

The drive to deliver value



Our Vision:

To be the leading global provider of intelligent risk solutions – delivered with integrity.

Our Mission:

For our Clients: We strive to offer quality risk products on a global basis through an ethical partnership supported by market-leading analysis, superior responsiveness and financial security.

For our Shareholders: We strive to create superior value through underwriting excellence, strong risk management, optimal investment strategies, operational efficiency and transparent disclosure.

For our Employees: We strive to provide a positive, intellectually stimulating and collaborative environment where performance, contribution and adherence to core values are recognized and rewarded and where there is equal opportunity for creativity, growth and development.

For our Communities: We strive to be a principled corporate citizen by promoting employee participation, supporting our local communities and influencing industry-wide social responsibility.

ON THE FRONT COVER:

LEFT PHOTO XL's Hartford office

RIGHT PHOTO Front: Vivienne Moniz, Casualty Insurance

Back: Michael Cooze, Life Reinsurance;
C-C Lee, Investments

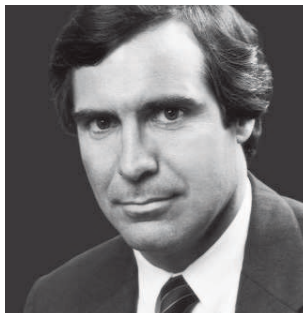
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XL's drive to deliver value began 20 years ago, against a substantially different competitive landscape. Over the years, the unpredictable nature of the market cycle has repeatedly challenged our industry – and our Company. But thanks to the commitment of our shareholders, the support of our clients, and the resilience of our management, XL withstood these tests and never lost sight of what differentiates us: our adherence to a set of principles and values that we adopted right from the start. We believe our values-based culture has, quite simply, enabled XL to deliver value to our clients and our shareholders. We hope you enjoy the 20-year retrospective theme of our report, which examines the roots of XL and traces its development into the global Company that it is today, a company focused on succeeding with values.

Twentieth Anniversary Timeline

01



02



01 1986, Brian O'Hara is named XL Insurance Company Ltd President and Chief Operating Officer; 02 1990, Launching Dublin, left to right: Then COO Brian O'Hara, CEO Michael Kevany, Irish Prime Minister Albert Reynolds, and Pat Tolan of XL Europe; 03 2001, Chairman Michael Esposito outside the NYSE with Brian O'Hara; 04 XL's global headquarters in Hamilton, Bermuda.

1987

- Ian Heap becomes X.L. Insurance Company Ltd.'s first Chief Executive Officer
- Five other staff are hired from Trenwick Services

1990

- Excess liability limits are raised from \$75 million to \$100 million
- EXEL Limited and XL Insurance (Bermuda) Ltd complete their move to Bermuda
- XL Europe Insurance opens in Dublin
- First claim settled, stemming from a burst steam pipe in New York, which killed three and injured 26 people

1992

- Second Public Offering of XL stock lists at \$32.50
- XL buys \$100 million stake in property catastrophe reinsurer Mid Ocean Limited
- Bermuda staff number 57

1994

- Brian O'Hara is appointed Chief Executive Officer

1996

- EXEL acquires minority stake in Pareto Partners

1986

- X.L. Insurance Company Ltd. incorporates in Barbados with gross written premiums of \$206 million
- Holding company EXEL Limited incorporates in Cayman Islands
- Brian O'Hara is named XL Insurance Company Ltd President and Chief Operating Officer in October

1988

- Ian Heap retires as CEO, remaining Chairman of the Board of EXEL Limited
- Michael Kevany becomes X.L. Insurance Company Ltd. Chairman and Chief Executive
- Product line is expanded to include excess E&O coverage

1991

- EXEL goes public on July 19 with 24.7 million shares, issued at \$25.50, trading on the New York Stock Exchange as 'XL'

1993

- XL invests \$73 million in Mid Ocean's IPO
- XL Europe generates 10% of XL's total business, with more than 100 insureds on the books

1995

- Michael Kevany retires as Chairman
- Michael P. Esposito Jr. is appointed non-executive Chairman
- XL invests \$70 million in Risk Capital Re
- Shareholders' equity tops \$2 billion

*

* The line following the asterisk is illustrative of the growth in XL's book value per ordinary share from 1986 to 2006. In 1999, XL merged with NAC Re Corp (NAC). 1994 and prior years have not been restated for the pooling effect of the NAC merger.

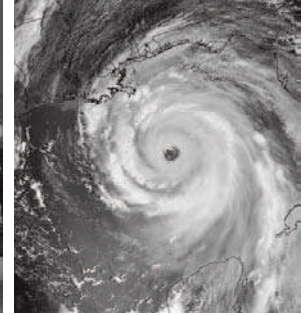
03



04



05



05 2005, Hurricane Katrina. The Cat-3 storm hits the central Gulf Coast, killing 1,420 and costing the industry \$45 billion; 06 2006, East meets West as Brian O'Hara and Yuan Li, Assistant Chairman, China Insurance Regulatory Commission, exchange business cards in Bermuda; 07 2006, Former Prime Minister of Pakistan, Benazir Bhutto speaking at XL's 20th anniversary Congress in Boston.



06



07

1998

- X.L. America Insurance Company opens in New York City
- EXEL merges with Mid Ocean Limited which includes the Brockbank Group plc
- XL establishes Financial Products and Services segment, includes XLFA and XLCA

2000

- XL authorizes \$500 million share repurchase and ups stake in Latin American Re to 95%
- XL forms Element Re

2002

- XL establishes AAA-rated London-based financial guaranty subsidiary, XL Capital Assurance (UK) Limited
- European floods cost XL \$50 million net loss

2004

- XL consolidates London offices
- Indian Ocean tsunami costs XL \$75 million
- Operations Center in India established

2006

- Brazil, joint venture between XL and Banco Itáú
- XL Re Europe Limited launched in Dublin
- XL celebrates 20th anniversary with Congresses in Berlin and Boston, and a Global Day of Giving
- Record earnings for XL

1997

- XL Insurance (Bermuda) Ltd receives AA rating from S&P
- XL Reinsurance Limited formed
- EXEL provides 75% of funding for Latin America Reinsurance
- Political Risk agency, Sovereign Risk Insurance Ltd, formed as a joint venture between XL Insurance (Bermuda) Ltd and ACE Bermuda Insurance Limited

1999

- EXEL Limited changes name to XL Capital Ltd
- XL merges with NAC Re Corp (NAC)
- Intercargo, ECS and Executive Liability Underwriters acquired
- XL Structured Enterprise Risk and XL Capital Products open for business
- Le Mans Re, a joint venture between XL and Les Mutuelles du Mans Assurances, is formed

2001

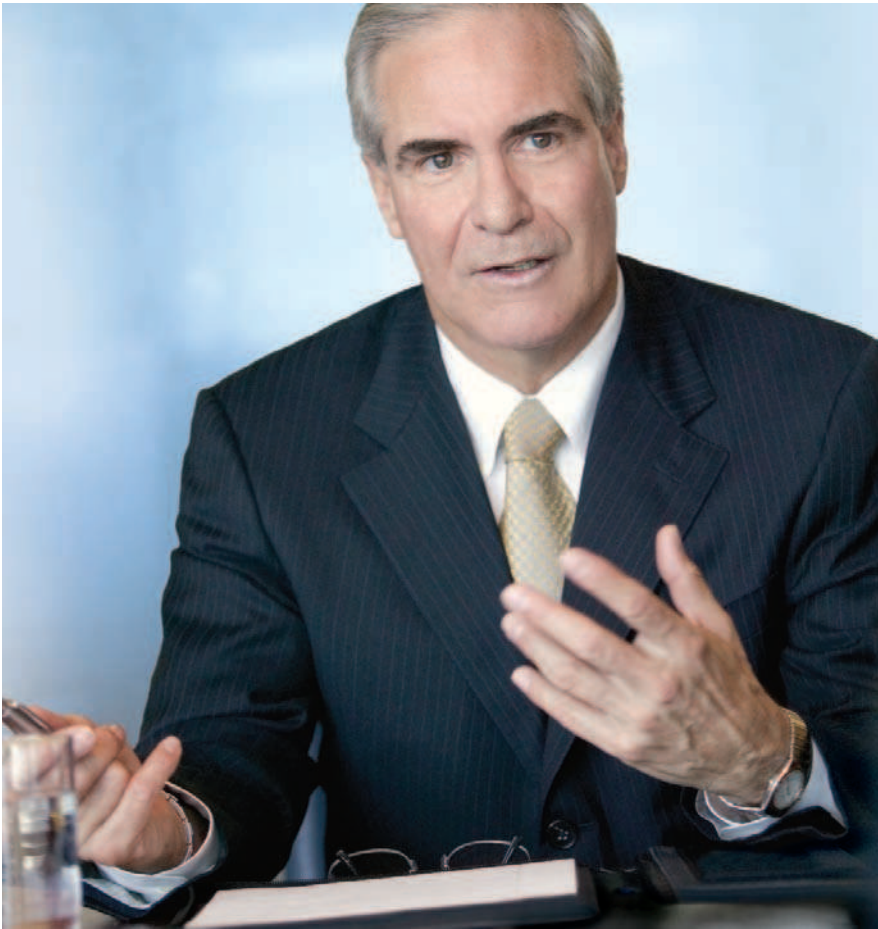
- XL Insurance completes purchase of Winterthur International
- XL House in Bermuda opens as company headquarters
- The 9.11 World Trade Center disaster delivers a \$34 billion blow to insurance industry
- XLCA and XLFA rated AAA by Moody's
- XLCIP and XL Life & Annuity launched

2003

- Le Mans Ré becomes wholly owned subsidiary and is renamed XL Re Europe
- XL launches "One Company Without Borders" corporate culture change program and "Fundamental Strength - Capital and People" global branding campaign

2005

- Hurricane Katrina causes \$75 billion in damages
- XL raises \$3.2 billion in one of the largest capital raises of its kind in the property and casualty industry



Letter to Shareholders

“I am proud of the fact that in 2006 XL delivered the best performance in its 20-year history.”

*Brian M. O'Hara
President and Chief Executive Officer
XL Capital Ltd*

20

YEARS OF FUNDAMENTAL STRENGTH

DEAR FELLOW SHAREHOLDERS,

What a difference a year has made! Following the industry's record hurricane losses in 2005, I am proud of the fact that in 2006 XL delivered the best performance in its 20-year history.

Not surprisingly then, the theme of this report is symbolic of XL's journey over the last two decades and our constant drive to deliver long-term value to shareholders and clients. I will be referring to this theme during the course of my letter, but first some highlights from our 2006 results:

Performance Overview

We produced record net income of \$1.7 billion. Our operating ROE for the year was 20.1% – the highest among our industry peers. Book value per ordinary share grew by 19.9%, and our general operations achieved a combined ratio of 88.5%.

Of course, 2006 was remarkable as a year of respite from hurricane activity, a year in which many in the industry were able to rebuild their financial strength. But there was nothing gratuitous about XL's results in 2006. As I have pointed out before, resilience and the ability to drive shareholder value over the long term is not a given. They are the result of a strong culture of values with underwriting discipline being first and foremost, along with sound risk management practices, sensible use of reinsurance, intelligent capital management and the ability to maximize our investment income. All hallmarks of XL's culture.

After going through some of the most challenging times in our history in 2005, these features were critical points on our strategic road map to better performance. They allowed us to focus on what matters most – the drive to deliver value to you our shareholders and to provide superior service to our clients.

Segment Highlights

And deliver we did in 2006. Each of our underwriting segments made a solid contribution to XL's performance.

In the insurance operations, both the global risk and specialty businesses contributed to record earnings with the property portfolio in particular delivering outstanding results.

The insurance segment recorded several major business accomplishments, including the successful launch of a new product – private company D&O, the expansion of the excess and surplus business in the U.S., and a demonstration of commitment to operational excellence with the expansion of our Operation Center in India. This initiative not only helped to streamline our cost base, but has improved the speed of administrative processes without sacrificing the quality of XL's service delivery. We are now looking to expand these benefits across the firm as a whole.

We also announced the opening of our joint venture insurance company with Banco Itaú in Brazil, placing us in a good position to meet the current and future property, casualty and specialty insurance needs of one of the world's major emerging and growing markets.

Indeed the emerging markets were an important feature of our strategic planning. At the beginning of 2006 we opened a representative office in Beijing and partnered with the Wharton School of the University of Pennsylvania to provide executive leadership training for Chinese insurance and regulatory professionals.

We are now looking at how we can harness business opportunities in both China and India which, along with Brazil, are among the fastest-growing economies in the world.

On the reinsurance side we recorded exceptionally good loss and combined ratios. Overall, the segment produced a record underwriting profit of \$477 million for the year.

In this business segment, we continued to develop our capabilities across a range of projects. We were the first reinsurer to utilize a sidecar, Cyrus Re, after Hurricane Katrina and we were the first reinsurer to seize the opportunity created by the European Union (EU) reinsurance directive that came into effect in 2006. By restructuring our European operations under a new holding company in Dublin we now have a blanket passport to do business throughout the EU. Both Cyrus Re and our new European reinsurance platform are examples of industry leading initiatives that provide us with a more efficient capital structure.

In addition to this, our reinsurance life operations successfully entered the U.S. market and had a solid financial year.

