

XL CAPITAL LTD
Form PRE 14A
January 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
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SCHEDULE 14A INFORMATION
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of the Securities Exchange Act of 1934
(Amendment No.)

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XL CAPITAL LTD

(Name of Registrant as Specified in its Charter)

N/A

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To Our Ordinary Shareholders:

On , 2010, commencing at [a.m.], Bermuda time, we will hold two special meetings of our ordinary shareholders at our principal executive offices in Bermuda.

At these meetings, you will be asked to vote on a number of proposals, including a proposal for a redomestication that would change the place of incorporation of the ultimate parent holding company of the XL group of companies from the Cayman Islands to Ireland, through a scheme of arrangement under Cayman Islands law.

Our Board of Directors has unanimously determined that changing the place of incorporation of our holding company to Ireland, and the other proposals referenced below, are in the best interests of XL and its shareholders. In summary, our Board of Directors believes that the change of our place of incorporation will reduce certain risks that may impact us and offer us the opportunity to reinforce our reputation, which is one of our key assets. The reasons for the redomestication and the other proposals are discussed in further detail in the accompanying proxy statement.

Completion of the proposed scheme of arrangement will result in an exchange of your ordinary shares in XL Capital Ltd, a Cayman Islands company, for an equal number of ordinary shares of XL Group plc, a new Irish public limited company. Cash will instead be paid for fractional ordinary shares of XL Capital Ltd.

Following completion of the redomestication, our ordinary shares will continue to be listed on the New York Stock Exchange (the NYSE) under the ticker symbol XL . We will continue to be registered with the U.S. Securities and Exchange Commission (the SEC) and be subject to the same SEC reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002 and the applicable corporate governance rules of the NYSE. We will continue to report our financial results in U.S. dollars and under U.S. generally accepted accounting principles.

In addition to the redomestication proposal, we are also asking you to approve the following additional proposals (as more fully described in the accompanying proxy statement):

A proposal to create distributable reserves in XL Group plc, the new Irish parent company described above. Creation of distributable reserves in XL Group plc is being sought in connection with the redomestication so that, under Irish law, we would continue to be able to pay dividends and redeem and buy back shares, before we generate post-redomestication earnings. Although

completion of the redomestication is not conditioned on your approval of the distributable reserves proposal, we may decide not to complete the redomestication if this proposal is not approved as described in the accompanying proxy statement.

A proposal to adopt an amendment to our articles of association containing certain new procedural requirements and related clarifying provisions for ordinary shareholder nominations to the Board of Directors of XL. This proposal would be effective for general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting. We believe the new procedural requirements for shareholder nominations of directors will facilitate an orderly process for shareholders to make nominations of directors and give the XL Board and other shareholders a reasonable opportunity to consider nominations to be brought at annual general

meetings. If this proposed amendment is approved, the procedural requirements will be replicated in the articles of association of XL Group plc if the redomestication is consummated.

A proposal to change our name from XL Capital Ltd to XL Group Ltd . We believe the change of name is desirable to reflect XL s exclusive focus on providing property, casualty and specialty insurance and reinsurance products for our customers complex risks. If approved, the name change will be implemented even if the redomestication is not consummated.

In connection with our proposed redomestication, we will also seek the approval of the Series C and Series E preference shareholders of XL Capital Ltd to exchange their preference shares for an equal number of preference shares of XL Group plc in the scheme of arrangement. This preference share exchange will occur only if the redomestication is consummated and the ordinary shares are exchanged as described above. The redomestication is not conditioned on completion of the

preference share exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the scheme of arrangement as it relates to the preference share exchange, we expect to complete the redomestication if we obtain the requisite approval of our ordinary shareholders and the other conditions are satisfied.

The accompanying proxy statement provides important information about the proposals described above. We encourage you to read the entire document carefully, including the Risk Factors section beginning on page 30 of the accompanying proxy statement, before voting by proxy or at the meetings.

Your vote is very important. Your Board of Directors unanimously recommends that you vote FOR all of the above proposals.

To ensure that your ordinary shares are voted in accordance with your wishes, please mark, date, sign and return the accompanying gold proxy card in the enclosed, postage-paid envelope as promptly as possible, or appoint a proxy to vote your ordinary shares by telephone or by using the Internet, as described in the accompanying proxy statement.

If you have any questions about the meetings or require assistance, please call Georgeson Inc., our proxy solicitor, at 1-800-509-1390 (toll-free within the United States) or at +1 (212) 440-9800 (outside the United States).

On behalf of XL Capital Ltd's Board of Directors, thank you for your continued support.

Sincerely,

Michael S. McGavick Robert R. Glauber
Chief Executive Officer Chairman of the Board of Directors

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in the contemplated share exchanges or determined if the accompanying proxy statement is truthful or complete. Any representation to the contrary is a criminal offense.

The accompanying proxy statement related to the XL Capital Ltd Class A ordinary shares is dated , 2010 and is first being mailed to XL Capital Ltd's Class A ordinary shareholders on or about , 2010.

**SUMMARY OF NOTICES OF THE SPECIAL COURT-ORDERED CLASS
MEETING AND THE EXTRAORDINARY GENERAL MEETING OF
XL CAPITAL LTD CLASS A ORDINARY SHAREHOLDERS
TO BE HELD ON , 2010**

To the Class A ordinary shareholders of XL Capital Ltd:

On , 2010, XL Capital Ltd, an exempted company organized under the laws of the Cayman Islands (**XL-Cayman**), will hold a special court-ordered class meeting (the **special scheme meeting**) of the XL Capital Ltd Class A ordinary shareholders (the **ordinary shareholders**), which will commence at [a.m.], Bermuda time, and an extraordinary general meeting of the ordinary shareholders (the **extraordinary general meeting**), which will commence at [a.m.], Bermuda time (or as soon thereafter as the special scheme meeting concludes or is adjourned), in order to approve certain proposals, including proposals related to a scheme of arrangement under Cayman Islands law. We sometimes refer to these meetings together as the **ordinary shareholder special meetings**. Ordinary shareholders are being asked to vote on the following matters:

At the special scheme meeting:

To approve the scheme of arrangement substantially in the form attached as Annex A to the accompanying proxy statement (the **Scheme of Arrangement**).
If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect a share exchange (the **Ordinary Share Exchange**) pursuant to which (i) XL Capital Ltd Class A ordinary shares, par value \$0.01 per share (the

ordinary shares), will be exchanged for an equal number of ordinary shares of XL Group plc (**XL-Ireland**), an Irish public limited company that is currently a subsidiary of XL-Cayman (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares) and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

Although approval of the holders of the XL-Cayman Series C preference ordinary shares (the **Series C preference shares**) and the XL-Cayman Series E preference ordinary shares (the **Series E preference shares**) is not required for the Scheme of

Arrangement to become effective, if the Scheme of Arrangement becomes effective, and if the requisite approvals are obtained from the holders of the Series C preference shares and the Series E preference shares and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect a share exchange (the **Preference Share Exchange**) pursuant to which the Series C preference shares and the Series E preference shares of XL-Cayman will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference

shares of
XL-Ireland,
respectively.

We refer to
this proposal
(Proposal
Number One)
as the **Scheme
of
Arrangement
Proposal.**

At the extraordinary general meeting:

If the Scheme
of
Arrangement
Proposal is
approved by
the ordinary
shareholders,
to approve the
creation of
distributable
reserves in
XL-Ireland
through a
reduction of
XL-Ireland's
share premium
account. We
refer to this
proposal
(Proposal
Number Two)
as the
**Distributable
Reserves
Proposal ;**

To approve the
adoption of an
amendment to
the articles of
association of
XL-Cayman
with respect to
certain
procedural
requirements

for ordinary shareholder nominations to the Board of Directors of XL-Cayman at general meetings of XL-Cayman's ordinary shareholders.

If approved, the procedural requirements will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated.

We refer to this proposal (Proposal Number Three) as the **Director Nomination Procedures Proposal**; and

To approve the change of XL Capital Ltd's name to XL Group Ltd. We refer to this proposal (Proposal Number Four) as the **Name Change Proposal**.

At both ordinary shareholder special meetings:

To approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

The Director Nomination Procedures Proposal and the Name Change Proposal are independent of each other and of the Scheme of Arrangement Proposal and the Distributable Reserves Proposal.

Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective. However, if our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain Irish High Court approval, as required for the creation of distributable reserves. Creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law. If the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and

voting, in person or by proxy, we may decide not to complete the share exchanges contemplated by the Scheme of Arrangement.

The formal notices of the two ordinary shareholder special meetings are provided as attachments to the accompanying proxy statement as Annexes H and I and should be read closely. This summary does not constitute the formal notice in respect of either of those meetings.

If any other matters properly come before either of the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings, the persons named in the proxy card will have the authority to vote the ordinary shares represented by all properly executed proxies in their discretion. The Board of Directors of XL-Cayman currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

The Grand Court of the Cayman Islands has set , 2010 as the record date for the special scheme meeting and the XL-Cayman Board of Directors has also set , 2010 as the record date for the extraordinary general meeting. This means that only those persons who were holders of XL-Cayman ordinary shares at the close of business on the record date will be entitled to receive notice of the ordinary shareholder special meetings and to attend and vote at the ordinary shareholder special meetings and any adjournments thereof.

The special scheme meeting is being held in accordance with an order of the Grand Court of the Cayman Islands issued on , 2010, which Cayman Islands law required us to obtain prior to holding the meeting. If the XL-Cayman ordinary shareholders approve the Scheme of Arrangement Proposal (and we do not abandon the Scheme of Arrangement), we will proceed to seek the sanction of the Grand Court of the Cayman Islands in respect of the Scheme of Arrangement. Sanction of the Grand Court of the Cayman Islands must be obtained as a condition to the Scheme of Arrangement becoming effective. We expect the hearing before the Grand Court of the Cayman Islands regarding sanction of the Scheme of Arrangement to be held on , 2010. If you are an XL-Cayman ordinary shareholder who wishes to appear in person or by counsel at the Grand Court hearing and present evidence or arguments in support of or opposition to the Scheme of Arrangement, you may do so. XL-Cayman will not object to the participation in the Grand Court hearing by any ordinary shareholder who holds shares through a broker.

The accompanying proxy statement and gold proxy card are first being sent to XL-Cayman ordinary shareholders on or about , 2010 and contain additional information on how to attend the ordinary shareholder special meetings and vote any ordinary shares you own in person at the ordinary shareholder special meetings.

Proof of ownership of ordinary shares as of the record date, as well as a form of personal photo identification, must be presented in order to be admitted to the ordinary shareholder special meetings.

If you hold your XL-Cayman ordinary shares in the name of a bank, broker or other nominee holder of record and you plan to attend the ordinary shareholder special meetings, you must present proof of your ownership of those shares as of the record date, such as a bank or brokerage account statement or letter from your bank or broker, together with a form of personal photo identification, to be admitted to the ordinary shareholder special meetings.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU EXPECT TO ATTEND THE ORDINARY SHAREHOLDER SPECIAL MEETINGS, PLEASE PROMPTLY RETURN YOUR SIGNED GOLD PROXY CARD IN THE ENCLOSED ENVELOPE OR DIRECT THE VOTING OF YOUR XL-CAYMAN ORDINARY SHARES BY TELEPHONE OR BY INTERNET AS DESCRIBED ON THE ACCOMPANYING GOLD PROXY CARD. IF YOU HOLD YOUR SHARES THROUGH A BANK, BROKER OR OTHER NOMINEE HOLDER, PLEASE FOLLOW THE VOTING INSTRUCTIONS PROVIDED TO YOU BY SUCH BANK, BROKER OR OTHER NOMINEE HOLDER.

The accompanying proxy statement incorporates documents by reference. Please see *Where You Can Find More Information* beginning on page 148 of the accompanying proxy statement for a listing of documents incorporated by reference. These documents are available to any person, including any beneficial owner, upon request by contacting us at:

Investor Relations
XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 08, Bermuda
Telephone: +1 (441) 292-8515
Fax: +1 (441) 292-5280
Email: investorinfo@xlgroup.com

To ensure timely delivery of these documents, any request should be made by , 2010. The exhibits to these documents will generally not be made available unless such exhibits are specifically incorporated by reference in the accompanying proxy statement.

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XL CAPITAL LTD

PROXY STATEMENT

**For the Special Court-Ordered Class Meeting and
the Extraordinary General Meeting
of the XL Capital Ltd Class A Ordinary Shareholders
to be held on , 2010**

This proxy statement is furnished to the Class A ordinary shareholders (the **ordinary shareholders**) of XL Capital Ltd, an exempted company organized under the laws of the Cayman Islands (**XL-Cayman**), in connection with the solicitation of proxies on behalf of the Board of Directors of XL-Cayman (the **Board**) to be voted at the special court-ordered class meeting of the ordinary shareholders (the **special scheme meeting**) and the extraordinary general meeting of the ordinary shareholders (the **extraordinary general meeting**) to be held on , 2010, and any adjournments thereof, at the times and place and for the purposes set forth in the accompanying notices of the special scheme meeting and the extraordinary general meeting. We sometimes refer to these meetings together as the **ordinary shareholder special meetings**. The 2010 Annual General Meeting of XL-Cayman's ordinary shareholders (the **AGM**) will be held on , 2010. This proxy statement and the accompanying gold proxy card (which applies to both of the ordinary shareholder special meetings but not to the AGM) are first being sent to ordinary shareholders on or about , 2010. Please **mark, date, sign and return the enclosed gold proxy card** to ensure that all of your XL-Cayman Class A ordinary shares, par value \$0.01 per share (the **ordinary shares**), are represented at the ordinary shareholder special meetings.

Ordinary shares represented by valid proxies will be voted in accordance with instructions contained therein or, in the absence of such instructions, **FOR** each of the proposals set forth in this proxy statement. You may revoke your proxy at any time before it is exercised at the ordinary shareholder special meetings by timely delivery of a properly executed, later-dated proxy with respect to the ordinary shareholder special meetings (including an Internet or telephone proxy) or by voting in person at the ordinary shareholder special meetings. You may also notify our Secretary in writing before the ordinary shareholder special meetings that you are revoking your proxy with respect to the ordinary shareholder special meetings. If you hold your ordinary shares beneficially through a bank, broker, trustee, custodian or other nominee (which we generally refer to as **brokers**), you must instead follow the procedures required by your broker to revoke a proxy with respect to the ordinary shareholder special meetings. You should contact that firm directly for more information on these procedures.

The Grand Court of the Cayman Islands (the **Cayman Court**) has set , 2010 as the record date for the special scheme meeting and the Board has also set , 2010 as the record date for the extraordinary general meeting. This means that only those persons who were shareholders of ordinary shares at the close of business on , 2010 (the **record date**) will be entitled to receive notice of the ordinary shareholder special meetings and to attend and vote at the ordinary shareholder special meetings and any adjournments thereof. As of the record date, ordinary shares were issued and outstanding.

Only holders of ordinary shares as of the record date are invited to attend the ordinary shareholder special meetings. Proof of ownership of ordinary shares as of the record date, as well as a form of personal photo identification, must be presented in order to be admitted to the ordinary shareholder special meetings. We have enclosed a single gold proxy card that has been divided into two sections corresponding to the two separate ordinary shareholder special meetings. Please complete both sections and sign and return the accompanying gold proxy card.

If you hold your ordinary shares in the name of a broker and you plan to attend either of the ordinary shareholder special meetings, you must present proof of your ownership of those ordinary shares as of the record date, such as a brokerage account statement or letter from your broker, together with a form of

personal photo identification, in order to be admitted to the ordinary shareholder special meetings.

STRUCTURE OF THE TRANSACTION

In Proposal Number One (the **Scheme of Arrangement Proposal**), we are seeking your approval at the special scheme meeting of the scheme of arrangement under Cayman Islands law, substantially in the form attached as Annex A to this proxy statement (the **Scheme of Arrangement**), that, once it becomes effective, will result in you owning ordinary shares of XL Group plc, a public limited company incorporated in Ireland (**XL-Ireland**), instead of ordinary shares of XL-Cayman.

If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect a share exchange (the **Ordinary Share Exchange**) pursuant to which (i) your ordinary shares will be exchanged for an equal number of ordinary shares of XL-Ireland (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares) and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Cayman Court made on , 2010, which Cayman Islands law required us to obtain prior to holding the meeting. We will hold the special scheme meeting to approve the Scheme of Arrangement on , 2010. If the Scheme of Arrangement is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court s sanction of the Scheme of Arrangement.

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the New York Stock Exchange, Inc. (the **NYSE**) on July 1, 2010, or at such other date and time after such court order filing as the Board may determine (the **Effective Time**). However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;
2. in consideration therefor, XL-Ireland (i) will issue ordinary shares (on a

one-for-one basis) to the holders of the whole XL-Cayman Class A ordinary shares that will be transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the high and low trading prices of the XL-Cayman Class A ordinary shares on the NYSE on the business day immediately preceding the Effective Time; and

3. all XL-Ireland shares outstanding prior to the Ordinary Share Exchange (which will then be held by

XL-Cayman
and certain of
its
subsidiaries)
will be
redeemed by
XL-Ireland at
nominal value
and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Cayman will become a subsidiary of XL-Ireland. The members of the Board of Directors of XL-Cayman then in office will be the members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

In addition, if the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference ordinary shareholders (the **Series C preference shareholders**) and our Series E preference ordinary shareholders (the **Series E preference shareholders**) and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect a share exchange (the **Preference Share Exchange**) pursuant to which the Series C preference ordinary shares (the **Series C preference shares**) and the Series E preference ordinary shares (the **Series E preference shares**) will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

The Preference Share Exchange will only be consummated if it is approved by both the Series C preference shareholders and the Series E preference shareholders and the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless both such series are exchanged. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement as it relates to the Preference Share Exchange, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

We sometimes use the term **Transaction** in this proxy statement to refer collectively to the Ordinary Share Exchange and, if the requisite approvals of the Series C and Series E preference shareholders and the Cayman Court have been obtained and the other applicable conditions satisfied or, if allowed by law, waived with respect to it, the Preference Share Exchange.

