XL CAPITAL LTD
Form DEF 14A
March 10, 2010

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

SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant S

Filed by a Party other than the Registrant £

Check the appropriate box:

£ Preliminary Proxy Statement

£ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

S Definitive Proxy Statement

£ Definitive Additional Materials

£ Soliciting Material Under §240.14a-12

XL CAPITAL LTD
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

S No fee required.

£ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

£ Fee paid previously with preliminary materials.

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

March 9, 2010

To Our Ordinary Shareholders:

On April 30, 2010, commencing at 12:30 p.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 scheme of arrangement is approved by the requisite vote of our ordinary shareholders and the Grand Court of the Cayman Islands and if all of the conditions are satisfied. However, the redomestication is not conditioned on completion of the preference share exchange or any approval of the scheme of arrangement by our Series C or Series E preference shareholders. Accordingly, even if our preference shareholders do not approve the scheme of arrangement, we expect to complete the redomestication if we obtain the requisite approval of our ordinary shareholders and the Grand Court of the Cayman Islands and if 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 hold your ordinary 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.

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 March 9, 2010 and is first being mailed to XL Capital Ltd s Class A ordinary shareholders on or about March 11, 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 APRIL 30, 2010

To the Class A ordinary shareholders of XL Capital Ltd:

On April 30, 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 12:30 p.m., Bermuda time, and an extraordinary general meeting of the ordinary shareholders (the **extraordinary general meeting**), which will commence at 1:00 p.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**), a public limited company to be incorporated in Ireland that will be 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 Ordinary Share Exchange and (if approved) the Preference Share Exchange 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 XL-Cayman Board of Directors has set March 5, 2010 as the record date for the special scheme meeting and 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 (the **Cayman Court**) dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to the accompanying proxy statement. 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 Cayman Court in respect of the Scheme of Arrangement. Sanction of the Cayman Court must be obtained as a condition to the Scheme of Arrangement becoming effective. We expect the hearing before the Cayman Court regarding sanction of the Scheme of Arrangement to be held on May 20, 2010. If you are an XL-Cayman ordinary shareholder who wishes to appear in person or by counsel at the Cayman 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 Cayman 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 March 11, 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 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 April 16, 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 April 30, 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 April 30, 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 also be held on April 30, 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 March 11, 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 though 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 Board has set March 5, 2010 as the record date (the **record date**) for the special scheme meeting and for the extraordinary general meeting. This means that only those persons who were shareholders of ordinary shares at the close of business on March 5, 2010 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, 342,100,814 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 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, 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 to be 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 Grand Court of the Cayman Islands (the **Cayman Court**) dated March 3, 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 April 30, 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 of XL-Ireland (on a

one-for-one basis) to the holders of whole XL-Cayman Class A ordinary shares that are being 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 in issue 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**), 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 of XL-Cayman (the **Series C preference shares**) and the Series E preference ordinary shares of XL-Cayman (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 the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction (as defined below) unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement. 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, 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 shares of

XL-Ireland (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, 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 by XL-Cayman (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 and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). 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, and have the same liquidation preference, 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 preference share 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 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 preference share 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, 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 March 5, 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 (as defined below) 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 of 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.

XL-Cayman Controlled Shares of a person (as defined in XL-Cayman s articles of association) include (1) all XL-Cayman shares owned directly, indirectly or constructively by that person (within the meaning of Section 958 of the Code (as defined below)), and (2) all XL-Cayman shares 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 card 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 12:59 a.m., Bermuda time, on April 30, 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. You may not vote your ordinary shares in person at the ordinary shareholder special meetings unless you obtain a legal proxy from the broker that holds your ordinary shares.

