

XL GROUP PLC
Form 10-Q
August 06, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2010

OR

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

For the transition period from ____ to ____

Commission file number 1-10804

XL GROUP

Public Limited Company

(Exact name of registrant as specified in its charter)

Ireland
(State or other jurisdiction of
incorporation or organization)

98-0665416
(I.R.S. Employer Identification No.)

No. 1 Hatch Street Upper, 4th Floor, Dublin 2, Ireland
(Address of principal executive offices and zip code)
+353 (1) 405-2033

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of August 4, 2010, there were 342,010,919 outstanding Class A Ordinary Shares, \$0.01 par value per share, of the registrant.

XL GROUP PUBLIC LIMITED COMPANY

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

XL CAPITAL LTD

CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2010	December 31, 2009
<i>(U.S. dollars in thousands, except share amounts)</i>		
ASSETS		
Investments:		
Fixed maturities, at fair value (amortized cost: 2010, \$27,995,736; 2009, \$28,798,504)	\$ 27,681,839	\$ 27,512,032
Equity securities, at fair value (cost: 2010, \$16,091; 2009, \$12,344)	19,975	17,779
Short-term investments, at fair value (amortized cost: 2010, \$1,544,344; 2009, \$1,767,197)	1,552,301	1,777,360
Total investments available for sale	29,254,115	29,307,171
Fixed maturities, held to maturity at amortized cost (fair value: 2010, \$504,726; 2009, \$530,319)	\$ 468,738	\$ 546,067
Investments in affiliates	1,080,570	1,185,604
Other investments	858,636	783,189
Total investments	31,662,059	31,822,031
Cash and cash equivalents	3,801,194	3,643,697
Accrued investment income	326,297	350,055
Deferred acquisition costs	650,937	654,065
Ceded unearned premiums	783,132	711,875
Premiums receivable	2,756,348	2,597,602
Reinsurance balances receivable	236,054	374,844
Unpaid losses and loss expenses recoverable	3,454,004	3,584,028
Net receivable from investments sold		84,617
Goodwill and other intangible assets	835,865	845,129
Deferred tax asset	169,590	240,425
Other assets	646,939	717,864
Total assets	\$ 45,322,419	\$ 45,626,232
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities:		
Unpaid losses and loss expenses	\$ 20,153,892	\$ 20,823,524
Deposit liabilities	2,252,124	2,208,699
Future policy benefit reserves	4,892,612	5,490,119
Unearned premiums	3,842,364	3,651,310
Notes payable and debt	2,467,392	2,451,417
Reinsurance balances payable	327,064	378,887
Net payable for investments purchased	2,522	36,979
Deferred tax liability	82,748	46,557
Other liabilities	722,569	923,650
Total liabilities	\$ 34,743,287	\$ 36,011,142
Commitments and Contingencies		
Redeemable Series C preference ordinary shares, 20,000,000 authorized, par value \$0.01 Issued and outstanding: (2010, 2,876,000; 2009, 7,306,920)	\$ 71,900	\$ 182,673

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Shareholders' Equity:		
Noncontrolling interest in equity of consolidated subsidiaries	\$ 2,228	\$ 2,305
Series E preference ordinary shares, 1,000,000 authorized, par value \$0.01 Issued and outstanding: (2010, 1,000,000; 2009, 1,000,000)	10	10
Class A ordinary shares, 999,990,000 authorized, par value \$0.01 Issued and outstanding: (2010, 342,010,919; 2009, 342,118,986)	3,421	3,421
Additional paid in capital	10,494,675	10,474,688
Accumulated other comprehensive income (loss)	(338,733)	(1,142,467)
Retained earnings	345,631	94,460
	<hr/>	<hr/>
Total shareholders' equity	\$ 10,507,232	\$ 9,432,417
	<hr/>	<hr/>
Total liabilities, redeemable preference ordinary shares and shareholders' equity	\$ 45,322,419	\$ 45,626,232
	<hr/>	<hr/>