In my 2005 letter to you I mentioned that we were exploring strategies to provide greater rating independence to our financial guaranty units. I am pleased to say that we achieved that in August 2006 with the successful IPO of Security Capital Assurance Ltd ("SCA"), the holding company for our financial guaranty insurance and reinsurance businesses. Since then, SCA has risen in market value to

XL CAPITAL LTD

Gross Premiums Written

Casualty	%
06	39
05	37

Property & Property Catastrophe	%
06	27
05	22

Life Operations	%
06	6
05	19

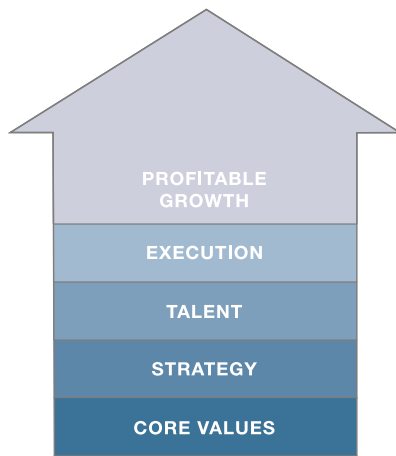
Marine, Energy, Aviation & Satellite	%
06	11
05	10

Other	%
06	11
05	9

Financial Operations	%
06	6
05	3

FIVE YEAR HIGHLIGHTS		AS AT DECEMBER 31				
In millions of U.S. dollars	06	05	04	03	02	
TOTAL ASSETS	59,309	58,455	49,245	41,456	35,971	
SHAREHOLDERS' EQUITY	10,131	8,472	7,739	6,937	6,570	
REVENUES	9,833	11,285	10,096	8,097	6,568	
NET INCOME (LOSS) *	1,722	(1,292)	1,126	372	396	

* Available to ordinary shareholders



parity with other monolines at \$2 billion of market capitalization as of February 2007. I believe that the formation of SCA has demonstrated the success of our financial guaranty business and its growing value. The successful execution of that IPO truly exemplified XL's core value of teamwork.

Our sound underwriting performance in 2006 was complemented by our creative yet prudent investment strategy.

Total investment earnings, which constitute net investment income, net income from investment affiliates, and the net income from our investment manager affiliates, increased to more than \$2.3 billion for the year. This represents a 38% improvement over 2005. Net income from investment manager affiliates was driven principally by a \$42 million gain related to the sale of our stake in Front-Point Partners. Liquidity events like this are consistent with our strategy and the investment affiliate business.

I am pleased to note that our positive performance in 2006 extended well beyond the balance sheet.

Borderless Views

Among the highlights of our 20th anniversary were two global risk conferences hosted by us – one in Berlin and another in Boston, each with the theme of “One World Without Borders”. These XL Congresses provided a forum

for us to critically examine major economic, political and social issues and gave delegates a better understanding of the changing face of risk and its evolving impact on the world and their businesses. We were able to share this unique event with hundreds of our clients and brokers who have contributed so much to our drive for value over the last 20 years.

The events were stimulating and productive, generating positive feedback from all attendees. But what resonated with me most were the comments from a risk manager of a major company. She told me that she had put her career on the line by proposing that her employer switch their coverage from a carrier that they have used for decades to XL because she was impressed by our business acumen and ethics. They are now our client.

We came away from the Congresses freshly committed to maintaining our clients' confidence and trust. After all, in the risk transfer business when all the appropriate financial and actuarial analyses have been done, it really comes down to trust.

Where We Came From

Twenty years ago when the industry was in such a crisis that Fortune 500 companies could not obtain coverage, we had a vision of building a new and different insurance company model that was based on strong underwriting discipline, rock solid financial strength, and trust.

When XL was formed, our first Chairman and CEO the late Ian Heap (to whom we pay tribute in this report) and I were in total agreement about the strategy for the company. Our plan was to remain focused on disciplined underwriting, large net lines, and high revenue per employee. We were determined not to chase market share and we were committed to delivering exceptional value.

We also had a unique relationship with policyholders built on the solid foundation of trust. This trust was created over time from our track record for responsive claims handling. This was particularly noteworthy in the case

of large, complex claims. This was and continues to be XL's forte. We handled claims with transparency and on a timely basis.

Where We Are

Today I am proud to say that we are still known and respected for our strong balance sheet and good claims paying record. We are also known for our intellectual capital and expertise across the globe. Our pool of talent is extensive. Last year we leveraged this in several ways including the formation of the Office of the CEO (OCEO).

The OCEO includes XL's Chief Investment Officer Sarah Street, Chief Executive of Global Business Services Michael “Spike” Lobdell, Chief Operating Officer Henry Keeling, and Chief of Staff Fiona Luck. They are responsible for assisting business leaders in better execution of strategy and for tackling enterprise-wide issues – ultimately resulting in greater operational efficiency, decision making, and strategic consistency.

With the creation of the OCEO, I have been able to concentrate on business development, board matters, and other key corporate activities. It also has allowed key members of the Executive Management Board, including Chief Executive of Insurance Operations Clive Tobin, Chief Executive of Reinsurance Operations Jamie Veghte, and other business segment heads to focus on business strategy, business planning and budgets, risk management, and talent development.

Further to realigning our executive management teams, we restructured our Global Business Services (GBS).

GBS now comprises three primary areas of focus – client management, service delivery,

\$1.72B

record net income

and resource management/execution. The structure includes 12 senior managers who report directly to Spike.

The mission of GBS is to raise the standard of operational effectiveness to create an environment that supports XL's corporate strategies. The new structure is intended to improve communication lines, increase alignment with the business, highlight accountability for execution, and, most importantly, empower employees to deliver value to our clients globally.

As well as the realignment of our organization, we welcomed three new directors to the XL Capital Ltd Board in 2006. They are Joseph Mauriello, former Deputy Chairman and COO of KPMG LLP, Herbert Haag, founding President and former CEO of PartnerRe Ltd., and Robert Glauber, former Chairman and CEO of the National Association of Securities Dealers, Inc. (NASD). Robert served on XL's Board from 1998 to May 2005. He rejoined our Board in September 2006 after retiring from the NASD and is now XL's Lead Director. We are delighted to have the benefit of their vast experience.

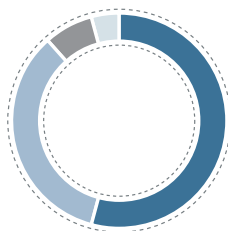
We are also grateful for the invaluable contributions of: Jerry de St. Paer, Chief Financial Officer who retired in March 2007; Chief Investment Officer Christopher Greetham, now an advisor to us on XL's investment manager affiliate program and our investment strategy; and Head of Global Human Resources Tony Beale. Both Tony and Chris retired at the end of 2006.

We couldn't have delivered the results we did without a firm made up of focused and dedicated professionals.

Just as importantly, our success would not have been possible without the five solid

XL CAPITAL LTD

Net Premiums Earned (\$M)



Insurance	\$ 4,101
Reinsurance	\$ 2,591
Life Operations	\$ 559
Financial Operations	\$ 318
TOTAL	\$ 7,569

pillars of XL's culture – our core values of respect, excellence, development, teamwork and ethics. I believe that our culture is a key differentiator and a critical component of our fundamental strength.

We are driving our culture forward and one of the vehicles for that momentum is the investment we are making in our people and their development. You can read more about this in the Corporate Q&A section of this report.

Where We Are Going

Looking ahead, despite analysts' predictions of a softening market, I believe that the industry is poised for a period of marked stability.

For decades, factors including cash-flow driven underwriting and the rating agencies' neutrality to premium rate adequacy in their capital charges have exacerbated the volatility of the insurance cycle.

Continuing low interest rates should deter cash-flow driven underwriting and a relative shortage of highly-rated reinsurance capacity limits its use for arbitrage.

Now rating agencies have served notice that premium growth through rate cutting and loose terms will trigger downgrades. Ongoing announcements of share repurchase plans

\$1.76B

record operating income

20.1%

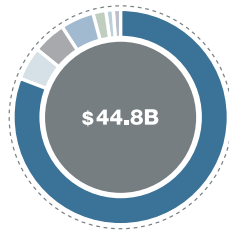
operating return on equity

19.9%

growth in book value per ordinary share

XL CAPITAL LTD

Total Net Invested Assets (AS AT 12.31.06)



Fixed Maturities	81%
Cash & Cash Equivalents	5%
Short-term Investments	5%
Investments in Affiliates	5%
Equity Securities	2%
Other Investments	1%
Accrued Investments Income	1%

by companies in our sector signal the growing prediction that companies will manage excess capital down rather than deploy it at inadequate returns. Additionally, expected consolidation among the post 2001 market entrants should reduce capacity in non-Cat lines. All of this may not lead to a cycle-less nirvana but does, I believe, allow for unprecedented stability for an industry that can ill afford self-induced challenges when beset by a world greatly at risk from ever looming natural and man-made catastrophes.

When I look back on XL's 20 years, I'm most proud of the fact that while XL has changed from a small to a large, global player, it has not changed the disciplined underwriting culture that has been an XL hallmark from the very beginning. What gives me comfort, not just about where XL is but about where we're going, is the strength of our culture and the deep relationships we've built with clients worldwide. The more we can work with clients on a level playing field, the less cyclical this business can be. The less cyclical this industry is, the more successful we will be in our drive to deliver value to our shareholders, clients, employees, and the communities in which we operate.

For the insurance and reinsurance industry as a whole, I believe that in addition to being there for our stakeholders, we can do more to raise awareness of our value by developing an industry-wide coordinated approach to corporate social responsibility. XL initiated the call for this in 2006 and I am pleased to report that the Insurance Information Institute, on

whose board I sit, has adopted this. This initiative not only promises to raise the profile of the industry's CSR efforts, it could also help us make better use of scarce resources for optimal results.

In recognition of our 20th anniversary, we at XL emphasized the contribution of our own global CSR initiative with our first Global Day of Giving on June 16th 2006. In one day, more than 2,000 of our employees participated in more than 200 charitable activities in more than 20 countries. The positive response from employees and the organizations that they served was so overwhelming that we have decided to hold another Global Day of Giving in 2007. I am truly looking forward to this outreach opportunity.

The Road Ahead

I am optimistic about the year ahead. I believe that the combination of our fundamentally strong diversified global platform along with our ongoing strategic and risk management initiatives give XL a great advantage in leading, retaining and sourcing attractive business.

That leadership was reflected during this year's January 1 renewals which were very positive for us in the U.S. and Europe and bode well for the year. While more difficult to obtain, we continue to appropriately seek new business in our targeted growth areas, while standing firm on disciplined underwriting.

With all of this in mind, I believe we have the momentum to continue delivering solid results, providing attractive risk-adjusted returns to you as we continue the drive to deliver value through our third decade in business.

Brian M. O'Hara
President and Chief Executive Officer

Executive Management Board



STANDING LEFT TO RIGHT

** Jerry de St. Paer retired on March 5, 2007. Fiona Luck is the interim Chief Financial Officer.*

Charles F. Barr
Executive Vice President,
General Counsel

Clive R. Tobin
Executive Vice President,
Chief Executive
of Insurance Operations

Michael C. Lobdell
Executive Vice President,
Chief Executive
of Global Business Services

Sarah E. Street
Executive Vice President,
Chief Investment Officer

Brian M. O'Hara
President and
Chief Executive Officer

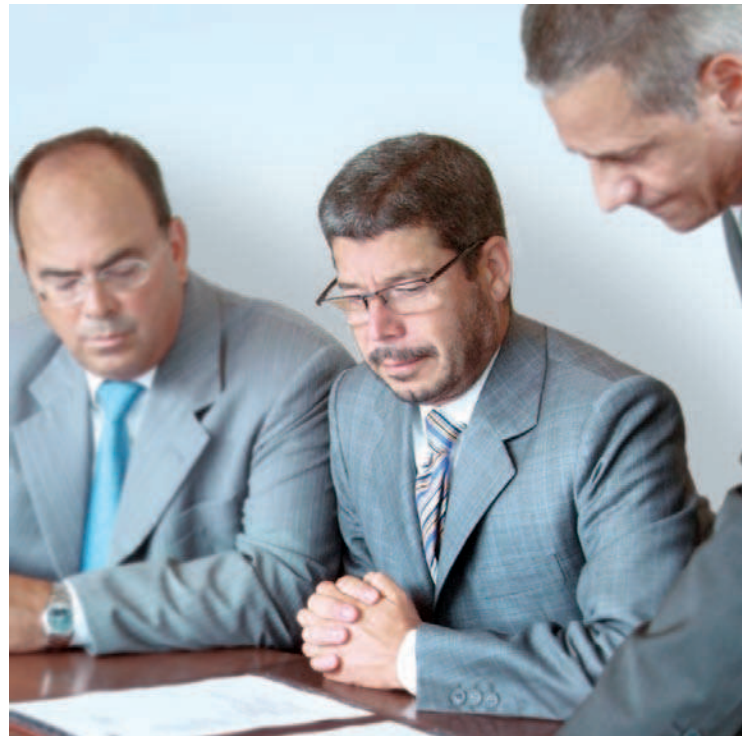
Henry C. V. Keeling
Executive Vice President,
Chief Operating Officer

Kirstin Romann Gould
Executive Vice President,
General Counsel of
Corporate Affairs and Secretary

Jerry M. de St. Paer *
Executive Vice President,
Chief Financial Officer

James H. Veghte
Executive Vice President,
Chief Executive
of Reinsurance Operations

Fiona E. Luck
Executive Vice President,
Chief of Staff



Since XL became global, with employees in almost 30 countries, we realized a new dimension to the word “respect”. With growth, we were suddenly embracing many people with cultures and ways of doing things that were different from our own mid-Atlantic style. Without respect for these differences it would have been impossible for us to work together. Today we are a more diverse group than ever, and this constitutes one of our greatest strengths. It enables us to be the company with local knowledge and understanding, backed by broad global experience and infrastructure. The latest exciting example of this is our joint venture with Banco Itaú Holding Financeira SA. By partnering with Itaú, we believe we are robustly positioning ourselves in one of today’s major emerging markets, Brazil. Itaú’s Brazilian market penetration and expertise, combined with XL’s global underwriting knowledge and access to reinsurance capacity in commercial lines and large insurance risks, should enable us to become a powerhouse in the region. By respecting each other’s strengths, and differences, we look forward to a long and profitable partnership in Brazil.