If approved, the Preference Share Exchange will become effective at the Effective Time, and the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Series C and Series E preference ordinary shares will be transferred to XL-Ireland; and
2. in consideration therefor, XL-Ireland will issue Series C and Series E preference ordinary shares (on a one-for-one

basis),
respectively,
to the holders
of the
XL-Cayman
Series C and
Series E
preference
ordinary
shares that are
being
transferred to
XL-Ireland.

If the Preference Share Exchange is consummated, the Series C and Series E preference shareholders of XL-Cayman will instead become Series C and Series E preference shareholders of XL-Ireland, respectively.

In addition, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, the Series C preference shareholders will also be asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange, the business day immediately preceding the Effective Time. Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend period on the XL-Cayman Series C Preference Shares beginning prior to the Effective Time for which a Series C dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid

on July 15, 2010 (as and if declared by the Board) is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E Preference Shares prior to the Effective Time, whether or not a Series E dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL's preference shareholders.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

The following diagram depicts our organizational structure immediately before and after the Transaction. The diagram does not depict any XL-Cayman subsidiaries (other than XL-Ireland prior to the Effective Time).

If the Scheme of Arrangement Proposal is approved, at the extraordinary general meeting we will seek the approval of the XL-Cayman ordinary shareholders with respect to Proposal Number Two (the **Distributable Reserves Proposal**), a proposal regarding the creation of distributable reserves in XL-Ireland through a reduction of its share premium account. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective. However, if our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain Irish High Court approval, as required for the creation of distributable reserves. Creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law. If the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy, we may decide not to complete the Transaction.

We use the terms **XL**, **we**, **our company**, **our** and **us** in this proxy statement to refer to XL Capital Ltd and its subsidiaries prior to the Ordinary Share Exchange and to refer to XL Group plc and its subsidiaries after the Ordinary Share Exchange.

**QUESTIONS AND ANSWERS ABOUT THE TRANSACTION AND THE
OTHER PROPOSALS**

1. Q: What am I being asked to vote on at the ordinary shareholder special meetings?

A: Ordinary shareholders are being asked to vote on the following matters:

At the special scheme meeting:

To approve the Scheme of Arrangement. If the Scheme of Arrangement becomes effective, the Scheme of Arrangement will effect the Ordinary Share Exchange pursuant to which (i) the ordinary shares of XL-Cayman will be exchanged for an equal number of ordinary shares of XL-Ireland (or, in the case of fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares) and (ii) XL-Ireland will become the parent holding company of XL-Cayman.

Although approval of the Series C preference shareholders and the Series E preference shareholders is not required for the Scheme of Arrangement to become effective, if the Scheme of Arrangement becomes effective, and if the requisite approvals are obtained from the Series C preference shareholders and the Series E preference shareholders and the Cayman Court, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares and the Series E preference shares of XL-Cayman will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

We refer to this proposal (Proposal Number One) as the **Scheme of Arrangement Proposal**.

At the extraordinary general meeting:

If the Scheme of Arrangement Proposal is approved by the ordinary shareholders, to approve the creation of distributable reserves in XL-Ireland through a reduction of XL-Ireland's share premium account.

We refer to this proposal (Proposal Number Two) as the **Distributable Reserves Proposal**.

To approve the adoption of an amendment to the articles of association of XL-Cayman with respect to certain procedural requirements for ordinary shareholder nominations to the Board of Directors of XL-Cayman at general meetings of XL-Cayman's ordinary shareholders. If

approved, the procedural requirements will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated.

We refer to this proposal (Proposal Number Three) as the **Director Nomination Procedures Proposal**.

To approve the change of XL Capital Ltd's name to XL Group Ltd. We refer to this proposal (Proposal Number Four) as the **Name Change Proposal**.

At both of the ordinary shareholder special meetings:

To approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are

insufficient
shares present, in
person or by
proxy, at the
extraordinary
general meeting
to conduct the
vote on the
Director
Nomination
Procedures
Proposal and the
Name Change
Proposal.

Please see Proposal
Number One: The
Scheme of
Arrangement Proposal,
Proposal Number Two:
The Distributable
Reserves Proposal,
Proposal Number
Three: The Director
Nomination
Procedures Proposal
and Proposal Number
Four: The Name
Change Proposal.

2. Q: How does the Board of Directors recommend that I vote?

A: Our Board of Directors unanimously recommends that our ordinary shareholders vote FOR each of the proposals set forth in this proxy statement.

3. Q: Who can vote at the ordinary shareholder special meetings?

A: All persons who were registered holders of ordinary shares at the close of business on , 2010, the record date for the ordinary shareholder special meetings, are shareholders of record for the purposes of the ordinary shareholder special meetings and will be entitled to attend and vote, in person or by proxy, at the ordinary shareholder special meetings and any adjournments thereof. Each ordinary shareholder of record will be entitled to one vote per share at each of the ordinary shareholder special meetings, except that (for purposes of the extraordinary general meeting but not the special scheme meeting) if, and for so long as, the votes conferred by the XL-Cayman Controlled Shares of any person constitute 10% or more of the votes conferred by the issued shares of the company, the voting rights with respect to the XL-Cayman Controlled Shares owned by such person shall be limited, in the aggregate, to a voting power equal to approximately (but slightly less than) 10%, pursuant to a formula set forth in XL-Cayman's articles of association).

Controlled Shares of a person (as defined in XL-Cayman's articles of association) include all XL-Cayman shares (1) owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the Code (as defined below)), and (2) owned directly, indirectly or constructively by that person or any group of which that person is a part, within the meaning of Section 13(d)(3) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**).

Please see The Meetings Record Date; Voting Rights.

4. Q: How do I vote if I am a registered shareholder?

A: You may vote your ordinary shares either by voting in person at the ordinary shareholder special meetings or by submitting a completed proxy. We have enclosed a single gold proxy card that has been divided into two sections corresponding to the two separate ordinary shareholder special meetings. By submitting your proxy, you are legally authorizing another person to vote your ordinary shares by proxy in accordance with your instructions. The enclosed proxy designates Michael S. McGavick or, failing him, Kirstin Romann Gould to vote your ordinary shares in accordance with the voting instructions you indicate in your proxy at each of the ordinary shareholder special meetings.

In addition, if any other matters (other than the proposals contained in this proxy statement) properly come before either of the ordinary shareholder special meetings or any adjournments of those meetings, the persons named in the proxy card will have the authority to vote your ordinary shares on those matters in their discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

You may submit your proxy either by mail, courier or hand delivery, by telephone (at the number set forth in the accompanying proxy materials) or via the Internet (at <https://www.proxyvotenow.com/xlcapital>). Please let us know whether you plan to attend each of the ordinary shareholder special meetings by marking the appropriate box on your proxy card or by following the instructions provided when you submit your proxy by telephone or via the Internet. For more details about telephone and Internet proxies, please see *The Meetings How You Can Vote*. In order for your proxy to be validly submitted and for your ordinary shares to be voted in accordance with your proxy, we must receive your mailed, couriered or hand-delivered proxy prior to the start of the applicable ordinary shareholder special meeting. If you submit a proxy by telephone or via the Internet, then you may submit your voting instructions up until [a.m.],

Bermuda time, on , 2010.

If you do not wish to vote all of your ordinary shares in the same manner on any particular proposal(s), you may specify your vote by clearly hand-marking the proxy card to indicate how you want to vote your ordinary shares. You may not split your vote if you are voting via the Internet or by telephone.

If you do not specify on the enclosed proxy card that is submitted (or when giving your proxy by telephone or via the Internet) how you want to vote your ordinary shares, the proxy holders will vote such unspecified shares FOR each of the proposals set forth in this proxy statement.

Please see The Meetings Proxies and The Meetings How You Can Vote.

5. Q: How can I vote if I hold my shares in the street name of a broker?

Ordinary shareholders who hold their shares in the street name of a broker must vote their ordinary shares by following the

procedures established by their broker. This applies to our employees who received, through our employee plans, ordinary shares that are held by Merrill Lynch, Pierce, Fenner & Smith Incorporated and its affiliates (**Merrill Lynch**). **Under NYSE Rule 452, brokers who hold ordinary shares on behalf of customers will not have the authority to vote on any of the matters to be considered at the ordinary shareholder special meetings. If you do not instruct your broker on how to vote your ordinary shares prior to the ordinary shareholder special meetings, your ordinary shares will not be voted at the ordinary shareholder special meetings and such ordinary shares will not be considered when determining whether such proposal has received the required approval or considered present for purposes of the relevant quorum requirement.**

If you hold ordinary shares beneficially through your broker, we recommend that you contact your broker. Your broker can instruct you how your ordinary shares can be voted. Your broker will not be able to vote your ordinary shares unless it receives appropriate instructions from you.

Please see The Meetings How You Can Vote. Please also see The Meetings Votes of Ordinary Shareholders Required for Approval for further information on how shares held in the street name of a broker will be considered for purposes of the majority in number approval requirement.

6. Q: What vote of XL-Cayman ordinary shareholders is required to approve the proposals?

A: The Scheme of Arrangement Proposal requires the approval of the Scheme of Arrangement by the affirmative vote of a majority in number of the registered

holders of
XL-Cayman ordinary
shares present and
voting, in person or
by proxy,
representing 75% or
more in value of the
ordinary shares
present and voting, in
person or by proxy.

In order to approve
the Distributable
Reserves Proposal,
we must obtain the
affirmative vote of
ordinary shareholders
representing more
than 50% of all
ordinary shares
present and voting, in
person or by proxy.
While approval of
the Distributable
Reserves Proposal by
more than 50% of all
ordinary shares
present and voting is
sufficient for
approval of the
proposal under
Cayman Islands law
(which governs the
extraordinary general
meeting at which the
vote is taking place),
we are seeking the
approval of at least
75% of all ordinary
shares present and
voting, in person or
by proxy, to increase
the likelihood of
obtaining Irish High
Court approval with
respect to the
creation of
distributable reserves
in XL-Ireland
because such higher

approval threshold
would be required if
the vote on the
Distributable
Reserves Proposal
were being
conducted under Irish
law. Approval of the
Distributable
Reserves Proposal by
our ordinary
shareholders is not a
condition to the
effectiveness of the
Scheme of
Arrangement, but the
Board may determine
not to proceed with
the Transaction for
any reason, including
because the
Distributable
Reserves Proposal is
not approved or is

approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

In order to approve the Director Nomination Procedures Proposal, we must obtain the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

In order to approve the Name Change Proposal, we must obtain the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Please see The Meetings Votes of Ordinary Shareholders Required for Approval.

7. **Q: What quorum is required for action at the ordinary**

shareholder special meetings?

A: At the special scheme meeting to approve the Scheme of Arrangement Proposal, at least two ordinary shareholders must be present, in person or by proxy, in order for the meeting to proceed. At the extraordinary general meeting to approve the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal, 50% of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the meeting to proceed and in order for the Distributable Reserves Proposal to be considered and voted on at the meeting, but 2/3 of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the Director Nomination Procedures Proposal and the Name Change Proposal to be considered and voted on at the meeting.

For purposes of the ordinary shareholder special meetings, abstentions will be counted as present for purposes of determining whether there is a quorum but ordinary

shares held by brokers for which voting instructions are not received will not be counted as present for determining whether there is a quorum.

Please see The Meetings Quorum.

8. Q: Will the ordinary shares be exchanged even if the preference shares are not?

A: Yes. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders.

Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement as it relates to the Preference Share Exchange, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

Please see Proposal Number One: The

Scheme of Arrangement
Proposal Conditions to
Completion of the
Transaction.

**9. Q: When do you expect
the Transaction to be
consummated?**

A: We currently expect to complete the Transaction, if approved and sanctioned, on July 1, 2010. Please see Annex G to this proxy statement for an expected timetable. However, our Board has the authority to cause the Transaction, if approved and sanctioned, to be consummated at such other date and time as it may determine on or after the order of the Cayman Court sanctioning the Scheme of Arrangement has been filed with the Cayman Islands Registrar of Companies. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court)

because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

Please see Proposal Number One: The Scheme of Arrangement Proposal Effective Date and Time of the Transaction and Proposal Number One: The Scheme of Arrangement Proposal Amendment, Termination or Delay.

10. Q: If all required approvals are obtained and conditions are satisfied or waived, is the Transaction required to be consummated?

A: No. The Transaction may be abandoned or delayed by our Board at any time prior to the Effective Time, even if the Transaction has been approved by the requisite XL-Cayman shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction have been satisfied or, if allowed by law, waived.

Please see Proposal Number One: The Scheme of Arrangement Proposal Amendment, Termination or Delay.

11. Q: How will ordinary shares of XL-Ireland differ from ordinary shares of XL-Cayman?

A: XL-Ireland ordinary

shares will be similar to your existing XL-Cayman ordinary shares. However, there are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman.

We discuss these and other differences in detail under Description of XL Group plc Share Capital and Comparison of Rights of Shareholders and Powers of the Board of Directors. XL-Ireland's memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B.

12. Q: If the Director Nomination Requirements Proposal is approved, will XL-Cayman's articles of association be amended even if the Transaction is not consummated?

A: Yes. If the Director Nomination Procedures Proposal is approved, the new procedural requirements for ordinary shareholder nominations of directors will become effective even if the Transaction is not consummated, and will apply to ordinary shareholder nominations

of directors at all general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting.

13. Q: How will the procedural requirements for ordinary shareholder nominations of directors change if the Director Nomination Procedures Proposal is approved?

A: If the Director Nomination Procedures Proposal is approved, XL-Cayman's articles of association will be amended so as to require that the nominating ordinary shareholder submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one-year anniversary of the date of the immediately preceding annual general meeting (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the date of the immediately preceding annual general meeting). In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, will be required to include certain additional information about the nominating ordinary shareholder and the nominees that is not currently required under the XL-Cayman articles of

association. If the Director
Nomination Procedures
Proposal is approved, the
new procedural
requirements and related
clarifying provisions will
be replicated in the
articles of association of
XL-Ireland if the
Transaction is
consummated. If the
Director Nomination
Procedures Proposal is not
approved, XL-Ireland's
articles of association will
reflect the director
nomination procedures
currently applicable to
ordinary

shareholders wishing to make director nominations at general meetings of XL-Cayman's ordinary shareholders. Under the current XL-Cayman articles of association, ordinary shareholder nominations of directors must be made by written notice to XL-Cayman not less than five nor more than twenty-one days before the date appointed for the annual general meeting of ordinary shareholders.

We discuss the Director Nomination Procedures Proposal in detail under Proposal Number Three: The Director Nomination Procedures Proposal.

14. Q: Will the name change take effect if the Name Change Proposal is approved but the Transaction is not consummated?

A: Yes. Regardless of whether the Transaction is consummated, the name change is intended to be made in July 2010 or at such other time as may be determined by XL-Cayman under authority granted by the Board.

15. Q: What are the material tax

consequences of the Transaction?

A: The Transaction should not be a taxable transaction for XL-Cayman or XL-Ireland. Further, under U.S. federal income tax law, holders of ordinary shares of XL-Cayman generally should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional ordinary shares. If the Preference Share Exchange is not consummated, certain 5% or greater ordinary shareholders may, however, be required to timely enter into and maintain a gain recognition agreement to avoid recognizing gain on the exchange of XL-Cayman ordinary shares for XL-Ireland ordinary shares in the Ordinary Share Exchange.

For Irish tax law purposes, holders of ordinary shares of XL-Cayman who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland ordinary shares will not realize a taxable gain on the exchange of such shares for XL-Ireland shares or on the

receipt of cash in lieu of fractional ordinary shares in the Transaction.

For a discussion of certain material U.S. federal, Irish and Cayman Islands tax consequences of the Transaction to XL ordinary shareholders and XL, please see Summary Proposal Number One: The Scheme of Arrangement Proposal Tax Considerations of the Transaction and Material Tax Considerations Relating to the Transaction.

16. Q: If the Ordinary Share Exchange is approved and consummated, do I have to take any action to participate in the Ordinary Share Exchange?

A: Not if your ordinary shares are held in book-entry form or by your broker. XL-Cayman ordinary shares so held will automatically be transferred to XL-Ireland at the Effective Time and, in consideration therefor, new XL-Ireland ordinary shares will be issued to you or your broker without any action on your part (and, if you hold any fractional ordinary shares of XL-Cayman,

cash for such fractional ordinary shares will automatically be paid to you or your broker). Please see Proposal Number One: The Scheme of Arrangement Proposal Exchange of Shares. If you hold your XL-Cayman ordinary shares in certificated form, please see the following question.

