%
Net income	$347,535	$366,243	(5.1)%
Earnings per share - basic	$2.77	$2.93	
Earnings per share - diluted	$2.72	$2.91	

Net operating income increased in the first six months of 2001 compared to the first six months of 2000 primarily due to an improvement in underwriting profit and equity in net income of affiliates. This was partially offset by an increase in income tax expense. Underwriting results are discussed in further detail in each of the following segments.

INSURANCE OPERATIONS - EXCLUDING LLOYD'S SYNDICATES

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 398,850	$297,580	34.0%
Fee income and other	4,647	5,206	10.7%
Net losses and loss expenses	217,367	177,592	22.4%
Acquisition costs	56,171	42,712	31.5%
Operating expenses	54,596	38,162	43.1%
Exchange (gains) losses	(1,186)	470	NM
Underwriting profit	$ 76,549	$ 43,850	74.6%

The insurance segment experienced growth in net premiums earned in the six months ended June 30, 2001 primarily as a result of an increase in gross premiums written for the same period. Gross premiums written increased in the six months ended June 30, 2001 compared to the six months ended June 30, 2000 in part due to premium rate increases in most lines of business, ranging from 5% to 8% on excess casualty lines to approximately 20% on large property risks assumed. Significant new business was written in both environmental and professional liability lines. In addition, the Company earned approximately $60.0 million in certain aviation and satellite business in the first six months of 2001. This business was included in the reinsurance segment until December 31, 2000, when the Company realigned its operations

The following table presents the ratios for the insurance segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	54.5%	59.7%
Underwriting expense ratio	27.8%	27.2%
Combined ratio	82.3%	86.9%

The loss and loss expense ratio at June 30, 2000 was affected by an intercompany stop loss arrangement with a subsidiary in the reinsurance segment. In the six months ended June 30, 2000, $11.2 million of losses were included in the insurance segment and excluded from the reinsurance segment. The loss and loss expense ratio in 2000 would have been 55.9% had this arrangement not been in place. Excluding the effects of the intercompany stop loss arrangement, the loss and loss expense ratio decreased slightly due to more favorable development of loss reserves related to previous underwriting years during the six months ended June 30, 2001 than in the six months ended June 30, 2000. The underwriting expense ratio increased slightly due principally to changes in the allocation of operating expenses between segments, offset by the significant increase in net premiums earned relative to the change in operating expenses.

INSURANCE OPERATIONS - LLOYD'S SYNDICATES

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

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 210,546	$ 198,220	6.2%
Fee income and other	(1,609)	(3,733)	56.9%
Net losses and loss expenses	144,362	143,690	0.5%
Acquisition costs	65,699	59,054	11.3%
Operating expenses	11,756	7,943	48.0%
Exchange losses (gains)	2,587	(2,394)	NM
Underwriting loss	$ (15,467)	$ (13,806)	(12.0)%

Net premiums earned for the first six months of 2001 increased due to greater gross premiums written. Gross premiums written in the same period increased by approximately $83.6 million from the first six months of 2000 primarily due to a higher proportion of the total syndicates' capacity provided by the Company, currently at 63% compared to 53% in the prior year. Net premiums earned were partially offset by a reduction in net premiums earned related to the motor business sold at the end of 1999. The Company retains the residual liability on this business, and the related net premiums earned in the six months ended June 30, 2001 and 2000 were $2.3 million and $66.6 million, respectively. Net premiums earned were also affected by a decrease in reinsurance costs relating to a stop loss policy under which coverage was significantly reduced in 2001 compared to 2000. While this has reduced reinsurance costs, it exposes the Company's Lloyd's syndicates to potentially higher net losses.

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

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

The following table presents the ratios for this segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	68.6%	72.5%
Underwriting expense ratio	36.8%	33.8%
Combined ratio	105.4%	106.3%

The loss and loss expense ratio for June 30, 2000 included the residual liability of the motor business, which had a loss and loss expense ratio of 89.4% on net premiums earned of $66.6 million. Minimal losses were incurred on the motor business in the first six months of 2001. Excluding the motor business, the loss and loss expense ratio for the first six months of 2000 would have been 63.9%. The increase in the loss and loss expense ratio resulted from continued deterioration of losses related to prior underwriting years and the Petrobras loss in the first six months of 2001. The increase in the underwriting expense ratio includes the effect of the motor book premiums earned in 2000, which typically had a higher loss ratio but lower expense ratio than other business written at Lloyd's. The increase in operating expenses also reflects the increase in the syndicates' capacity provided by the Company and therefore, a greater proportion of expenses is allocated to the Company.

REINSURANCE OPERATIONS

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 559,267	$ 489,150	14.3%
Fee income and other	151	232	34.7%
Net losses and loss expenses	351,797	306,849	14.6%
Acquisition costs	145,726	116,873	24.7%
Operating expenses	39,775	52,652	(24.5)%
Exchange losses	5,037	1,641	NM
Underwriting profit	$ 17,083	$ 11,367	50.3%

The increase in net premiums earned primarily results from price increases in gross premiums written across all lines of business in the first six months of 2001 compared to the first six months of 2000, including up to 20% on property catastrophe and U.S. casualty lines. The effect of the rate increases was reduced by premiums earned in the first six months of 2001 on certain aviation and satellite business that is now included in the insurance segment. This business was included in the reinsurance segment until December 31, 2000.

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

The following table presents the ratios for the reinsurance segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	62.9%	62.7%
Underwriting expense ratio	33.2%	34.7%
Combined ratio	96.1%	97.4%

Net losses and loss expenses incurred in this segment in 2000 included a recovery of $11.2 million under an intercompany stop loss arrangement with a subsidiary in the insurance segment. The loss and loss expense ratio in 2000 would have been 65.0% had this arrangement not been in place. Excluding the effects of the intercompany stop loss arrangement, the loss and loss expense ratio has decreased due to favorable development on non-casualty reserves related to prior year losses. This decrease was partially offset by the effect of losses incurred related to Tropical Storm Allison, the Petrobras oil rig and the Seattle earthquake in the first six months of 2001.

While acquisition costs have increased due to profit commissions on prior year business assumed, this was offset by a reduction in operating expenses related to certain accrued compensation expenses of approximately $7.0 million.

FINANCIAL PRODUCTS AND SERVICES

The following table summarizes the underwriting profit for this segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net premiums earned	$ 14,475	$ 12,924	12.0%
Fee income and other	15,373	6,591	133.2%
Net losses and loss expenses	3,629	3,243	12.0%
Acquisition costs	1,478	713	107.3%
Operating expenses	18,220	11,648	56.4%
Underwriting profit	$ 6,521	$ 3,911	66.7%

Financial guaranty premiums are earned over the life of the exposure, which is generally longer than that in the Company's other operating segments. Certain premiums, such as those received on an installment basis, are not earned until the premium is reported. Gross premiums written increased from $20.8 million in the first six months of 2000 to $41.2 million in the first six months of 2001 principally due to new financial guaranty business and a weather related risk management transaction. However, net premiums earned increased only marginally for the same period due to a change in the mix of business with longer earnings patterns.

The Company provides credit protection in credit default swap form, in addition to financial guaranty insurance form. These contracts are recorded at fair value. Revenues received in respect of credit default swaps, together with fair value adjustments, are included as fee income and earned over the life of the policies. Fee income for the six months ended June 30, 2001 and 2000 related to credit default swaps and weather related derivative activity. Fee income and other for the six months ended June 30, 2001 also includes a loss of $0.8 million relating to the fair value adjustment on credit default swaps and a gain of $4.6 million related to weather derivatives.

The following table presents the ratios for this segment:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30	
	2001	2000
Loss and loss expense ratio	25.1%	25.1%
Underwriting expense ratio	136.1%	95.6%
Combined ratio	161.2%	120.7%

The Company's financial guaranty operations write business with an expected loss ratio of approximately 25%. The calculation of the underwriting expense ratio excludes fee income and other derived from credit default swap and weather related transactions. If this income were included, the expense ratio and the combined ratio would have been 66.0% and 91.1%, respectively, as at June 30, 2001, and 69.3% and 94.4%, respectively, as at June 30, 2000. Included in the underwriting expense ratio in the six months ended June 30, 2001 is an adjustment of approximately $3.0 million for the deferral of certain operating expenses related to underwriting activity in line with industry practice.

INVESTMENT OPERATIONS

The following table illustrates the change in net investment income and net realized gains for the six-month periods ended June 30, 2001 and 2000:

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Net investment income	$ 270,151	$ 264,967	2.0%
Net realized gains on investments	$ 29,099	$ 73,782	NM

Net investment income increased in the first six months of 2001 compared to the first six months of 2000 due primarily to a higher investment base in 2001. The investment base in 2001 included the receipt of net funds of $844.6 million related to new debt issued by the Company during the second quarter of 2001. The investment base for the first six months of 2000 had declined as a result of claims payments, the repurchase of the Company's shares and the reallocation of assets to other strategic investments. The increase in the investment base was partially offset by investment yields that declined in the first six months of 2001 compared to the first six months of 2000. The Company anticipates that future investment income may be negatively affected by the reduction of interest rates by the Federal Reserve.

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

Net realized gains on investments decreased significantly in 2001 due to declining markets in the first six months of the year. Net realized gains on investments in the first six months of 2000 were realized primarily from the sale of equity securities as the stock market reached record levels during that period.

OTHER REVENUES AND EXPENSES

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

	(UNAUDITED) SIX MONTHS ENDED JUNE 30		
	2001	2000	% CHANGE
Equity in net income of affiliates	$ 57,902	$ 43,235	34.0%
Amortization of intangible assets	29,171	27,808	4.9%
Corporate operating expenses	30,609	26,952	13.6%
Interest expense	23,312	15,897	46.6%
Minority interest	517	727	(28.9)%
Income tax	10,694	(10,321)	NM

The increase in equity in net income of affiliates is primarily attributable to higher returns from the Company's investments in investment funds and insurance and reinsurance affiliates during the first six months of 2001 compared to the first six months of 2000.

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

The increase in interest expense reflects the effect of $844.6 million of new debt raised by the Company in the second quarter of 2001. The Company's financing structure is outlined in "-Financial Condition and Liquidity."

The changes in the Company's income taxes principally reflects improving results for the U.S. operations in 2001 compared to 2000.

FINANCIAL CONDITION AND LIQUIDITY

As a holding company, the Company's assets consist primarily of its investments in subsidiaries, and future cash flows depend on the availability of dividends or other statutorily permissible payments from its subsidiaries. The ability to pay such dividends is limited by the applicable laws and regulations of Bermuda, the United States, Ireland 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, 2001 was $5.7 billion of which $3.4 billion was retained earnings.

At June 30, 2001, total investments available for sale and cash net of unsettled investment trades were $9.9 billion compared to $9.1 billion at December 31, 2000. This includes investments relating to Company's asset accumulation business. The growth in this position reflects positive operational cash flows together with most of the proceeds from debt issued by the Company during the second quarter of 2001, discussed below.

The Company's fixed income investments including short-term investments and cash equivalents at June 30, 2001 represented approximately 90% of invested assets and were managed by several outside investment management firms. Approximately 88.9% of fixed income securities are investment grade, with 59.1% 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 decreased from $1.4 billion at December 31, 2000 to $1.1 billion as at June 30, 2001. This decrease results from timing differences as investments are accounted for on a trade basis.

Operational cash flows during the first six months of 2001 improved from the same period of 2000 primarily due to a lower level of losses paid in 2001. 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, 2001 and 2000, the net amount of losses due to claims activity paid by the Company was $614.5 million and $976.3 million, respectively.

During the six months ended June 30, 2001, negative currency translation adjustments were $33.5 million. This is shown as part of accumulated other comprehensive income and primarily relates to unrealized losses on foreign currency exchange rate movements in the six months on the Company's investment in Le Mans Re and certain subsidiaries where the functional currency in not the U.S. dollar.

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

The Company has had several share repurchase programs in the past as part of its capital management strategy. On January 9, 2000, the Board of Directors authorized a program for the repurchase of shares up to $500.0 million. The repurchase of shares was announced in conjunction with a small dividend increase of $0.04 per share per annum. Under this plan, the Company has purchased 5.3 million shares up to August 9, 2001 at an aggregate cost of $263.7 million or an average cost of $49.73 per share.

As at June 30, 2001, the Company had bank, letter of credit and loan facilities available from a variety of sources including commercial banks totaling $3.2 billion of which $1.3 billion in debt was outstanding. In addition, $1.2 million of letters of credit were outstanding, 7.0% of which were collateralized by the Company's investment portfolio, supporting U.S. non-admitted business and the Company's Lloyd's capital requirements.

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

FACILITY	COMMITMENT	IN USE / OUTSTANDING
DEBT:		
364 day Revolver	$ 500,000	$ --
2 facilities of 5 year Revolvers - total	350,000	350,000
7.15% Notes due 2005	100,000	100,000
6.58% Guaranteed Senior Notes due 2011	255,000	255,000
Zero Coupon Convertible Debentures due 2021	601,694	589,600
	$1,806,694	$1,294,600
LETTERS OF CREDIT:		
5 facilities - total	$1,425,000	$1,150,000

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

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

The weighted average interest rate on funds borrowed during the six months ended June 30, 2001 was approximately 5.4%.

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

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

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

Total pre-tax interest expense on the borrowings described above was $23.3 million and $15.9 million for the six months ended June 30, 2001 and 2000, respectively. Associated with the Company's bank and loan commitments are various loan covenants with which the Company was in compliance throughout both six month periods.

CURRENT OUTLOOK

Most of the property and casualty markets in which the Company operates have seen improvements in pricing and policy terms and conditions for renewals of contracts the Company has underwritten thus far for 2001. However, premium rates have not yet improved to the extent the Company believes to be necessary in certain lines of business. In addition, it is anticipated that underwriting results for the Lloyd's markets may not improve at the expected rate.

Loss activity experienced in the first six months of 2001, including the Petrobras oil rig, the Seattle earthquake and Tropical Storm Allison, is expected to continue during the third quarter. In particular, the Company expects to incur losses relating to the Sri Lanka airport attack and a recent satellite loss. With the advent of the hurricane season, further losses could be incurred. Net income will also be affected by the acquisition of Winterthur International, anticipated to be dilutive to earnings for the remainder of 2001.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company is exposed to potential loss from various market risks, including changes in interest rates and foreign currency exchange rates. The Company manages its market risks based on guidelines established by management. The Company enters into derivatives and other financial instruments primarily for risk management purposes, and commenced trading in weather derivatives in 2001. These derivative instruments are carried at fair market value with the resulting gains and losses included in net realized gains or losses on investments.

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

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

FOREIGN CURRENCY RISK MANAGEMENT

The Company uses foreign exchange contracts to manage its exposure to the effects of fluctuating foreign currencies on the value of its foreign currency fixed maturities and equity investments. These contracts are not designated as hedges for financial reporting purposes and therefore, realized and unrealized gains and losses on these contracts are recorded in income in the period in which they occur. These contracts generally have maturities of three months or less. In addition, where the Company's investment managers believe potential gains exist in a particular currency, a forward contract may not be entered into. At June 30, 2001, forward foreign exchange contracts with notional principal amounts totaling $183.4 million were outstanding. The fair value of these contracts as at June 30, 2001 was $185.6 million with unrealized gains of $2.2 million. Gains of $9.7 million were realized during the six months ended June 30, 2001. Based on this value, a 10% appreciation or depreciation of the U.S. dollar as compared to the level of other currencies under contract at June 30, 2001 would have resulted in approximately $3.8 million of unrealized losses and $3.0 million in unrealized gains, respectively.

In addition, the Company also enters into foreign exchange contracts to buy and sell foreign currencies in the course of trading its foreign currency investments. These contracts are not designated as hedges, and generally have maturities of two weeks or less. As such, any realized or unrealized gains or losses are recorded in income in the period in which they occur. At June 30, 2001, the value of such contracts was insignificant.

The Company also uses foreign exchange forward contracts to reduce its exposure to premiums receivable denominated in foreign currencies. The forward contract is closely matched with the receivable maturity date. Both the foreign currency receivable and the offsetting forward contract are marked to market on each balance sheet date, with any gains and losses recognized in the income statement. As at June 30, 2001, the Company had forward contracts outstanding for the sale of $9.4 million of foreign currencies at fixed rates, primarily U.K. Sterling and Euros. Activity was insignificant in the six months ended June 30, 2001.

The Company attempts to manage the exchange volatility arising on certain administration costs denominated in foreign currencies. Throughout the year, forward contracts are entered into to acquire the foreign currency at an agreed rate in the future. At June 30, 2001, the Company had forward contracts outstanding for the purchase of $5.6 million of Euros and U.K. Sterling at fixed rates. Activity was insignificant in the six months ended June 30, 2001.

FINANCIAL MARKET EXPOSURE

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

At June 30, 2001, bond and stock index futures outstanding were $1.2 billion with underlying investments having a market value of $3.0 billion. A 10% appreciation or depreciation of these derivative instruments would have resulted in unrealized gains and unrealized losses of $119.6 million, respectively. The

Company reduces its exposure to these futures through offsetting transactions, including options and forwards. The VaR of all derivatives at June 30, 2001 was $12.0 million.

The Company provides credit protection in both credit default swap form and in financial guaranty insurance form. The Company also trades in weather derivatives. These products are recorded at fair value, and fair value adjustments are recognized in earning in each period as a part of fee income and other, along with all other credit default swap activity. These types of transactions may expose the Company to financial market risk through changes in interest rates, credit spreads and other market factors. For the six months ended June 30, 2001, fee income and other included $15.4 million related to credit default swaps and weather derivatives.

ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Consolidated Financial Statements.