\$4.1B

net premiums earned

91.7%

combined ratio

+60

specialty insurance
products & services

21

countries

Insurance

The insurance segment encompasses the Company's world-wide property, casualty, professional liability and specialty insurance operations. Products are offered globally under the "XL Insurance" brand, with major offices in Europe, North America and Bermuda.

Q&A

“We have made a strong contribution to an outstanding year for XL Capital.”

How do you feel about XL Insurance's performance in 2006?

Clive: We knew going into 2006 it would be a tough year for our insurance segment. On the back of the 2005 storms, reinsurance pricing for catastrophe protection sky-rocketed. In addition, like many other companies, XL focused on reducing its Cat exposure significantly, particularly in our property, marine and offshore energy lines.

Having a diverse platform that includes both insurance and reinsurance was a particular benefit in 2006, as financial returns for providing Cat coverage were significantly higher in reinsurance than in primary insurance and that is where XL allocated the bulk of its capacity. Nevertheless, in insurance we were pleasantly surprised at how much business we retained even with limited Cat capacity. We finished the year with gross premiums in line with 2005, but with much lower exposure.

With the termination of our ICAT program, which provides property Cat insurance to small and mid-market businesses, we will free up additional Cat capacity in 2007.

A highlight of our results was the balance of strong performance throughout the segment. We were particularly pleased with the launch of our private Directors & Officers (D&O) initiative and the progress that group has made. With our strong presence in the D&O market we see the private D&O market as a logical growth opportunity for us in the next few years. Our new Excess & Surplus (E&S) lines unit had a very satisfactory first year and 2007 looks very promising. All things considered we have made a strong contribution to an outstanding year for XL Capital.

In terms of the numbers, I think our performance was strong. Our overall combined ratio was a very respectable 91.7% and our ROE

Clive R. Tobin

Executive Vice President,
Chief Executive
of Insurance Operations

was just over 20%. Our property and professional units had an exceptional year but we were particularly pleased with the balance of performance across the segment.

Market conditions in insurance continue to develop as we would expect in this stage of the cycle. The combination of our efforts to reduce catastrophe exposures and modestly softening market conditions makes top line growth a challenge, but I am very pleased with where we are. The quality of the business on our books is very good. I am pleased with how we are managing it and optimistic about our ability to continue delivering attractive returns to shareholders.

In 2004 you set a goal to build an integrated, global insurance enterprise. What progress have you made toward that goal?

Clive: In 2006 we essentially completed the targets set two years ago. In 2004 XL Insurance

“Today, I believe that we have never been better positioned to realize the potential of the global network and diverse product lines we have established.”

was a confederation of generally well-performing but largely independent business units. This was the result of very rapid, successful growth through company acquisitions, strategic hires, renewal rights deals and organic growth. I saw a tremendous opportunity to leverage the skills, knowledge, operational processes, and marketing efforts across the group by better aligning the management team with our goal of being a truly integrated, global insurance enterprise. Today, I believe that we have never been better positioned to realize the potential of the global network and diverse product lines we have established. We have the foundation to begin the next phase of our expansion, which is about executing on what we have built and identification of strategic opportunities.

At the beginning of 2006 I made some key organizational changes to support our strategic and operational plans. I appointed Dave Duclos as Chief Operating Officer, a new role within XL Insurance. Dave is focused on the daily execution of the business units and has already made a tremendous impact, including key hires to build a high performing

01 LEFT TO RIGHT
John Burrows, John Glancy,
Nick Greggains, Reina Gregorio
Professional Liability
New York, Hartford and Exton

03 LEFT TO RIGHT
Maurizio Castelli, Thomas Kemper,
Hans Mazenauer
Global Programs, Zurich

02 LEFT TO RIGHT
Nigel Williams, Arketa Tucker,
Matt Mullen, Beth Piggott
Casualty, Bermuda

04 LEFT TO RIGHT
Nigel Bamber,
Christopher Andrews,
Barry White, Graham Hawkins
Property, London



01



02

business team and the development of a number of new business initiatives. This allowed me more time to focus on the development of strategic opportunities, such as our recent joint venture with Banco Itaú in Brazil. We also made some key changes in other areas such as Claims, Finance, Actuarial and Technology/Administration, which have also had a dramatic impact on integration and execution.

In summary, I genuinely could not be happier with how we have improved the quality, effectiveness and teamwork of XL Insurance's management team and our people around the globe. We've made great progress.

Can you tell us more about your strategic plans and some of the new business initiatives?

Clive: In 2006 I led a lengthy assessment of worldwide markets, products and strategic alternatives for XL Insurance. In terms of long-term opportunities, we still feel there is significant potential in our current markets, particularly in the U.S. where our penetration is lower in some products than it is in Europe. We identified a number of immediate opportunities and our business teams are currently

launching new initiatives across several product lines. Our criteria for launching these initiatives include a threshold ROE, in-house product expertise, a full understanding of the risks of the business, and our ability to deliver earnings with acceptable levels of volatility.

We are also evaluating in detail some sectors and products that we do not currently write and it is likely that some of these will result in other long-term initiatives similar to our decision to launch a new E&S lines unit in 2006.

How has the segment's Brazilian initiative fared?

Clive: Our joint venture with Banco Itaú in Brazil is off to a very good start. The joint venture was the result of several years of discussions with Banco Itaú. I believe the partnership is a very good one as we complement each other's skills and expertise well. Itaú has provided us with ready access to a market that would have taken us years to develop on our own. Similarly, we have provided significant technical insurance expertise to the joint venture, knowledge that will be increasingly important as the Brazilian market adapts to changes with the IRB, the Brazilian government's reinsurance monopoly

(IRB-Brasil Resseguros SA). Our share of the joint venture represents a significant increase in indigenous premium in Brazil and we are on track to achieve our planned targets.

After record industry Cat losses in 2005 and record profits in 2006 what do you see for 2007?

Clive: The importance of increasingly sophisticated risk management and the reduction of earnings volatility will continue to be the prime areas of focus for the industry, and XL is fully committed to this. Terrorism is front and center for volatility and risk management so what happens to TRIA in 2007 will be very important.

As for pricing of catastrophe risks, I would expect to see a modest easing of rates in 2007 but still expect them to remain adequate. Terms and conditions, which are as important as pricing, should remain fundamentally sound – we are a long way from the behavior we saw in the market in the late nineties. I believe that better risk management, changes in the broking industry, closer scrutiny by rating agencies and regulators all bode well for a more rational and stable marketplace.





Achieving excellence is not a skill – it stems from an attitude. To quote Greek philosopher Aristotle: “We are what we repeatedly do. Excellence then is not an act, but a habit.” The excellence habit has long been an intrinsic part of the XL culture. And in 2006, we received ringing endorsements from those who do business with us when Reactions magazine conducted surveys of brokers, risk managers and buyers, tapping their views on the best in the insurance and reinsurance business. First they polled for the best in Bermuda, and XL’s reinsurance and insurance Bermuda underwriting teams took top honors for “Best Overall Underwriters”. In addition, XL Re was applauded for “Best Reinsurance Underwriters”, claiming top spots in six of the 10 categories including brand reputation and willingness to pay claims. In the magazine’s ensuing London survey, XL Re was declared the “Best Reinsurer Overall”. The magazine’s editor told guests at the awards ceremony that winners “should feel proud, as these awards represent the views of the industry”. We are proud of our underwriters and their commitment to excellence.

\$2.6B

net premiums earned

83.4%

combined ratio

+50

products and services

11

countries

Reinsurance

The reinsurance segment, branded as “XL Re”, is organized on a geographical basis, reflecting the locations of the insurance and reinsurance companies that purchase property and casualty reinsurance coverage from the Company.

Q&A

James H. Veghte

Executive Vice President,
Chief Executive
of Reinsurance Operations

“We were able to demonstrate the powerful earnings that our global organization is capable of delivering.”

How did the reinsurance segment perform in 2006?

Jamie: XL’s reinsurance segment “XL Re” had an outstanding year, both financially and operationally. From a financial perspective, XL Re achieved a combined ratio of 83.4% on gross written premiums of just under \$3.1 billion. As 2006 was free of major catastrophes, we were able to demonstrate the powerful earnings that our global organization is capable of delivering. All profit centers contributed to this performance, but of special note were the contributions of XL Re Ltd in Bermuda and XL Reinsurance America, Inc. with combined ratios of 60.8% and 89.9%, respectively. Overall, the segment produced a record underwriting profit of \$476.6 million for the year.

From an operational perspective, we continued to develop our capabilities across a range of projects. Most prominent was the restructuring

of our European operations under a new holding company in Ireland called XL Re Europe Limited. This gives us a blanket passport to do business throughout the European Union under the EU’s Reinsurance Directive. We are pleased to have this management team consolidated under David Watson, who is Chief Executive Officer of XL Re Europe Limited. In addition, we continue to make progress on: XLeRate, our global pricing system; Destiny, which will ultimately serve as the sole transactional system across the segment; and a number of additional initiatives designed to enhance consistency, transparency, and service to our clients and brokers.

How did the competitive arena change in 2006?

Jamie: Consistent with historic patterns immediately after the occurrence of catastrophic events, 2006 saw a significant

amount of new capacity enter the market, both traditional and non-traditional. We have seen a number of start-up reinsurers, principally focused on short-tail lines. In addition, the capital markets have provided a range of products and structures in conjunction with the industry, including materially increased Cat bond capacity and the formation of a number of “sidecars”, all designed to capitalize on the favorable pricing environment we were seeing in the Cat-exposed lines of business in 2006. Pricing remains very attractive in these lines and we continue to benefit from our acknowledged lead status, both in terms of attracting new business opportunities and being an opinion-former on pricing as well as terms and conditions. XL Re has worked with third party capital for a number of years in the Property Catastrophe business, and our quota share reinsurance

“XL Re has built its core strategy around technical underwriting, service standards, and discipline and these developments should serve us well.”

agreement with Cyrus Re executed in late 2005 represents our most significant achievement to date in this area. We view the development of these products as an opportunity, not a threat.

As many industry participants have sought to move their portfolios away from catastrophe exposed business and lines, we have benefited from our existing diversification, both geographically and by business class. Diversification has been a core element of our strategy for many years, and I believe that we are well positioned in the current environment. XL Re, while certainly not “all things to all people”, is a recognized leader in all of its major markets. We have the benefit of significant relationships with all of our major clients and brokers and a reputation for service and technical underwriting excellence. This should serve us well as competitors try to diversify away from core short-tail lines.

Finally, the industry continues to benefit from improved transparency. The increased sophistication of the commercial catastrophe models, improvement in the level and quality of underwriting information received from clients, rating agency focus on appropriate levels of capital by class, and regulatory focus on solvency will continue to benefit the industry. Most importantly, we believe these dynamics will alter the shape of future pricing cycles, including dampening soft market

conditions. XL Re has built its core strategy around technical underwriting, service standards and discipline and these developments should serve us well.

What are your expectations for 2007?

Jamie: Like any business, the reinsurance industry is subject to the laws of supply and demand. The industry produced record underwriting profits in 2006 and made significant progress toward strengthening the balance sheet following the devastating impact of the 2004 and 2005 storms in the United States. These factors would suggest we are entering a period of increased competition in the industry.

Having said this, I believe that XL Re is ideally positioned to continue to provide attractive risk-adjusted returns to shareholders. First, we have an excellent portfolio of existing business and well-established relationships with our major clients and brokers. Second, one of our operating hallmarks has been the continuous improvement in our analytical capabilities and underwriting discipline. From this we have the skills to recognize when market conditions have reached levels where returns are inadequate, and the discipline to take appropriate underwriting actions. Finally, we have a professional staff with broad experience and depth of knowledge. The senior management team at XL Re has an average of over 20 years of underwriting experience and a well-deserved reputation

for professional excellence. I believe that our leadership position and recognized reputation as an opinion former in the industry will allow us to navigate successfully across the entire market cycle.

Operationally, we expect to maintain the positive momentum that has been building over the last several years. We will continue to convert the entire segment over to the Destiny transactional system during 2007, achieving operational efficiencies and improved MIS. In addition, we expect to unveil the next generation of rating modules in our XLeRate global pricing system and will continue to refine our service standard capabilities across the globe.

Finally, the development of our staff will continue to be a critical focus for XL Re. We have a robust talent review and succession planning process designed to provide career opportunities for our outstanding performers. In 2006 we realized a number of successes from this process including the appointment of John Welch as President of XL Re America, David Watson as President of XL Re Europe Limited, Mark Berry as London Branch Manager, Philippe Rochaix as Manager of our Le Mans Branch, and Jean Marc Wassen as Segment Chief Actuary. We expect further progress in this area in 2007 as our depth and breadth of talent is great.

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01 LEFT TO RIGHT
Andy Pitchford, John Lawson,
Conor Sheridan
Property Treaty and Facultative, Dublin

03 LEFT TO RIGHT
Nigel Tatlock, Mark Berry,
Lisette Douglas, David Martin
XL Re, London

02 SITTING LEFT TO RIGHT
Bill O'Shea, Veronica Murray

STANDING LEFT TO RIGHT
Hilda Lorenzo-Dizon, Greg Douglas
Casualty Facultative, Stamford

04 SITTING, LEFT TO RIGHT
Christopher Buse, Barbara Armata

STANDING, LEFT TO RIGHT
Mary Ellen Cardascia, Gary Lesowitz
Casualty Treaty, Stamford

Life Operations

The life operations segment provides reinsurance to life insurance companies, under the "XL Re" brand, principally covering mortality, morbidity, survivorship and investment risks. The segment covers a range of geographic markets, with an emphasis on the U.K., U.S. and Continental Europe.