17. Q: What happens if I hold share certificates?

A: If you hold your XL-Cayman ordinary shares in certificated form, and the Ordinary Share Exchange is consummated, your ordinary shares will automatically be transferred to XL-Ireland at the Effective Time. Promptly after the Effective Time, our transfer agent will send you a letter of transmittal, which is to be used to surrender your XL-Cayman ordinary share certificates and to give you, in consideration for the transfer of your XL-Cayman ordinary shares, the choice of (i) applying for share certificates evidencing your ownership of

ordinary shares in XL-Ireland or (ii) having your ownership of ordinary shares in XL-Ireland evidenced through an electronic book-entry in your name on XL-Ireland's shareholder records (in which case the transfer agent will mail you a statement documenting your ownership of XL-Ireland ordinary shares). The letter of transmittal will contain instructions explaining the procedure for surrendering your XL-Cayman ordinary share certificates and making the election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares. If you return the letter of transmittal with your XL-Cayman share certificates but do not make an election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares, your ordinary shares will be evidenced in book-entry form. **You should not return your XL-Cayman ordinary share certificates with the enclosed proxy card.**

If the Transaction is not consummated, shareholders will not be required to submit their share certificates for exchange as a result of the proposed name change. Your existing share certificates will continue to evidence your ownership in XL Group Ltd if the name change becomes

effective but the Transaction is not consummated.

Please see Proposal Number One: The Scheme of Arrangement Proposal Exchange of Shares and Proposal Number Four: The Name Change Proposal. Please also see

Summary Proposal Number One: The Scheme of Arrangement Proposal Tax Considerations of the Transaction and Material Tax Considerations Relating to the Transaction for further information pertaining to Irish stamp duty on transfers by shareholders who choose to hold their XL-Ireland ordinary shares directly registered in their own names on XL-Ireland's shareholder records, whether in certificated or book-entry form.

18. Q: May I revoke my proxy?

A: Any proxy is revocable.

If you hold your ordinary shares in the street name of a broker, you may revoke your proxy only in accordance with the instructions from your broker.

For registered shareholders:

After you have submitted a proxy, you may revoke it by mail, courier or hand delivery before the

ordinary
shareholder
special
meetings by
sending a
written notice
to our
Secretary at
XL House,
One
Bermudiana
Road,
Hamilton HM
08, Bermuda.
Your written
notice must be
received a
sufficient
amount of
time before
the first
ordinary
shareholder
special
meeting to
permit the
necessary
examination
and tabulation
of the
revocation
before the
votes are
taken.

If you wish to
revoke your
submitted
proxy and
submit new
voting
instructions
by mail,
courier or
hand delivery,
then you must
sign, date and
mail, courier
or hand-
deliver a
proxy card

with your new
voting
instructions
for the
ordinary
shareholder
special
meetings,
which we
must receive
prior to the
start of the
applicable
ordinary
shareholder
special
meeting.

If you wish to
revoke your
submitted
proxy and
submit new
voting
instructions
by telephone
or via the
Internet, then
you must
submit such
new voting
instructions
for the
ordinary
special
meetings by
telephone or
via the
Internet by
[a.m.],
Bermuda
time, on ,
2010.

You also may
revoke your
proxy in
person by
completing a
written ballot
(but only if
you are the

registered
owner of the
ordinary
shares as of
the record
date) and vote
your ordinary
shares at the
ordinary
shareholder
special
meetings.

Attending the
ordinary shareholder
special meetings
without taking one of
the actions above
will not revoke your
proxy.

Please see The
Meetings Revoking your
Proxy.

19. Q: How do I attend the ordinary shareholder special meetings?

A: All ordinary shareholders of XL-Cayman as of the record date are invited to attend the special scheme meeting at XL's principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda, which will commence at [a.m.], Bermuda time, on , 2010. All ordinary shareholders of XL-Cayman are also invited to attend the extraordinary general meeting at XL's principal executive offices, which will commence at [a.m.], Bermuda time, on , 2010 (or as soon thereafter as the special scheme meeting concludes or is adjourned). Proof of ownership of XL ordinary shares as of the record date, as well as a form of personal photo identification, must be presented in order to be admitted to either of the ordinary

shareholder special meetings.

If your ordinary shares are not registered in your name but in the street name of a broker, then your name will not appear in XL's register of ordinary shareholders.

Those ordinary shares are held in your broker's name or the name of the depository through which your broker holds the shares, on your behalf, and your broker or the depository will be entitled to vote your ordinary shares in accordance with your instructions.

This applies to our employees who received, through our employee plans, ordinary shares that are held by Merrill Lynch.

In order for you to attend the ordinary shareholder special meetings, you must bring a letter or account statement from your broker showing that you beneficially own the ordinary shares held by your broker or the depository as of the record date.

Note that even if you attend the ordinary shareholder special meetings, you cannot vote the ordinary shares that are held by your broker or the depository. Rather, you should submit voting directions to your broker, which will instruct your broker or the depository how to vote those ordinary shares on your behalf.

Please see The Meetings How You Can Vote and the notices of the ordinary shareholder special meetings attached as Annexes H and I to this proxy statement.

20. Q: Is there a separate Annual General Meeting (AGM) to elect directors?

A: Yes, our 2010 annual general meeting of ordinary shareholders, or AGM, at which directors will be elected is scheduled to take place on , 2010 at XL s principal executive offices and will commence at [a.m.], Bermuda

time.

21. Q: Will the proposed procedural requirements with respect to ordinary shareholder nominations of directors apply to the 2010 AGM?

A: No. Even if the Director Nomination Procedures Proposal is approved by XL-Cayman's ordinary shareholders, the new procedural requirements will not apply with respect to ordinary shareholder nominations of directors at the 2010 AGM. If approved, the new disclosure requirements will become effective promptly after the articles of association of XL-Cayman are amended and will apply to ordinary shareholder nominations of directors at all general meetings of our ordinary shareholders subsequent to the 2010 AGM.

22. Q: Do I have to return separate proxy cards in order for my ordinary shares

**to be voted at the
ordinary
shareholder
special meetings
and at the AGM?**

A: Yes. Ordinary shareholders must use the gold proxy card to vote by proxy at the ordinary shareholder special meetings discussed in this proxy statement, which accompanies this proxy statement and contains the proposals described herein.

Ordinary shareholders will separately be sent a separate proxy statement with a white proxy card to vote by proxy at the AGM for the election of directors and on other proposals.

23. Q: Can I mail both proxy cards back in the same envelope?

A: Yes, but for ease of administering the vote tally, we ask that you return each proxy card in the envelope supplied with the AGM proxy statement or this proxy statement, respectively.

24. Q: If I am the registered owner of ordinary shares (in certificated or book-entry form) and want to hold my ordinary shares through The Depository Trust Company, how can I do so?

A: You may transfer ownership of your ordinary shares into a brokerage account with a broker (1) that is a direct participant in DTC (a **DTC Participant**) and which will hold your shares on your behalf through DTC or (2) that maintains, either directly or indirectly, a custodial relationship with a DTC Participant and which will hold your shares through DTC through such custodial relationship. For more information, please contact your broker or Georgeson Inc. at the telephone number set forth in the following question. Please see **Material Tax Considerations Relating to the Transaction Irish Tax Considerations Stamp Duty** for more information on the tax

consequences of not holding your shares of XL-Ireland through DTC.

25. Q: Whom should I call if I have questions about the ordinary shareholder special meetings or the proposals in this proxy statement?

A: You should contact our proxy solicitor:

Georgeson Inc.
199 Water Street
New York, NY 10038
Toll-free within the
United States:
1-800-509-1390
Outside the United States:
+1 (212) 440-9800

SUMMARY

This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. To understand the Transaction and the other proposals more fully, and for a more complete legal description of the Transaction and the other proposals, you should read carefully the entire proxy statement, including the Annexes. The Scheme of Arrangement, substantially in the form attached as Annex A to this proxy statement, is the legal document that governs the Transaction. The memorandum and articles of association of XL-Ireland, substantially in the forms attached to this proxy statement as Annex B, will govern XL-Ireland after the completion of the Ordinary Share Exchange. The form of amended article 81 of XL-Cayman's articles of association, which will replace the current article 81 in XL-Cayman's articles of association if the Director Nomination Procedures Proposal is approved (and will be replicated in the articles of association of XL-Ireland if the Ordinary Share Exchange is consummated), is attached to this proxy statement as Annex E.

Proposal Number One: The Scheme of Arrangement Proposal

Parties to the Transaction

XL Capital Ltd. XL Capital Ltd (which we sometimes refer to as XL-Cayman), through its subsidiaries, is a global insurance and reinsurance company providing property, casualty and specialty products to industrial, commercial and professional firms, insurance companies and other enterprises on a worldwide basis. The registered office of XL-Cayman is located at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and XL Capital Ltd's telephone number is +1 (441) 292-8515.

XL Group plc. If the Ordinary Share Exchange is consummated, XL Group plc (which we sometimes refer to as XL-Ireland) will become the ultimate parent holding company of the XL group of companies. XL-Ireland is an Irish public limited company and is currently wholly owned, directly and indirectly, by XL-Cayman. XL-Ireland has not engaged in any business or other activities other than in connection with its formation and the Transaction. The registered office of XL-Ireland is located at No. 1 Upper Hatch Street, 4th Floor, Dublin 2, Ireland and XL Capital plc's telephone number is +353 (1) 405-2033.

The Ordinary Share Exchange

Consummation of the Ordinary Share Exchange will result in you owning ordinary shares of XL-Ireland, a public limited company incorporated in Ireland, instead of ordinary shares of XL-Cayman.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Cayman Court made on [redacted], 2010, which Cayman Islands law required us to obtain prior to holding the meeting. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on [redacted], 2010. If the Scheme of Arrangement Proposal is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court's sanction of the Scheme of Arrangement (as discussed below under Court Sanction of the Scheme of Arrangement).

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010 (or at such other date and time after such court order filing as the Board may determine), which we refer to as the Effective Time. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the

Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;
2. in consideration therefor, XL-Ireland (i) will issue ordinary shares (on a one-for-one basis) to the holders of the whole XL-Cayman Class A ordinary shares that will be transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the high and low trading prices of the

XL-Cayman
Class A
ordinary
shares on the
NYSE on the
business day
immediately
preceding the
Effective
Time; and

3. all
XL-Ireland
shares
outstanding
prior to the
Ordinary
Share
Exchange
(which will
then be held
by
XL-Cayman
and certain of
its
subsidiaries)
will be
redeemed by
XL-Ireland at
nominal value
and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Cayman will become a subsidiary of XL-Ireland. The members of the Board of Directors of XL-Cayman then in office will be members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. We do not expect the Transaction to have a material effect on the financial condition or results of operations of XL. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

The completion of the Ordinary Share Exchange will change the governing companies law that applies to us to Irish law from Cayman Islands law. There are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman. Please see [Comparison of Rights of Shareholders and Powers of the Board of Directors](#) for a summary of some of these differences.

The Preference Share Exchange

The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement as it relates to the Preference Share Exchange, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived. However, if the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference shareholders and our Series E preference shareholders and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares and the Series E preference shares will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively. The Preference Share Exchange will only be consummated if it is approved by both the Series C preference shareholders and the Series E preference shareholders and the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court. As a result, no

Series C or Series E preference shares will be exchanged in the Transaction unless both such series are exchanged.

If the Ordinary Share Exchange is consummated and the Preference Share Exchange is not consummated, the Series C and Series E preference shares will remain in their current form as Series C and Series E preference shares of XL-Cayman, respectively, which will become a subsidiary of XL- Ireland as part of the Ordinary Share Exchange.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

Court Sanction of the Scheme of Arrangement

We cannot complete the Ordinary Share Exchange or the Preference Share Exchange without the sanction of the Scheme of Arrangement by the Cayman Court. Subject to the ordinary shareholders of XL-Cayman approving the Scheme of Arrangement Proposal, a Cayman Court hearing will be required to authorize the Scheme of Arrangement (the **Sanction Hearing**). If we obtain the requisite approval from the XL-Cayman ordinary shareholders (and we do not abandon the Scheme of Arrangement), the Cayman Court will hold the Sanction Hearing on , 2010, at 10:00 a.m., Cayman Islands time. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court's order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Companies Law of the Cayman Islands (2009 Revision), as amended (the **Cayman Companies Law**), we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court's sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of its shareholders which the Cayman Court may think fit to approve or impose. In determining whether to exercise its discretion and authorize the Scheme of Arrangement, the Cayman Court will determine, among other things, whether the Scheme of Arrangement is fair to XL-Cayman's ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, whether the Scheme of Arrangement is fair to XL-Cayman's Series C and Series E preference shareholders, considered as separate classes.

Background and Reasons for the Transaction

Like many companies, we continually explore ways to optimize our corporate structure, including with respect to the jurisdiction of incorporation of our parent holding company. After conducting a thorough review with the help of outside advisors, our Board has determined that a change in place of incorporation is in the best interests of XL and its shareholders.

We are subject to reputational, political, tax and other risks because of negative publicity regarding companies that are incorporated in jurisdictions, including the Cayman Islands, whose economies have low rates of, or no, direct taxation or which do not have a substantial network of double taxation (or similar) treaties with the United States, the European Union or other members of the Organisation for Economic Co-operation and Development (the **OECD**). Our Board believes that changing our place of incorporation will reduce those risks and offer the opportunity to reinforce our reputation, which is one of our key assets, and to better support our legal and business platforms.

Additionally, there have been, and could be in the future, legislative or regulatory proposals that could increase taxes for companies incorporated in jurisdictions such as the Cayman Islands.

Although we do not believe that any proposals under current legislative or regulatory consideration would directly impact us if enacted, our Board believes that the incorporation of our parent holding company in the Cayman Islands increases the risk that legislative or regulatory proposals that might be enacted in the future could materially and adversely affect us.

After considering a number of locations, our Board ultimately selected Ireland as the best available alternative based on many factors, including:

Ireland has strong international relationships as a member of the OECD and the European Union, a long history of international investment, and long-established commercial relationships, trade agreements and tax treaties with the other European Union member states, the United States and other countries around the world. As a result, we believe Ireland offers a stable long-term legal and regulatory environment with the financial sophistication to meet the needs of our global business.

Ireland, like the Cayman Islands, is a common law jurisdiction, which we consider to be less prescriptive

than many civil law jurisdictions. As a result, we believe Ireland's legal system to be more flexible (including with respect to the management of our capital structure), predictable and familiar to us than a civil law system.

Irish law, like Cayman Islands law, permits dividends to be paid in U.S. dollars and upon the approval of the Board of Directors without the need for shareholder approval, thereby avoiding currency risk relating to our dividends.

We have maintained operations in Ireland since 1990 and, accordingly, we are familiar with doing business in that jurisdiction. In 2006, we established the first Irish-domiciled reinsurance company authorized pursuant to the

EU Reinsurance Directive (which gives EU-based reinsurers a passport to do business throughout Europe), and all three of our EU-regulated platforms are represented in Dublin.

Although changing our place of incorporation to Ireland is not expected to reduce our worldwide effective corporate tax rate, we expect to maintain a competitive worldwide effective corporate tax rate.

We cannot assure you that the anticipated benefits of the Transaction will be realized. In addition to the potential benefits described above, the Transaction will expose you and us to some risks and uncertainties. Please see the discussion under Risk Factors.

Our Board has considered both the potential advantages of the Transaction and the associated risks and uncertainties and has approved the Scheme of Arrangement and unanimously recommends that our shareholders vote FOR the Scheme of Arrangement Proposal.

Tax Considerations of the Transaction

Tax Treatment of the Ordinary Share Exchange. For U.S. federal income tax purposes, holders of ordinary shares of XL-Cayman generally should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional ordinary shares. In the event the Preference Share Exchange is not consummated, certain 5% or greater ordinary shareholders may, however, be required to timely enter into and maintain a gain recognition agreement to avoid recognizing gain on the exchange of XL-Cayman ordinary shares for XL-Ireland ordinary shares in the Ordinary Share Exchange. Please see Material Tax Considerations Relating to the Transaction U.S. Federal Income Tax Considerations Material U.S. Tax Consequences of the Transaction.

For Irish tax law purposes, holders of ordinary shares of XL-Cayman who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland ordinary shares will not

realize a taxable gain on the exchange of such ordinary shares for XL-Ireland ordinary shares or on the receipt of cash in lieu of fractional ordinary shares in the Transaction.

Irish Withholding Tax on Dividends Paid by XL-Ireland. Irish dividend withholding tax may arise in respect of dividends paid on XL-Ireland ordinary shares. A number of exemptions from dividend withholding tax exist. Immediately below, we detail the application of dividend withholding tax to certain ordinary shareholders, but please see *Material Tax Considerations Relating to the Transaction* for details of other exemptions.

Ordinary shares held by U.S. resident shareholders

Dividends paid in respect of XL-Ireland ordinary shares that are owned by U.S. residents and held through The Depository Trust Company (**DTC**) will not be subject to dividend withholding tax provided the address of the beneficial owner of the ordinary shares in the records of the broker is in the U.S. We strongly recommend that our ordinary shareholders ensure that their information is properly recorded by their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland).

Dividends paid in respect of XL-Ireland ordinary shares that are owned by residents of the U.S. and held outside of DTC will not be subject to dividend withholding tax if such ordinary shareholders held ordinary shares in XL-Cayman on January 12, 2010 and have provided a valid Form W-9 showing a U.S. address to XL-Ireland's transfer agent. We strongly recommend that our ordinary shareholders ensure that an appropriate Form W-9 has been provided to XL-Ireland's transfer agent.