SUBSEQUENT EVENTS

See Note 7 to the Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements. The Company believes that these factors include, but are not limited to, the following: (i) 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; (v) changes in regulation 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; (viii) changes in the distribution or placement of risks due to increased consolidation of insurance and reinsurance brokers; (ix) loss of key personnel; (x) the effects of mergers, acquisitions and divestitures, including, without limitation, the Winterthur International acquisition; (xi) changes in rating agency policies or practices; (xii) changes in accounting policies or practices; and (xiii) changes in general economic conditions, including inflation, foreign currency exchange rates and other factors. The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included herein or elsewhere. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

At the Annual General Meeting of Class A shareholders held on May 11, 2001 at the executive offices of the Company, XL House, One Bermudiana Road, Hamilton HM 11, Bermuda, the shareholders approved the following:

1. To elect four Class III directors to hold office until 2004 - M. Butt, J. Loudon, R.S. Parker and A.Z. Senter.

Votes in Favor	Votes Withheld
102,289,195	519,398

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
100,713,635	2,059,791	35,167

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

EXHIBITS

10.14.37 Jerry de St. Paer Employment Agreement, dated as of March 1, 2001.

10.14.38 364-day Credit Agreement, dated as of June 29, 2001, between XL Capital Ltd., X.L. America, Inc., XL Insurance Ltd, XL Europe Ltd. and XL Re Ltd, as account parties and guarantors, the lenders party thereto, and The Chase Manhattan Bank, as administrative agent, J.P. Morgan Securities Inc., as advisor, lead arranger and bookrunner and Mellon Bank, N.A. and Citibank, N.A., as co-syndication agents

10.14.39 Letter of Credit and Reimbursement Agreement, dated as of June 29, 2001, between XL Capital Ltd, X.L. America, Inc, XL Insurance Ltd, XL Europe Ltd and XL Re Ltd, as account parties and guarantors, the lenders party thereto and The Chase Manhattan Bank, as administration agent, J.P. Morgan Securities Inc., as advisor, lead arranger and bookrunner and Mellon Bank, N.A. and Citibank, N.A., as co-syndication agents

10.14.40 Indenture, dated May 23, 2001, between XL Capital Ltd and Goldman, Sachs & Co., Deutsche Banc Alex. Brown, and Dresdner Kleinwort Wasserstein L.L.C., as initial purchasers, incorporated by reference as exhibit 4(a) to the Company's Registration Statement on Form S-3 (No. 33-66976)

10.14.41 Form of zero coupon convertible debenture (included in exhibit 4(a) referred to in item 10.14.40 above and incorporated by reference herein)

10.14.42 Registration rights agreement, dated May 23, 2001, between XL Capital Ltd and Goldman, Sachs & Co., Deutsche Banc Alex. Brown, and Dresdner Kleinwort Wasserstein L.L.C., as initial purchasers, as incorporated by reference to the Company's Registration Statement on Form S-3 (No.33-66976)

10.14.43 Form of Note Purchase Agreement, dated as of April 12, 2001, relating to 6.58% guaranteed senior notes due April 12, 2001

REPORTS ON FORM 8-K

Current Report on Form 8-K filed on May 18, 2001, under Item 5 thereof.

SIGNATURES

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

XL CAPITAL LTD

(REGISTRANT)

August 14, 2001

/s/ BRIAN M. O'HARA

BRIAN M. O'HARA
PRESIDENT AND CHIEF EXECUTIVE OFFICER

August 14, 2001

/s/ JERRY DE ST. PAER

JERRY DE ST. PAER
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

EMPLOYMENT AGREEMENT
(dated as of March 1, 2001)

AGREEMENT, made and entered into as of the date first above written, by and between, XL Capital Ltd, a Cayman Islands corporation (the "Company"), and Jerry de St. Paer (the "Executive").

WHEREAS, the Company desires to secure the services of the Executive and to enter into an agreement embodying the terms of his employment; and

WHEREAS, the Executive desires to accept such employment and enter into such agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the Company, the Guarantors (as hereinafter defined) and the Executive (the "Parties") agree as follows:

1. EMPLOYMENT.

Subject to Section 3(d) below, the Company hereby employs the Executive, and the Executive hereby accepts employment with the Company, for the term of this Agreement as set forth in Section 2, below, in the position and with duties and responsibilities set forth in Section 3, below, and upon such other terms and conditions as are hereinafter stated.

2. TERM OF EMPLOYMENT.

Subject to Section 3(d) below the stated term of employment under this Agreement shall commence on the date first above written (the "Date of the Agreement") and shall continue through the close of business on the third anniversary of the Date of the Agreement, subject to earlier termination as provided in Section 8, below, and extension as provided in the next succeeding sentence. On the third anniversary of the Date of this Agreement and upon each anniversary thereafter, the stated term of employment shall be automatically extended for an additional one year unless the Company gives notice in writing to the Executive or the Executive gives notice in writing to the Company at least three months prior to such anniversary that the term is not to be so extended.

3. POSITIONS, DUTIES AND RESPONSIBILITIES.

(a) GENERAL. The Executive shall be employed as the Executive Vice President and Chief Financial Officer of the Company. In such position, the Executive shall have the duties, responsibilities and authority normally associated with the office, position and titles of such an officer of an insurance, reinsurance and financial services company whose shares are publicly traded in the United States. In carrying out his duties and responsibilities, the Executive shall report to the Chief Executive Officer of the Company. During the term of this Agreement, the Executive shall devote his full business time to the business and affairs of the Company, and shall use his best efforts, skills and abilities to promote the Company's interests.

(b) PERFORMANCE OF SERVICES. The Executive shall be based in the Company's Bermuda headquarters. The Executive's services under this Agreement shall be performed outside the United States and generally in Bermuda unless the Executive and the Company mutually agree in writing to the performance of such services in another location. The Executive may travel to any location in connection with the performance of the Executive's duties hereunder provided that such travel is in accordance with the guidelines established by the Company from time to time.

(c) PERMITTED ACTIVITIES. Anything herein to the contrary notwithstanding, nothing shall preclude the Executive from (i) serving on the boards of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, (ii) engaging in charitable activities and community affairs and (iii) managing his personal investments and affairs; PROVIDED such activities do not materially interfere with the proper performance of his duties and responsibilities hereunder and are not otherwise considered to be inappropriate by the Board of Directors of the Company (the "Company Board").

(d) WORK PERMITS. The employment of the Executive by the Company shall be contingent upon the issuance to the Executive of a suitable (for the purposes of the Executive's contemplated employment by the Company) work permit by the Bermuda government authorities and any other permits required by any Bermuda government authority. Both the Company and the Executive shall use their respective best efforts to obtain, maintain and renew said permit(s) so as to

allow the Executive to be employed under the terms hereof. The Company shall be responsible for permit fees. If at any time said permit(s), having been obtained, expire and are not renewed or cease to be valid and such renewal or validation is necessary in order for the Executive to be employed by the Company as contemplated by this Agreement and the non-renewal or invalidation is beyond the control of both the Company and the Executive, employment under this Agreement shall terminate immediately upon the expiration of said permit(s) or upon said permit(s) ceasing to be valid unless the Executive can discharge his duties and responsibilities effectively from another location not requiring said permit(s) that is acceptable to the Executive and non-prejudicial to the interests of the Company. In the event of such termination, the provisions of Section 8(d) shall apply to such termination of the Executive's employment (or, if within (i) the one-year period prior to the date of a Change in Control, as hereinafter defined, provided the conditions set forth in the last paragraph of Section 8(d)(iii) are satisfied, or (ii) the Post-Change Period, as hereinafter defined, such termination shall be considered a termination by the employee for "Good Reason") provided that non-renewal of said permit(s) or invalidation thereof are not a direct result of any material action or omission of the Executive that would reasonably cause such permit(s) not to be renewed or validated.

4. BASE SALARY.

The Executive shall be paid a Base Salary by the Company equal US$400,000, payable in accordance with the Company's regular pay practices. Such Base Salary shall be subject to annual review in accordance with the Company's practices for executives as in effect from time to time and may be increased at the discretion of the Compensation Committee of the Company Board (the "Compensation Committee").

5. ADDITIONAL COMPENSATION.

(a) BONUS. In addition to the Base Salary provided for in Section 4, above, the Executive shall be eligible for an annual cash bonus under the Company's Annual Incentive Compensation Plan as in effect from time to time. The Executive may be awarded such annual bonuses thereunder as may be approved by the Compensation Committee based on corporate, individual and business unit performance measures, as appropriate, established or approved from time to time, by the Compensation Committee. Initially, the Execu-

tive shall have an annual target bonus equal to 90% of Base Salary (within a range of 45% of Base Salary for threshold performance to 270% of Base Salary for superior performance), of which 70% shall be based on corporate performance and 30% based on business unit performance. Any annual bonus shall be paid in cash in a lump sum promptly following approval thereof or, at Executive's option, deferred in accordance with any bonus deferral plans of the Company in effect from time to time. Nothing in this Section 5(a) shall confer upon the Executive any right to a minimum annual bonus.

(b) STOCK OPTION GRANT. Pursuant to the XL Capital Ltd 1991 Performance Incentive Program, as soon as practicable following the Date of the Agreement XL will grant to the Executive an option (the "Option") to purchase 30,000 ordinary shares of XL at an exercise price equal to the fair market value of such shares on the date of grant. The Option shall become exercisable in three equal annual installments commencing on the first anniversary of the date of grant (provided the Executive's employment continues through such dates), and the Option shall be subject to such other terms and conditions set forth in the form of stock option agreement utilized generally by XL for its executives.

(c) RESTRICTED SHARE GRANT. Pursuant to XL Capital Ltd 1991 Performance Incentive Program, as soon as practicable following the Date of the Agreement XL shall grant to the Executive 13,000 restricted ordinary shares of XL. The restricted shares will vest in four equal annual installments, commencing on the first anniversary of the date of grant, provided the Executive's employment continues through such dates, and the restricted shares shall be subject to such other terms and conditions as set forth in the form of restricted stock agreement utilized generally by XL for its executives.

(d) SIGNING BONUS. On the execution of this Agreement the Executive shall be entitled to a special signing bonus in the amount of US$400,000, which shall be paid to him as soon as practicable thereafter.

6. EMPLOYEE BENEFIT PROGRAMS.

During the term of the Executive's employment under this Agreement, the Executive shall be entitled to participate in all employee benefit programs of the Company as are in effect from time to time and in which senior executives of the

Company are eligible to participate, including medical, hospitalization, life, travel and accident insurance, disability protection, retirement benefits and stock option and other stock-based compensation or incentive plans. During the term of the Executive's employment hereunder, an amount equal to 10% of the Executive's Base Salary and annual bonus shall be either (i) credited annually to the Executive's account under a retirement plan which is not U.S. tax-qualified (but which is intended to result in deferral of taxation under U.S. tax principles until receipt of benefits by the Executive), (ii) contributed annually to the Executive's account under a U.S. tax-qualified retirement plan or (iii) a combination of (i) or (ii) above at the option of the Executive, subject to limitations imposed by applicable law, in any case, which amount so credited or contributed shall be in addition to the Executive's Base Salary and annual bonus hereunder.

7. BUSINESS EXPENSE REIMBURSEMENT AND FRINGE BENEFITS.

(a) EXPENSE REIMBURSEMENT. During the term of the Executive's employment under this Agreement, the Executive shall be entitled to receive reimbursement by the Company for all reasonable out-of-pocket travel expenses, entertainment expenses and other expenses incurred by him in performing his duties under this Agreement, provided that the Executive submits reasonable documentation with respect to such expenses. This shall include, without limitation, reimbursements of any such costs for air fare, hotel accommodations and meals, in each case at the same level and class as other comparable executives.

(b) FRINGE BENEFITS. During the term of the Executive's employment under this Agreement, the Executive shall be entitled to participate in any of the Company's executive fringe benefits in accordance with the terms and conditions of such arrangements as are in effect from time to time for the Company's senior executives. In all events, without limiting the foregoing, the Executive shall be entitled during the period he is employed to the following:

(i) a housing allowance of US$12,000 per month (to be prorated for partial months and adjusted in accordance with the Company's policies) while his services are performed in Bermuda,

(ii) use of an automobile having a purchase price not in excess of US$38,500, plus maintenance, licensing and

insurance costs, and a new automobile shall be made available to the Executive after five years,

(iii) direct payment or reimbursement of the cost (including initiation fees and annual dues) of membership in one club in Bermuda,

(iv) direct payment or reimbursement by the Company for the reasonable cost of financial and tax planning, such payment or reimbursement not to exceed US$10,000 per year,

(v) up to four round-trip non-business trips per year (flying in business class) by the Executive and each member of his family residing with him in Bermuda between Bermuda and New York, NY (the benefit under this Section 7(b)(v) being in addition to any reimbursement of air fare described in Section 7(a), above) in accordance with the Company's policies and procedures for home leaves as in effect from time to time,

(vi) reimbursement for the reasonable travel expenses incurred by the Executive in attending meetings of the Board of Directors of the following charitable organizations: Johns Hopkins School of Advanced International Studies, North Central Trustee and RMD House, to the extent such expenses are not otherwise reimbursed, and

(vii) such other benefits for which a Grade 11 executive shall be eligible from time to time.

(c) RELOCATION EXPENSES. The Company shall pay directly or reimburse the Executive, in either case on an after-tax basis to the Executive, for reasonable moving expenses in relocating the Executive and his immediate family from Bermuda to a location in the New York City metropolitan area designated by the Executive (or the Executive's estate or other legal representative in the event of his death) following termination of the Executive's employment with the Company for any reason other than Cause (as hereinafter defined).

8. TERMINATION OF EMPLOYMENT.

(a) TERMINATION DUE TO DEATH. In the event the Executive dies during the term of employment hereunder, the Executive's spouse, if the spouse survives the Executive, shall be entitled to receive the Base Salary as provided in

Section 4, above, at the rate in effect at the time of Executive's death, to be paid in accordance with the Company's regular payroll practices or in a lump sum, at the Company's option, through the end of the sixth month after the month in which the Executive dies. In the event that the Executive's spouse does not survive him, the estate or other legal representative of the Executive shall be entitled to receive the Base Salary as provided in Section 4, above, at the rate in effect at the time of the Executive's death, to be paid in accordance with the Company's regular payroll practices or in a lump sum, at the Company's option, through the end of the sixth month after the month in which the Executive dies. In addition to the above, the estate or other legal representative of the Executive shall be entitled to:

(i) any annual bonus earned in accordance with the Company's bonus program or awarded but not yet paid under Section 5, above,

(ii) a pro rata bonus for the year of death in an amount determined by the Compensation Committee, but in no event less than a pro rata portion of the Executive's target bonus for the year,

(iii) full and immediate vesting as of the date of death of all rights under any options to purchase equity securities of the Company or other rights with respect to equity securities of the Company, including any restricted stock or other securities, held by the Executive,

(iv) full and immediate vesting under the Company's pension plans as of the date of death, to the extent permitted by applicable law, and

(v) any other rights and benefits, if any, available under employee benefit programs of the Company, or their equivalent, as provided in Section 6, above, and under business expense reimbursement and fringe benefits programs as described in Section 7, above, determined in accordance with the applicable terms and provisions of such programs, PROVIDED that such rights and benefits (excluding any right to be considered for additional grants under the Company's stock option and other stock-based compensation or incentive plans), or the economic equivalent thereof on an after-tax basis to the Executive's estate or other legal representative, shall continue for at least six months following the end of the month in which the Executive dies.

(b) TERMINATION DUE TO DISABILITY. In the event the Executive's employment hereunder is terminated due to his disability, as determined under the Company's long-term disability plan, the Executive shall be entitled to:

(i) the Base Salary as provided in Section 4, above, through the end of the sixth month after the month in which the Executive's employment terminates due to disability,

(ii) any annual bonus earned in accordance with the Company's bonus program or awarded but not yet paid under Section 5,

(iii) a pro rata bonus for the year of disability in an amount determined by the Compensation Committee, but in no event less than a pro rata portion of the Executive's target bonus for the year,

(iv) full and immediate vesting as of the date of disability of all rights under any options to purchase equity securities of the Company or other rights with respect to equity securities of the Company, including any restricted stock or other securities, held by the Executive,

(v) full and immediate vesting under the Company's pension plans as of the date of disability, to the extent permitted by applicable law, and

(vi) any other rights and benefits, if any, available under employee benefit programs of the Company, or their equivalent, as provided in Section 6, above, including, without limitation, the terms of any long-term disability plan, and under the business expense reimbursement and fringe benefits programs as described in Section 7, above, determined in accordance with the applicable terms and provisions of such programs, PROVIDED that such rights and benefits (excluding any rights to be considered for additional grants under the Company's stock option and other stock-based compensation or incentive plans), or the economic equivalent thereof on an after-tax basis to the Executive, shall continue for at least six months following the end of the month in which the Executive's employment is terminated due to disability.

(c) TERMINATION FOR CAUSE.

(i) The employment of the Executive under this Agreement may be terminated by the Company for Cause, such termination to be effective upon the Company giving the Executive written notice of termination in accordance with the provisions of this Agreement. For this purpose, "Cause" shall mean:

(A) conviction of the Executive of a felony involving moral turpitude, dishonesty or laws to which the Company or its Affiliates are subject in connection with the conduct of its or their business, or

(B) the Executive, in carrying out his duties for the Company under this Agreement, has been guilty of (1) willful misconduct or (2) substantial and continual refusal by the Executive to perform the duties assigned to the Executive pursuant to the terms hereof; PROVIDED, HOWEVER, that any act or failure to act by the Executive shall not constitute Cause for purposes of this Section 8(c)(i)(B) if such act or failure to act was committed, or omitted, by the Executive in good faith and in a manner he reasonably believed to be in the overall best interests of the Company, as the case may be. The determination of whether the Executive acted in good faith and that he reasonably believed his action to be in the Company's overall best interest, as the case may be, will be in the reasonable judgment of the General Counsel of the Company or, if the General Counsel shall have an actual or potential conflict of interest, the Compensation Committee.

(C) the Executive's continued willful refusal to obey any lawful policy or requirement duly adopted by the Company Board and the continuance of such refusal after receipt of written notice.

(ii) In the event of a termination for Cause under Section 8(c)(i), above, the Executive shall be entitled only to:

(A) Base Salary as provided in Section 4, above, at the rate in effect at the time of his termination of employment for Cause, through the date on which termination for Cause occurs,

(B) the rights under any options to purchase equity securities of the Company or other rights with respect to equity securities of the Company, including any restricted stock or other securities, held by the Executive, determined in accordance with the terms thereof, and

(C) any other rights and benefits, if any, available under employee benefit programs of the Company, or their equivalent, as provided in Section 6, above, and under the business expense reimbursement and fringe benefits programs as described in Section 7, above, determined in accordance with the applicable terms and provisions of such programs; PROVIDED that the Executive shall not be entitled to any such rights or benefits unless the terms and provisions of such programs expressly state that the Executive shall be entitled thereto in the event his employment is terminated for Cause (as defined in this Agreement or otherwise); PROVIDED FURTHER that any such continued coverage shall be offset by comparable coverage provided to the Executive in connection with subsequent full-time employment.