Q&A

Robert W. Douglas

Executive Vice President,
Chief Executive
of Life Operations

“[Our] segment has provided XL with a growing stream of largely non-correlated earnings and has consistently delivered strong returns.”

Can you give an overview of the life segment in 2006?

Bob: The life operations segment operates in a range of markets across the globe, offering both traditional life products and the ability to structure more complex transactions to meet our clients' needs.

During 2006, the life reinsurance business continued its strategy of organic expansion, with the launch early in the year of a licensed platform in the U.S. adding further geographical coverage to its existing markets in the U.K. and Continental Europe. Despite increasing competition in some key markets and product lines, most notably the U.K. annuity market, the core life reinsurance business further grew its book of traditional

term assurance and annuity business, delivering strong earnings performance that reached a new high for XL.

The life operations segment also includes Life Fund Integration (LFI), which was a new strategic initiative for 2006, looking at the acquisition of closed life insurance funds in the U.K. While no acquisitions were made during 2006, the team worked closely with external advisers to identify potential opportunities and to lay the foundations for activity in 2007 and beyond.

Why does XL find life business attractive?

Bob: XL benefits from risk diversification and the ability to generate long-term earnings with lower volatility. The life operations segment

has provided XL with a growing stream of largely non-correlated earnings and has consistently delivered strong returns since its launch in 1999. While there are competitive pressures in all of our target markets, conditions remain attractive and, I believe, offer good prospects for superior margins on acceptable terms.

XL is therefore committed to growing these earnings still further through the ongoing expansion of the life reinsurance business, in terms of product lines and geographical reach.

What are life operations' competitive advantages?

Bob: A key advantage is XL's appetite for risk, as evidenced by our willingness to explore and



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“The focus for life reinsurance in 2007 will be continuing, with measured expansion in its established markets of the U.K. and Continental Europe, while steadily building up a profitable book of business from the recently launched U.S. platform.”

evaluate risk transfer structures that are highly valued by our potential client base. As a relatively new player in certain markets, XL also provides a credible diversification option for clients wishing to spread their counterparty exposure across a number of reinsurance carriers.

What initiatives is the life operations segment pursuing?

Bob: The focus for life reinsurance in 2007 will be continuing, with measured expansion in its established markets of the U.K. and Continental Europe, while steadily building up a profitable book of business from the recently launched U.S. platform. The next few years will bring a number of accounting and regulatory changes to the global life insurance and reinsurance markets, which will influence

companies’ appetites for life reinsurance. XL will work closely with life insurers to meet their developing reinsurance needs as these changes work their way through the markets.

At the same time, the LFI initiative will continue with active consideration of new acquisition opportunities. While ever mindful of market sensitivities, life operations will look to leverage the LFI and life reinsurance activities to mutual advantage and efficiency, utilizing shared platforms, structures, and resources where possible.

01 LEFT TO RIGHT
Kevin O'Regan,
Petra McFarlane, Rupen Shah
London

02 LEFT TO RIGHT
Michael Pado, Suzanne LaBella,
Cristina Downey
Stamford



Leadership development and management training are top priorities for XL. *Having the brightest and the best on our team will help XL fully and effectively implement our strategy. Attracting and retaining top talent requires serious investment in development, and since 2003, almost 1,500 employees have been involved in XL's development programs. Financial Lines actuary Jason Cabral (pictured) was one of 30 high potential employees selected for the Global Development Program (GDP) in 2006. The intense two-week course, followed by months of business-focused team projects, is designed to enable employees from across the globe to develop a network and deepen their knowledge of the company. Since completing the program Jason, a Bermudian, has been transferred to our London office to broaden his experience. Jason and his GDP colleagues are part of an ongoing success story for XL. During 2006, the Global Development Program, two Leadership Development forums, and 22 Performance Development sessions included 500 employees. Another 200 attended skill-building management seminars. We are committed to continuing development of our most valuable asset: our people.*

\$130M

net premiums earned/fee income

\$92M

total contribution

+20

products and services

3

countries

Financial Lines

The financial lines segment, branded as "XL Financial", offers institutional investment products, credit products and customized risk management solutions in such areas as structured finance, weather and energy risk management, and political risk insurance to leading corporations and financial institutions around the world.

Q&A

Daniel Sussman

Executive Vice President,
Chief Executive
of Financial Lines Operations

“Financial lines is building a high-quality earnings stream at an attractive return on equity that is diversifying for XL Capital...”

Can you give an overview of this segment?

Dan: Following the IPO of SCA, the operations of the former financial products and services segment was divided into two segments: financial lines and SCA. Financial lines is comprised of: (i) a wide range of structured finance and structured indemnity products managed through our financial solutions group, (ii) weather and energy risk management products, (iii) guaranteed investment contracts and funding agreements, (iv) political risk insurance operations and (v) those activities which were part of the financial products and services segment which did not form part of SCA. By offering a range of capital markets and insurance products designed to protect leading corporations and financial institutions around the world from an array of business

risks not typically covered by traditional insurance, financial lines is building a high-quality earnings stream at an attractive return on equity that is diversifying for XL Capital, with minimal correlation in results to traditional risk management products' catastrophe exposures or pricing cycles. Risks underwritten include unexpected market price changes, credit risks and asset liability management risks.

How did the financial lines segment perform in 2006?

Dan: Financial lines posted excellent results in 2006, with a contribution from financial operations of \$92.1 million and attractive return on equity for the segment. Our results were driven by the very strong performance of our weather and energy risk management business,



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“...the overall contribution from the financial lines segment demonstrates the value that can be created by effectively managing a financial products operation alongside a traditional property and casualty insurance and reinsurance business.”

01 LEFT TO RIGHT
Grant Maxwell, Maralyn Fichte,
Staffan Wallin, Carolyn Thomas
XLFS, London

02 LEFT TO RIGHT
Alan Cheung, Eric Zandvliet,
David Wright
Political Risk, London

where we built a substantial seasonal and multi-year portfolio of risks assumed from several dozen utility and other customers in both the U.S. and western Europe. Demand for these market risk management products was strong in 2006, in part due to the volatility in the energy markets resulting from the hurricanes of 2005. In addition, our financial solutions operation achieved an attractive return on its in force portfolio and wrote a substantial number of additional customer driven transactions across its entire product spectrum. Customers include a range of insurance groups and financial institutions based predominantly in the U.S. and western Europe. We broadened our focus and exe-

cution capabilities relating to financial solutions' structured finance product suite which, especially when combined with the capabilities within our political risk insurance operations, we believe increased our attractiveness as a counterparty to buyers of these types of risk management products during 2006. Financial lines remains active in the broad spectrum of political risk insurance business lines and 2006 represented another successful year for this operation. Furthermore, we benefited from higher investment income as a result of an increase in the average investment balances in our institutional investment products operations. In particular, 2006 saw for the first time aggregate outstanding guaranteed investment



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“We are seeing solid growth opportunities across all of our core business operations, with an emphasis on extending our market reach in a number of specific structured credit, trade finance and secured financing product lines...”

03 LEFT TO RIGHT

Dan Sussman, David Hoog,
Natalie Carpentieri, Daniel Seymour
XLFS, Weather & Energy, Stamford

04 LEFT TO RIGHT

Simon Buxton, Julie Meyer,
Andrew Turnbull
XLFS, Bermuda

contract balances crossing the \$4 billion mark. Strong earnings from XL's 31.1% investment in Primus Guaranty Ltd. also contributed to these results. Viewed collectively, the overall contribution from the financial lines segment demonstrates the value that can be created by effectively managing a financial products operation alongside a traditional property and casualty insurance and reinsurance business.

With the offering of SCA complete, what opportunities do you see for the financial lines segment?

Dan: We are seeing solid growth opportunities across all of our core business operations, with an emphasis on extending our market

reach in a number of specific structured credit, trade finance and secured financing product lines and selectively building out our structured indemnity, weather and energy risk management and institutional investment product activities. Notwithstanding the generally tight credit spreads prevailing in the marketplace, we do see a range of opportunities to deploy risk capital at attractive return levels. As we further integrate our portfolio risk management activities across the product lines within the segment, we expect to maximize our ability to achieve profitable growth in our chosen markets in a risk-controlled manner. We are confident we can build on the successes of 2006.



XL's Alternative Portfolio Investment team provides a clear illustration of teamwork. *They function as a cohesive group, while ensuring that each member contributes their specific skills and experience to the day-to-day success of the team. The teamwork spreads further, through full integration with the broader XL Capital Investment Partners team to make the most of the significant market knowledge, information and resources of XL Capital's investment professionals who focus on fixed income, credit and equity markets. Through XL Capital contacts, networks and industry representatives, the team has also succeeded in combining their expertise with the broader resources and capabilities of the XL group. Their fine reputation in the alternative investment space today attests to the success of this work style, which also places them in a strong position to manage and develop a portfolio focused on delivering solid long-term returns. As businessman and philanthropist Andrew Carnegie once said: "No person will make a great business who wants to do it all himself, or get all the credit."*

\$39B

total investments
available for sale

\$2.3B

total investment
earnings

\$269M

net income from
investment affiliates

\$51B

assets under management
by XL's investment
manager affiliates

Investments

XL Capital Ltd and its subsidiaries, including XL Investment Management Ltd, XL Investment Management (USA) LLC and XL Capital Investment Partners Inc., provide investment advisory services and advice to XL Capital Ltd group companies.

Q&A

Sarah E. Street

Executive Vice President,
Chief Investment Officer
and Chief Executive Officer,
XL Capital Investment Partners Inc.

“The investment portfolio had another year of strong results in 2006.”

Can you comment on investments' overall performance in 2006?

Sarah: The investment portfolio had another year of strong results in 2006. Total investment earnings, which are made up of net investment income, net income from investment affiliates and the net income from our investment manager affiliates, grew to over \$2.3 billion for the year. This is an increase of \$643 million or 38% over 2005.

Net investment income from general operations, supporting our property and casualty liabilities, grew \$293 million or 37%. This was driven by increasing asset balances, including the proceeds of our 2005 capital raise, as well as higher book yields, as coupons, maturities and premiums were invested at higher market yields. Net investment income from our life and financial operations, primarily supporting deposit liabilities and policy benefit reserves, grew \$210 million or 31%. This growth was driven by increasing structured and spread assets balances and higher book yields.

Net income from investment affiliates, representing the equity-accounted portion of our alternative investments and private equity investments, grew \$114 million or 74%. The private equity portfolio contributed \$59 million of this increase as a result of several successful liquidity events. The alternatives portfolio contributed \$55 million of the increase due to strong performance by the managers in buoyant capital markets.

Net income from our investment manager affiliates grew \$25 million or 48%, largely as a result of a \$42 million one-time gain from the sale of our stake in FrontPoint Partners LLC.

How does XL's investment portfolio respond to the company's evolving business mix?

Sarah: We manage the fixed income portfolio within an asset-liability framework, which is responsive to the changing mix of XL's business liabilities. For example, the average duration of the fixed income portfolio was 3.9

years in 2006 versus 4.4 years in 2005. The change in average duration was driven by an increasing proportion of floating-rate U.S. dollar denominated deposit liabilities, which reduced the average duration of the structured and spread component of the fixed income portfolio to 5.0 years in 2006 versus 6.2 years in 2005. The duration of the general account component of the fixed income portfolio averaged 3.3 years in both periods. The foreign currency component of our portfolio is also increasing as a result of the growth of both our property and casualty and life activities in Europe.

Have there been any changes in strategy under your leadership?

Sarah: We continually review our investment strategy relative to developments in XL's corporate strategy and business structure, as well as developments in the financial markets. I do not anticipate any major changes in

“The investment bank came to XL because of our understanding of the asset class, our ability to respond quickly, and our flexibility and creativity in developing complex hedge fund structures.”

investment strategy as a result of the change in the leadership from Chris Greetham to me. XL's investment department, comprising both XL Investment Management Ltd and XL Capital Investment Partners, is staffed by a talented team of investment professionals, and investment strategy is developed and implemented using formal committees. We have a team culture. XL Investment Management oversees our traditional assets whilst XL Capital Investment Partners manages our alternative portfolios. In addition, the investment department is supported by a robust systems infrastructure, including an investment data warehouse, as well as risk management and compliance systems which will help us manage any future growth in assets in an effective and efficient manner.

Can you provide an update on your investment manager affiliate program?

Sarah: This program continues to expand. During 2006, we entered into relationships with three new investment manager affiliates: HighVista Strategies LLC, Cinnamon Capital Management LLP and Polar Capital Holdings plc. The assets under management by our affiliates exceeded \$50 billion at year end,

which represents a 27% increase in 2006 versus 2005.

In December, we also sold our interest in FrontPoint Partners LLC. Liquidity events involving managers focused on alternative and other specialized investment strategies are consistent with the strategy of our investment affiliate business and our outlook for this sector of asset management. Accordingly, we anticipate that transactions where XL sells our minority positions in successful investment management companies will happen from time to time.

Our investment affiliates include the following firms: Highfields Capital Management LP; MKP Capital Management LLC; Stanfield Capital Partners LLC; Stanfield Global Strategies LLC; OneCapital Management Partners, LLC; Banquo Credit Management LLP; Artemis Advisors, LLC; HighVista Strategies LLC; Cinnamon Capital Management LLP; and Polar Capital Holdings plc.