Dividends paid in respect of XL-Ireland ordinary shares that are owned by residents of the U.S. and held outside of DTC will not be subject to dividend withholding tax, even if such ordinary shareholders did not hold ordinary shares in XL-Cayman on January 12, 2010, if they have completed the appropriate dividend withholding tax forms and such forms remain valid. Such ordinary shareholders must provide the appropriate dividend withholding tax forms to XL-Ireland's transfer agent at least seven business days before the record date for the first dividend payment to which they are entitled. We strongly recommend that our ordinary shareholders complete the appropriate dividend withholding tax forms and provide them to XL-Ireland's transfer agent as soon as possible after acquiring their XL-Ireland ordinary shares.

If any ordinary shareholder that is resident in the U.S. receives a dividend from which dividend withholding tax has been withheld, the ordinary shareholder should, upon making the necessary application, generally be entitled to obtain a refund of such dividend withholding tax from the Irish Revenue Commissioners.

Ordinary shares held by residents of relevant territories other than the United States

Ordinary shareholders who are residents of relevant territories, other than the U.S. and regardless of when such ordinary shareholders acquired their ordinary shares, must complete the appropriate dividend withholding tax forms in order to receive dividends without suffering dividend withholding tax (for a list of **relevant territories** for Irish dividend withholding tax, please see Annex F to this proxy statement).

If such ordinary shareholders hold their ordinary shares through DTC, they must provide the appropriate dividend withholding tax forms to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled. If such ordinary shareholders hold their ordinary shares outside of DTC, they must provide the appropriate dividend withholding tax forms to XL-Ireland's transfer agent at least seven business days before such record date. We strongly recommend that our ordinary shareholders complete the appropriate dividend withholding tax forms and provide them to their brokers or XL-Ireland's transfer agent, as the case may be, as soon as possible.

If any ordinary shareholder who is resident in a relevant territory receives a dividend from which dividend withholding tax has been withheld, the ordinary shareholder may be entitled to a refund of such dividend withholding tax from the Irish Revenue Commissioners.

Ordinary shares held by residents of Ireland

Most Irish tax resident or ordinarily resident ordinary shareholders will be subject to dividend withholding tax in respect of dividends paid on their XL-Ireland ordinary shares.

Ordinary shareholders that are residents of Ireland, but that are entitled to receive dividends without dividend withholding tax, must complete the appropriate dividend withholding tax forms and provide them to their brokers (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland) before the record date for the first dividend to which they are entitled (in the case of ordinary shares held through DTC), or to XL-Ireland's transfer agent at least seven business days before such record date (in the case of ordinary shares held outside of DTC).

Ordinary shares held by other persons

XL-Ireland ordinary shareholders that do not fall within any of the categories specifically referred to above may nonetheless fall within other exemptions from dividend withholding tax. If any ordinary shareholders are exempt from dividend withholding tax, but receive dividends subject to dividend withholding tax, such ordinary shareholders may apply for refunds of such dividend withholding tax from the Irish Revenue Commissioners.

Qualifying intermediary

Prior to paying any dividend on the ordinary shares, XL-Ireland will put in place an agreement with an entity that is recognized by the Irish Revenue Commissioners as a qualifying intermediary, which will provide for certain arrangements relating to distributions in respect of ordinary shares of XL-Ireland that are held through DTC (the **Deposited Securities**). The agreement will provide that the qualifying intermediary shall distribute or otherwise make available to Cede & Co., as nominee for DTC, any cash dividend or other cash distribution with respect to the Deposited Securities, after XL-Ireland delivers or causes to be delivered to the qualifying intermediary the cash to be distributed.

XL-Ireland will rely on information received directly or indirectly from brokers and its transfer agent in determining where its ordinary shareholders reside, whether they have provided the required U.S. tax information and whether they have provided the required dividend withholding tax forms. Ordinary shareholders that are required to file dividend withholding tax forms in order to receive dividends free of dividend withholding tax should note that such forms are generally valid, subject to a change in circumstances, until December 31 of the fifth year after the year of the filing of the forms.

Irish Income Tax on Dividends Paid by XL-Ireland. Ordinary shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from XL-Ireland should not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland. Ordinary shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland.

Irish Stamp Duty on the Transfer of XL-Ireland Ordinary Shares.

Ordinary shares held through DTC (directly or through a broker)

A transfer of XL-Ireland ordinary shares effected by means of the transfer of book entry interests in DTC (directly or through a broker) will not be subject to Irish stamp duty. On the basis that most ordinary shares in XL-Ireland are expected to be held through DTC, it is anticipated that most transfers of ordinary shares will be exempt from Irish stamp duty.

Ordinary shares held outside of DTC or transferred into or out of DTC

A transfer of XL-Ireland ordinary shares where any party to the transfer holds such ordinary shares outside of DTC may be subject to Irish stamp duty. Where it arises, Irish stamp duty is generally a liability of the transferee and the current rate of duty is 1%.

Ordinary shareholders wishing to transfer their ordinary shares into (or out of) DTC may do so without giving rise to Irish stamp duty provided:

there is no change in the beneficial ownership of such ordinary shares; and

the transfer into DTC is not effected in contemplation of a subsequent sale of such ordinary shares.

Due to the potential Irish stamp duty charge on transfers of XL-Ireland ordinary shares, we strongly recommend that our ordinary shareholders who do not hold their ordinary shares through DTC (or through a broker who in turn holds such ordinary shares through DTC) arrange for the transfer of their ordinary shares into DTC prior to the Effective Time. We also strongly recommend that any person who wishes to acquire XL-Ireland ordinary shares after completion of the Transaction acquire such ordinary shares through DTC (or through a broker who in turn holds such ordinary shares through DTC)).

General. Please refer to *Material Tax Considerations Relating to the Transaction* for a description of certain material U.S. federal, Irish and Cayman Islands tax consequences of the Transaction to XL-Cayman ordinary shareholders. Determining the actual tax consequences to you may be complex and will depend on your specific situation. Accordingly, the tax consequences summarized above may not apply to all holders of XL-Cayman ordinary shares and you should consult your own tax advisors regarding the particular U.S. (federal, state and local), Irish, Cayman Islands and other non-U.S. tax consequences of the Transaction and ownership and disposition of the XL-Ireland ordinary shares in light of your particular situation.

Rights of Ordinary Shareholders

The principal attributes of the XL-Ireland ordinary shares will be similar to the attributes of the XL-Cayman ordinary shares. However, there are differences between what your rights as an ordinary shareholder will be under Irish law and what they currently are as an ordinary shareholder under Cayman Islands law. In addition, there are differences between the organizational documents of XL-Ireland and XL-Cayman. We discuss some of these differences in detail under *Description of XL Group plc Share Capital* and *Comparison of Rights of Shareholders and Powers of the Board of Directors*. If the Director Nomination Procedures Proposal is approved, the procedural requirements for ordinary shareholder nominations of directors will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. Please also see *Proposal Number Three: The Director Nomination Procedures Proposal* below and

Proposal Number Three: The Director Nomination Procedures Proposal for more information on the Director Nomination Procedures Proposal and how it will affect the rights of our ordinary shareholders if it is approved. XL-Ireland's memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B and we urge you to read these important documents carefully.

Stock Exchange Listing and Financial Reporting

The Ordinary Share Exchange is not expected to affect the stock exchange listing of our ordinary shares on the NYSE. The XL-Cayman ordinary shares are expected to continue to trade on the NYSE until the Effective Time. Immediately following the Effective Time, the XL-Ireland ordinary shares will be listed on the NYSE under the symbol **XL**, the same symbol under which the XL-Cayman ordinary shares are currently listed.

Upon completion of the Transaction, we will remain subject to U.S. Securities and Exchange Commission (**SEC**) reporting requirements, the mandates of the Sarbanes-Oxley Act of 2002 (**SOX**) and the applicable corporate governance rules of the NYSE, and we will continue to

report our consolidated financial results in U.S. dollars and in accordance with U.S. GAAP. Under current Irish law, annual financial statements complying with Irish requirements would also be required to be made available to XL-Ireland's shareholders (in addition to the information they currently receive) commencing with respect to XL-Ireland's 2014 fiscal year.

No Appraisal Rights

Under Cayman Islands law, neither the ordinary shareholders nor the Series C or Series E preference shareholders of XL-Cayman have any right to an appraisal of the value of their shares or payment for them in connection with the Transaction.

Accounting Treatment of the Transaction

Under U.S. GAAP, the Transaction represents transactions between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of XL-Ireland will be reflected at their carrying amounts in the accounts of XL-Cayman at the Effective Time.

Proposal Number Two: The Distributable Reserves Proposal

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts 1963 to 2009, and all statutory instruments which are to be read as one with, or construed, or to be read together with such Acts (the **Irish Companies Acts**), and applicable accounting standards to enable it to pay dividends and redeem or buy back shares. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves because it is a newly formed holding company which will have no distributable reserves unless and until we generate earnings after the Effective Time. Therefore, creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

The current shareholders of XL-Ireland (which are XL-Cayman and certain of its subsidiaries) have passed a resolution that would create distributable reserves, subject to Irish High Court approval (as discussed below), following the Transaction by reducing the amount of XL-Ireland's share premium account. Such reduction would be achieved by cancelling the whole of the share premium account of XL-Ireland resulting from the issuance of shares in the Transaction in excess of an amount to be specified in the application to the Irish High Court, with an amount equal to the cancelled amount of the share premium account to be treated as distributable reserves in accordance with Irish law. If the Scheme of Arrangement Proposal has been approved, the ordinary shareholders of XL-Cayman will also be asked at the extraordinary general meeting to approve such reduction of XL-Ireland's share premium account to create distributable reserves.

In order to approve the Distributable Reserves Proposal, we must obtain the affirmative vote of ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved.

or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

If the ordinary shareholders of XL-Cayman approve the Distributable Reserves Proposal and the Ordinary Share Exchange is consummated, we will seek to obtain (as soon as practicable following the Effective Time) the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland's share premium account. The approval of the Irish High Court cannot be sought prior to the Effective Time. Although we are not aware of any reason why the Irish High Court would not grant its approval (and we expect such approval would be obtained within three months of the Effective Time), the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when Irish High Court approval will be obtained. If the Scheme of Arrangement becomes effective but our ordinary shareholders do not approve the Distributable Reserves Proposal, or if the Irish High Court does not approve the reduction of XL-Ireland's share premium account, XL-Ireland will not be able to pay dividends or buy back or redeem shares unless and until we generate earnings after the Effective Time, and only to the extent of such earnings.

Our Board unanimously recommends that our ordinary shareholders vote **FOR** approval of the Distributable Reserves Proposal.

Please see Description of XL Group plc Share Capital Dividends, Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions, Risk Factors and Proposal Number Two: The Distributable Reserves Proposal for more information.

Proposal Number Three: The Director Nomination Procedures Proposal

If the Director Nomination Procedures Proposal is approved, XL-Cayman's articles of association will be amended so as to require that the nominating ordinary shareholder submit written notice of its intent to make such a nomination not less than 90 and not more than 120 days prior to the one- year anniversary of the date of the immediately preceding annual general meeting (with certain exceptions if the annual general meeting is held more than 30 days before or after the one-year anniversary of the date of the immediately preceding annual general meeting). In addition, the written notice of an ordinary shareholder nomination of directors, whether at an annual general meeting or at an extraordinary general meeting, would be required to include certain additional information about the nominating ordinary shareholder and nominees that is not currently required under the XL-Cayman articles of association. If the Director Nomination Procedures Proposal is approved, the new procedural requirements and related clarifying provisions will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. If the Director Nomination Procedures Proposal is not approved, XL-Ireland's articles of association will reflect the director nomination procedures currently applicable to ordinary shareholders wishing to make director nominations at general meetings of XL-Cayman's ordinary shareholders. Under the current XL-Cayman articles of association, ordinary shareholder nominations of directors must be made by written notice to XL-Cayman not less than five nor more than twenty-one days before the date appointed for the annual general meeting of ordinary shareholders.

The Board has concluded that the amendments to the procedural requirements for ordinary shareholder nominations of directors are in the best interests of XL and its shareholders because these new procedures will facilitate an orderly process for ordinary shareholders to make nominations of directors at general meetings of XL-Ireland's ordinary shareholders and give the Board and other ordinary shareholders a reasonable opportunity to consider nominations to be brought at such meetings. The new procedures will also allow sufficient time, and a designated process, for full, accurate and complete information to be distributed to ordinary shareholders with respect to nominations of directors by other ordinary shareholders, including as to potential conflicts of interests with respect to such ordinary shareholders' nominees. The Board has determined that the proposed notice period provides an appropriate time period during which the Board, in the exercise of its fiduciary duties, can evaluate the candidates proposed to be nominated by an ordinary shareholder at an annual general meeting and prepare and disseminate proxy materials to all

ordinary shareholders that clearly articulate the Board's position on the nominees. This process also will allow ordinary shareholders who wish to nominate a candidate for director to be able to do so while ensuring that all other ordinary shareholders have sufficient time to consider the matters to be presented prior to casting their votes. These procedures are expected to promote and ensure an orderly meeting and clearer communications with ordinary shareholders.

We are seeking the approval of our ordinary shareholders with respect to the Director Nomination Procedures Proposal at the extraordinary general meeting. The Transaction is not conditioned on approval of the Director Nomination Procedures Proposal, and the Director Nomination Procedures Proposal is not conditioned on approval of any of the other proposals. If approved, the new procedural requirements will become effective even if the Transaction is not consummated, and will apply to ordinary shareholder nominations of directors at all general meetings of our ordinary shareholders subsequent to the 2010 annual general meeting.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Director Nomination Procedures Proposal.

Please see Proposal Number Three: The Director Nomination Procedures Proposal and Comparison of Rights of Shareholders and Powers of the Board of Directors Director Nominations; Proposals of Shareholders for more information.

Proposal Number Four: The Name Change Proposal

The Board has unanimously approved the change of XL Capital Ltd's name to XL Group Ltd. In the judgment of the Board, the change of name is desirable to reflect XL's exclusive focus on providing property, casualty and specialty insurance and reinsurance products for our customers' complex risks and is in the best interest of XL and its shareholders. If shareholders approve the Name Change Proposal at the extraordinary general meeting, XL-Cayman will implement the name change by making the necessary filing with the Cayman Islands Registrar of Companies to reflect the name change. Regardless of whether the Transaction is consummated, the name change is intended to be made in July 2010 or at such other time as may be determined by XL-Cayman under authority granted by the Board.

We are seeking the approval of our ordinary shareholders with respect to the Name Change Proposal at the extraordinary general meeting. The Transaction is not conditioned on approval of the Name Change Proposal, and the Name Change Proposal is not conditioned on approval of any of the other proposals.

Our Board unanimously recommends that our ordinary shareholders vote FOR approval of the Name Change Proposal.

Please see Proposal Number Four: The Name Change Proposal for more information.

Market Price and Dividend Information

On January 11, 2010, the last trading day before the public announcement of the Transaction, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was \$18.28 per share. On , 2010, the most recent practicable date before the date of this proxy statement, the closing price of the XL-Cayman ordinary shares as reported by the NYSE was \$ per share.

Ordinary Shareholder Special Meetings

Time, Place, Date and Purpose of the Ordinary Shareholder Special Meetings. The ordinary shareholder special meetings are scheduled to be held on , 2010 at XL's principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda.

The special scheme meeting is scheduled to commence at [a.m.], Bermuda time, on that date. At the extraordinary general meeting, XL-Cayman's Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to vote on:

Proposal
Number
One the
Scheme of
Arrangement
Proposal.

The extraordinary general meeting is scheduled to commence at [a.m.], Bermuda time, on that date (or as soon thereafter as the special scheme meeting concludes or is adjourned). At that meeting, XL-Cayman's Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to vote on:

Proposal Number Two the Distributable Reserves Proposal;

Proposal Number Three the Director Nomination Procedures Proposal; and

Proposal Number Four the Name Change Proposal.

Also, at both ordinary shareholder special meetings, XL-Cayman's Board of Directors will ask the ordinary shareholders of XL-Cayman, voting as a class, to approve motions to adjourn each meeting to a later date to solicit additional proxies if there are insufficient proxies to approve the proposals at the time of each respective ordinary shareholder special meeting or if there are insufficient shares present, in person or by proxy, at the extraordinary general meeting to conduct the vote on the Director Nomination Procedures Proposal and the Name Change Proposal.

If any other matters properly come before the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings, the persons named on the enclosed gold proxy card will have the authority to vote the ordinary shares represented by all properly executed proxies in their discretion. The Board currently does not know of any matters to be raised at the ordinary shareholder special meetings other than the proposals contained in this proxy statement.

Record Date. Only shareholders of XL-Cayman ordinary shares on , 2010 are entitled to notice of and to vote at the ordinary shareholder special meetings or any adjournments of either of such ordinary shareholder special meetings.

Quorum. At the special scheme meeting to approve the Scheme of Arrangement Proposal, at least two ordinary shareholders must be present, in person or by proxy, in order for the meeting to proceed. At the extraordinary general meeting to approve the Distributable Reserves Proposal, the Director Nomination Procedures Proposal and the Name Change Proposal, 50% of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the meeting to proceed and in order for the Distributable Reserves Proposal to be considered and voted on at the meeting, but 2/3 of the outstanding ordinary shares of XL-Cayman must be present, in person or by proxy, in order for the Director Nomination Procedures Proposal and the Name Change Proposal to be considered and voted on at the meeting.