(d) TERMINATION WITHOUT CAUSE.

(i) Anything in this Agreement to the contrary notwithstanding, the Executive's employment may be terminated by the Company without Cause as provided in this Section 8(d). A termination due to death or disability, as described in Section 8(a) or (b), above, or a termination for Cause, as described in Section 8(c), above, shall not be deemed a termination without Cause under this Section 8(d).

(ii) In the event the Executive's employment is terminated by the Company without Cause (x) prior to a Change in Control (other than as provided in the last paragraph of Section 8(d)(iii), in which case the provisions of Section 8(d)(iii) shall apply in lieu of this Section 8(d)(ii)) or (y) following the Post-Change Period (as hereinafter defined), the Executive shall be entitled to:

(A) Base Salary as provided in Section 4, above, at the rate in effect at the time of his termination of employment without Cause, through the date on which termination without Cause occurs,

(B) (I) if the Executive's employment terminates after the second anniversary of the Date of the Agreement, a cash lump sum payment equal to (x) two times the Executive's annual Base Salary, at the annual rate in effect in accordance with Section 4, above, immediately prior to such termination and (y) one times the higher of the targeted annual bonus for the year of such termination or the bonus actually awarded to the Executive by the Company for the year immediately preceding the year of termination, and

(II) if the Executive's employment terminates on or prior to the second anniversary of the Date of the Agreement, a cash lump sum payment equal to (x) two times the Executive's annual Base Salary, at the annual rate in effect in accordance with Section 4, above, immediately prior to such termination and (y) two times the targeted annual bonus for the year of such termination,

(C) any annual bonus earned in accordance with the Company's bonus program or awarded but not yet paid under Section 5, above,

(D) if the Executive's employment terminates on or prior to the second anniversary of the Date of the Agreement, the rights under the stock options granted pursuant to Section 5(b) hereof and the restricted shares granted pursuant to Section 5(c) hereof held by the Executive shall immediately become vested and, in the case of the stock options, exercisable in full,

(E) except as otherwise set forth in Section 8(d)(ii)(D) above, the rights under any options to purchase equity securities of the Company or other rights with respect to equity securities of the Company, including any restricted stock or other securities, held by the Executive, determined in accordance with the terms thereof, and

(F) any other rights and benefits, if any, available under the employee benefit programs of the Company, or their equivalent, as provided in Section 6 above, and under the business expense reimbursement and fringe benefits programs as described in Section 7, above, determined in accordance with the applicable terms and provisions of such programs, for

the remainder of the stated term of the agreement from termination or until the second anniversary of the date of termination, whichever is shorter; PROVIDED, HOWEVER, that any such continued coverage shall be offset by comparable coverage provided to the Executive in connection with subsequent full-time employment and to the extent the Company is unable to continue such coverage, the Company shall provide the Executive with economically equivalent benefits determined on an after-tax basis to the Executive; PROVIDED FURTHER, HOWEVER, that in no event shall the Executive have a right to be considered for additional grants under the Company's stock option and other stock-based compensation or incentive plans or be eligible for employer contributions under the Company's retirement benefit plans at any time in whole or in part following the Executive's termination of employment pursuant to this Section 8(d)(ii).

(iii) In the event the Executive's employment is terminated by (x) the Company without Cause within the twenty-four month period following a Change in Control (as defined in Exhibit A hereto) and, if the Change in Control is stockholder approval of an Event (as defined in Exhibit A), prior to a termination of the agreement to effect the Event (the "Post-Change Period") or (y) the Executive terminates his employment for "Good Reason" (as defined in Exhibit B hereto) during the Post-Change Period, the Executive shall be entitled to:

(A) Base Salary as provided in Section 4, above, at the rate in effect at the time of his termination of employment, through the date on which termination occurs,

(B) a cash lump sum payment equal to two times the Executive's annual Base Salary, at the rate in effect in accordance with Section 4, above, immediately prior to such termination or Change of Control, whichever is greater,

(C) a cash lump sum payment equal to two times the largest annual bonus awarded to the Executive by the Company in the three-year period prior to the year in which the Change in Control occurs, provided such bonuses shall be at least equal to the targeted annual bonus for the year of such termination,

(D) an amount equal to (i) the higher of (x) the bonus actually awarded to the Executive by the Company for the year immediately preceding the year in which the Change in Control occurs or (y) the targeted amount of bonus that would have been awarded to the Executive in respect of the year in which the termination of employment occurs, multiplied by (ii) a fraction, the numerator of which is the number of months or fraction thereof in which the Executive was employed by the Company in the year of termination of employment, and the denominator of which is 12,

(E) options to purchase equity securities of the Company or other rights with respect to equity securities of the Company held by the Executive shall continue to be exercisable for three years from the date of termination of employment, notwithstanding the Executive's termination of employment, or the original full term of the option or other right, if shorter,

(F) any other rights and benefits available under the employee and fringe benefit programs of the Company, or their equivalent, as provided in Section 7, above, in which the Executive was participating at the time of his termination of employment for a two-year period from termination; PROVIDED, HOWEVER, that any such continued coverage shall be offset by comparable coverage provided to the Executive in connection with subsequent full-time employment and, to the extent the Company unable to continue such coverage, the Company shall provide the Executive with economically equivalent benefits determined on an after-tax basis to the Executive; PROVIDED FURTHER, HOWEVER, that in no event shall the Executive have a right to be considered for additional grants under the Company's stock option and other stock-based compensation or incentive plans at any time in whole or in part following the Executive's termination of employment pursuant to this Section 8(d)(iii),

(G) full and immediate vesting under the Company's pension plans as of the date of termination, to the extent permitted by applicable law, and

(H) continued coverage under and contributions by the Company to the Executive's accounts under the Company's pension plans for two years following the

Executive's termination of employment, such contributions to be based on the Executive's compensation and the Company's practices as in effect at the time of such termination or Change in Control, whichever is greater; PROVIDED, HOWEVER, that if such continued coverage and contributions cannot be provided under the pension plans under applicable law, then economically equivalent benefits determined on an after-tax basis to the Executive shall be provided through arrangements outside the applicable pension plans.

Anything in this Agreement to the contrary notwithstanding, the Executive shall be entitled to the benefits described in (A)-(H) above, if the Executive's employment or status as an elected officer with the Company is terminated (other than for Cause) within one year prior to the date on which a Change in Control occurs, and it is reasonably demonstrated that such termination (i) was at the request of a third party who has taken steps reasonably calculated or intended to effect a Change in Control or (ii) otherwise arose in connection with or anticipation of a Change in Control.

(iv) If, in situations where Section 8(d)(iii) does not apply, at any time during the term of the Executive's employment hereunder, the Executive fails to be appointed (or re-appointed, as appropriate) as Executive Vice President and Chief Financial Officer of the Company (or, if agreed in writing by the Executive, an equivalent or superior position), or duties are assigned to the Executive that are inconsistent with his position, or the Company does not cure any other material breach by it of any provision of this Agreement or any agreements entered into pursuant thereto within 30 calendar days following written notice of same by the Executive, the Executive shall have the right to terminate his employment within 30 calendar days of such failure to appoint or re-appoint or of such assignment or of such failure to cure a breach, as the case may be, and such termination shall be deemed a termination by the Company without Cause under Section 8(d)(ii), above, PROVIDED, in the case of a failure to appoint or re-appoint or assignment of inconsistent duties, the Executive shall have given the Company written notice of his decision and shall not, within 30 calendar days thereafter, have been reinstated to the relevant positions and/or had the assignment of inconsistent duties rescinded.

(e) VOLUNTARY TERMINATION BY THE EXECUTIVE. The Executive may voluntarily terminate his employment prior to the expiration of the term of this Agreement upon at least twelve months' prior written notice to the Company. Such termination shall constitute a voluntary termination and, except as provided in Section 8(d)(iii) or Section 8(d)(iv), above, in such event the Executive shall be limited to the same rights and benefits as applicable to a termination by the Company for Cause as provided in Section 8(c), above. A voluntary termination in accordance with this Section 8(e) shall not be deemed a breach of this Agreement. A termination of the Executive's employment due to disability or death as described in Section 8(b) or 8(a), above, a termination by the Executive which the Executive is entitled to treat as a termination by the Company pursuant to Section 8(d), above, or a termination by the Executive under Section 8(d)(iv), above, shall not be deemed a voluntary termination within the meaning of this Section 8(e).

9. CERTAIN ADDITIONAL PAYMENTS BY THE COMPANY.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that (i) any payment or distribution made, or benefit provided (including, without limitation, the acceleration of any payment, distribution or benefit or accelerated vesting or exercisability of any award) by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the United States Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision or similar excise tax), or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), (ii) the aggregate amount of the Executive's Parachute Payments (as defined in Section 280G(b)(2)(A) of the Code) is less than 3.25 times the Executive's Base Amount (as defined in Section 280G(b)(3)(A) of the Code), and (iii) no such Payment would be subject to the Excise Tax if the payments set forth in Section 8(d)(iii)(B) and (C) hereof were each reduced by up to 20 percent, then the payments set forth in Section 8(d)(iii)(B) and (C) will each be reduced to the smallest extent possible (and in no event by more than 20

percent in the aggregate) such that no Payment is subject to the Excise Tax.

(b) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that (i) the aggregate amount of the Executive's Parachute Payments equals or exceeds 3.25 times the Executive's Base Amount, (ii) the aggregate amount of the Executive's Parachute Payments is less than 3.25 times the Base Amount but one or more Payments would be subject to the Excise Tax even if the payments set forth in Section 8(d)(iii)(B) and (C) hereof were each reduced by 20 percent, or (iii) notwithstanding a reduction in payments pursuant to Section 9(a) above, an Excise Tax is payable by the Executive on one or more Payments, then, in any such case, Payments shall not be reduced and the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any income or Excise Tax) imposed upon the Gross-Up Payment and any interest or penalties imposed with respect to such taxes, the Executive retains from the Gross-Up Payment an amount equal to the Excise Tax imposed upon the Payments.

(c) Subject to the provisions of Section 9(d), all determinations required to be made under this Section 9, including determination of whether a Gross-Up Payment is required and of the amount of any such Gross-Up Payment, shall be made by a nationally recognized public accounting firm selected by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the date of termination of the Executive's employment, if applicable, or such earlier time as is requested. The initial Gross-Up Payment, if any, as determined pursuant to this Section 9(c), shall be paid to the Executive within five business days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with a written opinion that he has substantial authority not to report any Excise Tax on his Federal income tax return. Any determination by the Accounting Firm meeting the requirements of this Section 9(c) shall be binding upon the Company and the Executive, subject only to payments pursuant to the following sentence based on a determination that additional Gross-Up Payments should have been made, consistent with the calculations required to be made hereunder (the amount of such additional payments are referred to herein as the "Gross-Up Underpayment"). In the

event that the Company exhausts its remedies pursuant to Section 9(d) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Gross-Up Underpayment that has occurred and any such Gross-Up Underpayment shall be promptly paid by the Company to or for the benefit of the Executive. The fees and disbursements of the Accounting Firm shall be paid by the Company.

(d) The Executive shall notify the Company in writing of any claim by the United States Internal Revenue Service that, if successful, would require the payment by the Executive of any Excise Tax and, therefore, the payment by the Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but not later than 30 business days after the Executive receives written notice of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which he gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires, in good faith, to contest such claim (which notice shall set forth the bases for such contest) and that it will bear the costs and provide the indemnification as required by this sentence, the Executive shall, in good faith:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall, in good faith, reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney selected by the Company and reasonably acceptable to the Executive,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate, in good faith, in any proceedings relating to such claim;

PROVIDED, HOWEVER, that the Company shall bear and pay directly all costs and expenses (including additional interest and pen-

alties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis to the Executive, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of all costs and expenses.

Without limitation on the foregoing provisions of this Section 9(d), the Company shall, exercising good faith, control all proceedings taken in connection with such contest and, at its sole option (but in good faith), may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option (but in good faith), either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; PROVIDED, HOWEVER, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis to the Executive, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; AND FURTHER PROVIDED that any extension of the statute of limitations relating to the payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(d), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(d)) promptly pay to the Company, as the case may be, the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(d), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to

contest such denial of refund prior to the expiration of 30 days after such determination, then any obligation of the Executive to repay such advance shall be forgiven and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

Notwithstanding any provision herein to the contrary, the Executive's failure to strictly comply with the notice provisions set forth in this Section 9, so long as such failure does not prevent the Company from contesting an excise tax claim, shall not adversely affect the Executive's rights under this Section 9.

10. NO MITIGATION; NO OFFSET.

In the event of any termination of employment under Section 8, above, the Executive shall be under no obligation to mitigate damages or seek other employment, and, except as expressly set forth herein, there shall be no offset against amounts due the Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

11. NONCOMPETITION AND NONSOLICITATION.

The Executive represents and warrants that, to the best of his knowledge, he is not using the confidential or proprietary information of any other person in violation of any agreement or rights of others known to him. The Executive agrees that the products of the Company and its Affiliates shall constitute the exclusive property of the Company and its Affiliates.

For the avoidance of doubt, all trademarks, policy language or forms, products or services (including products and services under development), trade names, trade secrets, service marks, designs, computer programs and software, utility models, copyrights, know-how and confidential information, applications for registration of any of the foregoing and the right to apply for them in any part of the world (whether any of the foregoing shall be registered or unregistered) created or discovered or participated in by the Executive during the course of his employment (whether or not pursuant to the terms of this Agreement) or under the instructions of the Company or its Affiliate are and shall be the absolute property of the Company and its Affiliates, as appropirate. Without limiting the foregoing, the Executive hereby assigns to the Company any and all of the Executive's right, title and interest, if any,

pertaining to the insurance and reinsurance (including, without limitation, finite insurance and reinsurance), risk assumption, risk management, brokerage, financial and other products or services developed or improved upon by the Executive (including, without limitation, any related "know-how") while employed by the Company or its Affiliates, including any patent, trademark, trade name, copyright, ownership or other right that may pertain thereto.

Since Executive has obtained and is likely to obtain in the course of Executive's employment with the Company and its Affiliates knowledge of trade names, trade secrets, know-how, products and services (including products and services under development), techniques, methods, lists, computer programs and software and other confidential information relating to the Company and its Affiliates, and their employees, clients, business or business opportunities, Executive hereby undertakes that:

(i) Executive will not (either alone or jointly with or on behalf of others and whether directly or indirectly) encourage, entice, solicit or endeavor to encourage, entice or solicit, or hire or cause to be hired any officer or employee of the Company or its Affiliates away from employment with any such entity or to violate the terms of any employment agreement or arrangement between any such officer or employee and the Company or any of its Affiliates;

(ii) Executive will not (either alone or jointly with or on behalf of others and whether directly or indirectly) interfere with or disrupt or seek to interfere with or disrupt (A) the relationships between the Company and its Affiliates, on the one hand, and any customer or client of the Company and its Affiliates, on the other hand, (including any insured or reinsured party) who during the period of twenty-four months immediately preceding such termination shall have been such a customer or client, or (B) the supply to the Company and its Affiliates of any services by any supplier or agent or broker who during the period of twenty-four months immediately preceding such termination shall have supplied services to any such person, nor will Executive interfere or seek to interfere with the terms on which such supply or agency or brokering services during such period as aforesaid have been made or provided; and

(iii) Executive will not (either alone or jointly with or on behalf of others and whether directly or indirectly) whether as an employee, consultant, partner, principal, agent, distributor, representative or stockholder (except solely as a less than one percent stockholder of a publicly traded company), engage in any activities in Bermuda if such activities are competitive with the businesses that (i) are then being conducted by the Company or its Affiliates and (ii) during the period of the Executive's employment were either being conducted by the Company or its Affiliates or actively being developed by the Company or its Affiliates.

The provisions of the immediately preceding sentence shall continue as long as the Executive is employed by the Company or its Affiliates and shall continue in effect after such employment is terminated for any reason until the first anniversary of such termination, provided that if such employment is terminated by the Company prior to the end of the stated term other than for Cause, or is terminated by the Executive under Section 8(d)(iii) or Section 8(d)(iv), the provisions of clauses (ii) and (iii) shall automatically terminate upon the termination of such employment, unless the Company elects, in writing, upon such termination to continue the provisions of clauses (ii) and (iii) in effect through the six-month anniversary of such termination of employment in which case the Company shall be obligated to continue (through such six-month anniversary of termination) to pay the Executive, in addition to any of the Executive's rights under Section 8(d)(ii), 8(d)(iii) or Section 8(d)(iv), his Base Salary and the pro rata portion of the Executive's target annual bonus for the year of termination, and such bonus shall be payable at the times annual bonuses for such year are payable to other executives.

For purposes of this Agreement, an "Affiliate" of the Company includes any person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with the Company, and such term shall specifically include, without limitation, the Company's majority-owned subsidiaries.

The limitations on the Executive set forth in this Section shall also apply to any agent or other representative acting on behalf of Executive.

While the restrictions aforesaid are considered by both parties to be reasonable in all the circumstances it is recognized that restrictions of the nature in question may fail

for reasons unforeseen and accordingly it is hereby declared and agreed that if any of such restrictions or the geographic or other scope thereof shall be adjudged to be void as going beyond what is reasonable in the circumstances for the protection of the interests of the Company and its Affiliates but would be valid if part of the wording thereof were deleted and/or the periods (if any) thereof reduced and/or geographic or other area dealt with thereby reduced in scope then said restrictions shall apply with such modifications as may be necessary to make them valid and effective.

Nothing contained in this Section 11 shall limit in any manner any additional obligations to which Executive may be bound pursuant to any other agreement or any applicable law, rule or regulation and Section 11 shall apply, subject to its terms, after employment has terminated for any reason.