XL's alternative portfolio generated excellent results in 2006. Did you change strategy?

Sarah: We are very pleased with the results from our alternatives portfolio in 2006, which



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- 01 *LEFT TO RIGHT*
Stephanie Chessell,
Symone Harding, Rica Squires
Funds Management, London
- 02 *LEFT TO RIGHT*
Kevin Hovi, C-C Lee,
Richard van Lienden
Investment Operations, Bermuda
- 03 *LEFT TO RIGHT*
Phillippe Dutranoit,
Stuart Hrehoruk, Carla Chaves
Investment Operations, Bermuda
- 04 *LEFT TO RIGHT*
Shelley Harvey, Mary Sousa,
Andrew Rossiter
Funds Management, Bermuda

generated an annual return of 11.5% and achieved this with a low volatility of 3.4%. We have not changed our strategy in any significant way and have continued to allocate to funds managed by a number of the top tier organizations. We have been particularly pleased by the investment capacity that we have been offered by a number of leading managers, and we believe this reflects our reputation of being a sophisticated investor who understands the strategies and markets in which these funds invest.

The alternative portfolio's average exposures and risk levels did not change materially in 2006. The portfolio maintains a bias away from funds that typically target higher levels of volatility and leverage, funds with lower levels of liquidity, and funds that trade in esoteric securities. We manage risk in the alternative portfolio through detailed manager and strategy selection and diversification, combined with thorough initial and ongoing due diligence and monitoring of the portfolio. These activities are led by XL Capital Investment Partners' dedicated Risk Team and are overseen by its Investment Committee.

What are you doing in hedge fund structured products?

Sarah: Our hedge fund structured products business leverages our deep knowledge of hedge funds and our specialized skills in financial structuring to meet our client needs. We generally underwrite at investment grade quality points across our full product range and provide solutions to both financial institutions that are looking to hedge their own hedge fund structured products books, and directly to the end users of structured products – typically fund of hedge fund organizations. While it is still a small business, we have increased our revenue production significantly over the past year, and we expect this business to continue to grow. An example of these transactions includes a series of deals done with a leading global financial institution. XL underwrote 35 transactions in order to hedge a small portion of this investment bank's exposure to a portfolio of funds of hedge funds. The investment bank came to XL because of our understanding of the asset class, our ability to respond quickly, and our flexibility and creativity in developing complex hedge fund structures.



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XL's system of values and moral principles forms part of our DNA. Regulation of the industry is important, but it is not enough without an ethical environment. The XL ethos was put in place 20 years ago, but as the company grew we needed to ensure that we were all following the same "cultural road map". After all, less than 10 years ago we were an organization of 100 employees in two countries; by the time we embarked on our 20th anniversary year we had more than 3,500 employees in 28 countries. To meet this significant cultural challenge we introduced an organization-wide campaign: "One Company Without Borders." This initiative has succeeded in ensuring we share the same values. For example, all employees are fully aware that anything less than ethical behavior is unacceptable, and not "the XL way". Indeed, XL employees annually complete online compliance training modules. Our rigorous adherence to a climate of probity is important to employees. The 2,100 respondents to XL's 2006 Global Employee Climate Survey resoundingly confirmed that their colleagues act ethically in business dealings. That's the kind of response we had hoped for.

+3500
employees

77
offices worldwide

28
countries

5
operating segments

Corporate

Our corporate functions cover the network of people, systems, processes and disciplines that enable the XL Capital group of companies to efficiently deliver local services in the worldwide marketplace and to operate as a publicly traded global company.

Jerry M. de St. Paer *

Executive Vice President,
Chief Financial Officer

Fiona E. Luck

Executive Vice President,
Chief of Staff



Henry C. V. Keeling

Executive Vice President,
Chief Operating Officer

Michael "Spike" C. Lobdell

Executive Vice President,
Chief Executive of Global Business Services

* Jerry de St. Paer retired on March 5, 2007. Fiona Luck is the interim Chief Financial Officer.

"XL's capital strength is now better able to support profitable opportunities in 2007..."

How has XL's capital position improved in 2006?

Jerry: Following our successful capital raise in December 2005, XL was able to leverage that opportunity to organically grow its capital structure in 2006. This growth, helped by an absence of significant catastrophes, was reinforced by strong underwriting and cost discipline, conservative risk reduction initiatives and solid investment results – all primary drivers of XL's improved earnings performance in 2006. With such earnings, XL's capital strength is now better able to support profitable opportunities in 2007, and I believe XL is better positioned than in prior years to absorb the effects of potential hurricanes or large loss events.

What changes have been made to XL's risk management program in 2006 and what improvements do you see going forward?

Henry: Risk management has always been a core focus for XL and we have had a Chief Risk Officer since 2003, reporting first

to Brian O'Hara and now to me. During 2006 we continued to reinforce our risk management efforts in several ways. From a practical perspective we reduced our catastrophe volatility by entering into a quota share reinsurance agreement with Cyrus Re and by reducing other onshore and offshore catastrophe exposures. This not only reduced volatility but also improved our risk adjusted returns – an important factor when considering the quality of our 2006 earnings. We also established a new Enterprise Risk Committee, under the leadership of Spike Lobdell. This seeks to identify and coordinate all facets of risk across the broadest spectrum of the organization, recognizing that while underwriting risk should rightfully consume our greatest attention, we must also actively control others such as operational or reputation risk.

As XL Capital Ltd's first COO, how has your role increased management effectiveness of the company?

Henry: While each of our activities and func-

tions are vitally important to the long-term success of XL Capital, the assumption of underwriting risk is our *raison d'être*. If you combine this with a pervading emphasis on increasing our operational effectiveness and execution, the creation of the position of Chief Operating Officer was eminently logical. Up until now all the underwriting segments reported in to Brian O'Hara. Having these all report in to the COO reduces the number of Brian's direct reports and gives greater focus to the coordination and cohesion of underwriting activities. My responsibility as COO is singular – focusing 100% on our underwriting segments, building for profitable growth and delivering on our underwriting plans.

How is XL ensuring that it retains the most talented employees?

Henry: Our retention strategy is multi-faceted. First, we have created a culture founded on our core values, and we seek to hire individuals who exemplify these core values. Second, we strongly embrace a "pay for performance"

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01 LEFT TO RIGHT
Sue Newman,
Karen Gonsalves, Collin Dill
Finance, Bermuda

02



02 LEFT TO RIGHT
Arabella Ramage, Rhic Webb
Legal, London

03 LEFT TO RIGHT
Matthias Kammermann,
Jacqueline Jones
Strategic Planning, Zurich

04 LEFT TO RIGHT
Malavika Gupta, Rahul Bhattacharya,
Vikas Dhull, Shweta Bakshi
Global Business Services, India

05



compensation strategy where compensation is driven by results. Additionally, we endeavor to monitor employee engagement through an employee climate survey which provides us with feedback on issues that matter to our staff. Finally, we offer meaningful career opportunities for talented individuals within the organization. Our internal "job posting" process is robust and we have filled a significant number of positions with internal talent, including many high profile roles.

How are development programs improving XL's future?

Fiona: Ensuring that all our staff realize their full potential is the only way for us to reach our business objectives and therefore enhance shareholder value. To that end, our comprehensive leadership and development programs have targeted and trained employees from an early stage in their careers through to executive management levels. In addition, our ongoing talent management initiatives, with the aid of our Performance & Development software, are providing increased opportunities to identify, track and develop talented

05 LEFT TO RIGHT
Immanuel Babu, Martina O'Sullivan,
Dean Kelly, William Austin
IT, Shared Services, Stamford

03



employees. Also, our succession planning is proactively highlighting development needs and ensuring that a pipeline of viable successors is available for business-critical positions. For example in 2006 we promoted several people, who are mentioned in this report, to senior management roles. Among those promoted were: Chief Investment Officer Sarah Street, General Counsel of Corporate Affairs and Secretary Kirstin Gould, Global Chief Actuary Susan Cross, Head of Global Human Resources Celia Brown, and from our Insurance segment, Chief Operating Officer David Duclos, Chief Underwriting Officer for Specialty operations Dermot O'Donohoe, and Chief Underwriting Officer for Professional operations John Glancy.

How did XL celebrate its 20th anniversary?

Fiona: We launched our 20th anniversary celebrations by having XL's first employee, Brian O'Hara, unveil a commemorative XL history exhibit at our global headquarters in Bermuda last April. The exhibit highlights milestones in the evolution of XL, and was designed to serve as a reminder of what can be achieved with the benefit of financial strength and intellectual capital. There were several other special events held to mark our 20th anniversary. However, we believe the

04



most memorable highlights were those featured in this report i.e. our first Global Day of Giving, and the XL Congresses which we held in Berlin, Germany in May and in Boston – our first in the U.S. – in October.

How is XL using technology to support its business segments?

Spike: XL has made great strides in using technology to manage information more effectively, improve risk management and enhance operational processes – all aimed at delivering higher value added services across the business segments. However, we are now entering a new era. XL has enjoyed tremendous growth over our 20-year history, but our future growth depends on achieving a greater level of operational efficiency to support our global businesses. Our current corporate strategy places a premium on operational flexibility, therefore one of our key strategic priorities is providing a technological infrastructure that will move and grow with XL's demands.

How is XL using global reach to bring efficiencies to clients and shareholders?

Spike: The best example of this is the formation of our Operation Center in India (OCI). This facility is emerging as a key competitive source

of advantage for XL. Here we are redesigning processes and workflow, enabling us to service our clients more efficiently on a 24/7 basis, and allowing us to redirect resources to higher priority items in the value chain. Additionally, operating in cities such as Dublin, XL has been at the forefront of the reinsurance industry by finding ways to optimize our capital to serve our clients more efficiently. Finally, the company has made a commitment to increase business cohesion and transparency around our core processes across the globe, allowing for greater resource management and eliminating redundancies.

Spike, as one of the more senior hires to XL, tell us why you chose this company?

Spike: Simply put, I joined XL after a 27-year career in finance, because the company's core values and the passion of its people truly differentiate it in the marketplace.

We have an amazing opportunity to add value to our clients, and hence to increase shareholder value through the innovation, creativity and energy of our people. The integrity with which XL pursues its business is unlike anything I've ever seen and is our most important non-tangible corporate asset. I am very proud to be part of this team.



Approximately **20,000** hours for more than **200** charitable projects worldwide

Global Day of Giving



More than **2,000** employees supported the day



More than **20** locations around the world

Corporate Social Responsibility

June 16th, 2006 – A day of giving

On Friday, June 16th, 2006, more than 2,000 employees joined together worldwide for XL's Global Day of Giving to make a difference in their local communities.

Commemorating XL's 20th anniversary, this special event helped reinforce XL's philanthropic objectives of giving back to the local communities in which it operates and increasing support for employee volunteerism. Employees organized more than 200 charitable projects, demonstrating their creativity and commitment to the communities in which they live and work.

The result: approximately 20,000 employee-hours of service were donated in more than 20 locations around the world. Whether it was tree planting in Hong Kong, teaching business skills to students in New York, working at a seniors' residence in Germany, painting and upgrading a schoolyard in Dublin, or refurbishing a children's reading/play room in Buenos Aires, no project was too big or too small.

The Global Day of Giving drew overwhelming support from inside and outside the company. XL's Schaumburg, IL office was acknowledged for its efforts with the 'Above and

Beyond Award' from the John Muir Literacy Academy, while the London office received recognition for its efforts on the day with *Insurance Day's* London Market 'Charitable Initiative of the Year' award.

Plans are under way for XL's second Global Day of Giving on Thursday, May 10th, 2007. Meanwhile, philanthropic giving, employee volunteerism and helping shape industry-wide social responsibility remain core to XL's Corporate Social Responsibility (CSR) activities as reflected in the Company's Mission statement.

2006 CSR Highlights

INDUSTRY INITIATIVE

President and CEO Brian O'Hara called upon attendees at the XL Congress in Berlin to play a part in global problem solving and proposed adopting an industry-based, coordinated approach to CSR planning. As a result, XL is driving an industry partnership with the New York-based Insurance Information Institute and industry peers to increase awareness of the industry's CSR efforts.



EDUCATION

In addition to offering scholarships, XL continued its support of organizations such as Room to Read (building schools and libraries in the 2004 tsunami-stricken areas of Sri Lanka) and Community Links (running community-based programs in east London for inner city schoolchildren). Beginning with the formation of the XL Foundation Ltd. (the philanthropic arm of the XL Capital Ltd group of companies) 14 years ago, approximately \$20 million has been contributed to education, much of it directly helping young people prepare for professional careers in the insurance industry.



LOCAL EFFORTS

XL offices have supported their own individual charitable initiatives and have made an indelible impact on their communities. For example, Bermuda employees spend their lunch hours delivering meals to the homes of the sick and elderly; Exton, PA employees support environmental education programs for children in their community; and Colombia employees help pay for and build homes for destitute women in their community.