Required Votes of Ordinary Shareholders

Scheme of Arrangement. The Scheme of Arrangement, which will effect the Ordinary Share Exchange and (if approved by the Series C and Series E preference shareholders) the Preference Share Exchange, requires approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman ordinary shares representing 75% or more in value of the ordinary shares present and voting, in person or by proxy. The approval of the Series C or Series E preference shareholders is not needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

For the purpose of calculating the majority in number requirement for the approval of the Scheme of Arrangement Proposal, each registered ordinary shareholder, voting in person or by proxy, will be counted as a single ordinary shareholder, regardless of the number of ordinary shares voted by that shareholder. Only ordinary shareholders whose names are recorded on XL-Cayman's register of members will be counted for purposes of the majority-in-number requirement. As such, where shares are held through DTC (including ordinary shares held in street name by brokers through DTC) or other nominees on behalf of beneficial owners, and DTC (or such other nominee) is listed as the registered holder of such shares on XL-Cayman's register of members, the Cayman Court will not look through the nominee to determine how the beneficial owners of shares

instructed those shares to be voted. Accordingly, DTC and other nominee holders of ordinary shares who are registered shareholders will each be counted as one ordinary shareholder for the purpose of calculating the majority in number requirement. If a registered shareholder (including DTC or other nominee holder of ordinary shares) elects (or is directed) to vote a portion of such registered shareholder's ordinary shares FOR the Scheme of Arrangement Proposal, and a portion AGAINST the Scheme of Arrangement Proposal, then that registered shareholder will be counted as one ordinary shareholder voting FOR the Scheme of Arrangement Proposal and as one ordinary shareholder voting AGAINST the Scheme of Arrangement Proposal, thereby effectively cancelling out that registered shareholder's vote for the purposes of the majority in number calculation (but not for purposes of the 75% or more in value calculation).

Distributable Reserves Proposal. The Distributable Reserves Proposal requires the affirmative vote of XL-Cayman's ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

Director Nomination Procedures Proposal. The Director Nomination Procedures Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Name Change Proposal. The Name Change Proposal requires the affirmative vote of ordinary shareholders representing not less than 2/3 of all ordinary shares present and voting, in person or by proxy, at the extraordinary general meeting at which a quorum of 2/3 of all of our outstanding ordinary shares is present, in person or by proxy.

Effect of Abstentions and Shares Not Voted

Abstentions will be counted as present for purposes of determining whether there is a quorum but will not count as votes FOR or AGAINST the proposals. An abstention on any proposal has the effect of a vote not being cast with respect to the relevant shares in relation to that proposal. Although considered present for purposes of the relevant quorum requirement, such shares will not be considered when determining whether the proposal has received the required approval.

For purposes of determining whether the required approval has been obtained for any of the proposals described in this proxy statement, shares that are not voted at the applicable ordinary shareholder special meeting will not be considered.

If you hold your ordinary shares through a broker and you do not instruct your broker on how to vote your ordinary shares prior to the ordinary shareholder special meetings, your broker, or the depository through which your broker holds your shares, will not be able to vote your ordinary shares at the ordinary shareholder special meetings, and your ordinary shares will not be counted as present for purposes of the relevant quorum requirement or affect the outcome of the vote, which is based on shares voting. Under NYSE Rule 452, brokers who hold shares on behalf of customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for non-routine matters. We believe

that the proposals described in this proxy statement are proposals for non- routine matters.

Proxies

General. One gold proxy card for both of the ordinary shareholder special meetings is being sent to each ordinary shareholder as of the record date.

If you properly received a proxy card, you may grant a proxy to vote on the proposals by marking your proxy card appropriately, executing it in the space provided, dating it and returning it to us. **If you are a registered shareholder and if you do not specify on the enclosed gold proxy card that is submitted (or when giving your proxy by telephone or via the Internet) how you want to vote your ordinary shares, the proxy holders will vote such unspecified ordinary shares FOR each of the proposals set forth in this proxy statement.**

If you hold your ordinary shares beneficially in the name of a broker, you must instead follow the instructions provided by your broker when voting your ordinary shares. **Your broker, or the depository through which your broker holds your shares, will not be able to vote your ordinary shares unless it receives appropriate instructions from you.**

If you have timely submitted a properly executed proxy card or properly appointed your proxy and provided your voting instructions via the Internet or by telephone, your ordinary shares will be voted as indicated.

Revocation. You may revoke your proxy at any time before it is exercised at the ordinary shareholder special meetings by one of the following means. If you are a registered shareholder, you may revoke your proxy by:

sending a
written
notice to our
Secretary at
XL House,
One
Bermudiana
Road,
Hamilton
HM 08,
Bermuda
specifying
that you are
revoking
your proxy
with respect
to the
ordinary
shareholder
special
meetings.
Your written
notice must
be received a
sufficient
amount of
time before
the first

ordinary
shareholder
special
meeting to
permit the
necessary
examination
and
tabulation of
the
revocation
before the
votes are
taken;

submitting a
proxy card
with respect
to the
ordinary
shareholder
special
meetings
with a later
date than the
proxy you
last
submitted;

submitting
new voting
instructions
by telephone
or via the
Internet,
which will
replace the
last proxy
received; or

if you are a
registered
holder,
voting in
person at the
ordinary
shareholder
special
meetings.

If you hold your XL-Cayman ordinary shares through a broker, you may revoke your proxy only in accordance with the instructions from your broker.

Attending the ordinary shareholder special meetings without taking one of the actions above will not revoke your proxy.

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following table presents selected historical financial and other data for XL-Cayman. The income statement data for fiscal years 2008, 2007, 2006, 2005 and 2004 and the nine months ended September 30, 2009 and 2008 and the balance sheet data as of December 31, 2008, 2007, 2006, 2005 and 2004 and September 30, 2009 and 2008 are derived from our consolidated financial statements. The selected historical financial and other data presented below should be read in conjunction with the financial statements and accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in XL-Cayman's Annual Report on Form 10-K for the year ended December 31, 2008 and Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2009 and other financial information incorporated by reference in this proxy statement. Historical financial information may not be indicative of XL-Ireland's future performance.

We have included no data for XL-Ireland because this entity was not in existence during any of the periods shown below.

2008	Year Ended December 31,					Nine months ended
	2007	2006	2005	2004	2009	
<i>(U.S. dollars in thousands)</i>						
6,640,102	\$ 7,205,356	\$ 7,569,518	\$ 9,365,495	\$ 8,582,014	\$ 4,326,940	
1,768,977	2,248,807	1,978,184	1,475,039	1,035,012	1,003,459	
(962,054)	(603,268)	(116,458)	241,882	246,547	(657,887)	
(73,368)	(55,451)	101,183	28,858	73,493	(9,571)	
52,158	14,271	31,732	19,297	35,317	27,285	
3,962,898	3,841,003	4,201,194	7,434,336	4,865,102	2,388,149	
769,004	888,658	807,255	2,510,029	1,526,921	517,614	
1,921,940	2,188,889	2,374,358	2,188,357	2,277,321	1,521,605	

351,800	621,905	552,275	403,849	292,234	169,008
22,527					
989,971					
2,968	1,680	2,355	10,752	15,827	1,394
(872,989)	1,593,587	1,895,758	(1,261,908)	1,118,986	144,937
(1,458,246)	(1,059,848)	111,670	67,426	143,357	30,366
(222,578)	(233,922)	(219,645)	(49,284)	(91,343)	(65,614)
78,645	69,514	40,322	40,322	40,321	74,626
					211,816
(2,632,458)	\$ 206,375	\$ 1,722,445	\$ (1,292,298)	\$ 1,126,292	\$ 246,926

(1) XL-Cayman generally records the income related to alternative fund affiliates on a one-month lag and the private investment fund affiliates

on a three-month lag in order for the company to meet the accelerated filing deadlines. XL-Cayman generally records the income related to operating affiliates on a three-month lag.

- (2) In 2008, net loss from operating affiliates includes losses totaling approximately \$1.4 billion related to the closing of the Master Commutation, Release and Restructuring Agreement, dated as of July 28, 2008 (the Master Agreement), with Syncora Holdings Ltd. and certain of its subsidiaries (Syncora) as well as losses recorded throughout 2008 and up until the closing of the Master Agreement that were associated

with previous reinsurance and guarantee agreements with Syncora. In 2007, \$351.0 million of financial guarantee reserves related to reinsurance agreements with Syncora were recorded within net loss from operating affiliates.

	Year Ended December 31,					Nine months ended	
	2008	2007	2006	2005	2004	September 30, 2009	2008
Other Financial Data							
Earnings (loss) per ordinary share (3):							
Basic	\$ (10.94)	\$ 1.14	\$ 9.55	\$ (9.06)	\$ 8.14	\$ 0.73	\$ (5.70)
Diluted	\$ (10.94)	\$ 1.14	\$ 9.53	\$ (9.06)	\$ 8.08	\$ 0.73	\$ (5.70)
Cash dividends per ordinary share	\$ 1.14	\$ 1.52	\$ 1.52	\$ 2.00	\$ 1.96	\$ 0.30	\$ 0.95

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- (3) Effective for the fiscal year beginning January 1, 2009 and for all interim periods within 2009, XL-Cayman adopted final authoritative guidance that addresses whether instruments granted in share-based payment transactions may be participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing basic earnings per share (EPS) pursuant to the

two-class method described in EPS guidance. A share-based payment award that contains a non-forfeitable right to receive cash when dividends are paid to ordinary shareholders irrespective of whether that award ultimately vests or remains unvested shall be considered a participating security as these rights to dividends provide a non-contingent transfer of value to the holder of the share-based payment award. Accordingly, these awards should be included in the computation of basic EPS pursuant to the two-class method. Under the terms of XL-Cayman's restricted stock awards, grantees are entitled to the right to receive dividends on the unvested portions of their awards.

There is no requirement to return these dividends in the event the unvested awards are forfeited in the future.

Accordingly, this guidance had an impact on XL-Cayman's EPS calculations.

All prior period EPS data presented has been adjusted retrospectively to conform to the provisions of this guidance. The adoption of this guidance reduced basic loss per ordinary share for fiscal 2008 and fiscal 2005 by \$0.08 and \$0.08, respectively, and reduced basic earnings per ordinary share by \$0.02, \$0.08 and \$0.03 for fiscal 2007, fiscal 2006 and fiscal 2004, respectively, and reduced diluted loss per ordinary share for fiscal 2008 \$0.08 and fiscal 2005 by \$0.08,

respectively,
and reduced
diluted
earnings per
ordinary share
by \$0.01,
\$0.07, and
\$0.05 for fiscal
2007, fiscal
2006, and fiscal
2004,
respectively.

		As of December 31,				As of September
2008	2007	2006	2005	2004	2009	
<i>(U.S. dollars in thousands, except per ordinary share amounts)</i>						
\$ 27,464,510	\$ 36,265,803	\$ 39,350,983	\$ 35,724,439	\$ 27,823,828	\$ 30,010,739	\$
4,353,826	3,880,030	2,223,748	3,693,475	2,203,726	3,906,277	
1,552,789	2,611,149	2,308,781	2,046,721	1,936,852	1,193,917	
3,997,722	4,697,471	5,027,772	6,441,522	6,971,356	3,827,343	
3,135,985	3,637,452	3,591,238	3,799,041	3,838,228	2,992,168	
45,648,814	57,762,264	59,308,870	58,454,901	49,245,469	47,221,241	
21,650,315	23,207,694	22,895,021	23,597,815	19,615,773	21,202,343	
5,452,865	6,772,042	6,476,057	5,776,318	4,556,952	5,754,176	
4,217,931	4,681,989	5,652,897	5,388,996	5,191,368	4,185,151	
3,189,734	2,868,731	3,368,376	3,412,698	2,721,431	2,452,373	

6,116,831	9,950,561	10,693,287	8,526,200	7,792,398	9,173,517
15.46	50.30	53.12	44.31	51.98	23.88

-
- (4) Effective for the fiscal year beginning January 1, 2009 and for all interim periods within 2009, XL-Cayman adopted final authoritative guidance regarding noncontrolling interests in consolidated financial statements to establish accounting and reporting standards for the noncontrolling interest in a subsidiary. This guidance requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company s

equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; requires any changes in ownership interest of the subsidiary be accounted for as equity transactions; and requires that when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. All prior period shareholders equity data presented has been adjusted retrospectively to conform to the provisions of this guidance. The adoption of

this guidance
resulted in
increased total
shareholders
equity of
\$1,598, \$2,419,
\$562,121,
\$54,389 and
\$53,703 for
2008, 2007,
2006, 2005 and
2004,
respectively.

UNAUDITED SUMMARY PRO FORMA FINANCIAL INFORMATION

Pro forma consolidated financial statements for XL-Ireland are not presented in this proxy statement because no significant pro forma adjustments are required to be made to show the impact of the Transaction to the historical income statement of XL-Cayman for the year ended December 31, 2008 and the nine months ended September 30, 2009 or the historical balance sheet as of December 31, 2008 and September 30, 2009. Those financial statements are included in XL-Cayman's Annual Report on Form 10-K for the year ended December 31, 2008 and Quarterly Report on Form 10-Q for the period ended September 30, 2009, respectively.

RISK FACTORS

Before you decide how to vote your ordinary shares, you should consider carefully the following risk factors related to the proposals set forth in this proxy statement, in addition to the other information contained in this proxy statement and the documents incorporated by reference, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2008, our Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2009 and any subsequent filings we make with the SEC prior to the date of the ordinary shareholder special meetings.

Your rights as an ordinary shareholder will change as a result of the Ordinary Share Exchange due to differences between Irish law and Cayman Islands law.

Because of differences between Irish law and Cayman Islands law, we will become subject to new legal requirements if the Ordinary Share Exchange is consummated. In addition, your rights as an ordinary shareholder will change if the Ordinary Share Exchange is consummated.

We discuss some of these differences in detail under **Description of XL Group plc Share Capital** and **Comparison of Rights of Shareholders and Powers of the Board of Directors**. XL-Ireland's memorandum and articles of association will be substantially in the forms attached to this proxy statement as Annex B.

Legislative or regulatory action could materially and adversely affect us after the Transaction or eliminate or reduce some of the anticipated benefits of the Transaction.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Ireland, the United States and other jurisdictions following the Transaction, and such changes may be more likely or become more likely in view of recent economic trends in such jurisdictions, particularly if such trends continue. For example, Ireland has suffered from the consequences of worldwide adverse economic conditions and the credit ratings on its debt have been downgraded. Such changes could cause a material and adverse change in our worldwide effective tax rate and we may have to take further action, at potentially significant expense, to seek to mitigate the effect of such changes. Any future amendments to the current income tax treaties between Ireland and other jurisdictions, including the United States, could subject us to increased taxation and/or potentially significant expense. We cannot assure you that the Transaction will eliminate the risk that these changes, if made, will apply to us.

As an Irish company following the Ordinary Share Exchange, we will be required to comply with numerous Irish and European Union laws and regulations as from time to time in effect, which may have a material and adverse effect on XL's financial condition and results of operations.

The Transaction may not allow us to maintain a competitive worldwide effective corporate tax rate.

We believe the Transaction should permit us to maintain a competitive worldwide effective tax rate. However, we cannot provide any assurance as to what our worldwide effective tax rate will be after the Transaction because of, among other things, uncertainty regarding the amount of business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions. Our actual worldwide effective tax rate may vary from our expectation and that variation may be material.

If the Transaction becomes effective but our ordinary shareholders do not approve the Distributable Reserves Proposal, or if the Irish High Court does not approve the creation of distributable reserves in XL-Ireland, XL-Ireland will not be able to pay dividends or redeem or buy back shares following the Transaction unless and until we generate earnings after the Effective Time, and only to the extent of such earnings.

Under Irish law, dividends must be paid and share redemptions and buy backs generally must be funded out of distributable reserves, which XL-Ireland will not have immediately following the Effective Time. If the Scheme of Arrangement Proposal is approved, the XL-Cayman ordinary shareholders will also be asked at the extraordinary general meeting to approve the creation of distributable reserves in XL-Ireland. Creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and

redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

If our ordinary shareholders approve such proposal and the Ordinary Share Exchange is consummated, we will seek to obtain the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland's share premium account. Although we are not aware of any reason why the Irish High Court would not approve the creation of distributable reserves, the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when such approval will be obtained. Even if the Irish High Court does approve the creation of distributable reserves, it may take substantially longer than we anticipate and the Irish High Court may not approve the reduction of the share premium account in the entire amount sought by XL.

Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the Scheme of Arrangement becoming effective, but in the absence of Irish High Court approval of the creation of distributable reserves, we would not continue to be able to pay dividends and redeem and buy back shares before we generate sufficient post-Transaction earnings, as would otherwise be necessary under Irish law. Further, we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law.

If the XL-Cayman ordinary shareholders approve the Scheme of Arrangement Proposal but do not approve the Distributable Reserves Proposal and the Transaction is consummated, or if the Irish High Court does not approve the creation of distributable reserves, XL-Ireland will not have sufficient distributable reserves to pay dividends or to buy back or redeem shares unless and until we generate earnings after the Effective Time, and only to the extent of such earnings. In addition, the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

Please see Proposal Number Two: The Distributable Reserves Proposal, Description of XL Group plc Share Capital Dividends and Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions.

As a result of different shareholder voting requirements in Ireland relative to the Cayman Islands, we will have less flexibility with respect to certain aspects of capital management.