12. CONFIDENTIAL INFORMATION.

The Executive covenants that he shall not, without the prior written consent of the Company, disclose to any person, other than an employee of the Company or other person to whom disclosure is necessary to the performance by the Executive of his duties in the employ of the Company, any confidential, proprietary, secret, or privileged information about the Company or its Affiliates or their business or operations, including, but not limited to, information concerning trade secrets, know-how, software, data processing systems, policy language and forms, inventions, designs, processes, formulae, notations, improvements, financial information, business plans, prospects, referral sources, lists of suppliers and customers, legal advice and other information with respect to the affairs, business, clients, customers, agents or other business relationships of the Company or its Affiliates. Executive shall hold in a fiduciary capacity for the benefit of the Company all secret, confidential proprietary or privileged information or data relating to the Company or any of its Affiliates or predecessor companies, and their respective businesses, which shall have been obtained by Executive during his employment, unless and until such information has become known to the public generally (other than as a result of unauthorized disclosure by the Executive) or unless he is required to disclose such information by a court or by a governmental body with apparent authority to require such disclosure. The foregoing covenant by the Executive shall be without limitation as to time and geographic application and this Section 12 shall apply in accordance with its terms after employment has terminated for any reason. The Executive acknowledges and agrees that he shall

have no authority to waive any attorney-client or other privilege without the express prior written consent of the Compensation Committee as evidenced by the signature of the Company's General Counsel.

13. WITHHOLDING.

Anything in this Agreement to the contrary notwithstanding, all payments required to be made by the Company hereunder to the Executive shall be subject to withholding of such amounts relating to taxes as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation. In lieu of withholding such amounts, in whole or in part, the Company may, in its sole discretion, accept other provision for payment of taxes as required by law, provided it is satisfied that all requirements of law affecting its responsibilities to withhold such taxes have been satisfied.

14. GUARANTY AND AFFILIATE SERVICES.

(a) LIABILITY. Each of XL Insurance Ltd and XL Re Ltd (together, the "Guarantors") hereby agrees to be jointly and severally liable together with the Company, for the performance of all obligations and duties, and the payment of all amounts, due to the Executive under this Agreement.

(b) RESPONSIBILITY. All of the other terms and provisions of this Agreement relating to the Executive's employment by the Company shall likewise apply MUTATIS MUTANDIS to the Executive's employment by any of its Affiliates, it being understood that if the Executive's employment with the Company is terminated, his employment with its Affiliates shall also be terminated and the Executive shall be required to resign immediately from all directorships and other positions held by the Executive in the Company and its Affiliates or in any other entities in respect of which the Executive was acting as a representative or designee of the Company or its Affiliates in connection with his employment.

15. ENTIRE AGREEMENT.

This Agreement, together with the Exhibits, contains the entire agreement between the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Company and the Executive with respect thereto.

16. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs and assigns. No rights or obligations of the Executive under this Agreement may be assigned or transferred by the Executive other than his right to compensation and benefits hereunder, which may be transferred by will or operation of law subject to the limitations of this Agreement. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation or amalgamation or scheme of arrangement in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes by operation of law or in writing duly executed by the assignee or transferee all of the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

17. INDEMNIFICATION.

The Executive shall be provided indemnification by the Company to the maximum extent permitted by applicable law and its charter documents. In addition, he shall be covered by a directors' and officers' liability policy with coverage for all directors and officers of the Company in an amount equal to at least US$75,000,000. Such directors' and officers' liability insurance shall be maintained in effect for a period of six years following termination of the Executive's employment for any reason other than pursuant to Section 8(c) or Section 8(e) hereof.

18. SETTLEMENT OF DISPUTES.

(a) Any dispute between the Parties arising from or relating to the terms of this Agreement or the Executive's employment with the Company or its Affiliates shall, except as provided in Section 18(b) or Section 18(c), be resolved by arbitration held in New York City in accordance with the rules of the American Arbitration Association.

(b) Executive acknowledges that the Company and its Affiliates will suffer irreparable injury, not readily susceptible of valuation in monetary damages, if Executive breaches his obligations under Section 11 or 12. Accord-

ingly, Executive agrees that the Company and its Affiliates will be entitled, in addition to any other available remedies, to obtain injunctive relief against any breach or prospective breach by Executive of his obligations under Section 11 or 12 in any Federal or state court sitting in the City and State of New York or court sitting in Bermuda or the United Kingdom, or, at the Company's or any Affiliate's election, in any other jurisdiction in which Executive maintains his residence or his principal place of business. Executive hereby submits to the non-exclusive jurisdiction of all those courts for the purposes of any actions or proceedings instituted by the Company or its Affiliates to obtain such injunctive relief, and Executive agrees that process in any or all of those actions or proceedings may be served by registered mail or delivery, addressed to the last address of Executive known to the Company or its Affiliates, or in any other manner authorized by law. Executive further agrees that, in addition to any other remedies available to the Company or its Affiliates by operation of law or otherwise, because of any breach by Executive of his obligations under Section 11 or 12 he will forfeit any and all bonus and rights to any payments to which he might otherwise then be entitled by virtue hereof and such payments may be suspended so long as any good faith dispute with respect thereto is continuing; PROVIDED, HOWEVER, that payments, benefits and other rights and privileges of the Executive under Section 8(d)(iii) shall not be forfeited, suspended, offset, diminished or otherwise altered in any way on account of any breach or prospective breach of Section 11, Section 12 or any other provision of this Agreement alleged by the Company.

(c) Notwithstanding any other provision of this Agreement, the Executive may elect to resolve any dispute involving a breach or alleged breach of Section 8(d)(iii) in any Federal or State court sitting in the City and State of New York or court sitting in Bermuda or the United Kingdom. The Company and the Guarantors hereby submit to the non-exclusive jurisdiction of all those courts for the purposes of any actions or proceedings instituted by the Executive to enforce Section 8(d)(iii), and the Company and the Guarantors agree that process in any or all of such actions or proceedings may be served by registered mail or delivery, addressed to the Company as set forth in Section 20, or in any other manner authorized by law. The Company and the Guarantors shall pay all costs associated with any court proceeding under this Section 18(c), including all legal fees and expenses of the Executive, who shall be reimbursed

for all such costs promptly upon written demand therefor by the Executive.

(d) All costs associated with any proceeding under Sections 18(a) or 18(b) hereof, including all legal fees and expenses, for all Parties shall be borne by the Company; PROVIDED, HOWEVER, that each Party shall bear its own expenses if (i) the dispute relates to Sections 11 or 12 hereof, (ii) the dispute results in the grant of injunctive relief against the Executive, and (iii) the Executive's employment was terminated by the Company for Cause or by the Executive not for Good Reason and not pursuant to Section 8(d)(iv) hereof. The Executive shall be reimbursed by the Company for all such costs promptly upon written demand therefor by the Executive.

19. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company and the Guarantors. No waiver by any Party of any breach by the other Party of any condition or provision of this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or a duly authorized officer of the Company and the Guarantors, as the case may be.

20. NOTICES.

Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given when delivered personally or sent by courier, or by certified or registered mail, postage prepaid, return receipt requested, duly addressed to the Party concerned at the address indicated below or to such changed address as such Party may subsequently by similar process give notice of:

If to the Company:

XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM11 Bermuda
Att'n: General Counsel

If to the Executive:

Jerry de St. Paer
c/o XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM11 Bermuda

21. SEVERABILITY.

In the event that any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

22. SURVIVORSHIP.

The respective rights and obligations of the Parties shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

23. REFERENCE.

In the event of the Executive's death or a judicial determination of his incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to his estate or other legal representative.

24. GOVERNING LAW.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of New York without reference to the principles of conflict of laws.

25. HEADINGS.

The heading of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

26. COUNTERPARTS.

This Agreement may be executed in one or more counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

XL CAPITAL LTD

By:

JERRY DE ST. PAER

By:

GUARANTORS:

XL INSURANCE LTD

By:_____

XL RE LTD

By: _____

EXHIBIT A

CHANGE IN CONTROL

A "Change in Control" shall be deemed to have occurred:

(i) if any person (which, for all purposes hereof, shall include, without limitation, an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate and a trustee, executor, administrator or other legal representative)(a "Person") or any group, as defined in Sections 13(d) or 14(d) of the United States Securities Exchange Act of 1934 (other than a group of which the Executive is a member or which has been organized by the Executive), becomes the beneficial owner, directly or indirectly, of securities of the Company representing, or acquires the right to control or direct, or to acquire through the conversion of securities or the exercise of warrants or other rights to acquire securities, 30% or more of either (I) the outstanding Ordinary Shares of the Company; (II) the outstanding securities of the Company having a right to vote in the election of directors or (III) the combined voting power of the outstanding securities of the Company having a right to vote in the election of directors; or

(ii) if there shall be elected or appointed to the Board of Directors of the Company (the "Board") any director or directors whose appointment or election by the Board or nomination for election by the Company's shareholders was not approved by a vote of at least a majority of the directors then still in office who were either directors on the date of execution of this Agreement or whose election or appointment or nomination for election was previously so approved; or

(iii) if there occurs a reorganization, scheme of arrangement, merger, consolidation, combination, amalgamation, corporate restructuring, liquidation, winding up, exchange of securities, or similar transaction, or stockholder approval of any of the foregoing, (each, an "Event"), in each case, in respect of which the beneficial owners of the outstanding Company Ordinary Shares immediately prior to such Event do not or will not, following such Event, beneficially own, directly or indirectly, more

than 60% of each of the outstanding equity share capital and the combined voting power of the then outstanding voting securities entitled to vote in the election of the directors, of the Company and any resulting entity, in substantially the same proportions as their ownership, immediately prior to such Event, of the Ordinary Shares and voting power of the Company; or

(iv) if there occurs an Event involving the Company as a result of which 25% of more of the members of the Board of the Company are not persons who were members of the Board immediately prior to the earlier of (x) the Event, (y) execution of an agreement, the consummation of which would result in the Event, or (z) announcement by the Company of an intention to effect the Event; or

(v) the Board adopts a resolution to the effect that, for purposes of this Agreement, a Change in Control has occurred.

EXHIBIT B

GOOD REASON

For purposes of this Agreement, "Good Reason" shall mean any of the following, unless done with the prior express written consent of the Executive:

(i) (A) The assignment to Executive of duties inconsistent with Executive's position (including duties, responsibilities, status, titles or offices as set forth in Section 3 hereof); or (B) any elimination, diminution or reduction of Executive's duties or responsibilities except in connection with the termination of Executive's employment for Cause, disability or as a result of Executive's death or by Executive other than for Good Reason; and for purposes for this clause (i), the determination of whether there has been a reduction of duties or responsibilities or an assignment of duties inconsistent with the Executive's position shall take into account the Executive's duties, responsibilities and position with the ultimate parent of the parent/subsidiary group as a whole which includes the Company;

(ii) The (A) reduction in Executive's Base Salary from the level in effect immediately prior to the Change in Control, or (B) payment of an annual bonus in an amount less than the lesser of (x) the most recent annual bonus paid prior to the Change in Control or (y) the greater of (I) the most recent target bonus established prior to the Change in Control or (II) the annual average bonus paid for the preceding three complete years prior to the Change in Control (or such lesser number of complete years as the Executive shall have been employed by the Company);

(iii) The failure by the Company or the Guarantors to obtain the specific written assumption of this Agreement by any successor or assign of the Company or the Guarantors or any person acquiring substantially all of the Company's or the Guarantors' assets;

(iv) Any breach by the Company or the Guarantors of any provision of this Agreement or any agreements entered into pursuant thereto that remains uncured for 20 calendar days following written notice of same by the Executive;

(v) Requiring Executive to be based at any office or location other than those described in Section 3(b) hereof, except for travel reasonably required in the performance of the Executive's responsibilities;

(vi) During the Post Change Period, (A) the failure to continue in effect any compensation or incentive plan in which Executive participates immediately prior to the time of the Change in Control unless an equitable arrangement (embodied in an ongoing substitute or alternative plan providing Executive with at least the same aggregate economic opportunity on an after-tax basis available to the Executive immediately prior to the Change in Control) has been made with respect to such plan in connection with the Change in Control, or the failure to continue Executive's participation therein on substantially the same basis both in terms of the amount of benefits provided and the level of his participation relative to other participants, as existed at the time of the Change in Control; or (B) the failure to continue to provide Executive with benefits and coverage at least as favorable in the aggregate as those enjoyed by him under the Company's pension, life insurance, medical, health and accident, disability, deferred compensation or savings plans in which he was participating at the time of the Change in Control; or

(vii) The failure by the Company to pay within 7 calendar days of the due date any amounts due under any benefit or compensation plan, including any deferred compensation plan.

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364-DAY CREDIT AGREEMENT

dated as of

June 29, 2001

between

XL CAPITAL LTD, X.L. AMERICA, INC., XL INSURANCE LTD, XL EUROPE LTD and XL RE LTD,
as Borrowers and Guarantors,

The LENDERS Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

$500,000,000

J.P. MORGAN SECURITIES INC.,
as Advisor, Lead Arranger and Bookrunner

and

MELLON BANK, N.A. and CITIBANK, N.A.,
as Co-Syndication Agents

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364-DAY CREDIT AGREEMENT dated as of June 29, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies ("XL CAPITAL"), X.L. AMERICA, INC., a Delaware corporation ("XL AMERICA"), XL INSURANCE LTD, a Bermuda limited liability corporation ("XL INSURANCE"), XL EUROPE LTD, a company incorporated under the laws of Ireland ("XL EUROPE") and XL RE LTD, a Bermuda limited liability corporation ("XL RE" and, together with XL Capital, XL America, XL Insurance and XL Europe, each a "BORROWER" and each a "GUARANTOR" and, collectively, the "BORROWERS" and the "GUARANTORS"; the Borrowers and the Guarantors being collectively referred to as the "OBLIGORS"), 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 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 (a) for the period from and including the date hereof to but not including the Commitment Termination Date, 0.29% per annum and (b) 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, (i) 0.415% per annum or (ii) if XL Capital's ratings from either A.M. Best & Co. (or its successor) or Standard & Poor's Rating Services (or its successor) is below A+, 0.54% 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 Re.

"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 28, 2002.

"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.

"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).

"EXISTING 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.

"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 Re.

"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 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 Amended and Restated Letter of Credit and Reimbursement Agreement dated as of June 29, 2001 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.

"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, prepay 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.

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 telecopy 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 telecopy 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 0.06%, (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 0.10% 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 Term-Out 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 telecopy 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 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 OBLIGATIONS"). 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, 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, 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, examination 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, 1999 and December 31, 2000, 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, 2000), and (B) as of and for the fiscal quarter ended

March 31, 2001, as provided in XL Capital's Report on Form 10-Q filed with the SEC for the fiscal quarter ended March 31, 2001. 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 Re) 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, 2000, there has been no material adverse change in the assets, business, financial condition or operations of such Borrower and its Subsidiaries, taken as a whole.

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 any 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.

(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 Re, 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) EXISTING CREDIT AGREEMENT. Evidence that (i) the Obligors shall have paid in full all principal of and accrued and unpaid interest on the loans under the Existing Credit Agreement and all fees and expenses owing by the Obligors thereunder, (ii) all other amounts (if any) payable by the Obligors under or in respect of the Existing Credit Agreement have been paid in full and (iii) the Commitments (as defined in the Existing Credit Agreement) have terminated.

(g) 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 June 29, 2001 (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 Re) SAP, as the case may be, consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of such Borrower, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of such Borrower and its consolidated Subsidiaries as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for (or, in the case of the balance sheet, as of the end of) the corresponding period or periods of the previous fiscal year (if such figures were already produced for such corresponding period or periods), all certified by a Financial Officer of such Borrower as presenting fairly in all material respects the financial condition and results of operations of such Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or (in the case of XL Europe, XL Insurance and XL Re) SAP, as the case may be, consistently applied, subject to normal year-end audit adjustments and the absence of footnotes (it being understood that delivery to the 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 Re) 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.

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, 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) $4,600,000,000 PLUS (b) 25% of net income (if positive) for each fiscal quarter of XL Capital commencing with the fiscal quarter ending June 30, 2001.

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 PAYING RATINGS. XL Capital will maintain at all times a claims-paying rating of at least "A" from A.M. Best & Co. (or its successor) and XL Insurance and XL Re will maintain at all times a rating of at least "A" from Standard & Poor's Rating Services (or its 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 (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 an examiner, 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 an examiner, 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 Re, 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 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 XL 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, Bookrunner and Co-Syndication 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 XL House, One Bermudiana Road, Hamilton HM 11 Bermuda, Attention of William Robbie (Telecopy No. (441) 296-6399); WITH A COPY to Paul Giordano, Esq. at the same address and telecopy number (441) 295-4867);

(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, 15th Floor, New York, New York 10017, Attention of Helen Newcomb (Telecopy No. 270-1511; Telephone No. 270-6260); 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 BY THE 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.

(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 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.

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

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 RE 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

---
witness

By

Name:
Title:

LENDERS

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent

By

Name:
Title:

CITIBANK, N.A.

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

BANK OF AMERICA, N.A.

By

Name:
Title:

BANK ONE, NA

By

Name:
Title:

By

Name:
Title:

BARCLAYS BANK PLC

Name:
Title:

By

Name:
Title:

By

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By

Name:
Title:

DEUTSCHE BANK AG

By

Name:
Title:

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By

Name:
Title:

By

Name:
Title:

FLEET NATIONAL BANK

By

Name:
Title:

LLOYDS TSB BANK PLC

By

Name:
Title:

By

Name:
Title:

THE BANK OF BERMUDA LIMITED

By

Name:
Title:

By

Name:
Title:

<

ABN AMRO BANK N.V., LONDON BRANCH

By

Name:
Title:

By

Name:
Title:

BANCO SANTANDER CENTRAL HISPANO, S.A.

By

Name:
Title:

By

Name:
Title:

COMERICA BANK

By

Name:
Title:

FIRST UNION NATIONAL BANK

By

Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By

Name:
Title:

STATE STREET BANK AND TRUST COMPANY

By

Name:
Title:

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LETTER OF CREDIT
AND REIMBURSEMENT AGREEMENT

dated as of

June 29, 2001

between

XL CAPITAL LTD, X.L. AMERICA, INC., XL INSURANCE LTD, XL EUROPE LTD and XL RE LTD,
as Account Parties and Guarantors,

The LENDERS Party Hereto

and

THE CHASE MANHATTAN BANK,
as Administrative Agent

$1,000,000,000

J.P. MORGAN SECURITIES INC.,
as Advisor, Lead Arranger and Bookrunner

and

MELLON BANK, N.A. and CITIBANK, N.A.,
as Co-Syndication Agents

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LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT dated as of June 29, 2001, between XL CAPITAL LTD, a company incorporated under the laws of the Cayman Islands, British West Indies ("XL CAPITAL"), X.L. AMERICA, INC., a Delaware corporation ("XL AMERICA"), XL INSURANCE LTD, a Bermuda limited liability corporation ("XL INSURANCE"), XL EUROPE LTD, a company incorporated under the laws of Ireland ("XL EUROPE") and XL RE LTD, a Bermuda limited liability corporation ("XL RE" and, together with XL Capital, XL America, XL Insurance and XL Europe, each an "ACCOUNT PARTY" and each a "GUARANTOR" and collectively, the "ACCOUNT PARTIES" and the "Guarantors"; the Account Parties and the Guarantors being collectively referred to as the "OBLIGORS"), the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent.