01 Clearing the way at the St Matthias Church's community centre in London; 02 A group effort for the Salvation Army in Bermuda; 03 Relishing the moment at the SOS Children's Village in Bawana, India; 04 A Madrid employee lends a helping hand for a child of the Tierra de Hombres Foundation; 05 Laughter – and fresh paint – brightens a Dublin schoolyard; 06 Employees get ready to clean up the Sarah D. Roosevelt Park in New York City; 07 The view at the top in Hong Kong after planting trees for the Kadoorie Farm and Botanic Garden

XL at a Glance

Brand	Executives	Key Operations
	Charles F. Barr EVP/General Counsel	Legal
	Jerry M. de St. Paer * EVP/Chief Financial Officer, Assistant Secretary	Finance and Treasury <i>* Jerry de St. Paer retired on March 5, 2007. Fiona Luck is the interim Chief Financial Officer.</i>
	Henry C. V. Keeling EVP/Chief Operating Officer	Insurance, Reinsurance, Life, Financial Lines
	Michael C. Lobdell EVP/Chief Executive, Global Business Services	Information Technology, Real Estate, Global Shared Services
	Fiona E. Luck EVP/Chief of Staff, Assistant Secretary	Strategic Planning, Corporate Development, Human Resources, Legal, Actuarial, Marketing, Corporate Communications, Knowledge Services and Corporate Social Responsibility
	Kirstin Romann Gould EVP/General Counsel of Corporate Affairs and Secretary	Legal and Corporate Secretary
	Sarah E. Street EVP/Chief Investment Officer	Investments – XL Capital Investment Partners Inc.
	Clive R. Tobin EVP/Chief Executive, Insurance Operations	Companies within this segment include: <ul style="list-style-type: none"> – Greenwich Insurance Company – Indian Harbor Insurance Company – XL Europe Ltd – XL Insurance America, Inc. – XL Insurance (Bermuda) Ltd. – XL Insurance Company Limited – XL Insurance Company of New York, Inc. – XL Insurance Switzerland – XL Select Insurance Company – XL Specialty Insurance Company Specialty Underwriting Divisions include: Aerospace, Environmental, Global Risk, London Market, Professional (including Directors & Officers Liability) and Programs.
	James H. Veghte EVP/Chief Executive, Reinsurance Operations	Companies within this segment include: <ul style="list-style-type: none"> – XL Re Ltd – XL Reinsurance America, Inc. – XL Re Latin America Ltd – XL Re Europe Limited
	Robert W. Douglas EVP/Chief Executive, Life Operations	Companies within this segment include: <ul style="list-style-type: none"> – XL Re Ltd – XL Re Europe Limited – XL Re Life Ltd – XL Re Life America Inc
	Daniel Sussman EVP/Chief Executive, Financial Lines Operations	Companies within this segment include: <ul style="list-style-type: none"> – XL Life and Annuity Company – XL Weather & Energy, Inc. – XL Financial Solutions Ltd. – Political Risk Insurance Business

Business Descriptions	Financial Highlights 31.12.06 (in millions)	Ratings **								
<p>Legal counsel</p> <p>Finance & Treasury operations, and corporate reporting</p> <p>Operating segments</p> <p>Global business services</p> <p>Global corporate services</p> <p>Legal counsel</p> <p>Investment strategy and management Ownership stakes in investment managers</p>	<p>Consolidated</p> <p><i>Net Premiums Earned</i> \$ 7,570</p> <p><i>Net Investment Income</i> \$ 1,978</p> <p><i>Net Income*</i> \$ 1,722</p> <hr/> <p><i>Total Investments Available for Sale</i> \$ 39,351</p> <p><i>Total Assets</i> \$ 59,309</p> <p><i>Total Liabilities</i> \$ 48,616</p> <p><i>Total Shareholders' Equity</i> \$ 10,131</p> <p>*Available to class A ordinary shareholders</p>	<p>Long-Term Debt Ratings</p> <p>Debt Securities issued by XL Capital Ltd have one or more of the following ratings:</p> <table border="0"> <tr><td>S&P</td><td>A-</td></tr> <tr><td>Moody's</td><td>A3</td></tr> <tr><td>Fitch</td><td>A</td></tr> <tr><td>A.M. Best</td><td>a-</td></tr> </table> <p>** Selected Ratings as of February 5, 2007.</p> <p>There can be no assurance that any such ratings will be retained for any period of time or that they will not be qualified, suspended, revised downward or withdrawn entirely by such agencies.</p> <p>For a full list of all XL Capital Group company ratings, visit www.xlcapital.com</p>	S&P	A-	Moody's	A3	Fitch	A	A.M. Best	a-
S&P	A-									
Moody's	A3									
Fitch	A									
A.M. Best	a-									
<p>The Insurance segment encompasses the Company's world-wide property, casualty, professional liability and specialty insurance operations. Products are offered globally under the "XL Insurance" brand, with major offices in Europe, North America and Bermuda.</p>	<p><i>Net Premiums Earned</i> \$ 4,101</p> <p><i>Combined Ratio</i> 91.7%</p> <p><i>Underwriting Profit</i> \$ 222</p>	<p>Most of the Insurance segment's operating companies have one or more of the following financial strength ratings:</p> <table border="0"> <tr><td>S&P</td><td>A+</td></tr> <tr><td>Moody's</td><td>Aa3</td></tr> <tr><td>Fitch</td><td>AA-</td></tr> <tr><td>A.M. Best</td><td>A+</td></tr> </table>	S&P	A+	Moody's	Aa3	Fitch	AA-	A.M. Best	A+
S&P	A+									
Moody's	Aa3									
Fitch	AA-									
A.M. Best	A+									
<p>The Reinsurance segment, branded as "XL Re", is organized on a geographical basis, reflecting the locations of the insurance and reinsurance companies that purchase property and casualty reinsurance coverage from the Company.</p>	<p>General Operations</p> <p><i>Net Premiums Earned</i> \$ 2,591</p> <p><i>Combined Ratio</i> 83.4%</p> <p><i>Underwriting Profit</i> \$ 477</p>	<p>Most of the Reinsurance segment's operating companies have one or more of the following financial strength ratings:</p> <table border="0"> <tr><td>S&P</td><td>A+</td></tr> <tr><td>Moody's</td><td>Aa3</td></tr> <tr><td>Fitch</td><td>AA-</td></tr> <tr><td>A.M. Best</td><td>A+</td></tr> </table>	S&P	A+	Moody's	Aa3	Fitch	AA-	A.M. Best	A+
S&P	A+									
Moody's	Aa3									
Fitch	AA-									
A.M. Best	A+									
<p>The Life Operations segment provides reinsurance to life insurance companies, under the "XL Re" brand, principally covering mortality, morbidity, survivorship and investment risks. The segment covers a range of geographic markets, with an emphasis on the U.K., U.S. and Continental Europe.</p>	<p>Life Operations</p> <p><i>Net Premiums Earned</i> \$ 559</p> <p><i>Net Income</i> \$ 66</p>	<p>Most of the Life Operations segment's companies have one or more of the following financial strength ratings:</p> <table border="0"> <tr><td>S&P</td><td>A+</td></tr> <tr><td>Moody's</td><td>Aa3</td></tr> <tr><td>Fitch</td><td>AA-</td></tr> <tr><td>A.M. Best</td><td>A+</td></tr> </table>	S&P	A+	Moody's	Aa3	Fitch	AA-	A.M. Best	A+
S&P	A+									
Moody's	Aa3									
Fitch	AA-									
A.M. Best	A+									
<p>The Financial Lines segment, branded as "XL Financial", offers institutional investment products, credit products and customized risk management solutions in such areas as structured finance, weather and energy risk management and political risk insurance to leading corporations and financial institutions around the world.</p>	<p>Financial Lines Operations</p> <p><i>Net Premiums Earned / Fee Income</i> \$ 130</p> <p><i>Total Contribution from Financial Lines Operations</i> \$ 92</p>	<p>XL Life Insurance and Annuity Company</p> <table border="0"> <tr><td>S&P</td><td>A+</td></tr> <tr><td>Moody's</td><td>Aa3</td></tr> <tr><td>A.M. Best</td><td>A+</td></tr> </table>	S&P	A+	Moody's	Aa3	A.M. Best	A+		
S&P	A+									
Moody's	Aa3									
A.M. Best	A+									

XL Capital Ltd

Selected Financial Data

(U.S. dollars in thousands, except share and per share amounts and ratios)

The selected consolidated financial data below is based upon the Company's fiscal year end of December 31. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and the Notes thereto presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, on file with the U.S. Securities and Exchange Commission.

INCOME STATEMENT DATA	2006	2005	2004	2003	2002
Net premiums earned – general operations	\$ 6,691,908	\$ 6,873,638	\$ 6,987,940	\$ 6,089,578	\$ 4,889,867
Net premiums earned – life operations	559,395	2,237,721	1,365,176	708,994	990,736
Net premiums earned – financial operations	318,215	254,136	228,898	195,344	162,357
Net investment income	1,978,184	1,475,039	1,035,012	815,487	758,358
Net realized (losses) gains on investments	(116,458)	241,882	246,547	120,195	(214,160)
Net realized and unrealized gains (losses) on derivative instruments	101,183	28,858	73,493	6,073	(41,546)
Net income from investment affiliates (1)	269,036	154,844	124,008	119,200	54,143
Fee income and other	31,732	19,297	35,317	41,744	54,963
Net losses and loss expenses incurred – general operations	4,060,977	7,358,929	4,796,855	4,595,992	3,358,955
Net losses and loss expenses incurred – financial operations	177,661	106,072	114,633	100,435	69,477
Claims and policy benefits – life operations	769,811	2,479,364	1,480,535	791,454	1,031,704
Acquisition costs, operating expenses and foreign exchange gains and losses	2,374,358	2,188,357	2,277,321	1,926,393	1,549,440
Interest expense	552,275	403,849	292,234	233,929	190,442
Amortization of intangible assets	2,355	10,752	15,827	4,637	6,187
Income (loss) before minority interests, net income from operating affiliates and income tax expense	1,895,758	(1,261,908)	1,118,986	443,775	448,513
Preference share dividends	40,322	40,322	40,321	40,321	9,620
Net income (loss) available to ordinary shareholders	\$ 1,722,445	\$ (1,292,298)	\$ 1,126,292	\$ 371,658	\$ 395,951
PER SHARE DATA					
Net income (loss) per ordinary share – basic (2)	\$ 9.63	\$ (9.14)	\$ 8.17	\$ 2.71	\$ 2.92
Net income (loss) per ordinary share – diluted (2)	\$ 9.60	\$ (9.14)	\$ 8.13	\$ 2.69	\$ 2.88
Weighted average ordinary shares					
Outstanding – diluted (2)	179,450	141,406	138,582	138,187	137,388
Cash dividends per ordinary share	\$ 1.52	\$ 2.00	\$ 1.96	\$ 1.92	\$ 1.88

XL Capital Ltd

Selected Financial Data (continued)

(U.S. dollars in thousands, except share and per share amounts and ratios)

BALANCE SHEET DATA	2006	2005	2004	2003	2002
Total investments available for sale	\$ 39,350,983	\$ 35,724,439	\$ 27,823,828	\$ 20,775,256	\$ 16,059,733
Cash and cash equivalents	2,223,748	3,693,475	2,203,726	2,722,405	3,595,782
Investments in affiliates	2,308,781	2,046,721	1,936,852	1,903,341	1,750,005
Unpaid losses and loss expenses recoverable	5,027,772	6,441,522	6,971,356	6,045,025	5,223,966
Premiums receivable	3,591,238	3,799,041	3,838,228	3,487,322	3,592,713
Total assets	59,308,870	58,454,901	49,245,469	41,455,745	35,971,325
Unpaid losses and loss expenses	23,080,142	23,767,672	19,837,669	16,763,124	13,332,502
Unearned premiums	5,652,897	5,388,996	5,191,368	4,729,989	4,028,299
Notes payable and debt	3,368,376	3,412,698	2,721,431	1,905,483	1,877,957
Shareholders' equity	10,131,166	8,471,811	7,738,695	6,936,915	6,569,589
Book value per ordinary share	\$ 53.12	\$ 44.31	\$ 51.98	\$ 46.74	\$ 44.48

OPERATING RATIOS					
Loss and loss expense ratio (3)	60.7%	107.1%	68.6%	75.5%	68.6%
Underwriting expense ratio (4)	27.8%	25.8%	27.3%	27.3%	28.9%
Combined ratio (5)	88.5%	132.9%	95.9%	102.8%	97.5%

- (1) Net income from investment affiliates in 2003 includes income on the alternative investment portfolio for eleven months ended November 30, 2003 as compared to the twelve months ended December 31, 2002 and the twelve months ended November 30 in subsequent years. The fair market values of certain of these alternative investments often take longer to obtain as compared to our other investments and we record the investment fund affiliates on a one month lag and the private equity fund affiliates on a three month lag in order for us to meet the accelerated filing deadlines as specified by the SEC.
- (2) Net income per ordinary share is based on the basic and diluted weighted average number of Class A ordinary shares and share equivalents outstanding for each period. Net loss per ordinary share is based on the basic weighted average number of ordinary shares outstanding.
- (3) The loss and loss expense ratio is calculated by dividing the losses and loss expenses incurred by the net premiums earned for the insurance and reinsurance segments.
- (4) The underwriting expense ratio is the sum of acquisition expenses and operating expenses for the insurance and reinsurance segments divided by net premiums earned for the insurance and reinsurance segments. See Item 8, Note 4 to the Consolidated Financial Statements, "Segment Information", for further information.
- (5) The combined ratio is the sum of the loss and loss expense ratio and the underwriting expense ratio. A combined ratio under 100% represents an underwriting profit and over 100% represents an underwriting loss.
- (6) Certain reclassifications to prior period information have been made to conform to current year presentation.