See accompanying Notes to Unaudited Consolidated Financial Statements

XL CAPITAL LTD

CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2010	2009	2010	2009
<i>(U.S. dollars in thousands, except share amounts)</i>				
Revenues:				
Net premiums earned	\$ 1,302,761	\$ 1,429,700	\$ 2,671,246	\$ 2,881,221
Net investment income	302,594	328,348	610,918	676,314
Realized investment gains (losses):				
Net realized gains (losses) on investments sold	(3,979)	4,520	42	37,623
Other-than-temporary impairments on investments	(26,736)	(115,620)	(87,250)	(400,660)
Other-than-temporary impairments on investments transferred to other comprehensive income	(30,671)	30,670	(10,354)	30,670
Total net realized gains (losses) on investments	(61,386)	(80,430)	(97,562)	(332,367)
Net realized and unrealized gains (losses) on derivative instruments	(19,896)	969	(40,376)	(438)
Net income (loss) from investment fund affiliates	19,084	37,086	27,262	10,193
Fee income and other	9,535	9,824	17,953	21,982
Total revenues	\$ 1,552,692	\$ 1,725,497	\$ 3,189,441	\$ 3,256,905
Expenses:				
Net losses and loss expenses incurred	\$ 747,165	\$ 779,628	\$ 1,639,365	\$ 1,569,911
Claims and policy benefits	123,375	174,588	247,118	332,547
Acquisition costs	180,560	223,272	381,697	441,491
Operating expenses	244,867	264,247	473,975	532,634
Exchange (gains) losses	(32,276)	145,221	(53,359)	120,597
Interest expense	49,149	54,198	98,219	115,539
Loss on termination of guarantee	23,500		23,500	
Amortization of intangible assets	464	464	929	929
Total expenses	\$ 1,336,804	\$ 1,641,618	\$ 2,811,444	\$ 3,113,648
Income (loss) before income tax and income (loss) from operating affiliates	\$ 215,888	\$ 83,879	\$ 377,997	\$ 143,257
Provision for income tax	42,976	16,045	72,812	61,998
Income (loss) from operating affiliates	21,013	17,667	32,619	7,339
Net income	\$ 193,925	\$ 85,501	\$ 337,804	\$ 88,598
Non-controlling interest in net (income) loss of subsidiary	80	40	81	40
Net income attributable to XL Capital Ltd	\$ 194,005	\$ 85,541	\$ 337,885	\$ 88,638
Preference share dividends	(2,194)	(5,592)	(34,694)	(42,126)
Gain on redemption of Series C Preference Ordinary Shares			16,616	211,816
Net income attributable to ordinary shareholders	\$ 191,811	\$ 79,949	\$ 319,807	\$ 258,328
Weighted average ordinary shares and ordinary share equivalents outstanding basic (in thousands)	342,056	342,154	342,049	339,155
Weighted average ordinary shares and ordinary share equivalents outstanding diluted (in thousands)	342,878	342,468	342,781	339,262

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Earnings per ordinary share and ordinary share equivalent - basic	\$ 0.56	\$ 0.23	\$ 0.93	\$ 0.76
Earnings per ordinary share and ordinary share equivalent - diluted	\$ 0.56	\$ 0.23	\$ 0.93	\$ 0.76

See accompanying Notes to Unaudited Consolidated Financial Statements

XL CAPITAL LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2010	2009	2010	2009
<i>(U.S. dollars in thousands)</i>				
Net income attributable to XL Capital Ltd	\$ 194,005	\$ 85,541	\$ 337,885	\$ 88,638
Impact of adoption of new authoritative other-than-temporary (OTTI) guidance, net of tax		(229,670)		(229,670)
Change in net unrealized gains (losses) on investments, net of tax	324,308	1,115,165	880,332	326,480
Change in other-than-temporary impairment losses recognized in other comprehensive income, net of tax	48,095	(25,595)	31,637	(25,595)
Change in underfunded pension liability	85	(250)	3,567	(316)
Change in value of cash flow hedge	110	110	220	218
Foreign currency translation adjustments, net	(75,823)	184,893	(108,308)	89,639
Change in net unrealized gain (loss) on future policy benefit reserves	(962)	(5,487)		