The 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 Re.

"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 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 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 Syndicated Letters of Credit and to acquire participations in Participated 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 28, 2002.

"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 Syndicated Letter of Credit as if, and to the extent, such other bank were the "Issuing Lender" named in such Syndicated 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 June 29, 2001 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.

"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 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).

"EXISTING 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.

"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 Re.

"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 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 (a) with respect to any Participated Letter of Credit, The Chase Manhattan Bank, in its capacity as the issuer of such Participated Letter of Credit hereunder, and its successors in such capacity as provided in Section 2.10(j) and (b) with respect to any Syndicated Letter of Credit, each Lender, in its capacity as the issuer of such Syndicated Letter of Credit.

"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) with respect to any Participated Letter of Credit, a payment made by the Issuing Lender pursuant thereto and (b) with respect to any Syndicated Letter of Credit, a payment made by a Lender pursuant thereto.

"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.

"LETTERS OF CREDIT" means each of the Syndicated Letters of Credit and the Participated Letters of Credit.

"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.

"PARTICIPATED LETTERS OF CREDIT" means letters of credit issued under Section 2.10.

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

"SYNDICATED LETTERS OF CREDIT" means letters of credit issued under Section 2.01.

"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 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. SYNDICATED LETTERS OF CREDIT.

(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 Syndicated Letters of Credit for account of such Account Party in an aggregate amount that will not result in the total LC Exposure exceeding the total Commitments (it being understood that Syndicated Letters of Credit may be issued, or be outstanding, for the account of more than one of the Account Parties at any time). Each Syndicated 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 Syndicated 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 Syndicated 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 Syndicated Letter of Credit.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Syndicated Letter of Credit (or the amendment, renewal or extension of an outstanding Syndicated 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 Syndicated Letter of Credit, or identifying the Syndicated 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 Syndicated Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Syndicated 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 Syndicated Letter of Credit. If any Syndicated 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 Syndicated 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

Syndicated 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 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 Syndicated Letter of Credit, the terms and conditions of this Agreement shall control.

(c) LIMITATIONS ON AMOUNTS. A Syndicated Letter of Credit shall be issued, amended, renewed or extended only if (and upon such issuance, amendment, renewal or extension of each Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated Letter of Credit, and each Syndicated Letter of Credit shall expressly so provide.

(f) CONTINUATION OF EXISTING LETTERS OF CREDIT. Subject to the terms and conditions hereof, each Letter of Credit under (and as defined in) the Existing Letter of Credit Agreement which is outstanding on the Effective Date and designated by the Account Parties in a notice to the Administrative Agent shall be continued hereunder on the Effective Date by all of the Lenders, and the obligation of each such Lender shall be several and not joint, based upon its Applicable Percentage and the aggregate undrawn amount of such Letter of Credit (as so defined), which shall be deemed a Syndicated Letter of Credit under this Agreement as of such date. The Administrative Agent shall, on the Effective Date or promptly thereafter, notify each beneficiary of such Letter of Credit that is continued hereunder of the Lenders party thereto, and their respective Applicable Percentages, as of the Effective Date.

SECTION 2.02. ISSUANCE AND ADMINISTRATION. Each Syndicated 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 Syndicated Letter of Credit, and the Administrative Agent shall act under each Syndicated Letter of Credit, and each Syndicated 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 Syndicated Letter of Credit, (b) determine whether such drafts, demands and documents are in compliance with the terms and conditions of such Syndicated

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 Syndicated Letter of Credit, and each Syndicated 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 Syndicated 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 Syndicated 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 Syndicated Letter of Credit.

SECTION 2.03. REIMBURSEMENT OF LC DISBURSEMENTS, ETC.

(a) REIMBURSEMENT. If any Lender shall make any LC Disbursement in respect of any Syndicated Letter of Credit, regardless of the identity of the Account Party of such Syndicated 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 Syndicated Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Syndicated 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 Syndicated Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Syndicated 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 complies with the terms of such Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated 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 Syndicated Letter of Credit. With respect to any drawing properly made under a Syndicated Letter of Credit, each Lender will make an LC Disbursement in respect of such Syndicated Letter of Credit in accordance with its liability under such Syndicated 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 Syndicated 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 Syndicated 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 with respect to a Syndicated Letter of Credit 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 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 Syndicated 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 Exposure 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 0.06%, (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 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) SYNDICATED 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 0.315% on the average daily aggregate undrawn amount of all outstanding Syndicated 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. Syndicated 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) PARTICIPATED LETTER OF CREDIT FEES. XL Capital agrees to pay (i) to the Administrative Agent for account of each Lender a participation fee with respect to its participations in Participated Letters of Credit, which shall accrue at a rate of 0.315% per annum on the average daily amount of such Lender's LC Exposure in respect of Participated Letters of Credit (excluding any portion thereof attributable to unreimbursed LC Disbursements) 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 such LC Exposure, and (ii) to the Issuing Lender a fronting fee, which shall accrue at a rate of 0.125% per annum on the average daily amount of the LC Exposure in respect of Participated Letters of Credit (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination

of the Commitments and the date on which there ceases to be any such LC Exposure, as well as the Issuing Lender's standard administrative fees with respect to the issuance, amendment, renewal or extension of any Participated Letter of Credit or processing of drawings thereunder. Participation fees and fronting 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. Any other fees payable to the Issuing Lender pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting 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).

(d) 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.

(e) 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 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.

(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 PROVIDED 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 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.

SECTION 2.10. PARTICIPATED LETTERS OF CREDIT.

(a) GENERAL. Subject to the terms and conditions set forth herein, in addition to the issuance of Syndicated Letters of Credit provided for in Section 2.01, any Account Party may request the Issuing Lender to issue, at any time and from time to time during the Availability Period, Participated Letters of Credit for its own account. Each Participated 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. Participated Letters of Credit issued hereunder shall constitute utilization of the Commitments.

(b) NOTICE OF ISSUANCE, AMENDMENT, RENEWAL OR EXTENSION. To request the issuance of a Participated Letter of Credit (or the amendment, renewal or extension of an outstanding Participated 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 Issuing Lender) to the Issuing Lender and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Participated Letter of Credit, or identifying the Participated Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Participated Letter of Credit is to expire (which shall comply with paragraph (d) of this Section), the amount of such Participated Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Participated Letter of Credit. If requested by the Issuing Lender, such Account Party also shall submit a letter of credit application on the Issuing Lender's standard form in connection with any request for a Participated 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 credit application or other agreement submitted by such Account Party to, or entered into by any Account Party with, the Issuing Lender relating to any Participated Letter of Credit, the terms and conditions of this Agreement shall control.

(c) LIMITATIONS ON AMOUNTS. A Participated Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Participated Letter of Credit each Account Party shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure of the Issuing Lender with respect to Participated Letters of Credit (determined for these purposes without giving effect to the participations therein of the Lenders pursuant to paragraph (e) of this Section) shall not exceed $50,000,000 and (ii) the total LC Exposure of the Lenders shall not exceed the total Commitments.

(d) EXPIRY DATE. Each Participated 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 Participated Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension).

(e) PARTICIPATIONS. By the issuance of a Participated Letter of Credit (or an amendment to a Participated Letter of Credit increasing the amount thereof) by the Issuing Lender, and without any further action on the part of the Issuing Lender or the Lenders, the Issuing Lender hereby grants to each Lender, and each Lender hereby acquires from the Issuing Lender, a participation in such Participated Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Participated Letter of Credit. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Participated Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Participated Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for account of the Issuing Lender, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Lender in respect of any Participated Letter of Credit promptly upon the request of the Issuing Lender at any time from the time of such LC Disbursement until such LC Disbursement is reimbursed by the Account Parties or at any time after any reimbursement payment is required to be refunded to the Account Parties for any reason. Such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Promptly following receipt by the Administrative Agent of any payment from the Account Parties pursuant to the next following paragraph, the Administrative Agent shall distribute such payment to the Issuing Lender or, to the extent that the Lenders have made payments pursuant to this paragraph to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Lender for any LC Disbursement shall not relieve the Account Parties of their obligation to reimburse such LC Disbursement.

(f) REIMBURSEMENT. If any Lender shall make any LC Disbursement in respect of any Participated Letter of Credit, regardless of the identity of the Account Party of such Participated 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.

If the Account Parties fail to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Account Parties in respect thereof and such Lender's Applicable Percentage thereof.

(g) OBLIGATIONS ABSOLUTE. The Account Parties' joint and several obligations to reimburse LC Disbursements in respect of any Participated Letter of Credit as provided in paragraph (f) 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 Participated Letter of Credit, or any term or provision therein, (ii) any draft or other document presented under a Participated 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 by the Issuing Lender under a Participated Letter of Credit against presentation of a draft or other document that does not comply strictly with the terms of such Participated 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 complies with the terms of such Participated 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, the Lenders nor the Issuing Lender, nor any of their respective Related Parties, shall have any liability or responsibility by reason of or in connection with the payment or failure to make any payment under a Participated Letter of Credit (irrespective of any of the circumstances referred to in the preceding sentence) as a result of determining whether drafts or other documents presented under a Participated Letter of Credit comply with the terms thereof, or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Participated 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 the control of the Issuing Lender; PROVIDED that the foregoing shall not be construed to excuse the Issuing Lender from liability to the Account Parties 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 the Account Parties that are caused by the Issuing Lender's gross negligence or willful misconduct when determining whether drafts and other documents presented under a Participated Letter of Credit comply with the terms thereof. The parties hereto expressly agree that:

(i) the Issuing Lender may accept documents that appear on their face to be in substantial compliance with the terms of a Participated 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 Participated Letter of Credit;

(ii) the Issuing Lender 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 Participated Letter of Credit; and

(iii) this sentence shall establish the standard of care to be exercised by the Issuing Lender when determining whether drafts and other documents presented under a Participated 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).

(h) DISBURSEMENT PROCEDURES. The Issuing Lender shall, within a reasonable time following its receipt thereof, examine all documents purporting to represent a demand for payment under a Participated Letter of Credit. The Issuing Lender shall promptly after such examination notify the Administrative Agent and XL Capital by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Lender has made or will make a LC Disbursement thereunder; PROVIDED that any failure to give or delay in giving such notice shall not relieve the Account Parties of their obligation to reimburse the Issuing Lender and the Lenders with respect to any such LC Disbursement.

(i) INTERIM INTEREST. If any LC Disbursement is made with respect to a Participated Letter of Credit, 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 the date three Business Days after such LC Disbursement, 3% PLUS the Alternate Base Rate. Interest accrued pursuant to this paragraph shall be for account of the Issuing Lender, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (f) of this Section to reimburse the Issuing Lender shall be for account of such Lender to the extent of such payment.

(j) REPLACEMENT OF THE ISSUING LENDER. The Issuing Lender may be replaced at any time by written agreement between XL Capital, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Lender. At the time any such replacement shall become effective, the Account Parties shall pay all unpaid fees accrued for account of the replaced Issuing Lender pursuant to Section 2.05(c). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of the replaced Issuing Lender under this Agreement with respect to Participated Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to refer to such successor or to any previous Issuing Lender, or to such successor and all previous Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Participated Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Participated Letters of Credit.

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 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.

SECTION 3.05. REMEDIES. The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Account Parties 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 Account Party 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 Account Party) 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 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, 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 Account Party represents and warrants to the Lenders that:

SECTION 4.01. ORGANIZATION; POWERS. Such Account Party 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 Account Parties' 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 Account Party and constitutes a legal, valid and binding obligation of such Account Party, enforceable against such Account Party in accordance with its terms, except as such enforceability may be limited by (a) bankruptcy, insolvency, reorganization, moratorium, examination 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 Account Party 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 Account Party 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 Account Party or any of its Subsidiaries.

SECTION 4.04. FINANCIAL CONDITION; NO MATERIAL ADVERSE CHANGE.

(a) FINANCIAL CONDITION. Such Account Party has heretofore furnished to the Lenders the consolidated balance sheet and statements of income, stockholders' equity and cash flows of such Account Party and its consolidated Subsidiaries (A) as of and for the fiscal years ended December 31, 1999 and December 31, 2000, 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, 2000), and (B) as of and for the fiscal quarter ended March 31, 2001, as provided in XL Capital's Report on Form 10-Q filed with the SEC for the fiscal quarter ended March 31, 2001. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of such Account Party 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 Re) 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, 2000, there has been no material adverse change in the assets, business, financial condition or operations of such Account Party and its Subsidiaries, taken as a whole.

SECTION 4.05. PROPERTIES.

(a) PROPERTY GENERALLY. Such Account Party 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 Account Party 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 Account Party 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 Account Party, threatened against or affecting such Account Party 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 Account Party 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 Account Party 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 Account Party 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 Account Party 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 Account Party 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 any and all applicable laws and has been maintained, where required, in good standing with the applicable Governmental Authority and (iii) neither any Account Party 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 Account Party 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 Account Party 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 Account Party 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, and no Letter of Credit will be used in connection with buying or carrying any 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 Account Party.

SECTION 4.14. WITHHOLDING TAXES. Based upon information with respect to each Lender provided by each Lender to the Administrative Agent, as of the date hereof, the payment of the LC Disbursements and interest thereon, the fees under Section 2.05 and all other amounts payable hereunder will not be subject, by withholding or deduction, to any Taxes imposed by any Account Party Jurisdiction.

SECTION 4.15. STAMP TAXES. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement, it is not necessary that this Agreement 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 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. This Agreement is in proper legal form under the laws of any Account Party Jurisdiction for the admissibility thereof in the courts of such Account Party Jurisdiction.

ARTICLE V

CONDITIONS

SECTION 5.01. EFFECTIVE DATE. The obligations of the Lenders or the Issuing Lender, as the case may be, to issue or continue Letters of Credit hereunder are subject to the receipt by the Administrative Agent of 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 Re, 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) EXISTING LETTER OF CREDIT AGREEMENT. Evidence that (i) the Account Parties shall have paid in full all principal of and interest accrued on the reimbursement obligations under the Existing Letter of Credit Agreement and all fees and expenses owing by the Account Parties thereunder, (ii) all other amounts (if any) payable by the Account Parties under or in respect of the Existing Letter of Credit Agreement have been paid in full and (iii) the Commitments (as defined in the Existing Letter of Credit Agreement) have terminated.

(g) 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 extension of credit 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 other Credit Documents and the extensions of credit 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 Account Parties and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders or the Issuing Lender, as the case may be, to issue or continue, Letters of Credit 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 June 29, 2001 (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 issue, amend, renew or extend any Letter of Credit 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 issuance, amendment, renewal or

extension of such Letter of Credit, as applicable (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 the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each issuance, amendment, renewal or extension of a Letter of Credit 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 all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Account Parties covenant and agree with the Lenders that:

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

(a) within 135 days after the end of each fiscal year of such Account Party (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 Account Party 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 Account Party and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or (in the case of XL Europe, XL Insurance and XL Re) SAP, as the case may be, consistently applied;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of such Account Party, the consolidated balance sheet and related statements of operations, stockholders' equity and cash flows of such Account Party 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 Account Party as presenting fairly in all material respects the financial condition and results of operations of such Account Party and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP or (in the case of XL Europe, XL Insurance and XL Re) SAP, as the case may be, consistently applied, subject to normal year-end audit adjustments and the absence of footnotes (it being understood that delivery to the 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 Account Party 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 Re) 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 Account Party 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 Account Party 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 Account Party 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 Account Party setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken by such Account Party with respect thereto.

SECTION 6.03. PRESERVATION OF EXISTENCE AND FRANCHISES. Each Account Party 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 Account Party 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 Account Party 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 Account Party 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 Account Party or any Subsidiary of such Account Party any obligation in respect of any property leased by such Account Party or such Subsidiary in addition to such Account Party's obligations under the applicable document creating such Account Party'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 Account Party 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 Account Party 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 Account Party or such Subsidiary;

PROVIDED that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, such Account Party 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 Account Party 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 Account Party 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 Account Party or any Subsidiary of such Account Party 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 Account Party to perform its obligations under this Agreement.

SECTION 6.09. USE OF LETTERS OF CREDIT. No Letter of Credit will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations U and X.

SECTION 6.10. CONTINUATION OF AND CHANGE IN BUSINESSES. Each Account Party 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 Account Party will permit such Persons as any Lender may reasonably designate to visit and inspect any of the properties of such Account Party, to discuss its affairs with its financial management, and provide such other information relating to the business and financial condition of such Account Party at such times as such Lender may reasonably request. Each Account Party hereby authorizes its financial management to discuss with any Lender the affairs of such Account Party.

ARTICLE VII

NEGATIVE COVENANTS

Until the Commitments have expired or terminated and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements have been reimbursed, each of the Account Parties covenants and agrees with the Lenders that:

SECTION 7.01. MERGERS. No Account Party 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 Account Party may merge or consolidate with any other corporation, including a Subsidiary, if such Account Party shall be the surviving corporation.

SECTION 7.02. DISPOSITIONS. No Account Party 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 Account Party'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 Account Parties 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 Account Party or its Subsidiaries.

SECTION 7.03. LIENS. No Account Party 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 Account Party and Liens (whether or not assumed) existing on property at the time of purchase thereof by such Account Party (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 Account Party, 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 Account Party 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 an Account Party 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 Account Parties' 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 Account Party or any of their Subsidiaries or its becoming a Subsidiary, and Liens existing on any property acquired by any Account Party 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 Account Party 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 Account Party, 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 Account Parties and their wholly-owned Subsidiaries and (iii) transactions with Affiliates in good faith in the ordinary course of such Account Party's business consistent with past practice and on terms no less favorable to such Account Party 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) $4,600,000,000 PLUS (b) 25% of net income (if positive) for each fiscal quarter of XL Capital commencing with the fiscal quarter ending June 30, 2001.