XL Capital Ltd

Consolidated Balance Sheets

As at December 31st, 2006 and 2005

(U.S. dollars in thousands, except share amounts)

ASSETS	2006	2005
Investments		
Fixed maturities at fair value (<i>amortized cost: 2006, \$35,979,759; 2005, \$31,984,076</i>)	\$ 36,121,358	\$ 32,309,565
Equity securities, at fair value (<i>cost: 2006, \$705,517; 2005, \$696,858</i>)	891,138	868,801
Short-term investments, at fair value (<i>amortized cost: 2006, \$2,340,304; 2005, \$2,552,589</i>)	2,338,487	2,546,073
Total investments available for sale	39,350,983	35,724,439
Investments in affiliates	2,308,781	2,046,721
Other investments (<i>cost: 2006, \$417,762; 2005, \$372,546</i>)	476,889	399,417
Total investments	42,136,653	38,170,577
Cash and cash equivalents	2,223,748	3,693,475
Accrued investment income	432,618	391,660
Deferred acquisition costs	870,237	866,200
Prepaid reinsurance premiums	1,178,516	1,067,556
Premiums receivable	3,591,238	3,799,041
Reinsurance balances receivable	1,106,651	1,043,013
Unpaid losses and loss expenses recoverable	5,027,772	6,441,522
Goodwill and other intangible assets	1,818,096	1,814,544
Deferred tax asset, net	346,122	318,399
Other assets	577,219	848,914
Total assets	\$ 59,308,870	\$ 58,454,901
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss expenses	\$ 23,080,142	\$ 23,767,672
Deposit liabilities	7,857,827	8,240,987
Future policy benefit reserves	6,290,936	5,606,461
Unearned premiums	5,652,897	5,388,996
Notes payable and debt	3,368,376	3,412,698
Reinsurance balances payable	902,841	1,414,752
Net payable for investments purchased	104,739	639,034
Other liabilities	1,357,825	1,458,101
Total liabilities	\$ 48,615,583	\$ 49,928,701

XL Capital Ltd

Consolidated Balance Sheets (continued)

As at December 31st, 2006 and 2005

(U.S. dollars in thousands, except share amounts)

	2006	2005
Commitments and Contingencies		
Minority interest in equity of consolidated subsidiaries	\$ 562,121	\$ 54,389
Shareholders' Equity:		
Series A preference ordinary shares, 23,000,000 authorized, par value \$0.01 <i>Issued and outstanding: (2006 and 2005 9,200,000)</i>	\$ 92	\$ 92
Series B preference ordinary shares, 27,000,000 authorized, par value \$0.01 <i>Issued and outstanding: (2006 and 2005 11,500,000)</i>	115	115
Class A ordinary shares, 999,990,000 authorized, par value \$0.01 <i>Issued and outstanding: (2006, 180,983,611; 2005, 179,528,593)</i>	1,810	1,795
Additional paid in capital	6,451,569	6,377,375
Accumulated other comprehensive income	411,405	268,243
Retained earnings	3,266,175	1,824,191
Total shareholders' equity	\$ 10,131,166	\$ 8,471,811
Total liabilities and shareholders' equity	\$ 59,308,870	\$ 58,454,901

See Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

XL Capital Ltd

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2006, 2005 and 2004

(U.S. dollars in thousands, except share and per share amounts)

REVENUES	2006	2005	2004
Net premiums earned – general operations	\$ 6,691,908	\$ 6,873,638	\$ 6,987,940
Net premiums earned – life operations	559,395	2,237,721	1,365,176
Net premiums earned – financial operations	318,215	254,136	228,898
Net investment income	1,978,184	1,475,039	1,035,012
Net realized (losses) gains on investments	(116,458)	241,882	246,547
Net realized and unrealized gains on derivative instruments	101,183	28,858	73,493
Net income from investment affiliates	269,036	154,844	124,008
Fee income and other	31,732	19,297	35,317
Total revenues	\$ 9,833,195	\$ 11,285,415	\$ 10,096,391
EXPENSES			
Net losses and loss expenses incurred – general and financial operations	\$ 4,238,638	\$ 7,465,001	\$ 4,911,488
Claims and policy benefits – life operations	769,811	2,479,364	1,480,535
Acquisition costs	1,102,046	1,195,344	1,264,864
Operating expenses	1,182,939	982,059	1,053,135
Foreign exchange losses (gains)	89,373	10,954	(40,678)
Interest expense	552,275	403,849	292,234
Amortization of intangible assets	2,355	10,752	15,827
Total expenses	\$ 7,937,437	\$ 12,547,323	\$ 8,977,405
Income (loss) before minority interest, income tax and net income from operating affiliates	\$ 1,895,758	\$ (1,261,908)	\$ 1,118,986
Minority interest in net income of consolidated subsidiaries	25,016	8,210	8,387
Income tax expense	219,645	49,284	91,343
Net income from operating affiliates	111,670	67,426	147,357
Net income (loss)	1,762,767	\$ (1,251,976)	\$ 1,166,613
Preference share dividends	(40,322)	(40,322)	(40,321)
Net income (loss) available to ordinary shareholders	\$ 1,722,445	\$ (1,292,298)	\$ 1,126,292
Net income (loss)	\$ 1,762,767	\$ (1,251,976)	\$ 1,166,613
Change in net unrealized (depreciation) appreciation of investments, net of tax	(103,834)	(314,719)	198,912
Additional pension liability	(9,809)	–	–
Change in value (loss) on cash flow hedge	630	630	(6,118)
Net unrealized gain (loss) on future policy benefit reserves	94,904	(46,743)	(49,250)
Foreign currency translation adjustments	153,610	168,802	(173,466)
Realization of loss on sale of SCA	14,224	–	–
Minority interest share in change in accumulated other comprehensive loss in SCA	(6,563)	–	–
Comprehensive income (loss)	\$ 1,905,929	\$ (1,444,006)	\$ 1,136,691
Weighted average ordinary shares and ordinary share equivalents outstanding – basic	178,793	141,406	137,903
Weighted average ordinary shares and ordinary share equivalents outstanding – diluted	179,450	141,406	138,582
Earnings (Loss) per ordinary share and ordinary share equivalent – basic	\$ 9.63	\$ (9.14)	\$ 8.17
Earnings (Loss) per ordinary share and ordinary share equivalent – diluted	\$ 9.60	\$ (9.14)	\$ 8.13

See Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

XL Capital Ltd

Consolidated Statements of Shareholder's Equity

For the years ended December 31, 2006, 2005 and 2004

(U.S. dollars in thousands)

	2006	2005	2004
SERIES A AND B PREFERENCE ORDINARY SHARES			
Balance – beginning of year	\$ 207	\$ 207	\$ 207
Issue of shares	–	–	–
Balance – end of year	\$ 207	\$ 207	\$ 207
ORDINARY SHARES			
Balance – beginning of year	\$ 1,795	\$ 1,389	\$ 1,373
Issue of shares	9	398	7
Exercise of stock options	7	9	10
Repurchase of shares	(1)	(1)	(1)
Balance – end of year	\$ 1,810	\$ 1,795	\$ 1,389
ADDITIONAL PAID IN CAPITAL			
Balance – beginning of year	\$ 6,377,375	\$ 3,880,187	\$ 3,903,297
Issue of shares	56,308	2,504,872	59,407
Stock option expense	27,216	20,457	14,575
Exercise of stock options	33,062	36,293	34,796
Repurchase of shares	(2,846)	(2,036)	(3,558)
Equity units / debt value	–	(36,922)	(104,466)
Net change in deferred compensation	1,554	(25,476)	(23,864)
Net loss on sale of SCA	(30,100)	–	–
Realization of accumulated other comprehensive loss on sale of SCA	(11,000)	–	–
Balance – end of year	\$ 6,451,569	\$ 6,377,375	\$ 3,880,187
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Balance – beginning of year	\$ 268,243	\$ 460,273	\$ 490,195
Net change in unrealized (losses) gains on investment portfolio, net of tax	(136,090)	(340,156)	211,933
Net change in unrealized gains (losses) on affiliate and other investments, net of tax	32,256	25,437	(13,021)
Additional pension liability	(9,809)	–	–
Change in value (loss) of cash flow hedge	630	630	(6,118)
Impact of net unrealized gain (loss) on future policy benefit reserves	94,904	(46,743)	(49,250)
Currency translation adjustments	153,610	168,802	(173,466)
Realization of loss on sale of SCA	14,224	–	–
Minority interest share in change in accumulated other comprehensive loss in SCA	(6,563)	–	–
Balance – end of year	\$ 411,405	\$ 268,243	\$ 460,273
RETAINED EARNINGS			
Balance – beginning of year	\$ 1,824,191	\$ 3,396,639	\$ 2,541,843
Net income (loss)	1,762,767	(1,251,976)	1,166,613
Dividends on Class A ordinary shares	(277,682)	(276,655)	(270,452)
Dividends on Series A and B preference ordinary shares	(40,322)	(40,322)	(40,321)
Repurchase of shares	(2,779)	(3,495)	(1,044)
Balance – end of year	\$ 3,266,175	\$ 1,824,191	\$ 3,396,639
Total shareholders' equity	\$ 10,131,166	\$ 8,471,811	\$ 7,738,695

See Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

XL Capital Ltd

Consolidated Statements of Cash Flows

For the years ended December 31, 2006, 2005 and 2004

(U.S. dollars in thousands)

CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES	2006	2005	2004
Net income (loss)	\$ 1,762,767	\$ (1,251,976)	\$ 1,166,613
ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net realized losses (gains) on sales of investments	116,458	(241,882)	(246,547)
Net realized and unrealized (gains) on derivative instruments	(101,183)	(28,858)	(73,493)
Amortization of (premiums) discounts on fixed maturity investments	(29,435)	50,206	80,740
Amortization of intangible assets	2,355	10,752	15,827
Amortization of deferred compensation	56,163	33,004	28,393
Accretion of convertible debt	969	976	21,775
Accretion of deposit liabilities	350,053	227,743	148,587
Equity in net income of investment, and operating affiliates	(380,706)	(222,270)	(271,365)
Unpaid losses and loss expenses	(1,275,576)	4,663,911	2,860,920
Unearned premiums	130,836	334,392	410,001
Premiums receivable	341,720	(148,432)	(266,040)
Unpaid losses and loss expenses recoverable	1,562,453	284,256	(1,116,964)
Future policy benefit reserves	90,131	1,785,895	958,270
Prepaid reinsurance premiums	(89,037)	(101,064)	1,725
Reinsurance balances receivable	(32,782)	(35,612)	331,069
Reinsurance balances payable	(528,697)	(70,855)	(6,778)
Deferred acquisition costs	21,479	(44,242)	(57,771)
Deferred tax asset	20,729	(3,122)	(7,790)
Other	419,958	(205,472)	(69,140)
Total adjustments	\$ 675,888	\$ 6,289,326	\$ 2,741,419
Net cash provided by operating activities	\$ 2,438,655	\$ 5,037,350	\$ 3,908,032
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of fixed maturities and short-term investments	\$ 24,409,164	\$ 21,672,519	\$ 23,446,569
Proceeds from redemption of fixed maturities and short-term investments	1,451,695	2,416,539	3,965,764
Proceeds from sale of equity securities	1,130,234	1,179,866	574,253
Purchases of fixed maturities and short-term investments	(29,141,948)	(33,115,344)	(33,433,519)
Purchases of equity securities	(1,000,775)	(947,538)	(690,781)
Investments in affiliates, net of dividends received	155,358	108,174	95,576
Acquisition of subsidiaries, net of cash acquired	(12,600)	–	–
Net proceeds on sale of shares of SCA	104,650	–	–
Other investments	(72,190)	15,768	(20,205)
Fixed assets and other	4,087	–	–
Net cash used in investing activities	\$ (2,972,325)	\$ (8,670,016)	\$ (6,062,343)

See Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

XL Capital Ltd

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2006, 2005 and 2004

(U.S. dollars in thousands)

	2006	2005	2004
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
Proceeds from exercise of stock options and issue of common shares	\$ 31,972	\$ 2,478,065	\$ 41,480
Repurchase of common shares	(5,626)	(5,531)	(4,602)
Dividends paid on common shares	(277,682)	(276,655)	(270,452)
Dividends paid on preference shares	(40,322)	(40,322)	(40,321)
Proceeds from notes payable and debt	–	790,291	1,742,317
Repayment of notes payable and debt	(45,291)	(100,000)	(974,384)
Deposit liabilities	(734,185)	2,043,125	1,469,156
Net cash flow on securities lending	(239,281)	274,582	(324,470)
Net proceeds on sale of shares of SCA	342,227	–	–
Net cash (used in) provided by financing activities	\$ (968,188)	\$ 5,163,555	\$ 1,638,724
Effects of exchange rate changes on foreign currency cash	32,131	(41,140)	(3,092)
(Decrease) increase in cash and cash equivalents	(1,469,727)	1,489,749	(518,679)
Cash and cash equivalents – beginning of year	3,693,475	2,203,726	2,722,405
Cash and cash equivalents – end of year	\$ 2,223,748	\$ 3,693,475	\$ 2,203,726
Net taxes paid	\$ 194,217	\$ 34,500	\$ 30,861
Interest paid	\$ 170,286	\$ 143,437	\$ 79,848

See Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

Disclaimer and Cautionary Statement

This report should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and the Notes thereto set forth in XL Capital Ltd's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission.

This report contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 that reflect XL Capital Ltd's current views with respect to future events, expectations and financial performance. Such statements are based on current plans, estimates, expectations and projections. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations -Cautionary Note Regarding Forward-Looking Statements" in XL Capital Ltd's Annual Report on Form 10-K for the year ended December 31, 2006 on file with the U.S. Securities and Exchange Commission. XL Capital Ltd undertakes no obligation to publicly update or revise any "forward-looking statements".

Chairman's Letter on Corporate Governance

As a global company with offices, clients and investors around the world, we at XL Capital Ltd understand the importance of being a leader in corporate governance.