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, 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 vote of the 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 Procedures 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 s 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 Irish Tax Considerations 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 12:59 a.m., Bermuda time, on April 30, 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 or if you obtain a legal proxy from 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 12:30 p.m., Bermuda time, on April 30, 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 1:00 p.m., Bermuda time, on April 30, 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 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 owned 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 unless

you obtain a legal proxy from the broker that holds your ordinary shares. 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 also scheduled to take place on April 30, 2010 at XL s principal executive offices and will commence at 8:30 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, which accompanies this proxy statement and contains the proposals described herein, to vote by proxy at the ordinary shareholder special meetings discussed in this proxy statement. 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 The Depository Trust Company (a **DTC Participant**) and which will hold your shares on your behalf through The Depository Trust Company (**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 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 will be an Irish public limited company and will be wholly owned, directly and indirectly, by XL-Cayman. XL-Ireland will not engage in any business or other activities other than in connection with its formation and the Transaction. The registered office of XL-Ireland will be located at No. 1 Upper Hatch Street, 4th Floor, Dublin 2, Ireland and XL Capital plc s telephone number will be +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 to be 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 dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to this proxy statement. The Cayman Court ordered that its written ruling be included in the definitive proxy statement so that it would be available to you. We recommend that you read the ruling in full, which is included in Annex J. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on April 30, 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 of XL-Ireland (on a one-for-one basis) to the holders of whole XL-Cayman Class A ordinary shares that are being 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 in issue 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 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, 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 of XL-Cayman 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. The Preference Share Exchange will only be consummated if the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement,

including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement.

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 May 20, 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, 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 Irish Tax Considerations Withholding Tax on Dividends 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 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. and such broker has transmitted this information to a qualifying intermediary appointed by XL-Ireland. 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 after acquiring their XL-Ireland ordinary shares.

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. generally accepted accounting principles (**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 whether or not the Preference Share Exchange is consummated.

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 will be 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.

In connection with the Transaction, the initial shareholders of XL-Ireland (which will be XL-Cayman and certain of its subsidiaries) are expected to pass 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 $500 million, 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 a 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 our 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 interest 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 March 8, 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 $19.35 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 April 30, 2010 at XL s principal executive offices, located at XL House, One Bermudiana Road, Hamilton HM 08, Bermuda.

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The special scheme meeting is scheduled to commence at 12:30 p.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 1:00 p.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 March 5, 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 though 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 (or if you obtain a legal proxy from the registered owner of the

ordinary shares), 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 2009, 2008, 2007, 2006 and 2005 and the balance sheet data as of December 31, 2009, 2008, 2007, 2006 and 2005 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, 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.

	Year Ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(U.S. dollars in thousands)				
Income Statement Data					
Net premiums earned	$ 5,706,840	$ 6,640,102	$ 7,205,356	$ 7,569,518	$ 9,365,4
Net investment income	1,319,823	1,768,977	2,248,807	1,978,184	1,475,0
Net realized (losses) gains on investments	(921,437)	(962,054)	(603,268)	(116,458)	241,8
Net realized and unrealized (losses) gains on derivative instruments	(33,647)	(73,368)	(55,451)	101,183	28,8
Fee income and other	43,201	52,158	14,271	31,732	19,2
Net losses and loss expenses incurred (2)	3,168,837	3,962,898	3,841,003	4,201,194	7,434,3
Claims and policy benefits life operations	677,562	769,004	888,658	807,255	2,510,0
Acquisition costs, operating expenses and foreign exchange gains and losses	1,994,194	1,921,940	2,188,889	2,374,358	2,188,3

Interest expense	216,504	351,800	621,905	552,275	403,8
Extinguishment of debt		22,527			
Impairment of goodwill		989,971			
Amortization of intangible assets	1,836	2,968	1,680	2,355	10,7
(Loss) income before non-controlling interests, net income from operating affiliates and income tax expense	134,714	(872,989)	1,593,587	1,895,758	(1,261,9
(Loss) income from operating affiliates (1)(2)	60,480	(1,458,246)	(1,059,848)	111,670	67,4
Provision for income tax	(120,307)	(222,578)	(233,922)	(219,645)	(49,2
Preference share dividends	80,200	78,645	69,514	40,322	40,3
Gain on redemption of Series C Preference Ordinary Shares	211,816				
Net (loss) income available to ordinary shareholders	206,607	$ (2,632,458)	$ 206,375	$ 1,722,445	$ (1,292,2