SECTION 7.07. INDEBTEDNESS. No Account Party 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 Credit Agreement;

(c) secured Indebtedness (including secured reimbursement obligations with respect to letters of credit) of any Account Party or any Subsidiary in an aggregate principal amount (for all Account Parties 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 Account Party 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 PAYING RATINGS. XL Capital will maintain at all times a claims-paying rating of at least "A" from A.M. Best & Co. (or its successor) and XL Insurance and XL Re will maintain at all times a rating of at least "A" from Standard & Poor's Rating Services (or its successor).

SECTION 7.09. PRIVATE ACT. No Account Party 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 Account Party shall fail to pay any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable;

(b) any Account Party shall fail to pay any interest or any fee payable under this Agreement 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 Account Party 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 Account Party 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 Account Party 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 Account Party a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of such Account Party 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 an examiner, receiver or liquidator or trustee or assignee in bankruptcy or insolvency of such Account Party 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 Account Party 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 an examiner, 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 Account Party 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 Account Party 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 Account Parties 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 Re, 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 Account Party 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 Account Parties, 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 all fees and other obligations of the Account Parties accrued hereunder to be due and payable in whole (or in part, in which case any fees and other obligations not so declared to be due and payable may thereafter be declared to be due and payable) and thereupon such fees and other obligations, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Account Parties; and in case of any event with respect to any Account Party described in clause (g) or (h) of this Article, the Commitments shall automatically terminate and all fees and other obligations of the Account Parties 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 Account Parties.

If an Event of Default shall occur and be continuing and XL Capital receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral for the aggregate LC Exposure of all the Lenders pursuant to this paragraph, the Account Parties shall immediately deposit into an account established and maintained on the books and records of the Administrative Agent, which account may be a "securities account"

(within the meaning of Section 8-501 of the Uniform Commercial Code as in effect in the State of New York (the "UNIFORM COMMERCIAL CODE")), in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the total LC Exposure as of such date PLUS any accrued and unpaid interest thereon; PROVIDED that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to any Account Party described in clause (g) or (h) of this Article. Such deposit shall be held by the Administrative Agent as collateral for the LC Exposure under this Agreement, and for this purpose each of the Account Parties hereby grant a security interest to the Administrative Agent for the benefit of the Lenders in such collateral account and in any financial assets (as defined in the Uniform Commercial Code) or other property held therein.

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 Account Party 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 Account Party 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 an Account Party 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 Account Party), 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 Account Parties. 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 XL 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, Bookrunner and Co-Syndication 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 Account Party, to XL Capital at XL House, One Bermudiana Road, Hamilton HM 11 Bermuda, Attention of William Robbie (Telecopy No. (441) 296-6399); WITH A COPY to Paul Giordano, Esq. at the same address and telecopy number (441) 295-4867);

(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, 15th Floor, New York, New York 10017, Attention of Helen Newcomb (Telecopy No. (212) 270-1511; Telephone No. (212) 270-6260); 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 Account Parties 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 Account Parties 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 issuance of a Letter of Credit 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 amount of any reimbursement obligation of an Account Party in respect of any LC Disbursement 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 for reimbursement of any LC Disbursement, 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 or any Letter of Credit (other than an extension thereof pursuant to an "evergreen" provision"), without the written consent of each Lender affected thereby,

(iv) change Section 2.08(c) or 2.08(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 Account Parties 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 Letters of Credit issued 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 ACCOUNT PARTIES. The Account Parties 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 Letter of Credit or the use of any thereof (including any refusal by any Lender to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Account Party or any of its Subsidiaries, or any Environmental Liability related in any way to any Account Party 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 Account Parties 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 Account Party shall assert, and each Account Party 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 Letter of Credit or the use 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 Account Party 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 an Account Party 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 NAIC Approved Lenders all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment) and under any Letter of Credit to which it is a party (if such Letter of Credit permits such assignment or the beneficiary consents thereto); PROVIDED that

(i) except in the case of an assignment to a Lender or a Lender Affiliate, each of the Account Parties 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 Account Parties 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 Account Parties 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 2.06, 2.07 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 Account Parties, the option to provide to the Account Parties all or any part of any LC Disbursement that such Granting Lender would otherwise be obligated to make to the Account Parties pursuant to Section 2.01, PROVIDED that (i) nothing herein shall constitute a commitment by any SPV to make any LC Disbursement, (ii) if an SPV elects not to exercise such option or otherwise fails to provide all or any part of such LC Disbursement, the Granting Lender shall be obligated to make such LC Disbursement pursuant to the terms hereof and (iii) the Account Parties may bring any proceeding against either or both the Granting Lender or the SPV in order to enforce any rights of the Account Parties hereunder. The making of an LC Disbursement by an SPV hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such LC Disbursement 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 Account Parties or the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Letter of Credit to its Granting Lender or to any financial institutions (consented to by the Account Parties and the Administrative Agent) providing liquidity and/or credit support (if any) with respect to commercial paper issued by such SPV to issue such Letters of Credit and such SPV may disclose, on a confidential basis, confidential information with respect to any Account Party 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 LC Disbursements under this Agreement.

(c) MAINTENANCE OF REGISTER BY THE ADMINISTRATIVE AGENT. The Administrative Agent, acting for this purpose as an agent of the Account Parties, 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 LC Disbursements 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 Account Parties, 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 Account Party 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 Account Parties 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 and the other Credit Documents (including all or a portion of its Commitment); 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 and the other Credit Documents shall remain unchanged, (iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iv) the Account Parties, 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 and the other Credit Documents. 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 the other Credit Documents and to approve any amendment, modification or waiver of any provision of this Agreement or the other Credit Documents; 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 Account Parties agree that each Participant shall be entitled to the benefits of Sections 2.06 and 2.07 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 2.06 and 2.07 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 Account Parties' 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 ACCOUNT PARTY OR AFFILIATES. Anything in this Section to the contrary notwithstanding, no Lender may assign or participate any interest in any LC Exposure held by it hereunder to any Account Party 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 Account Parties 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 issuance of any Letters of Credit, 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 any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.06, 2.07 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 expiration or termination of the Letters of Credit and 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 Account Party against any of and all the obligations of such Account Party 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.

(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 Account Party 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 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 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.

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

Name:
Title:

XL RE LTD,
as an Account Party 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 an Account Party and a Guarantor

---
witness

By

Name:
Title:

LENDERS

THE CHASE MANHATTAN BANK,
individually and as Administrative Agent

By

Name:
Title:

CITIBANK, N.A.

By

Name:
Title:

MELLON BANK, N.A.

By

Name:
Title:

BANK OF AMERICA, N.A.

By

Name:
Title:

BANK ONE, NA

By

Name:
Title:

By

Name:
Title:

BARCLAYS BANK PLC

By

Name:
Title:

By

Name:
Title:

By

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH

By

Name:
Title:

DEUTSCHE BANK AG

By

Name:
Title:

DRESDNER BANK AG, NEW YORK AND GRAND CAYMAN BRANCHES

By

Name:
Title:

By

Name:
Title:

FLEET NATIONAL BANK

By

Name:
Title:

LLOYDS TSB BANK PLC

By

Name:
Title:

By

Name:
Title:

ABN AMRO BANK N.V., LONDON BRANCH

By

Name:
Title:

By

Name:
Title:

BANCO SANTANDER CENTRAL HISPANO, S.A.

By

Name:
Title:

By

Name:
Title:

COMERICA BANK

By

Name:
Title:

FIRST UNION NATIONAL BANK

By

Name:
Title:

NATIONAL WESTMINSTER BANK PLC

By

Name:
Title:

STATE STREET BANK AND TRUST COMPANY

By

Name:
Title:

Exhibit 10.14.43

- ---

X.L. AMERICA, INC.

$255,000,000

6.58% GUARANTEED SENIOR NOTES DUE APRIL 12, 2011

GUARANTEED BY

XL CAPITAL LTD
XL INSURANCE LTD

AND

XL RE LTD

NOTE PURCHASE AGREEMENT

Dated as of April 12, 2001

TABLE OF CONTENTS

SCHEDULES AND EXHIBITS

X.L. AMERICA, INC.

Seaview House
70 Seaview Avenue
Stamford, CT 06902-6040

6.58% GUARANTEED SENIOR NOTES DUE APRIL 12, 2011

as of April 12, 2001

To Each of the Purchasers Listed
in the Attached Schedule A:

Ladies and Gentlemen:

X.L. America, Inc., a Delaware corporation (the "COMPANY"), XL Capital Ltd, a Cayman Islands exempted limited company ("XL CAPITAL"), XL Insurance Ltd, a company incorporated under the laws of Barbados and continued as an exempted company under the laws of Bermuda ("XL INSURANCE"), and XL Re Ltd, an exempted company incorporated under the laws of Bermuda ("XL RE" and together with XL Capital and XL Insurance, the "GUARANTORS"), agree with you as follows:

1. AUTHORIZATION OF NOTES AND GUARANTEE.

The Company has authorized the issue and sale of $255,000,000 aggregate principal amount of its 6.58% Guaranteed Senior Notes due April 12, 2011 (the "NOTES," such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement or the Other Agreements (as hereinafter defined)). The Notes shall be substantially in the form set out in Exhibit 1A, with such changes therefrom, if any, as may be approved by you and the Company. Each of XL Capital, XL Insurance and XL Re has authorized the unconditional and irrevocable guarantee of the Notes (the "GUARANTEE"). The Guarantee shall be substantially in the form set out in Exhibit 1B, with such changes therefrom, if any, as may be approved by you and the Guarantors. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "OTHER AGREEMENTS") identical to this Agreement with each of the other Purchasers named in Schedule A (the "OTHER PURCHASERS"), providing for the sale at such Closing to each of the Other Purchasers of Notes in the principal amount specified opposite its name in Schedule A. Your

obligation hereunder and the obligations of the Other Purchasers under the Other Agreements are several and not joint obligations and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder.

3. CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Simpson Thacher & Bartlett, 425 Lexington Avenue, New York, New York 10017, at 9:00 a.m., New York time, at a closing (the "CLOSING") on April 12, 2001 or on such other Business Day thereafter on or prior to April 30, 2001 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing, the Company will deliver to you the Notes to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $500,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 9415830779 at Fleet Bank, 777 Main Street, Hartford, CT 06101, ABA number 011900571. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your reasonable satisfaction or shall not have been waived by you, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your reasonable satisfaction, prior to or at the Closing, of the following conditions:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company and the Guarantors in this Agreement shall be correct in all material respects when made and at the time of the Closing.

4.2 PERFORMANCE; NO DEFAULT.

The Company and the Guarantors shall have performed and complied in all material respects with all agreements and conditions contained in this Agreement required to be performed or complied with by them prior to or at the Closing and, after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14), no Default or Event of Default shall have occurred and be continuing.

4.3 COMPLIANCE CERTIFICATES.

(a) OFFICERS' CERTIFICATES. The Company and the Guarantors shall have each delivered to you an Officers' Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) SECRETARY'S CERTIFICATES. The Company and the Guarantors shall have each delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Agreement, the Other Agreements, the Notes and the Guarantee, as applicable.

4.4 OPINIONS OF COUNSEL.

You shall have received opinions in form and substance reasonably satisfactory to you, dated the date of the Closing, from (a) Martha G. Bannerman, Esq., General Counsel of the Company, substantially in the form set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its General Counsel to deliver such opinion to you), (b) Paul S. Giordano, Esq., General Counsel of XL Capital, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and XL Capital hereby instructs its General Counsel to deliver such opinion to you), (c) Simpson Thacher & Bartlett, special New York counsel to the Company and the Guarantors, substantially in the form set forth in Exhibit 4.4(c) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to you), (d) Conyers, Dill & Pearman, special Bermuda counsel for XL Insurance and XL Re, substantially in the form set forth in Exhibit 4.4(d) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to you), (e) Hunter & Hunter, special Cayman Islands counsel to XL Capital, substantially in the form set forth in Exhibit 4.4(e) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs such counsel to deliver such opinion to you) and (f) Coudert Brothers, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(f) and covering such other matters incident to the transaction as you may reasonably request.

4.5 PURCHASE PERMITTED BY APPLICABLE LAW, ETC.

On the date of the Closing, your purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officers'

Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6 SALE OF OTHER NOTES.

Contemporaneously with the Closing, the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Notes to be purchased by them at the Closing as specified in Schedule A.

4.7 PAYMENT OF SPECIAL COUNSEL FEES.

Without limiting the provisions of Section 15.1, the Company shall have paid, on the date of the Closing, the reasonable fees, charges and disbursements of your special counsel referred to in Section 4.4(f) to the extent reflected in a statement of such counsel delivered to the Company at least one Business Day prior to the Closing.

4.8 PRIVATE PLACEMENT NUMBER.

A Private Placement number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

4.9 CHANGES IN CORPORATE STRUCTURE.

Except as specified in Schedule 4.9, neither the Company nor any Guarantor shall have changed its jurisdiction of incorporation or been a party to any merger or consolidation and none of them shall have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10 GUARANTEE. Contemporaneously with the Closing, the Guarantors shall have duly executed and delivered to you the Guarantee.

4.11 PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and the Guarantee and all documents and instruments incident to such transactions shall be reasonably satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE GUARANTORS.

The Company and the Guarantors jointly and severally represent and warrant to you that:

5.1 ORGANIZATION; POWER AND AUTHORITY.

The Company and each Guarantor is a corporation or company duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, or in the case of XL Insurance, its jurisdiction of continuation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company and each Guarantor has the corporate power and authority to own or hold under lease the material properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Other Agreements, the Notes and the Guarantee, as applicable, and to perform the provisions hereof and thereof, as applicable.

5.2 AUTHORIZATION, ETC.

This Agreement, the Other Agreements, the Notes and the Guarantee have been duly authorized by all necessary corporate action on the part of the Company and the Guarantors, as applicable, and this Agreement constitutes, and, upon execution and delivery thereof, each Other Agreement, each Note and the Guarantee will constitute, a legal, valid and binding obligation of the Company and each Guarantor, as applicable, enforceable against the Company and each Guarantor, as applicable, in accordance with its terms, except as such enforceability may be limited by (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3 DISCLOSURE.

The Company, through its agents, Lehman Brothers Inc. and Banc of America Securities LLC, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated March 2001 (the "MEMORANDUM"), relating to the transactions contemplated hereby. Except as disclosed in Schedule 5.3, the representations and warranties in this Agreement and the related schedules thereto, the Memorandum (other than the materials and information set forth under the caption "Preliminary Summary of Terms" and in Appendices A, G, H and I thereof, including, without limitation any reports or other statements prepared by third parties), the documents, certificates or other writings identified in Schedule 5.3 and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 31, 2000, there has been no change in the financial condition, operations, business or properties of the Company, any Guarantor or any of their respective Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

5.4 ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES.

(a) Schedule 5.4 is (except as noted therein) a complete and correct list of the Subsidiaries of XL Capital, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned directly or indirectly by XL Capital. XL Capital does not hold directly or indirectly in partnerships, associations or other similar non-corporate entities any amounts of assets or business which, in the aggregate, would be Material.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by XL Capital, directly or indirectly, have been validly issued, are fully paid and nonassessable and are owned directly or indirectly by XL Capital free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, or in the case of XL Insurance, its jurisdiction of continuation, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so organized, qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact except where the failure to have such corporate power and authority would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.5 FINANCIAL STATEMENTS.

The Company has delivered to each Purchaser copies of the financial statements of the Company and the Guarantors listed in Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and the Guarantors and their respective Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP or SAP, as the case may be, consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6 COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC.

The execution, delivery and performance by the Company and the Guarantors of this Agreement and the issuance of the Notes and the Guarantee, as the case may be, will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company, any Guarantor or any of their respective

Subsidiaries under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the Company, any Guarantor or any of their respective Subsidiaries is a party or by which the Company, any Guarantor or any of their respective Subsidiaries or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling known to the Company or any Guarantor of any court, arbitrator or Governmental Authority applicable to the Company, any Guarantor or any of their respective Subsidiaries or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company, any Guarantor or any of their respective Subsidiaries, which contravention, breach, default, Lien, conflict or violation, in the case of clauses (a), (b) or (c), would reasonably be expected, either individually or in the aggregate, to have a Material Adverse Effect.

5.7 GOVERNMENTAL AUTHORIZATIONS, ETC.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes or by each Guarantor of this Agreement or the Guarantee, as the case may be.

5.8 LITIGATION; OBSERVANCE OF STATUTES AND ORDERS.

(a) Except as disclosed in Schedule 5.8 or as encountered in claims activity, there are no actions, suits or proceedings pending or, to the knowledge of the Company or any Guarantor, threatened against or affecting the Company, any Guarantor or any of their respective Subsidiaries or any property of the Company, any Guarantor or any of their respective Subsidiaries in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Guarantor nor any of their respective Subsidiaries is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or, to its knowledge, is in violation of any applicable law, ordinance, rule or regulation of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

5.9 TAXES.

The Company, the Guarantors and their respective Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the

Company, a Guarantor or any of their respective Subsidiaries, as the case may be, has established adequate reserves in accordance with GAAP.

5.10 TITLE TO PROPERTY; LEASES.

The Company, the Guarantors and their respective Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent balance sheets referred to in Section 5.5 or purported to have been acquired by the Company, any Guarantor or any of their respective Subsidiaries after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

5.11 LICENSES, PERMITS, ETC.

Except as disclosed in Schedule 5.11, the Company, the Guarantors and their respective Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without (to the best knowledge of the Company and the Guarantors) any conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

5.12 COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code with respect to any Plan, and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not individually or in the aggregate reasonably be expected to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to Title IV of ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by an amount that could reasonably be expected to have a Material Adverse Effect. The term "BENEFIT LIABILITIES" has the meaning specified in section 4001

of ERISA and the terms "CURRENT VALUE" and "PRESENT VALUE" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(d) The execution and delivery of this Agreement and the issuance and sale of the Notes and the issuance of the Guarantee hereunder will not involve any transaction that is subject to the prohibitions of section 406(a) of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(d) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by you.