Under Cayman Islands law, our Board may issue, without shareholder approval, any shares authorized in our memorandum of association that are not already issued. Irish law allows shareholders to authorize a Board of Directors to subsequently issue shares without shareholder approval, but this authorization must be renewed after five years. Additionally, subject to specified exceptions, Irish law grants statutory pre-emption rights to existing ordinary shareholders to subscribe for new issuances of shares for cash, but allows such shareholders to authorize the waiver of such statutory pre-emption rights for five years. Prior to the Effective Time, the articles of association of XL-Ireland will provide such authority to the Board of Directors of XL-Ireland to issue shares without further shareholder approval and a waiver of these statutory pre-emption rights for a period of five years in each such case. These authorizations expire after five years, unless renewed by XL-Ireland's shareholders, and we can provide no assurance that these authorizations and waivers will always be renewed, which could limit our ability to issue equity in the future. While we do not believe that the differences between Cayman Islands law and Irish law relating to our capital management will have a material and adverse effect on us, situations may arise where the flexibility we now have in the Cayman Islands would have provided benefits to our shareholders that will not be available in Ireland.

As a result of different shareholder voting requirements in Ireland relative to the Cayman Islands, we will have less flexibility with respect to our ability to amend our constituent documents and to take other actions requiring a special resolution of our shareholders than we now have.

Under Cayman Islands law and our current articles of association, our memorandum and articles of association may be amended by a special resolution of our ordinary shareholders, which requires approval by not less than 2/3 of the votes cast by XL-Cayman's ordinary shareholders at a general meeting of such shareholders at which holders of at least 2/3 of all ordinary shares are present. Under Irish law and the XL-Ireland articles of association, the special resolution required to amend XL-Ireland's memorandum and articles of association will require the approval of not less than 75% of the votes cast by XL-Ireland's ordinary shareholders at a general meeting of such shareholders at which holders of at least 2/3 of all XL-Ireland ordinary shares are present. Additional corporate actions that require approval by special resolution in both the Cayman Islands and Ireland include, but are not limited to, approval of a name change, approval of a reduction in share capital and approval of the winding-up of a company. As a result of the increased approval requirement for passage of a special resolution in Ireland, situations may arise where the flexibility we now have in the Cayman Islands would have provided benefits to our shareholders that will not be available in Ireland.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Voting.

We may be required to pay additional amounts in respect of dividends on our preference shares or interest payments on our debt after completion of the Transaction.

After the Transaction, XL-Ireland and/or its subsidiaries may have an obligation to pay additional amounts to our preference shareholders and holders of our debt under certain circumstances. Specifically, under Irish tax law, and subject to exceptions, dividends and interest are generally subject to a withholding tax (currently at 20%), which could trigger an obligation to pay additional amounts with respect to our preference shares and debt obligations. We do not expect such obligations to be material, as we believe our current preference shareholders and the holders of our debt generally should qualify for dividend and interest withholding tax exceptions, respectively. However, we are unable to predict the costs of such obligations or exclude as a possibility that the obligations to pay additional amounts could be material at some time in the future.

If the Cayman Court does not sanction the Scheme of Arrangement, XL-Cayman will not have the ability to effect the Transaction.

We cannot proceed with the Transaction unless the Cayman Court sanctions the Scheme of Arrangement after conducting a hearing. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court's order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Cayman Companies Law, we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court's sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

If the Cayman Court does not sanction the Scheme of Arrangement, XL-Cayman will be unable to effect the Transaction as contemplated under the Scheme of Arrangement (even if the requisite ordinary shareholders have approved the Scheme of Arrangement). In addition, the Cayman Court may impose such conditions, modifications or amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. If such conditions, modifications or amendments are imposed, XL will be unable to effect the Transaction without amending the Scheme of Arrangement, which, depending on the nature of such conditions, modifications or amendments, might require new shareholder approvals.

Please see Proposal Number One: The Scheme of Arrangement Proposal Court Approval of the Scheme of Arrangement.

After the Transaction, attempted takeovers of XL will be subject to the Irish Takeover Rules and subject to review by the Irish Takeover Panel.

After the Transaction, we will become subject to the Irish Takeover Rules, under which the Board of Directors of XL-Ireland will not be permitted to take any action which might frustrate an offer for the XL-Ireland shares once the Board of Directors has received an offer or has reason to believe an offer is or may be imminent without the approval of more than 50% of shareholders entitled to vote at a general meeting of XL-Ireland's shareholders and/or the consent of the Irish Takeover Panel. This could limit the ability of the Board of Directors of XL-Ireland to take defensive actions even if the Board of Directors believes that such defensive actions would be in the best interests of XL and its shareholders.

The Irish Takeover Rules also could discourage an investor from acquiring 30% or more of the outstanding ordinary shares of XL-Ireland unless such investor were prepared to make a bid to acquire all outstanding ordinary shares. Further, it could be more difficult for XL-Ireland to obtain shareholder approval for a merger or negotiated transaction after the Transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law than under Cayman Islands law.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Shareholder Approval of Business Combinations, Comparison of Rights of Shareholders and Powers of the Board of Directors Appraisal Rights, Comparison of Rights of Shareholders and Powers of the Board of Directors Disclosure of Interests in Shares and Comparison of Rights of Shareholders and Powers of the Board of Directors Other Anti-Takeover Measures.

After the Transaction, a future transfer of your XL-Ireland ordinary shares, other than one effected by means of the transfer of book entry interests in DTC, may be subject to Irish stamp duty.

Transfers of XL-Ireland ordinary shares effected by means of the transfer of book entry interests in DTC will not be subject to Irish stamp duty. It is anticipated that the majority of XL-Ireland ordinary shares will be traded through DTC, either directly or through brokers who hold such ordinary shares on behalf of customers through DTC. However, if you hold your XL-Ireland ordinary shares directly rather than beneficially through DTC (or through a broker that holds your ordinary shares through DTC), any transfer of your XL-Ireland ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the ordinary shares acquired). Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty could adversely affect the price of our ordinary shares.

Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Stamp Duty.

After the Transaction, dividends you receive may be subject to Irish dividend withholding tax and Irish income tax.

Dividend withholding tax (currently at a rate of 20%) may arise in respect of dividends paid on XL-Ireland ordinary shares. However, a number of exemptions from dividend withholding tax exist such that ordinary shareholders resident in the U.S. and ordinary shareholders resident in the countries listed in Annex F attached to this proxy statement may be entitled to exemptions from dividend withholding tax.

Please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations Withholding Tax on Dividends and, in particular, please note the requirement to complete certain dividend withholding tax forms in order to qualify for many of the exemptions.

Ordinary shareholders resident in the U.S. that hold their ordinary shares through DTC will not be subject to dividend withholding tax provided the addresses of the beneficial owners of such ordinary shares in the records of the brokers holding such ordinary shares are in the U.S. (so that such brokers can further transmit the relevant information to a qualifying intermediary appointed by XL-Ireland). Similarly, ordinary shareholders resident in the U.S. that hold their

ordinary shares outside of DTC will not be subject to dividend withholding tax if such ordinary shareholders held ordinary shares in XL-Cayman on January 12, 2010 and they have provided a valid Form W-9 showing a U.S. address to XL-Ireland's transfer agent. However, other ordinary shareholders may be

subject to dividend withholding tax, which could adversely affect the price of our ordinary shares. Please see [Material Tax Considerations Relating to the Transaction](#) [Irish Tax Considerations](#) [Withholding Tax on Dividends](#).

In addition, ordinary shareholders entitled to an exemption from Irish dividend withholding tax on dividends received from XL-Ireland should not be subject to Irish income tax in respect of those dividends, unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland. Ordinary shareholders who receive dividends subject to Irish dividend withholding tax will generally have no further liability to Irish income tax on those dividends unless they have some connection with Ireland other than their ordinary shareholding in XL-Ireland. Please see [Material Tax Considerations Relating to the Transaction](#) [Irish Tax Considerations](#) [Income Tax on Dividends Paid on XL-Ireland Shares](#).

XL recommends that each ordinary shareholder consult his or her own tax advisor as to the tax consequences of holding ordinary shares in and receiving dividends from XL-Ireland.

The anticipated benefits of the Transaction may not be realized.

We may not realize the benefits we anticipate from the Transaction. Our failure to realize those benefits could have a material and adverse effect on our business, results of operations or financial condition.

Please see [Proposal Number One: The Scheme of Arrangement Proposal](#) [Background and Reasons for the Transaction](#).

The Transaction will result in additional direct and indirect costs, even if it is not consummated.

We will incur additional costs and expenses in connection with and as a result of the Transaction. These costs and expenses include professional fees to comply with Irish corporate and tax laws and financial reporting requirements (including the need to provide annual financial statements complying with Irish requirements commencing with respect to XL-Ireland's 2014 fiscal year), costs and expenses incurred in connection with holding a majority of the meetings of the XL-Ireland Board of Directors and certain executive management meetings in Ireland, as well as any additional costs we may incur going forward as a result of our new corporate structure. In addition, we have incurred and expect to incur further legal fees, accounting fees, filing fees, mailing expenses and financial printing expenses in connection with the Transaction, even if the Scheme of Arrangement Proposal is not approved or the Transaction is not consummated.

The market for the XL-Ireland ordinary shares may differ from the market for the XL-Cayman ordinary shares.

We will continue to list our ordinary shares on the NYSE under the symbol [XL](#), the same trading symbol as the XL-Cayman ordinary shares. The market price, trading volume or volatility of the XL-Ireland ordinary shares could be different from those of the XL-Cayman ordinary shares.

Based on the recent experience of other companies, the change in our place of incorporation will likely result in XL being removed from the S&P 500 index and certain other indices, which could result in a negative impact on our ordinary share price if index-modeled shareholders are required to sell our ordinary shares.

FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended (the **Securities Act**), and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 (**PSLRA**) provides a safe harbor for forward-looking statements.

Statements that are not historical facts, including statements about our beliefs, plans or expectations, are forward-looking statements. Such statements include forward-looking statements both with respect to us in general, and to the insurance and reinsurance sectors in particular (both as to underwriting and investment matters). These statements are based on current plans, estimates and expectations, all of which involve risk and uncertainty. Actual results may differ materially from those included in such forward-looking statements and therefore you should not place undue reliance on them. Words such as may, will, should, likely, anticipates, expects, intends, plan, believes, estimates and similar expressions are used to identify these forward-looking statements for purposes of the PSLRA or otherwise.

The factors that could cause actual future results to differ materially from current expectations include, but are not limited to, our ability to obtain approval of the XL-Cayman ordinary shareholders and the Cayman Court for, and to satisfy the other conditions to, the Transaction within the expected timeframe or at all, our ability to obtain approval of the XL-Cayman ordinary shareholders and the Irish High Court for the creation of distributable reserves in XL-Ireland within the expected timeframe or at all, our ability to realize the expected benefits from the Transaction, the occurrence of difficulties in connection with the Transaction, any unanticipated costs in connection with the Transaction and changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by the tax authorities in Ireland, the United States and other jurisdictions following the Transaction.

The foregoing factors are in addition to those factors discussed under Risk Factors, Proposal Number One: The Scheme of Arrangement Proposal Background and Reasons for the Transaction and elsewhere in this proxy statement, as well as those in the documents that we incorporate by reference into this proxy statement (including, without limitation, the Risk Factors sections of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other documents on file with the SEC prior to the date of the ordinary shareholder special meetings). There may be other risks and uncertainties that we are unable to predict at this time. We expressly disclaim any obligation to update or revise these forward-looking statements whether as a result of new information, future developments or otherwise.

PROPOSAL NUMBER ONE: THE SCHEME OF ARRANGEMENT PROPOSAL

The Ordinary Share Exchange

Consummation of the Ordinary Share Exchange will result in you owning ordinary shares of XL-Ireland, a public limited company incorporated in Ireland, instead of ordinary shares of XL-Cayman.

As explained in more detail below, the Scheme of Arrangement, which we are asking you to vote on, will effect the Ordinary Share Exchange.

There are several steps required in order for us to effect the Ordinary Share Exchange, including holding the special scheme meeting. The special scheme meeting is being held in accordance with an order of the Cayman Court made on , 2010, which Cayman Islands law required us to obtain prior to holding the meeting. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on , 2010. If the Scheme of Arrangement Proposal is approved by our ordinary shareholders (and we do not abandon the Scheme of Arrangement), we will seek the Cayman Court s sanction of the Scheme of Arrangement.

If we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and if all of the other conditions are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010, or at such other date and time after such court order filing as the Board may determine, which we refer to as the Effective Time. However, our Board cannot delay the Effective Time to a date later than December 31, 2010 (unless extended with the approval of the Cayman Court) because the Scheme of Arrangement will lapse by its terms if the Effective Time has not occurred on or prior to that date.

At the Effective Time, the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Class A ordinary shares will be transferred to XL-Ireland;
2. in consideration therefor, XL-Ireland (i) will issue ordinary shares (on a one-for-one basis) to the holders of the whole XL-Cayman Class A

ordinary shares that will be transferred to XL-Ireland and (ii) will pay to the holders of fractional Class A ordinary shares of XL-Cayman an amount in cash for their fractional ordinary shares based on the average of the high and low trading prices of the XL-Cayman Class A ordinary shares on the NYSE on the business day immediately preceding the Effective Time; and

3. all XL-Ireland shares outstanding prior to the Ordinary Share Exchange (which will then be held by XL-Cayman and certain of its subsidiaries) will be redeemed by

XL-Ireland at
nominal value
and cancelled.

As a result of the Ordinary Share Exchange, the ordinary shareholders of XL-Cayman will instead become ordinary shareholders of XL-Ireland and XL-Ireland will own all of the outstanding ordinary shares of XL-Cayman. The members of the Board of Directors of XL-Cayman then in office will be members of the Board of Directors of XL-Ireland at the Effective Time.

After the Ordinary Share Exchange, you will continue to own an interest in the ultimate parent holding company of the XL group of companies, which will conduct the same business operations through its subsidiaries as conducted by XL-Cayman through its subsidiaries before the Ordinary Share Exchange. We do not expect the Transaction to have a material effect on the financial condition or results of operations of XL. Except for the effect of payment of cash for fractional shares, the number of ordinary shares you will own in XL-Ireland will be the same as the number of ordinary shares you owned in XL-Cayman immediately prior to the Ordinary Share Exchange, and your relative ownership interest in XL will remain unchanged.

If the Ordinary Share Exchange is consummated, XL-Cayman currently expects to form a new, wholly owned Swiss subsidiary and transfer all of the equity XL-Cayman owns in its other subsidiaries as well as cash and certain investment securities to that new Swiss subsidiary.

The Preference Share Exchange

The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement as it relates to the Preference Share Exchange, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

If the Scheme of Arrangement becomes effective, and if we obtain the requisite approvals from our Series C preference shareholders and our Series E preference shareholders and the Cayman Court and other conditions are met or, if allowed by law, waived, then the Scheme of Arrangement will also concurrently effect the Preference Share Exchange pursuant to which the Series C preference shares and the Series E preference shares will be exchanged for an equal number of Series C preference shares of XL-Ireland and Series E preference shares of XL-Ireland, respectively.

If approved, the Preference Share Exchange will become effective at the Effective Time, and the following steps will occur effectively simultaneously:

1. all previously outstanding XL-Cayman Series C and Series E preference ordinary shares will be transferred to XL-Ireland; and
2. in consideration therefor, XL-Ireland will issue Series C and Series E preference ordinary shares (on a one-for-one basis), respectively, to the holders of the XL-Cayman Series C and Series E preference

ordinary
shares that are
being
transferred to
XL-Ireland.

If the Preference Share Exchange is consummated, the Series C and Series E preference shareholders of XL-Cayman will instead become Series C and Series E preference shareholders of XL-Ireland, respectively.

In addition, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, the Series C preference shareholders will also be asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange, the business day immediately preceding the Effective Time. Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend period on the XL-Cayman Series C Preference Shares beginning prior to the Effective Time for which a Series C dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 (as and if declared by the Board) is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E Preference Shares prior to the Effective Time, whether or not a Series E dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL's preference shareholders.

The Preference Share Exchange will only be consummated if it is approved by both the Series C preference shareholders and the Series E preference shareholders and the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman

Court. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless both such series are exchanged.

If the Ordinary Share Exchange is approved and consummated, XL-Ireland will become the ultimate parent holding company of the XL group of companies (including XL-Cayman) whether or not the Preference Share Exchange is approved. If the Ordinary Share Exchange is consummated and the Preference Share Exchange is not consummated, the Series C and Series E preference shares will remain in their current form as Series C and Series E preference shares of XL-Cayman, respectively, which will become a subsidiary of XL-Ireland as part of the Ordinary Share Exchange.

If, and only if, both the Ordinary Share Exchange and the Preference Share Exchange are consummated, an election will be made to treat XL-Cayman as a disregarded entity for U.S. federal tax purposes effective shortly after the Effective Time.

Court Approval of the Scheme of Arrangement

Pursuant to Section 86 of the Cayman Companies Law, the Scheme of Arrangement must be sanctioned by the Cayman Court. This requires XL-Cayman to file a petition in connection with the Scheme of Arrangement with the Cayman Court. Prior to the mailing of this proxy statement, XL-Cayman obtained an order from the Cayman Court providing for the convening of the special class meetings of XL-Cayman shareholders and other procedural matters regarding those meetings and the Cayman Court proceeding, including a date upon which the Cayman Court will hold the Sanction Hearing. Subject to the ordinary shareholders approving the Scheme of Arrangement Proposal with the vote required by the Cayman Companies Law (and assuming we do not abandon the Scheme of Arrangement), the Cayman Court will hold the Sanction Hearing, hear the application and, we expect, authorize the Scheme of Arrangement.

Subject to the Series C and Series E preference shareholders of XL-Cayman each approving the Scheme of Arrangement, the Cayman Court will also consider the portions of the Scheme of Arrangement that will govern the Preference Share Exchange at the Sanction Hearing.