Our culture is centered on core values of Respect, Excellence, Development, Teamwork and Ethics. We support these values at every level of the Company, and in every country in which we operate. They form the basis for our corporate governance framework, which includes:

- A Board of Directors with the majority of the directors being independent of management.
- Separation of the roles of Chief Executive Officer and Chairman of the Board.
- An Audit Committee, Compensation Committee, and Nominating and Governance Committee comprised solely of independent Directors.
- A Public Affairs Committee.
- A Code of Business Conduct & Ethics.
- A Code of Ethics for Senior Financial Officers.
- Published Corporate Governance Guidelines.
- Published Charters for the Audit, Compensation, Nominating and Governance, & Public Affairs Committees of the Board.
- Audit and Finance Committees comprised of financially-literate Directors with extensive experience.
- A Board of Directors that meets regularly in executive session without the CEO or other members of management present.
- Board Committees that meet regularly without management present.
- An annual evaluation of the performance of the Board of Directors and the Committees of the Board.
- An orientation plan for new Directors.
- An ongoing Director education program.
- Share ownership guidelines for Directors and Senior Management.
- An established system of internal control with appropriate checks and balances.
- Transparency in financial reporting and disclosure.
- A solid company-wide commitment to the long-term creation of shareholder value.



By maintaining high governance standards, XL intends to continue to protect shareholder value in a dedicated and responsible manner on a worldwide basis.

Michael P. Esposito, Jr.
Chairman of the Board

Board of Directors



Committees of the Board:

- 1 Audit
- 2 Compensation
- 3 Nominating and Corporate Governance
- 4 Finance
- 5 Public Affairs

STANDING LEFT TO RIGHT

Cyril E. Rance ^{1, 5}
Retired Insurance Executive

Herbert Haag ⁴
Founding President and
Former Chief Executive Officer,
PartnerRe Ltd.

Robert R. Glauber ^{2, 4}
Former Chairman and
Chief Executive Officer,
National Association
of Securities Dealers, Inc.

Brian M. O'Hara ⁴
President and
Chief Executive Officer,
XL Capital Ltd

Michael P. Esposito, Jr. ⁴
Chairman, XL Capital Ltd

Ellen E. Thrower ^{1, 3, 5}
Executive Director,
The School of Risk Management,
Insurance and Actuarial Science,
St. John's University

Dale R. Comey ^{1, 2}
Former Executive Vice President,
ITT Corporation

Alan Z. Senter ^{1, 4}
Chairman,
AZ Senter Consulting LLC

Eugene M. McQuade ^{1, 2}
President, Chief Operating Officer
and Director, Freddie Mac

John T. Thornton ^{1, 4}
Former Executive Vice President
and Chief Financial Officer,
Wells Fargo & Co.

SEATED LEFT TO RIGHT

Joseph Mauriello ^{1, 3}
Former Deputy Chairman
and Chief Operating Officer,
KPMG LLP

Robert S. Parker ^{3, 4, 5}
Dean Emeritus and
The Robert S. Parker
Chaired Professor,
The McDonough School
of Business at
Georgetown University

Corporate Officers

Brian M. O'Hara
President and
Chief Executive Officer

Charles F. Barr
Executive Vice President,
General Counsel

Jerry M. de St. Paer
Executive Vice President,
Chief Financial Officer
and Assistant Secretary

Henry C. V. Keeling
Executive Vice President,
Chief Operating Officer

Michael C. Lobdell
Executive Vice President,
Chief Executive of
Global Business Services

Fiona E. Luck
Executive Vice President,
Chief of Staff and
Assistant Secretary

Kirstin Romann Gould
Executive Vice President,
General Counsel of
Corporate Affairs and Secretary

Sarah E. Street
Executive Vice President,
Chief Investment Officer

Clive R. Tobin
Executive Vice President,
Chief Executive
of Insurance Operations

James H. Veghte
Executive Vice President,
Chief Executive
of Reinsurance Operations

Mark E. Anderson
Senior Vice President,
Director of Global
Compensation and Benefits

Gavin R. Arton
Senior Vice President,
Director of Global Corporate
Social Responsibility
and Philanthropy

Christopher A. Coelho
Senior Vice President,
Financial Operations

Susan L. Cross
Senior Vice President,
Global Chief Actuary

Paul D. Dowden
Senior Vice President,
Chief Risk Officer

Henry T. French, Jr.
Senior Vice President,
General Counsel for Global Litigation
and Compliance Director

Fiona M. Muldoon
Senior Vice President,
Financial Planning Officer

Susan J. L. Newman
Senior Vice President,
Deputy Controller

David R. Radulski
Senior Vice President,
Director of Investor Relations

Simon D. Rich
Senior Vice President,
Controller

Stephen J. H. Robb
Senior Vice President,
Accounting Policy
and SEC Reporting Officer

Corporate Information

Annual General Meeting

The annual general meeting of holders of class A ordinary shares of XL Capital Ltd will be held on **Friday, April 27, 2007** at the Company's Head Office, XL House, One Bermudiana Road, Hamilton, Bermuda at 8:30 a.m. local time.

Form 10-K

The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006 is filed with the Securities and Exchange Commission. Copies are available without charge by writing to Investor Relations, XL Capital Ltd, P.O. Box HM 2245, Hamilton HM JX, Bermuda.

Ordinary Shares

The Company's class A ordinary shares were first listed on the New York Stock Exchange on July 19, 1991 under the symbol XL.

The following table sets forth the high, low, and closing sales prices per share of the Company's class A ordinary shares, as reported on the New York Stock Exchange Composite Tape for the four fiscal quarters of 2006 and 2005.

As at December 31, 2006 there were 180,983,611 class A ordinary shares outstanding.

XL Capital Ltd

XL House, One Bermudiana Road,
Hamilton HM 11, Bermuda.
Telephone: 1 (441) 292-8515
Website: www.xlcapital.com

Investor Relations Office

XL House, One Bermudiana Road,
Hamilton HM 11, Bermuda.
Telephone: 1 (441) 294-7460
Fax: 1 (441) 292-5280

Transfer Agent

Mellon Investor Services,
85 Challenger Road, Ridgefield Park,
New Jersey 07660, U.S.A.
Telephone: 1 (800) 756-3353
or 1 (201) 329-8660
Website: www.melloninvestor.com

Registered Office

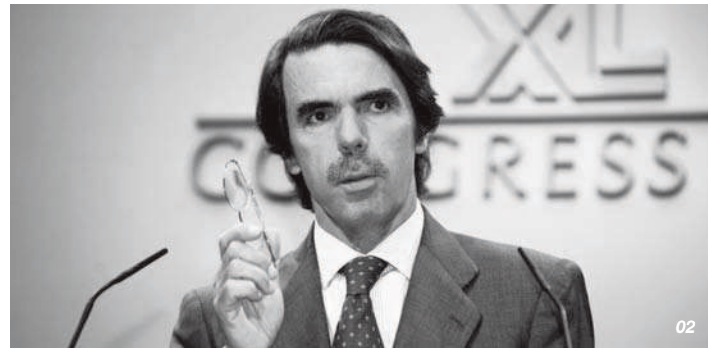
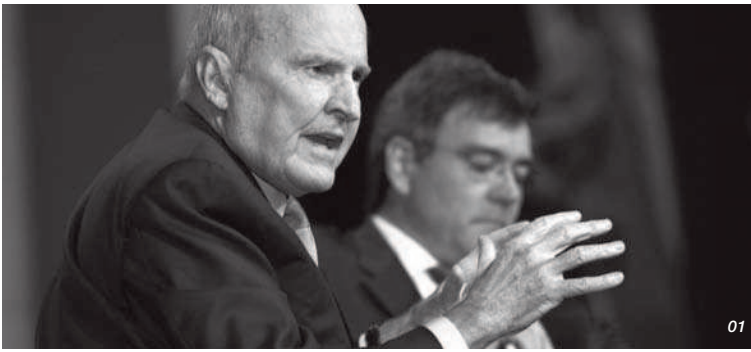
C/O Appleby Hunter Bailhache
Clifton House, P.O. Box 190 GT,
Grand Cayman, Cayman Islands.

Independent Auditors

PricewaterhouseCoopers LLP,
300 Madison Avenue,
New York, NY, 10017, U.S.A.

CERTIFICATION STATEMENT: The required Section 303A Annual Certification of the Chief Executive Officer of XL Capital Ltd has been submitted to the New York Stock Exchange, and the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and required by Rules 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, have been filed with the U.S. Securities and Exchange Commission as exhibits to XL Capital Ltd's Annual Report on Form 10-K for the year ended December 31, 2006.

	2006			2005		
	High	Low	Close	High	Low	Close
	\$	\$	\$	\$	\$	\$
1ST QUARTER	71.97	63.80	64.11	79.80	70.89	72.37
2ND QUARTER	67.30	60.67	61.30	76.05	67.40	74.42
3RD QUARTER	69.33	59.82	68.70	74.99	64.95	68.03
4TH QUARTER	72.90	68.25	72.02	74.44	60.03	67.38



XL CONGRESSES 2006

“O’Hara calls for culture of integrity”

INSURANCE DAY HEADLINE June 6, 2006

The 2006 XL Congresses reinforced XL’s thought leadership reputation. Both events, staged in Berlin and Boston for our European and American clients and brokers respectively, focused on the theme of “One World Without Borders”. The vast and complex topic was examined from all angles by some of the world’s leading political and business figures. Our guests enjoyed the opportunity to step away from their offices and think beyond everyday pressing needs. For us it was a chance to spend time with valued business partners in two remarkable cities, and an intellectual environment that challenged and inspired us all. CEO Brian O’Hara concluded: “It is no longer acceptable for business leaders to just mind our own business...their companies have much to contribute and they have a strategic interest in doing so.”

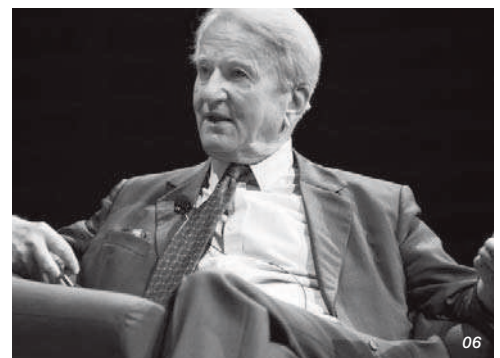
* “I have never seen such a powerful group of speakers – and the way they presented globalization from different perspectives (financial, risk and opportunity, geopolitical, terrorism, religion, etc.) was phenomenal. It was inspiring (and humbling)!!”



* “The conference was superb in every way. The word synonymous with XL is Class. Thank you for sharing such a special opportunity to be a part of your 20 year anniversary.”



* “...Thank you very much for having put on such a tremendous presentation. Everything was 100% first class and those who looked after every detail should be commended. It truly is a reflection of a professional organization...”



01 Left to right: Jack Welch, Chairman & CEO, General Electric (1981-2001) Interviewer: Jonathan Aiken, External Affairs Communications, American Red Cross; 02 José María Aznar, Prime Minister of Spain (1996-2004); 03 “One World Without Borders – Risks and Opportunities” Panel left to right: Mike Moore, Director of the World Trade Organization (1999-2002) & Prime Minister of New Zealand (1990); Steve Forbes, President & CEO, Forbes Inc., Editor-in-Chief Forbes magazine; Carol Bellamy, President & CEO of World Learning; His Excellency the Governor of Bermuda, Sir John Vereker, KCB; 04 The Rt. Hon. Lord Christopher Patten CH, Last British Governor of Hong Kong (1992-1997) & Former European Union Commissioner; 05 Investment Panel left to right: Laurence Fink, Chairman & CEO, BlackRock; Paul McCulley, Managing Director, Pacific Investment Management Company LLC (“PIMCO”); Daniel Fuss, Vice Chairman, Loomis, Sayles & Company, L.P.; Jonathon Jacobson, Co-Founder, Highfields Capital Management; Chris Greetham, Former CIO, XL Capital Ltd; 06 Richard von Weizsäcker, President of Germany (1984-1994)

* Quotes from our clients who attended the XL Congresses

In Memoriam



"XL's first Chairman and CEO was a man of integrity and intellect. Ian Heap demonstrated his character in everything he did."

IAN ROGER HEAP

December 30, 1925 – December 15, 2006

Born in the industrial English city of Manchester, Ian Heap was raised by his widowed mother. During the Second World War, aged 19, he became a Sub Lieutenant in the Royal Naval Volunteer Reserve, and served as a pilot.

Three years later he embarked on a lengthy career in property/casualty commercial insurance company management. In 1947 he went to Canada to work for Commercial Union for 16 years, leaving in 1964 for the United States, of which he became a citizen.

By 1986, the genesis of XL, Ian was a seasoned insurance professional, well known and respected in the industry. He became the fledgling company's first Chairman and CEO.

Ian served on XL Capital's Board of Directors for 14 years and was a member of the XL Capital Advisory Council until April, 2006. He was proud of the organization he had helped to create and revealed shortly before his death that he had "loved every minute" of his XL journey.

A man of integrity and intellect, Ian demonstrated his character in everything he did. XL Capital Ltd extends heartfelt condolences to his family: May Wager Heap, his wife of 56 years, and their four children, Lesley Eyre, Daintry Cleary, Diane Davey, and Ian R. Heap, Jr.

It is with profound sadness that we bid a final farewell to Ian – but we are grateful to have had the benefit of his wisdom and good judgment over the formative years of the XL group of companies.

Excerpted from the Eulogy delivered by Brian O'Hara at Ian Heap's Memorial Service in Bermuda, January 24, 2007

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YEARS OF FUNDAMENTAL STRENGTH