5.13 PRIVATE OFFERING BY THE COMPANY.

Neither the Company nor the Guarantors nor anyone acting on their behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you, the Other Purchasers and not more than 75 other institutional investors, none of whom was (i) a competitor of the Company, any Guarantor or any Affiliate thereof, or (ii) an Affiliate of a competitor of the Company, any Guarantor or any Affiliate thereof, each of which has been offered the Notes at a private sale for investment. Neither the Company or the Guarantors nor anyone acting on their behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the issuance of the Guarantee to the registration requirements of Section 5 of the Securities Act.

5.14 USE OF PROCEEDS; MARGIN REGULATIONS.

The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221, as amended), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company or the Guarantors in a violation of Regulation X of said Board (12 CFR 224, as amended) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220, as amended). As used in this Section, the terms "MARGIN STOCK" and "PURPOSE OF BUYING OR CARRYING" shall have the meanings assigned to them in said Regulation U.

5.15 EXISTING INDEBTEDNESS.

Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company, the Guarantors and their respective Subsidiaries as

of December 31, 2000, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company, any Guarantor or any of their respective Subsidiaries except such as may have occurred in the ordinary course of business. Neither the Company nor any Guarantor nor any of their respective Subsidiaries is in default and no waiver of default is currently in effect in the payment of any principal or interest on any Indebtedness of the Company, any Guarantor or any of their respective Subsidiaries in an aggregate outstanding principal amount in excess of $50,000,000, and no event or condition exists with respect to any such Indebtedness of the Company, any Guarantor or any of their respective Subsidiaries that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

5.16 INVESTMENT COMPANY ACT.

Neither the Company nor any Guarantor nor any of their respective Subsidiaries is required to be registered as an investment company under the Investment Company Act of 1940, as amended.

6. REPRESENTATIONS OF THE PURCHASER.

6.1 PURCHASE FOR INVESTMENT.

You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds (or commingled pension trust funds) for whom you are acting as investment manager, agent or investment advisor, and not with a view to the distribution thereof; PROVIDED that the disposition of your or their property shall at all times be within your or their control, and (ii) you or the Person for whose account such Notes are being purchased is either (x) a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act or (y) an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act. You understand that the Notes and the Guarantee have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that neither the Company nor any of the Guarantors is required to register the Notes or the Guarantee.

6.2 SOURCE OF FUNDS.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "SOURCE") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) if you are an insurance company, the Source does not include assets allocated to any separate account maintained by you in which any employee benefit plan (or its related trust) has any interest, other than a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts

payable, or credited, to such plan and to any participant or beneficiary of such plan (including any annuitant) are not affected in any manner by the investment performance of the separate account; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of Prohibited Transaction Exemption ("PTE") 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and , except as disclosed in writing to the Company at least two Business Days prior to the Closing, no employee benefit plan or group of plans maintained by the same employer or employee organization owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM EXEMPTION") managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM EXEMPTION and the purchase and holding of the Notes is exempt under PTE 84-14, no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c) (1) of PTE 84-14) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part 1(c) and (g) of PTE 84-14 are satisfied, neither the QPAM nor a Person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of PTE 84-14) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing at least two Business Days prior to the Closing; or

(d) the Source is a governmental plan; or

(e) the Source is an "insurance company general account" within the meaning of Prohibited Transaction Class Exemption 95-60 ("PTCE 95-60") issued by the U.S. Department of Labor, and there is no plan with respect to which the aggregate amount of such general account's reserves and liabilities for the contracts held by or on behalf of such plan and all other plans maintained by the same employer (and affiliates thereof as defined in section V(a)(1) of PTE 95-60) or by the same employee organization (in each case determined in accordance with PTE 95-60) exceeds or will exceed 10% of the total of all reserves and liabilities of such general account (determined in accordance with PTE 95-60, exclusive of separate account liabilities, plus any applicable surplus) as of the date of the Closing; or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "EMPLOYEE BENEFIT PLAN," "GOVERNMENTAL PLAN" and "SEPARATE ACCOUNT" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY AND GUARANTORS.

7.1 FINANCIAL AND BUSINESS INFORMATION.

The Company and each Guarantor, as the case may be, shall deliver to each holder of Notes that is an Institutional Investor:

(a) QUARTERLY STATEMENTS. Within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company and each Guarantor (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) consolidated balance sheets of the Company and each Guarantor and their respective consolidated Subsidiaries as at the end of such period, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and each Guarantor and their consolidated Subsidiaries for each such period and (in the case of the second and third quarters) for the portion of the fiscal year ending with such period,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year (if such figures were already produced for such corresponding period or periods), all prepared in accordance with GAAP or, in the case of XL Insurance and XL Re, SAP applicable to interim financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from normal year-end audit adjustments and the absence of footnotes; PROVIDED that delivery within the time period specified above of copies of XL Capital's Quarterly Report on Form 10-Q filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a) as they relate to 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 Section 7.1(a);

(b) ANNUAL STATEMENTS. As soon as practicable and in any event within 135 days after the end of each fiscal year of the Company and of each Guarantor, as the case may be (but in the case of XL Capital, within 100 days after the end of each fiscal year of XL Capital), duplicate copies of,

(i) consolidated balance sheets of the Company and each Guarantor and their respective consolidated Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and each Guarantor and their respective consolidated Subsidiaries, 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), all prepared in accordance with GAAP or, in the case of XL Insurance and XL Re, SAP, and accompanied

(except in the case of the Company) by a report thereon of independent certified public accountants of recognized national standing (without a "going concern" or like 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 and cash flows of such companies and their respective consolidated Subsidiaries on a consolidated basis in accordance with GAAP or (in the case of XL Insurance and XL Re) SAP, as the case may be, consistently applied; PROVIDED, that delivery within the time period specified above of copies of XL Capital's Annual Report on Form 10-K prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(b) as they related to XL Capital;

(c) SEC AND OTHER REPORTS. At such time as the Company or any Guarantor is required to file periodic reports with the SEC, promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or such Guarantor to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or such Guarantor with the SEC;

(d) NOTICE OF DEFAULT OR EVENT OF DEFAULT. Promptly after a Responsible Officer's becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company or the applicable Guarantor is taking or proposes to take with respect thereto;

(e) NOTICE OF MATERIAL EVENTS. Promptly after a Responsible Officer's becoming aware of the existence of any event or condition constituting, or which could reasonably be expected to have, a Material Adverse Effect, a written notice specifying the nature of such event or condition and what action the Company or the applicable Guarantor is taking or proposes to take with respect thereto; and

(f) REQUESTED INFORMATION. With reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company, the Guarantors or any of their respective Subsidiaries or relating to the ability of the Company and the Guarantors to perform their obligations hereunder and under the Notes and the Guarantee, as the case may be, as from time to time may be reasonably requested by any such holder of Notes.

7.2 OFFICERS' CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer certifying as to whether a Default or Event of 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.

7.3 INSPECTION.

The Company and the Guarantors shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) NO DEFAULT -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company or a Guarantor, as the case may be, to visit once per calendar year the principal executive offices of the Company or such Guarantor, to discuss the affairs, finances and accounts of the Company, the Guarantors and their Subsidiaries with the executive and financial management of the Company and the Guarantors, as the case may be; and

(b) DEFAULT -- if a Default or an Event of Default then exists, at the expense of the Company and the Guarantors, as the case may be, to visit and inspect any of the offices or properties of the Company, any Guarantor or any of their respective Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company and each Guarantor authorizes said accountants to discuss the affairs, finances and accounts of the Company, each Guarantor and their Subsidiaries), all at such times and as often as may be reasonably requested.

8. PREPAYMENT OF THE NOTES.

8.1 OPTIONAL PREPAYMENTS WITH MAKE-WHOLE AMOUNT.

The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.1 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date of prepayment, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.2), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

8.2 ALLOCATION OF PARTIAL PREPAYMENTS.

In the case of each partial prepayment of the Notes pursuant to Section 8.1, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time

outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.3 MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.4 PURCHASE OF NOTES.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

8.5 CHANGE OF CONTROL.

(a) NOTICE. The Company will, within 15 Business Days after any Responsible Officer has knowledge of the occurrence of any Change of Control, give written notice of such Change of Control to each holder of Notes. If a Change of Control has occurred, such notice shall contain and constitute an offer to prepay the Notes as described in subparagraph (b) of this Section 8.5 and shall be accompanied by the certificate described in subparagraph (e) of this Section 8.5.

(b) OFFER TO PREPAY THE NOTES. The offer to prepay the Notes contemplated by subparagraph (a) of this Section 8.5 shall be an offer to prepay, in accordance with and subject to this Section 8.5, all, but not less than all, of the Notes held by each holder on a date specified in such offer (the "PROPOSED PREPAYMENT DATE") that is not less than 45 days and not more than 75 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the 60th day after the date of such offer).

(c) ACCEPTANCE; REJECTION. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.5 by causing a notice of such acceptance to be delivered to the Company at least 10 days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.5 shall be deemed to constitute a rejection of such offer by such holder.

(d) PREPAYMENT. Prepayment of the Notes to be prepaid pursuant to this Section 8.5 shall be at 100% of the principal amount of such Notes, plus the Modified Make-Whole Amount determined for the date of prepayment with respect to such principal amount, together with interest on such Notes accrued to the date of prepayment. On the Business Day preceding the date of prepayment, the Company shall deliver to each holder of Notes being prepaid a statement showing the Modified Make-Whole Amount due in connection with such prepayment and setting forth the details of the computation of such amount. The prepayment shall be made on the Proposed Prepayment Date.

(e) OFFICERS' CERTIFICATE. Each offer to prepay the Notes pursuant to this Section 8.5 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.5; (iii) the estimated Modified Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section 8.5 have been fulfilled; and (vi) in reasonable detail, the nature and date of the Change of Control.

(f) COMPLIANCE WITH LAW. The Company and the Guarantors will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the prepayment of Notes pursuant to this Section 8.5. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Section 8.5, the Company and the Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached their obligations under this Section 8.5 by virtue thereof.

8.6 MAKE-WHOLE AMOUNT.

(a) The term "MAKE-WHOLE AMOUNT" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; PROVIDED that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"CALLED PRINCIPAL" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.1 or 8.5 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"DISCOUNTED VALUE" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a

discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"REINVESTMENT YIELD" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Gov't PX" of the Bloomberg Financial Market Services (or, if not available, such other display as may replace such display on Bloomberg Financial Market Services or any other nationally recognized trading screen reporting on-line intra-day trading in U.S. Treasury securities) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the duration closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the duration closest to and less than the Remaining Average Life.

"REMAINING AVERAGE LIFE" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Called Principal.

"REMAINING SCHEDULED PAYMENTS" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, PROVIDED that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.1, 8.5 or 12.1.

"SETTLEMENT DATE" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.1 or Section 8.5, or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

(b) The term "MODIFIED MAKE-WHOLE AMOUNT" has the meaning set forth in paragraph (a) above under "Make-Whole Amount" as if all references to "Make-Whole

Amount" therein were references to "Modified Make-Whole Amount," except that 1.00% shall be substituted for 0.50% in the definition of "Reinvestment Yield."

9. AFFIRMATIVE COVENANTS.

The Company and each Guarantor covenants that so long as any of the Notes are outstanding:

9.1 COMPLIANCE WITH LAW.

The Company and each Guarantor will, and will cause each of their respective Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses; PROVIDED that the Company, any Guarantor or any of their respective Subsidiaries 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 the Company or any Guarantor to perform its obligations under this Agreement or the Guarantee.

9.2 INSURANCE.

The Company and each Guarantor will, and will cause each of their respective Subsidiaries to, maintain with financially sound and reputable insurers, insurance with respect to their respective Material properties in such amounts as is customary in the case of corporations engaged in the same or similar businesses having similar properties and similarly situated.

9.3 MAINTENANCE OF PROPERTIES.

The Company and each Guarantor will, and will cause each of their respective 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 their respective businesses 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 the Company, any Guarantor or any of their respective Subsidiaries any obligation in respect of any property leased by the Company, any such Guarantor or any of their respective Subsidiaries in addition to the Company's, any Guarantor's or any of their respective Subsidiaries' obligations under the applicable document creating such lease or tenancy.

9.4 PAYMENT OF TAXES.

The Company and each Guarantor will, and will cause each of their respective 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 their respective 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 10.2) or which, if unpaid, might give rise to a claim entitled to priority over general creditors of the Company or any Guarantor in any proceeding under the Bermuda Companies Act 1981 or the Bermuda Insurance Act 1978, or any insolvency proceeding, liquidation, receivership, rehabilitation, dissolution or winding-up involving the Company, any Guarantor or any of their respective Subsidiaries;

PROVIDED that, unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, neither the Company nor any Guarantor need 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.

9.5 CORPORATE EXISTENCE, ETC. The Company and each Guarantor will, and will cause each of their respective Subsidiaries to, maintain its corporate existence and its material rights and franchises in full force and effect in its jurisdiction of incorporation, or in the case of XL Insurance, its jurisdiction of continuation, except where the failure to maintain such corporate existence and material rights and franchises would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; PROVIDED that the foregoing shall not prohibit any merger, amalgamation, consolidation or other transaction permitted under Section 10.3 or 10.5 or any merger, amalgamation, consolidation, asset transfer or similar transaction solely between or among the Company, the Guarantors and their respective Subsidiaries otherwise permitted under Section 10.3. The Company and each Guarantor will, and will cause each of their respective 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.

9.6 BOOKS AND RECORDS. The Company and each Guarantor will, and will cause each of their respective Subsidiaries to, make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect their transactions and the dispositions of their assets, and will, and will cause each of their respective Subsidiaries to, maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements required by this Agreement in conformity with GAAP and SAP, as applicable, and to ascertain accountability for assets.

9.7 CONTINUATION OF BUSINESS. The Company and each of the Guarantors and each of their respective Subsidiaries will continue to engage in substantially the same business or businesses it engaged in (or proposes to engage in) on the date hereof and businesses related or incidental thereto.

9.8 CLAIMS-PAYING RATING. XL Capital will maintain at all times a claims-paying rating of at least "A" from A.M. Best & Company (or its successor) and XL Insurance and XL Re will maintain at all times a claims-paying rating of at least "A" from Standard & Poor's Rating Services (or its successor).

10. NEGATIVE COVENANTS.

10.1 LIMITATION ON INDEBTEDNESS. Neither the Company nor any Guarantor shall, nor shall the Company or any Guarantor permit any of their respective Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness, or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except:

(a) the Notes, the Guarantee and Indebtedness existing on the date hereof and described in Schedule 5.15 hereto or reflected in the financial statements listed in Schedule 5.5 hereto, or incurred pursuant to the bank credit agreements listed in Schedule 5.15 hereto and any refinancing of the foregoing and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) secured Indebtedness (including secured reimbursement obligations with respect to letters of credit) of the Company, any Guarantor or any of their respective Subsidiaries in an aggregate principal amount (for XL Capital and all of its Subsidiaries) not exceeding $750 million at any time outstanding;

(c) secured Indebtedness of a Person who is not an Affiliate of the Company existing at the time of the acquisition of such Person by the Company or any Subsidiary and any refinancing of the foregoing and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(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 the Company, any Guarantor or any of their respective Subsidiaries; and

(f) Indebtedness incurred in transactions described in Section 10.2(f) and (i) hereof.

10.2 LIMITATION ON LIENS. Neither the Company nor any Guarantor shall, nor shall the Company or any Guarantor permit any of their respective 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 set forth on Schedule 10.2(a);

(b) Liens arising from taxes, assessments, charges, levies or claims described in Section 9.4 that are not yet due or that remain payable without penalty or to the extent permitted to remain unpaid under the provision of Section 9.4;

(c) Liens on property securing all or part of the purchase price thereof to the Company or any Guarantor or any of their respective Subsidiaries and Liens (whether or not assumed) existing on property at the time of purchase thereof by the Company or such Guarantor or Subsidiary (and extension, renewal and replacement Liens upon the same property); PROVIDED that (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 the Company or such Guarantor or Subsidiary, 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, the Company, such Guarantor or any of their respective Subsidiaries;

(e) Liens securing Indebtedness permitted by Section 10.1(b) 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 the Company, a Guarantor or any of their respective 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), including, for purposes of this clause (f), any Lien existing on cash or securities of a Person immediately prior to its being consolidated with, amalgamated with or merged into the Company, a Guarantor or any of their respective Subsidiaries or its becoming a Subsidiary, incurred as part of the management of its investment portfolio, PROVIDED that such Liens are conformed to comply with XL Capital's Statement of Investment Policy Objectives and Guidelines as promptly as reasonably practicable following the consummation of such acquisition, amalgamation, merger or otherwise becoming a Subsidiary;

(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 the Company's, any Guarantor's or any of their respective Subsidiaries' 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, amalgamated with or merged into the Company, a Guarantor or any of their respective Subsidiaries or its becoming a Subsidiary, and Liens existing on any property acquired by the Company, a Guarantor or any of their respective Subsidiaries at the time such property is so acquired (whether or not the Indebtedness secured thereby shall have been assumed) and any extension, renewal and replacement Liens upon the same property, PROVIDED that (i) 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, (ii) no such Lien shall have been created or assumed in contemplation of such consolidation, amalgamation or merger or such Person's becoming

a Subsidiary or such acquisition of property and (iii) 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.

10.3 LIMITATION ON MERGER, AMALGAMATION, CONSOLIDATION, ETC.

Neither the Company nor any Guarantor shall consolidate with, amalgamate with or merge with any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of related transactions to any Person unless:

(a) the successor formed by such consolidation, the amalgamated company or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company or such Guarantor as an entirety, as the case may be, shall be a solvent corporation organized and existing, in the case of the Company only, under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company or such Guarantor is not such successor or survivor corporation, such successor or survivor corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement, the Notes and any applicable Guarantee, as the case may be; and

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company or any Guarantor shall have the effect of releasing the Company or such Guarantor or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.3 from its obligations under this Agreement, the Notes or any Guarantee, as the case may be.

10.4 LIMITATION ON TRANSACTIONS WITH AFFILIATES.

Neither the Company nor any Guarantor shall, and the Company and each Guarantor shall not permit any of their respective Subsidiaries to, enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service, but excluding any loans or advances, or issuances of options and other securities, to employees in the ordinary course of business) with any Affiliate (other than the Company, a Guarantor or another Subsidiary of the Company or a Guarantor), except (i) transactions involving guarantees or co-obligors with respect to any Indebtedness described in Schedule 5.5 hereto, (ii) transactions among the Company, the Guarantors and their respective wholly-owned subsidiaries, and (iii) transactions with Affiliates in good faith in the ordinary course of business consistent with past practice and on terms no less favorable to the Company, such Guarantor or such Subsidiary than those that could have been obtained in a comparable transaction on an arm's length basis from an unrelated Person.