At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of the XL-Cayman shareholders which the Cayman Court may think fit to approve or impose. In determining whether to exercise its discretion and authorize the Scheme of Arrangement, the Cayman Court will determine, among other things, whether the Scheme of Arrangement is fair to XL-Cayman's ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, whether the Scheme of Arrangement is fair to XL-Cayman's Series C and Series E preference shareholders, considered as separate classes.

We expect the Sanction Hearing to be held on , 2010 at the Cayman Court on Grand Cayman Island. If you are an ordinary shareholder who wishes to appear in person or by counsel at the Sanction Hearing and present evidence or arguments in support of or opposition to the Scheme of Arrangement, you may do so. XL-Cayman will not object to the participation in the Sanction Hearing by any ordinary shareholder who holds shares through a broker. Assuming that the Scheme of Arrangement meetings are conducted in accordance with the Cayman Court's order and that the ordinary shareholders approve the Scheme of Arrangement Proposal by the majority required by the Cayman Companies Law, we are not aware of any reason why the Cayman Court would not sanction the Scheme of Arrangement. Nevertheless, the Cayman Court's sanction is a matter for its discretion and there can be no assurance if or when such sanction will be obtained.

If the Scheme of Arrangement is sanctioned by the Cayman Court, we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Scheme of Arrangement to become effective before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010, or at such other date and

time after such court order filing as the Board may determine, which we refer to as the Effective Time.

If the ordinary shareholders approve the Scheme of Arrangement Proposal (and we do not abandon the Scheme of Arrangement), then XL-Cayman will apply for sanction of the Scheme of Arrangement at the Sanction Hearing. We encourage you to read the Scheme of Arrangement in its entirety for a complete understanding of its terms and conditions. The Scheme of Arrangement will be substantially in the form attached as Annex A to this proxy statement.

Once the Scheme of Arrangement is effective, the Cayman Court will have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which arises out of or is connected with the terms of the Scheme of Arrangement or its implementation or out of any action taken or omitted to be taken under the Scheme of Arrangement or in connection with the administration of the Scheme of Arrangement. After the Effective Time, no shareholder may commence a proceeding against XL-Ireland or XL-Cayman in respect of or arising from the Scheme of Arrangement except to enforce its rights under the Scheme of Arrangement where a party has failed to perform its obligations under the Scheme of Arrangement.

Please see Conditions to Completion of the Transaction below for more information on the conditions to the Transaction.

Background and Reasons for the Transaction

Like many companies, we continually explore ways to optimize our corporate structure, including with respect to the jurisdiction of incorporation of our parent holding company. After conducting a thorough review with the help of outside advisors, our Board has determined that a change in place of incorporation is in the best interests of XL and its shareholders.

We are subject to reputational, political, tax and other risks because of negative publicity regarding companies that are incorporated in jurisdictions, including the Cayman Islands, whose economies have low rates of, or no, direct taxation or which do not have a substantial network of double taxation (or similar) treaties with the United States, the European Union or other members of the OECD. Our Board believes that changing our place of incorporation will reduce those risks and offer the opportunity to reinforce our reputation, which is one of our key assets, and to better support our legal and business platforms.

Additionally, there have been, and could be in the future, legislative or regulatory proposals that could increase taxes for companies incorporated in jurisdictions such as the Cayman Islands. Although we do not believe that any proposals under current legislative or regulatory consideration would directly impact us if enacted, our Board believes that the incorporation of our parent holding company in the Cayman Islands increases the risk that legislative or regulatory proposals that might be enacted in the future could materially and adversely affect us.

After considering a number of locations, our Board ultimately selected Ireland as the best available alternative based on many factors, including:

Ireland has strong international relationships as a member of the OECD and the European Union, a long history of international

investment, and long-established commercial relationships, trade agreements and tax treaties with the other European Union member states, the United States and other countries around the world. As a result, we believe Ireland offers a stable long-term legal and regulatory environment with the financial sophistication to meet the needs of our global business.

Ireland, like the Cayman Islands, is a common law jurisdiction, which we consider to be less prescriptive than many civil law jurisdictions. As a result, we believe Ireland's legal system to be more flexible (including with respect to the management of our capital structure), predictable and familiar to us than a civil law system.

Irish law, like Cayman Islands

law, permits dividends to be paid in U.S. dollars and upon the approval of the Board of Directors without the need for shareholder approval, thereby avoiding currency risk relating to our dividends.

We have maintained operations in Ireland since 1990 and, accordingly, we are familiar with doing business in that jurisdiction. In 2006, we established the first Irish-domiciled reinsurance company authorized pursuant to the EU Reinsurance Directive (which gives EU-based reinsurers a passport to do business throughout Europe), and all three of our EU-regulated platforms are represented in Dublin.

Although changing our place of incorporation to Ireland is not expected to reduce our worldwide effective corporate tax rate, we expect to maintain a competitive worldwide effective corporate tax

rate.

We cannot assure you that the anticipated benefits of the Transaction will be realized. In addition to the potential benefits described above, the Transaction will expose you and us to some risks and uncertainties. Please see the discussion under Risk Factors.

Our Board has considered both the potential advantages of the Transaction and the associated risks and uncertainties and has approved the Scheme of Arrangement and unanimously recommends that our shareholders vote FOR the Scheme of Arrangement Proposal.

Amendment, Termination or Delay

Subject to applicable Cayman Islands law and any other applicable laws, the Scheme of Arrangement may be amended, modified or supplemented at any time before or after its approval by the ordinary shareholders of XL-Cayman at the special scheme meeting. At the Sanction Hearing, the Cayman Court may impose such conditions, modifications and amendments as it deems appropriate in relation to the Scheme of Arrangement, but may not impose any material changes without the joint consent of XL-Cayman and XL-Ireland. Subject to any applicable laws, XL-Cayman may consent to any condition, modification or amendment of the Scheme of Arrangement on behalf of the ordinary shareholders or the Series C or E preference shareholders which the Cayman Court may think fit to approve or impose. After approval of the Scheme of Arrangement by any class of XL-Cayman shareholders, no amendment, modification or supplement to the Scheme of Arrangement may be made or effected that legally requires further approval by that class of XL-Cayman shareholders without obtaining that approval.

The Board may abandon the Scheme of Arrangement and the Transaction, or delay the Transaction, at any time prior to the Effective Time, without obtaining the approval of XL-Cayman's shareholders, even though the Scheme of Arrangement may have been approved by the requisite shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction may have been satisfied or, if allowed by law, waived. The Board will not, however, proceed with the Ordinary Share Exchange but abandon the Preference Share Exchange if the Preference Share Exchange has been approved by the XL-Cayman Series C and Series E preference shareholders and the Cayman Court and the other conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived.

Unless the Scheme of Arrangement has become effective on or before December 31, 2010 (unless extended with the approval of the Cayman Court), the Scheme of Arrangement will lapse by its terms and not come into effect.

Conditions to Completion of the Transaction

The Ordinary Share Exchange will not be consummated unless the following conditions are satisfied or, if allowed by law, waived:

1. the Scheme of Arrangement Proposal is approved by the requisite vote of the ordinary shareholders of XL-Cayman, voting as a class;

2. the requisite court order sanctioning the Scheme of Arrangement, insofar as it relates to the Ordinary Share Exchange, is obtained from the Cayman Court;
3. there is no threatened or pending litigation relating to, or effective decree, order, injunction or other legal restraint prohibiting the consummation of, the Ordinary Share Exchange;

4. all consents and governmental authorizations that are necessary, desirable or appropriate in connection with the Ordinary Share Exchange are obtained on terms acceptable to XL-Cayman and are in full force and effect;

5. we receive an opinion from Baker & McKenzie LLP, in form and substance reasonably satisfactory to us, confirming, as of the effective date of the Scheme of Arrangement, the matters discussed under Material Tax Considerations Relating to the Transaction U.S. Federal Income Tax Considerations ;

6. we receive an opinion from Matheson Ormsby Prentice, Solicitors, in form and substance reasonably satisfactory to us, confirming,

as of the
effective date of
the Scheme of
Arrangement,
the matters
discussed under
Material Tax
Considerations
Relating to the
Transaction Irish
Tax
Considerations ;
and

7. the XL-Ireland
ordinary shares
to be issued
pursuant to the
Ordinary Share
Exchange are
authorized for
listing on the
NYSE, subject
to official notice
of issuance.

The Preference Share Exchange will not be consummated unless the following conditions are satisfied or, if allowed by law, waived:

1. all of the
conditions set
out above with
respect to
completion of
the Ordinary
Share
Exchange are
satisfied or, if
allowed by
law, waived,
and the
Ordinary Share
Exchange is
concurrently
consummated;
2. the Scheme of
Arrangement is
approved by
the requisite
vote of the

Series C
preference
shareholders of
XL-Cayman,
voting as a
class;

3. the Scheme of
Arrangement is
approved by
the requisite
vote of the
Series E
preference
shareholders of
XL-Cayman,
voting as a
class;

4. the proposal to
vary the terms
of the Series C
preference
shares with
respect to
payment of the
dividend that
would
otherwise be
payable on
July 15, 2010
(as and if
declared by the
Board) is
approved by
the requisite
vote of the
Series C
preference
shareholders of
XL-Cayman,
voting as a
class;

5. the requisite
court order
authorizing the
Scheme of
Arrangement,
insofar as it
relates to the

Preference
Share
Exchange, is
obtained from
the Cayman
Court;

6. there is no
threatened or
pending
litigation
relating to, or
effective
decree, order,
injunction or
other legal
restraint
prohibiting the
consummation
of, the
Preference
Share
Exchange;
7. all consents
and
governmental
authorizations
that are
necessary,
desirable or
appropriate in
connection
with the
Preference
Share
Exchange are
obtained on
terms
acceptable to
XL-Cayman
and are in full
force and
effect; and
8. we receive
opinions from
Baker &
McKenzie LLP
and Matheson
Ormsby

Prentice,
Solicitors, in
form and
substance
reasonably
satisfactory to
us, confirming,
as of the
effective date
of the Scheme
of
Arrangement,
certain tax
matters
relating to the
Preference
Share
Exchange.

The Preference Share Exchange will only be consummated if it is approved by both the Series C preference shareholders and the Series E preference shareholders and the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless both such series are exchanged. The Ordinary Share Exchange is not conditioned on completion of the Preference Share Exchange or any approval by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the Scheme of Arrangement as it relates to the Preference Share Exchange, or if any of the other conditions to the Preference Share Exchange are not satisfied or waived, we expect to complete the Ordinary Share Exchange if we obtain the requisite approvals from our ordinary shareholders and the Cayman Court and the other conditions to the Ordinary Share Exchange are satisfied or, if allowed by law, waived.

Federal Securities Law Consequences; Resale Restrictions

The issuance of XL-Ireland shares to XL-Cayman shareholders in the Ordinary Share Exchange will not be registered under the Securities Act in reliance upon Section 3(a)(10) of the Securities Act. That section exempts from registration securities issued solely in exchange for outstanding securities where the terms and conditions of the issuance and exchange of such securities have been approved by a court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom such securities will be issued have a right to appear and to whom adequate notice of the hearing has been given. In determining whether it is appropriate to authorize the Scheme of Arrangement, the Cayman Court will consider at the Sanction Hearing whether the terms and conditions of the Scheme of Arrangement are fair to XL-Cayman's ordinary shareholders and, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, whether the Scheme of Arrangement as it relates to the Preference Share Exchange is fair to XL-Cayman's Series C and Series E preference shareholders, considered as separate classes. The Cayman Court has fixed the date and time for the Sanction Hearing, which is scheduled to be held at the Cayman Court on Grand Cayman Island on , 2010, at 10:00 a.m., Cayman Islands time.

The XL-Ireland shares issued to XL-Cayman shareholders in connection with the Transaction will be freely transferable, except as follows:

Persons who are affiliates of XL-Cayman or have been affiliates within 90 days prior to reselling any XL-Ireland ordinary shares may resell any XL-Ireland ordinary shares in the manner permitted by Rule 144 promulgated under the Securities Act. In computing the holding period of the XL-Ireland ordinary shares for the purposes of Rule 144(d),

such persons
will be
permitted to
tack the
holding
period of
their
XL-Cayman
ordinary
shares held
prior to the
Effective
Time.

Persons
whose
XL-Cayman
shares bear a
legend
restricting
transfer will
receive
XL-Ireland
shares that
are subject to
the same
restrictions.

Persons who may be deemed to be affiliates of XL-Cayman or XL-Ireland for these purposes generally include individuals or entities that control, are controlled by, or are under common control with, XL-Cayman or XL-Ireland, and would generally not be expected to include shareholders who are not executive officers, directors or significant shareholders of XL-Cayman or XL-Ireland.

Upon consummation of the Ordinary Share Exchange, the XL-Ireland ordinary shares will be deemed to be registered under Section 12(b) of the Exchange Act, by virtue of Rule 12g-3 under the Exchange Act, without the filing of any Exchange Act registration statement and XL-Ireland will be deemed to be the successor issuer of the registered ordinary shares.

Effective Date and Time of the Transaction

If the Scheme of Arrangement Proposal is approved by the requisite ordinary shareholder class vote and sanctioned by the Cayman Court and all of the other conditions to the consummation of the Ordinary Share Exchange are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), we intend to file the court order authorizing the Scheme of Arrangement with the Cayman Islands Registrar of Companies, which will by its terms cause the Ordinary Share Exchange to become effective at the Effective Time, which is expected to be before the opening of trading of the XL-Cayman ordinary shares on the NYSE on July 1, 2010 (or at such other date and time after such court order filing as the Board may determine), at which time the various steps of the Ordinary Share Exchange will occur effectively simultaneously. Subject to any order to the contrary by the Cayman Court, the Effective Time must be on or before December 31, 2010.

If the Preference Share Exchange is approved by the requisite Series C and Series E preference shareholder class votes and sanctioned by the Cayman Court and all of the other conditions to the consummation of the Preference Share

Exchange are satisfied or, if allowed by law, waived (and we do not abandon the Scheme of Arrangement), the various steps of the Preference Share Exchange will also occur effectively simultaneously at the Effective Time.

The expected timetable for the Transaction is set forth in Annex G to this proxy statement.

In the event the conditions to the Transaction are not satisfied or, if allowed by law, waived, the Transaction may be abandoned or delayed, even after approval by the requisite XL-Cayman shareholders and the authorization of the Cayman Court. In addition, the Transaction may be abandoned or delayed by our Board at any time prior to the Effective Time, without obtaining the approval of the XL-Cayman shareholders, even though the Scheme of Arrangement may have been approved by the requisite XL-Cayman shareholders and sanctioned by the Cayman Court and all other conditions to the Transaction may have been satisfied or, if allowed by law, waived. The Board will not, however, proceed with the Ordinary Share Exchange but abandon the Preference Share Exchange if the Preference Share Exchange has been approved by the XL-Cayman Series C and Series E preference shareholders and the Cayman Court and the other conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived.

Please see Amendment, Termination or Delay above.

Management of XL Group plc

If the Transaction is consummated, the executives and directors of XL-Cayman immediately prior to the Effective Time are expected to be the executives and directors of XL-Ireland. XL-Ireland's memorandum and articles of association provide for three classes of directors, just as XL-Cayman currently has, and XL-Ireland's Class I, Class II and Class III directors will be subject to re-election at the 2011, 2012 and 2013 annual general meetings of XL-Ireland, respectively.

Exculpation and Indemnification

XL-Cayman's articles of association contain provisions which release the directors and officers from liability absent their willful neglect or default. In general, a Cayman Islands court will enforce such a provision except to the extent that enforcement may be held to be contrary to public policy. The articles of association of XL-Ireland contain an exemption from liability for its directors and executives that is substantially similar to the exemption from liability described above with respect to XL-Cayman. However, under the Irish Companies Acts, a company may not exempt its directors or corporate secretary from liability for negligence or a breach of duty or trust. Where a breach of duty has been established, directors and the corporate secretary may be statutorily exempted by an Irish court from personal liability for negligence or breach of duty if, among other things, the court determines that they have acted honestly and reasonably, and that they may fairly be excused as a result.

XL-Cayman's articles of association also contain provisions that indemnify its directors and officers against liabilities (except in the case of claims by or in the right of XL-Cayman) and expenses they may incur in their capacity as directors and officers, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of XL-Cayman and, with respect to any criminal action or proceeding, had no reasonable cause to believe their actions were unlawful. In addition, to the extent that a director or officer is successful on the merits or otherwise in defense of any relevant legal proceeding, the articles of association of XL-Cayman provide that he or she will be indemnified against expenses actually and reasonably incurred by him or her in connection with that legal proceeding. The indemnity provisions do not extend to situations involving claims by or in the right of XL-Cayman in which a court determines that a director or officer is liable for willful neglect or default in the performance of his or her duty to XL-Cayman. In addition, as a matter of Cayman Islands law, an indemnification provision would not be enforceable if held by a Cayman Island court to be contrary to public policy. For instance, an indemnification provision that purported to provide indemnification for liabilities incurred as a result of committing a crime or actual fraud might be held to be contrary to public policy under Cayman Islands law.