10.5 LIMITATION ON SALE OF ASSETS.

Except as permitted under Section 10.3, neither the Company nor any Guarantor shall, nor shall the Company or any Guarantor permit any of their respective 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 an "ASSET DISPOSITION" and any series of related Asset Dispositions constituting but a single Asset Disposition), any of its 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) Asset Dispositions in the ordinary course of business involving current assets or other assets classified on the Company's or any Guarantor's consolidated balance sheets as available for sale;

(b) Asset Dispositions in immediate exchange for cash or tangible assets; PROVIDED that any such Asset Dispositions shall not individually, or in the aggregate for the Company, the Guarantors and their respective Subsidiaries, exceed $500 million in any calendar year; or

(c) Asset Dispositions of equipment or other property which is obsolete or no longer useful in the conduct of the business of the Company, such Guarantor or such Subsidiary.

10.6 LIMITATION ON CONSOLIDATED NET WORTH.

XL Capital shall not permit its Consolidated Net Worth to be less than $2,000,000,000.

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make Whole Amount or Modified Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company or any Guarantor defaults in the performance of or compliance with any term contained in Sections 10.1 through 10.6; or

(d) the Company or any Guarantor defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 20 days after the

Company or such Guarantor, as applicable, receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or any Guarantor, or by any officer of the Company or any Guarantor, in this Agreement or in any certificate or financial statement furnished pursuant to the provisions hereof proves to have been false or incorrect in any material respect on the date as of which made; or

(f) the Company, any Guarantor or any of their respective Significant Subsidiaries shall default in (i) the payment of any principal of or premium or make-whole amount or interest on any Indebtedness (other than the Notes or any Guarantee) that is outstanding in an aggregate principal amount of at least $50,000,000 beyond any period of grace provided with respect thereto, or (ii) the performance of or compliance with any other agreement, term or condition in any such agreement or any evidence of any Indebtedness (other than the Notes or any Guarantee or under any hedging obligation) in an aggregate outstanding principal amount of at least $50,000,000, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment, 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; or

(g) the Company or any Guarantor (i) admits in writing its inability to pay its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement in bankruptcy, or for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee, liquidator or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order (i) appointing, without consent by the Company or any Guarantor, a custodian, receiver, trustee, liquidator or other officer with similar powers with respect to it or with respect to any substantial part of its property, (ii) for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or (iii) for the dissolution, winding up or liquidation of the Company or any Guarantor, or any such petition shall be filed against the Company or any Guarantor, and, in the case of clauses (i), (ii) and (iii), any such order shall have continued undischarged or unstayed for a period of 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $100,000,000 is or are rendered against one or more of the Company, any

Guarantor or any of their respective Significant Subsidiaries, which judgments are not vacated, discharged, stayed (whether by appeal or otherwise) or are bonded pending appeal within 45 days from the entry thereof; or

(j) the Guarantee 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 Guarantor shall contest such validity or binding nature of the Guarantee, or any other Person shall assert any of the foregoing; or

(k) An ERISA Event (or similar event with respect to any Non-U.S. Benefit Plan shall have occurred that 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 Company, the Guarantors and their Subsidiaries in an aggregate amount exceeding $100,000,000.

12. REMEDIES ON DEFAULT, ETC.

12.1 ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all of the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of a majority in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all of the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon and (y) the Make-Whole Amount determined in respect of such principal amount (to the fullest extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in

the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

12.2 OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3 RESCISSION.

At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than a majority in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company and/or one or more of the Guarantors have paid all overdue interest on the Notes, all principal of and Make-Whole Amount or Modified Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration and all interest on such overdue principal and Make-Whole Amount or Modified Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4 NO WAIVERS OR ELECTION OF REMEDIES.

No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1 REGISTRATION OF NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer,

the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary and shall have no liability to any unregistered holder. The Company shall give to any holder of a Note that certifies to the Company that it is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

13.2 TRANSFER AND EXCHANGE OF NOTES.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1A. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000; PROVIDED that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Sections 6.1 and 6.2.

13.3 REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Company (PROVIDED that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

13.4 LEGEND. Each Note issued on the date of the Closing and the related Guarantee and each Note issued thereafter pursuant to this Section 13 and the related Guarantee shall bear a legend substantially as follows (until such time as the Company in its reasonable judgment concludes that such legend is no longer necessary or advisable in order to comply with applicable law):

> "NEITHER THIS NOTE NOR THE RELATED GUARANTEE HEREOF HAS BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 OR ANY OTHER APPLICABLE SECURITIES LAWS OF ANY JURISDICTION AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED OR EXEMPT FROM REGISTRATION UNDER SUCH ACT AND SUCH LAWS."

14. PAYMENTS ON NOTES.

14.1 PLACE OF PAYMENT.

Subject to Section 14.2, payments of principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Stamford, Connecticut, at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2 HOME OFFICE PAYMENT.

So long as you or your nominee shall be the holder of any Note, and not withstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount or Modified Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that becomes a holder of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1 TRANSACTION EXPENSES.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement, the Notes or any Guarantee (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Notes or any Guarantee, or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement, the Notes or any Guarantee or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Guarantor or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

15.2 SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement, the Notes and the Guarantee, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate delivered by or on behalf of the Company or any Guarantor pursuant to this Agreement shall be deemed representations and warranties of the Company or such Guarantor under this Agreement. Subject to the preceding sentence, this Agreement, the Notes and the Guarantee embody the entire agreement and understanding between you and the Company and the Guarantors and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1 REQUIREMENTS.

This Agreement, the Notes and the Guarantee may be amended, and the observance of any term hereof or thereof may be waived (either retroactively or prospectively),

with (and only with) the written consent of the Company, the Guarantors and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section l, 2, 3, 4, 5, 6 or 21 hereof or of any provision of the Guarantee, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount or the Modified Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

17.2 SOLICITATION OF HOLDERS OF NOTES.

(a) SOLICITATION. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with reasonably sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or the Guarantee. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) PAYMENT. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of the Notes or the Guarantee unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3 BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company or the Guarantors, as the case may be, without regard to whether such Note or the Guarantee has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company or any Guarantor and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4 NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Notes or the Guarantee, or have directed the taking of any action provided herein or therein to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by facsimile transmission if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing,

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Martha G. Bannerman, Esq. (Telecopy No.: 203-964-9857) or at such other addresses as the Company shall have specified to the holder of each Note in writing, or

(iv) if to any Guarantor, to XL Capital at Cumberland House, One Victoria Street, Hamilton HM11 Bermuda, to the attention of Paul S. Giordano, Esq. (Telecopy No.: 441-292-8618) or such other address as the Guarantors shall have specified to you in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement, the Guarantee and all documents relating hereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was

made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company, any Guarantor or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

You agree to keep confidential any information relating to the Company, any Guarantor or any of their respective Subsidiaries received by you pursuant to or in connection with this Agreement which is (a) information which you reasonably expect that the Company, such Guarantor or such Subsidiary would want to keep confidential or (b) information which is clearly marked "CONFIDENTIAL"; PROVIDED, HOWEVER, that this Section 20 shall not be construed to prevent you from disclosing such information (i) to any Affiliate that shall agree in writing for the benefit of the Company or the applicable Guarantor or Subsidiary, as the case may be, to be bound by this obligation of confidentiality, (ii) upon the order of any court or demand of any regulatory agency or authority having jurisdiction over you which request or demand has the force of law, (iii) that has been publicly disclosed, other than from or as a result of a breach of this provision by you, (iv) that has been obtained from any person that is neither a party to this Agreement nor an Affiliate of any such party, but only to the extent that such disclosure does not, to your knowledge, violate a confidentiality agreement or other duty of confidentiality between such person and the Company or the applicable Guarantor or Subsidiary, (v) in connection with the exercise of any right or remedy hereunder or under any Guarantee or Note, (vi) as expressly contemplated by this Agreement or any Guarantee, (vii) to any prospective purchaser of your Notes who shall agree in writing for the benefit of the Company and the Guarantors and their respective Subsidiaries to be bound by the obligation of confidentiality in this Agreement or in respect of which the transfer to such prospective purchaser has been consented to by the Company or the applicable Guarantor, which consent shall not be unreasonably withheld if such purchaser is not (x) a competitor of the Company, any Guarantor or any Affiliate thereof or (y) an Affiliate of a competitor of the Company, any Guarantor or any Affiliate thereof, (viii) your directors, offices, employees, agents and attorneys (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ix) your financial advisors and other professional advisors who agree to hold confidential such information substantially in accordance with the terms of this Section 20, (x) any other holder of any Note, (xi) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio, or (xii) any other Person to which such delivery or disclosure may be necessary or appropriate to effect compliance with any law, rule, regulation or order applicable to you. Notwithstanding the foregoing, you agree that neither you nor any of your Affiliates will trade the securities of the Company or any of the Guarantors based upon material non-public information that you receive pursuant to or in connection with this Agreement.

21. SUBSTITUTION.

21.1 SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder so long as such Affiliate is not (i) a competitor of the Company, any Guarantor or any Affiliate thereof or (ii) an Affiliate of a competitor of the Company, any Guarantor or any Affiliate thereof, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement (including, specifically, Section 20) and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer (and confirmation by you of your agreement to be bound by this agreement (including, specifically, Section 20) and the accuracy with respect to you of the representations set forth in Section 6), wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

21.2 SUBSTITUTION OF ISSUER.

Subject to the provisions of this Section 21.2, the Company shall have the right at any time, without the consent of any holder of Notes, to agree to and cause the substitution of any other Subsidiary of XL Capital in its place as debtor and obligor with respect to the Notes (each, a "SUBSTITUTE"), and upon such substitution the Company shall be released from all liability that it may have under the Notes and this Note Purchase Agreement. Any such substitution shall be made by an addendum to this Note Purchase Agreement and each of the Other Agreements, duly executed by the Substitute, pursuant to which (i) the Substitute shall agree to assume all of the obligations of the Company hereunder and under the Other Agreements and the Notes, and (ii) each of the Guarantors shall confirm that their respective Guarantees remain in full force and effect notwithstanding such substitution. Such Substitute shall be a solvent corporation and either (x) such Substitute shall be organized and existing under the laws of the United States or any State thereof (including the District of Columbia), or (ii) such addendum shall contain provisions applicable to such Substitute with the substantive effect of Sections 7 (Taxes; Payment of Additional Amounts), 9 (Submission to Jurisdiction), 10 (Waiver of Venue), 11 (Service of Process), and 13 (Judgment Currency) of the Guarantee. In any case, (A) the Company and the Substitute shall have caused either (i) appropriately qualified in-house counsel at the Company or any of the Guarantors or the Substitute, or (ii) special counsel to the Substitute in connection with such substitution or (iii) other counsel reasonably satisfactory to the holders of a majority of the principal amount of the Notes then outstanding to have rendered a favorable opinion reasonably satisfactory to such holders with respect to the power and authority of such Substitute to enter into and perform such addendum and with respect to the execution and delivery of, and valid, legal and binding nature of such addendum and its enforceability in accordance with its terms; and (B) immediately after giving

effect to such substitution, no Default or Event of Default shall have occurred and be continuing. The Company and the Substitute shall deliver to each holder of Notes a copy of such addendum and opinion not less than five Business Days prior to the date on which the substitution is proposed to become effective.

22. MISCELLANEOUS.

22.1 SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

22.2 PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement, the Notes or any Guarantee to the contrary notwithstanding, any payment of principal of, or Make-Whole Amount or Modified Make-Whole Amount or interest on, any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

22.3 SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the fullest extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4 CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant.

22.5 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.6 GOVERNING LAW.

THIS AGREEMENT AND THE RIGHTS AND THE DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

22.7 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 the Company notifies the holders of the Notes that the Company or any Guarantor requests 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, 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.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.
SIGNATURE PAGES TO FOLLOW.]

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you, the Company and the Guarantors.

Very truly yours,

X.L. AMERICA, INC.

By:

Name:
Title:

IN WITNESS WHEREOF, XL INSURANCE LTD and XL RE LTD have caused this Agreement to be duly executed as a deed the day and year first before written.

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

Name:

Title:

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

Name:

Title:

IN WITNESS WHEREOF, XL CAPITAL has caused this Agreement to be 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 Guarantor

By:

Name:
Title:

Witness

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"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.

"ASSETS" means, at any time, the properties and other assets of the Company, any Guarantor or any of their respective Subsidiaries, as the context requires, at such time, determined in accordance with GAAP or SAP, as applicable.

"BUSINESS DAY" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized by law to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City, the Cayman Islands, the British West Indies or Hamilton, Bermuda are required or authorized to be closed.

"CAPITALIZED LEASE OBLIGATION" means any lease obligation which is required to be capitalized in accordance with GAAP or SAP, as applicable.

"CHANGE OF CONTROL" means the occurrence of any one of the following events: (i) any "Person" or "group" (as used in Sections 13 and 14 of the Exchange Act) of Persons becoming the beneficial owner (as defined in the rules and regulations promulgated by the SEC) of more than 40% of the total voting power of the outstanding Voting Stock of XL Capital, (ii) 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 and its Subsidiaries taken as a whole, or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of XL Capital (together with any new directors whose election by such board of directors or whose nomination for election by the shareholders of XL Capital, as the case may be, was approved by a vote of a majority of the directors of XL Capital then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of XL Capital then in office.

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMPANY" means X.L. America, Inc., a Delaware corporation.

"CONFIDENTIAL INFORMATION" is defined in Section 20.

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

"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 an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means, with respect to any Note, at any time, the per annum interest rate equal to the greater of (i) the stated rate of interest of such Note plus 1% per annum or (ii) 1% over the rate of interest publicly announced from time to time by The Chase Manhattan Bank (or its successor) as its "base" or "prime" rate in effect at its principal office in New York City.

"DOLLARS" and "$" means dollars in lawful currency of the United States of America.

"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 is treated as a single employer together with the Company under section 414(b) and (c) of the Code.

"ERISA EVENT" means (a) any "reportable event", as defined in Clause 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 Clause 412 of the Code or Clause 302 of ERISA), whether or not waived; (c) the filing pursuant to Clause 412(d) of the Code or Clause 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Company, any Guarantor or any ERISA Affiliate of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Company, any Guarantor 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 the Company, any Guarantor or any ERISA Affiliate of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Company, any Guarantor or any ERISA Affiliate of any notice, or the receipt of any Multiemployer Plan from the Company, any Guarantor 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" is defined in Section 11.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time.

"FAIR MARKET VALUE" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of (i) the United States of America or any State or other political subdivision thereof, or (ii) any jurisdiction in which the Company, any Guarantor or any Subsidiary conducts all or any substantial part of its business, or which asserts jurisdiction over any significant properties of the Company, any Guarantor or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTEE" is defined in Section 1.

"GUARANTORS" means XL Capital Ltd, XL Insurance Ltd and XL Re Ltd.

"GUARANTY EQUIVALENTS" 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 or 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 Guaranty Equivalent 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 Guaranty Equivalent is made.

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INDEBTEDNESS" of a Person means (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 Lloyds or as a provider of financial or investment services or contracts (in each case other than in connection with the provision of financing to such Person or any of such Person's Affiliates) shall not be deemed to constitute Indebtedness):

(a) 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;

(b) all obligations (including contingent liabilities) of such Person evidenced by bonds, debentures, notes, banker's acceptances or similar instruments including manditorily redeemable preferred stock;

(c) all indebtedness or liability for or on account of property or services purchased or acquired by such Person;

(d) any amount secured by a Lien on property owned by such Person (whether or not assumed) and Capitalized 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 Capitalized Lease to repossession or sale of such property);

(e) 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

(f) all Guaranty Equivalents of such Person.

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, and (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding.

"LIEN" means, with respect to any Person, 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.

"MAKE-WHOLE AMOUNT" is defined in Section 8.6(a).

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, or properties of XL Capital and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, financial condition or assets of XL Capital and its Subsidiaries taken as a whole, or (b) the ability of the Company or any Guarantor to perform its payment or other material obligations under this Agreement, any Other Agreement, the Notes or the Guarantee, as applicable.

"MEMORANDUM" is defined in Section 5.3.

"MODIFIED MAKE-WHOLE AMOUNT" is defined in Section 8.6(b).

"MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" (as such term is 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 the Company, any Guarantor or any of their Subsidiaries, with respect to which the Company, such Guarantor or the Subsidiary has an obligation to contribute, for the benefit of employees of the Company, such Guarantor or such Subsidiary, which plan, fund or other similar program provides, or results in, the type of benefit described in Clause 3(1) or 3(2) of ERISA, and which plan is not subject to ERISA or the Code.

"NOTES" is defined in Section 1.

"OFFICERS' CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company or any Guarantor, as appropriate, whose responsibilities extend to the subject matter of such certificate.

"OTHER AGREEMENTS" is defined in Section 2.

"OTHER PURCHASERS" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "employee benefit plan" (as defined in section 3(3) of ERISA that is maintained, or to which contributions are required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PROPOSED PREPAYMENT DATE" is defined in Section 8.5(b).

"PURCHASER" means each Person identified on Schedule A as a purchaser of one or more Notes.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least 66 2/3% in principal amount of the Notes at such time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company or a Guarantor with responsibility for the administration of the relevant portion of this Agreement.

"SAP" means, as to any Person, the statutory accounting practices prescribed or permitted by the relevant Governmental Authority for such Person's domicile for the preparation of Annual Statements and other reports by insurance companies of the same type as such Person in effect on the date such statements or reports are filed with the applicable Governmental Authority.

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

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY" is as defined in section 2(1) of the Securities Act.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company or a Guarantor, as the case may be.

"SIGNIFICANT SUBSIDIARY" means, as to any Person, a Subsidiary of such Person that would constitute a "significant subsidiary" of such Person as such term is defined in Regulation S-X of the SEC, as in effect on the date of this Agreement.

"SUBSIDIARY" means, as to any Person (the "parent"), 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.

"VOTING STOCK" means all classes and series of capital stock or of share capital of a corporation then outstanding and normally entitled to vote in the election of directors of such corporation.

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