XL-Ireland's articles of association confer an indemnity on its directors and officers that is substantially the same as the indemnity in XL-Cayman's articles of association, subject to the limitations imposed by the Irish Companies Acts. The Irish Companies Acts prescribe that an

advance commitment to indemnify only permits a company to pay the costs or discharge the liability of a director or corporate secretary where judgment is given in favor of the director or corporate secretary in any civil or criminal action in respect of such costs or liability, or where an Irish court grants relief because the director or corporate secretary acted honestly and reasonably and ought fairly to be excused. Any provision whereby an Irish company seeks to commit in advance to indemnify its directors or corporate secretary over and above the limitations imposed by the Irish Companies Acts will be void under Irish law, whether contained in its articles of association or any contract between the company and the director or corporate secretary. As a result, to the extent the indemnification provisions in XL-Ireland's articles of association apply to directors and the corporate secretary of XL-Ireland, the indemnity is more limited than the indemnity in XL-Cayman's articles of association. This restriction does not apply to executives who are not directors or the corporate secretary, or other persons who would not be considered officers within the meaning of that term under the Irish Companies Acts, of XL-Ireland.

In order to continue to retain and attract highly experienced and capable persons to serve as directors and executives of XL, we intend that XL-Cayman will enter into arrangements (in the form of agreements and/or a deed poll) in connection with the Scheme of Arrangement providing for the indemnification of, and advancement of expenses to, the directors, corporate secretary and certain other executives of XL-Ireland. We expect that the indemnification and expense advancement provided under these arrangements will be substantially similar to the indemnity currently afforded by XL-Cayman under its articles of association to its directors and officers, except that these arrangements will provide for additional procedural protections intended to help ensure that such indemnification and expense advancement rights will be available to the directors, corporate secretary and such executives of XL-Ireland. XL-Ireland also expects to continue to maintain liability insurance policies similar to those currently maintained by XL-Cayman.

Please see Comparison of Rights of Shareholders and Powers of the Board of Directors Indemnification of Directors and Officers; Insurance.

Interests of Certain Persons in the Transaction

Except for the indemnification arrangements described above, no person who has been a director or executive officer of XL-Cayman at any time since the beginning of our last fiscal year, or any associate of any such person, has any substantial interest in the Transaction, except for any interest arising from his or her ownership of securities of XL-Cayman. No such person is receiving any extra or special benefit not shared on a *pro rata* basis by all other holders of XL-Cayman ordinary shares.

Required Votes

The Scheme of Arrangement, which will effect the Ordinary Share Exchange and the Preference Share Exchange, requires approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman ordinary shares present and voting, in person or by proxy, representing 75% or more in value of the ordinary shares present and voting, in person or by proxy. The approval of the Series C or Series E preference shareholders is not needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

The Scheme of Arrangement also requires, but only with respect to the Preference Share Exchange: (1) approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series C preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series C preference shareholders, representing 75% or more in value of the Series C preference shares present and voting, in person or by proxy; and (2) approval by the affirmative vote of a majority in number of the registered shareholders of XL-Cayman Series E preference shares present and voting, in person or by proxy, at a special court-ordered class meeting of the XL-Cayman Series E preference shareholders, representing 75% or more in value of the Series E preference shares present and voting, in person or by proxy.

Approval of the variation to the terms of the Series C preference shares (as described under [Payment of Series C Preference Share Dividend](#)) is a condition to the effectiveness of the Scheme of Arrangement with respect to the Preference Share Exchange and therefore is required in order for us to carry out the Preference Share Exchange. The variation to the terms of the Series C preference shares requires the affirmative vote of XL-Cayman's Series C preference shareholders representing at least 2/3 of all Series C preference shares present and voting, in person or by proxy, at the extraordinary general meeting of Series C preference shareholders at which holders of at least 2/3 of all Series C preference shares are present, either in person or by proxy. The approval of the Series C preference shareholders is not, however, needed to approve the Scheme of Arrangement with respect to the Ordinary Share Exchange.

Please see [The Meetings Votes of Ordinary Shareholders Required for Approval](#) and [The Meetings Votes of Preference Shareholders Required for Preference Share Exchange Approval](#) for more information on the votes required.

Board Recommendation

Our Board has approved the Scheme of Arrangement and unanimously recommends that our ordinary shareholders vote FOR approval of the Scheme of Arrangement Proposal.

Regulatory Matters

We will be required to obtain an exemption from the acquisition of control ([Form A](#)) application and approval requirements from insurance regulatory authorities in Delaware, Illinois, New York, North Dakota and Texas (the domiciliary regulators of the U.S. insurance subsidiaries of XL). If one or more domiciliary state regulators refuses to grant our exemption request, we will be required to make a Form A application or similar filing in such state, and obtain approval of that application, prior to the Effective Time.

We also will be required to obtain the prior approval of, or make filings with, certain insurance regulators in several non-U.S. jurisdictions in which our insurance subsidiaries conduct business.

No Appraisal Rights

Under Cayman Islands law, none of the shareholders of XL-Cayman has any right to an appraisal of the value of their shares or payment for them in connection with the Transaction.

Exchange of Shares

Assuming the Ordinary Share Exchange becomes effective, if your ordinary shares are held in book-entry form or by your broker, XL-Cayman ordinary shares so held will automatically be transferred to XL-Ireland at the Effective Time and, in consideration therefor, fully paid and non-assessable XL-Ireland ordinary shares will be issued to you or your broker without any action on your part (and, if you hold any fractional ordinary shares of XL-Cayman, cash for such fractional ordinary shares will automatically be paid to you or your broker). If you hold your XL-Cayman ordinary shares in certificated form, and the Ordinary Share Exchange is consummated, your ordinary shares will automatically be transferred to XL-Ireland at the Effective Time. Soon after the Effective Time, our transfer agent will send you a letter of transmittal, which is to be used to surrender your XL-Cayman ordinary share certificates and to give you, in consideration for the transfer of your XL-Cayman ordinary shares, the choice of (i) applying for share certificates evidencing your ownership of ordinary shares in XL-Ireland or (ii) having your ownership of ordinary shares in XL-Ireland evidenced through an electronic book-entry in your name on XL-Ireland's shareholder records (in which case the transfer agent will mail you a statement documenting your ownership of XL-Ireland ordinary shares). The letter of transmittal will contain instructions explaining the procedure for surrendering your XL-Cayman ordinary share certificates and making the election with respect to the method of evidencing your ownership of XL-Ireland ordinary shares. If you return the letter of transmittal with your XL-Cayman share certificates but do not make an

election with respect to the method of evidencing your ownership of XL-Ireland

ordinary shares, your ordinary shares will be evidenced in book-entry form. **You should not return your XL-Cayman ordinary share certificates with the enclosed proxy card.**

Ordinary shares of XL-Ireland issued pursuant to the Ordinary Share Exchange and Series C and Series E preference shares of XL-Ireland issued pursuant to the Preference Share Exchange will be fully paid and non-assessable.

Please see *Material Tax Considerations Relating to the Transaction* for further information pertaining to Irish stamp duty on transfers by shareholders who choose to hold their XL-Ireland ordinary shares directly registered in their own names on XL-Ireland's shareholder records, whether in certificated or book-entry form.

Payment of Series C Preference Share Dividend

Pursuant to the terms of the Series C preference shares, when, as and if declared by our Board, dividends on the Series C preference shares are currently paid semi-annually on a cumulative basis on January 15 and July 15 of each year.

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts and applicable accounting standards to enable it to pay dividends. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves because it is a newly formed holding company with no distributable reserves unless and until it generates earnings after the Effective Time. While we plan to create these reserves by reducing XL-Ireland's share premium account if the Distributable Reserves Proposal is approved, the creation of these reserves also must be approved by the Irish High Court. We may not be able to obtain the approval of the Irish High Court until after July 15, 2010 or at all.

As a result, if the Preference Share Exchange occurs, XL-Ireland may not have sufficient distributable reserves to permit it to pay the scheduled Series C preference share dividend on July 15, 2010 (as and if declared by the Board). To avoid a potential delay in paying this dividend, if the Series C and Series E preference shareholders approve the Scheme of Arrangement as it relates to the Preference Share Exchange, the Series C preference shareholders are being asked to vote on a proposal to approve a variation to the terms of their Series C preference shares. Such variation would provide that the full amount of the dividend on the Series C preference shares that would otherwise be payable on July 15, 2010 will instead be payable (as and if declared by the Board) on the earlier of (x) July 15, 2010 and, (y) if all of the conditions to the Preference Share Exchange have been satisfied or, if allowed by law, waived, other than the occurrence of the Ordinary Share Exchange, the business day immediately preceding the Effective Time. Approval of this variation to the terms of the Series C preference shares is a condition to the Preference Share Exchange.

If the Preference Share Exchange is consummated, each of the Series C and Series E preference shares of XL-Ireland will accrue dividends at the same rate as the equivalent series of preference shares of XL-Cayman. However, the Series C and Series E preference shares of XL-Ireland will be deemed to accrue dividends (1) in the case of the XL-Ireland Series C preference shares, from the last dividend payment date for the last dividend period on the XL-Cayman Series C Preference Shares beginning prior to the Effective Time for which a Series C dividend was paid in full (or, if the dividend payment on the Series C preference shares of XL-Cayman that would normally be paid on July 15, 2010 (as and if declared by the Board) is paid in full prior to such date, only from July 15, 2010), and (2) in the case of the XL-Ireland Series E preference shares, from the last dividend payment date on the XL-Cayman Series E Preference Shares prior to the Effective Time, whether or not a Series E dividend was paid on that date (the dividends on the Series E preference shares being non-cumulative). These changes regarding the first dividend period following the Preference Share Exchange are intended to ensure that the Preference Share Exchange, if consummated, does not affect the aggregate dividend rights of XL's preference shareholders.

Equity Incentive Plans

If the Transaction is consummated, XL-Ireland will assume the existing obligations of XL-Cayman in connection with awards granted under XL-Cayman's equity incentive plans. Those plans will be amended as necessary to comply with Irish law and give effect to the Transaction, including to provide (1) that XL-Ireland ordinary shares will be issued, held, available or used to measure or satisfy benefits as appropriate under the plans, in substitution for XL-Cayman ordinary shares; and (2) for the appropriate substitution of XL-Ireland for XL-Cayman in those plans.

XL-Ireland intends to file new registration statements and/or post-effective amendments to certain effective registration statements of XL-Cayman concurrently with the completion of the Transaction in connection with its assumption of the existing obligations of XL-Cayman in connection with awards granted under XL-Cayman's equity incentive plans.

Effect on Employees

In connection with consummation of the Transaction, all outstanding employment agreements entered into with XL-Cayman's senior executives are expected to be assumed by XL-Ireland. We expect there will be minimal effect on our employees globally as a result of the Transaction.

Equity Security Units

In August 2008, XL-Cayman issued 23 million of its 10.75% Equity Security Units (the "ESUs") in a public offering. Each ESU has a stated amount of \$25 and consists of (a) a purchase contract pursuant to which the holder agreed to purchase, for \$25, a variable number of shares of XL-Cayman's ordinary shares on August 15, 2011, and (b) a one-fortieth, or 2.5%, ownership interest in a senior note issued by XL-Cayman due August 15, 2021, with a principal amount of \$1,000. The maximum number of ordinary shares to be issued under the purchase contracts is approximately 35.9 million. The ESUs are listed on the NYSE.

If the Transaction is consummated, XL-Ireland will agree (as required by the terms of the ESUs) to issue its ordinary shares to the holders of the ESUs upon settlement of the associated purchase contracts, in lieu of XL-Cayman ordinary shares. XL-Cayman or another subsidiary of the XL group of companies will be the issuer of the ESUs, which are expected to continue to be listed on the NYSE after the Transaction.

Outstanding Debt and Effect on Access to Capital and Credit Markets

We do not believe that the Transaction will have any material effect on our credit facilities or senior notes. Following the Transaction, all of our outstanding debt will remain outstanding and XL-Cayman or one or more its subsidiaries will continue to be the borrowers, issuers and guarantors of such debt.

In addition, we do not expect that the Transaction will have any adverse effect on our ability to access the capital markets or bank credit markets.

Stock Exchange Listing and Reporting Obligations

Our ordinary shares are expected to continue to trade on the NYSE until the Effective Time.

We intend to make application so that, immediately following the Effective Time, the XL-Ireland ordinary shares (for which there is currently no established public trading market) will be listed on the NYSE under the symbol "XL", the same symbol under which the XL-Cayman ordinary shares are currently listed. XL-Ireland ordinary shares are also expected to be listed on the Bermuda Stock Exchange following the Effective Time under the symbol "XL", the same symbol under which the XL-Cayman ordinary shares are currently listed. We do not currently intend to list the

XL-Ireland ordinary shares on the Irish Stock Exchange or any other stock exchange.

Upon completion of the Transaction, we will remain subject to SEC reporting requirements, the mandates of SOX and the corporate governance rules of the NYSE, and we will continue to report

our consolidated financial results in U.S. dollars and in accordance with U.S. GAAP. Under current Irish law, annual financial statements complying with Irish requirements would also be required to be made available to XL-Ireland's shareholders (in addition to the information they currently receive) commencing with respect to XL-Ireland's 2014 fiscal year.

Accounting Treatment of the Transaction

Under U.S. GAAP, the Transaction represents a transaction between entities under common control. Assets and liabilities transferred between entities under common control are accounted for at cost. Accordingly, the assets and liabilities of XL-Ireland will be reflected at their carrying amounts in the accounts of XL-Cayman at the Effective Time.

Effect of the Transaction on Potential Future Status as a Foreign Private Issuer

Under SEC rules, companies organized outside of the United States that qualify as foreign private issuers remain subject to SEC regulation, but are exempt from certain requirements that apply to U.S. reporting companies. XL-Cayman is not a foreign private issuer. Even if XL-Ireland meets the tests for a foreign private issuer, we do not currently intend to avail ourselves of the benefits of being a foreign private issuer.

PROPOSAL NUMBER TWO: THE DISTRIBUTABLE RESERVES PROPOSAL

Under Irish law, XL-Ireland requires distributable reserves in its unconsolidated balance sheet prepared in accordance with the Irish Companies Acts and applicable accounting standards to enable it to pay dividends and redeem or buy back shares. Immediately following the Effective Time, the unconsolidated balance sheet of XL-Ireland will not contain any distributable reserves, because it is a newly formed holding company which will have no distributable reserves unless and until we generate earnings after the Effective Time. Immediately after the Effective Time, shareholders equity in the unconsolidated balance sheet of XL-Ireland will consist only of (1) share capital, which is equal to the aggregate nominal value of the XL-Ireland shares issued in the Transaction; and (2) share premium account equal to: for the XL-Ireland ordinary shares, (a) the market value of the XL-Cayman ordinary shares outstanding immediately prior to the Effective Time, determined as of the close of trading on the NYSE on the day prior to the Effective Time, less (b) the nominal value of the XL-Ireland ordinary shares issued in the Transaction, and, if the Preference Share Exchange is consummated, for the XL-Ireland Series C and Series E preference shares, respectively, (a) the fair market value of the XL-Cayman Series C and Series E preference shares outstanding immediately prior to the Effective Time (as determined by XL) less (b) the nominal value of the XL-Ireland Series C and Series E preference shares issued in the Transaction. Therefore, creation of distributable reserves in XL-Ireland is being sought in connection with the Transaction so that we would continue to be able to pay dividends and redeem and buy back shares, before we generate sufficient post-Transaction earnings as would otherwise be necessary under Irish law.

The current shareholders of XL-Ireland (which are XL-Cayman and certain of its subsidiaries) have passed a resolution that would create distributable reserves, subject to Irish High Court approval (as discussed below), following the Transaction by reducing the amount of XL-Ireland's share premium account. Such reduction would be achieved by cancelling the whole of the share premium account of XL-Ireland resulting from the issuance of shares in the Transaction in excess of an amount to be specified in the application to the Irish High Court, with an amount equal to the cancelled amount of the share premium account to be treated as distributable reserves in accordance with Irish law. If the Scheme of Arrangement Proposal has been approved, the ordinary shareholders of XL-Cayman will also be asked at the extraordinary general meeting to approve such reduction of XL-Ireland's share premium account to create distributable reserves.

In order to approve the Distributable Reserves Proposal, we must obtain the affirmative vote of ordinary shareholders representing more than 50% of all ordinary shares present and voting, in person or by proxy. While approval of the Distributable Reserves Proposal by more than 50% of all ordinary shares present and voting is sufficient for approval of the proposal under Cayman Islands law (which governs the extraordinary general meeting at which the vote is taking place), we are seeking the approval of at least 75% of all ordinary shares present and voting, in person or by proxy, to increase the likelihood of obtaining Irish High Court approval with respect to the creation of distributable reserves in XL-Ireland because such higher approval threshold would be required if the vote on the Distributable Reserves Proposal were being conducted under Irish law. Approval of the Distributable Reserves Proposal by our ordinary shareholders is not a condition to the effectiveness of the Scheme of Arrangement, but the Board may determine not to proceed with the Transaction for any reason, including because the Distributable Reserves Proposal is not approved or is approved by holders of fewer than 75% of all ordinary shares present and voting, in person or by proxy.

If the ordinary shareholders of XL-Cayman approve the Distributable Reserves Proposal and the Ordinary Share Exchange is consummated, we will seek to obtain (as soon as practicable following the Effective Time) the approval of the Irish High Court, as required for the creation of distributable reserves through a reduction of XL-Ireland's share premium account. The approval of the Irish High Court cannot be sought prior to the Effective Time. Although we are not aware of any reason why the Irish High Court would not grant its approval (and we expect such approval would be obtained within three months of the Effective Time), the issuance of the required order is a matter for the discretion of the Irish High Court and there can be no assurance if or when Irish High Court approval will be obtained. If the Scheme of Arrangement becomes effective but our ordinary shareholders do not approve the Distributable Reserves

Proposal, or if the Irish High Court