(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,				
	2009	**2008**	**2007**	**2006**	**2005**
Other Financial Data					
Earnings (loss) per ordinary share (3)(4):					
Basic	0.61	$ (10.94)	$ 1.14	$ 9.55	$ (9.06)
Diluted	0.61	$ (10.94)	$ 1.14	$ 9.53	$ (9.06)
Cash dividends per ordinary share	0.40	$ 1.14	$ 1.52	$ 1.52	$ 2.00

(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 and $0.08 for fiscal 2007 and fiscal 2006, respectively, and reduced diluted loss per ordinary share for fiscal 2008 and fiscal 2005 by $0.08 and $0.08, respectively, and reduced diluted earnings per ordinary share by $0.01 and $0.07 for fiscal 2007 and fiscal 2006, respectively.

(4) Effective April 1, 2009, XL-Cayman adopted final authoritative guidance that addressed the treatment of credit losses on investments. This guidance was not applied retroactively.

	As of December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
	(U.S. dollars in thousands, except per ordinary share amounts)				
Balance Sheet Data					
Total investments available for sale	$ 29,307,171	$ 27,464,510	$ 36,265,803	$ 39,350,983	$ 35,724,439
Cash and cash equivalents	3,643,697	4,353,826	3,880,030	2,223,748	3,693,475
Investments in affiliates	1,185,604	1,552,789	2,611,149	2,308,781	2,046,721
Unpaid losses and loss expenses recoverable	3,584,028	3,997,722	4,697,471	5,027,772	6,441,522
Premiums receivable	2,597,602	3,135,985	3,637,452	3,591,238	3,799,041
Total assets	45,579,675	45,648,814	57,762,264	59,308,870	58,454,901
Unpaid losses and loss expenses	20,823,524	21,650,315	23,207,694	22,895,021	23,597,815
Future policy benefit reserves	5,490,119	5,452,865	6,772,042	6,476,057	5,776,318
Unearned premiums	3,651,310	4,217,931	4,681,989	5,652,897	5,388,996
Notes payable and debt	2,451,417	3,189,734	2,868,731	3,368,376	3,412,698
Shareholders equity (5)	9,432,417	6,116,831	9,950,561	10,693,287	8,526,200
Book value per ordinary share	24.60	15.46	50.29	50.01	44.31

(5) 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 and $54,389 for

2008, 2007,
2006 and 2005,
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, 2009 or the historical balance sheet as of December 31, 2009. Those financial statements are included in XL-Cayman s Annual Report on Form 10-K for the year ended December 31, 2009.

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, 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 double taxation 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 whether or not the Preference Share Exchange is consummated. 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 pursuant to their respective terms. 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.

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After the Transaction, attempted takeovers of XL-Ireland 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, accounting, filing and possible other fees and mailing, financial printing and other 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 and 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 to be 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 dated March 3, 2010, which Cayman Islands law required us to obtain prior to holding the meeting. A copy of the Cayman Court s order and accompanying ruling are attached as Annex J to this proxy statement. The Cayman Court ordered that its written ruling be included in the definitive proxy statement so that it would be available to you. We recommend that you read the ruling in full, which is included in Annex J. We will hold the special scheme meeting to approve the Scheme of Arrangement Proposal on April 30, 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 of XL-Ireland (on a one-for-one

basis) to the holders of whole XL-Cayman Class A ordinary shares that are being 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 in issue 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.

In connection with the Transaction, whether or not the Preference Share Exchange is consummated, XL-Cayman expects to become a tax resident of Ireland and 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, 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, 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 shares of XL-Ireland (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, 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 by XL-Cayman (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 and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). 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, and have the same liquidation preference, 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 preference share 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 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 preference share 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 the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement.

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 Sanction 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 required 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, 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 May 20, 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 Series 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, delay the Transaction or engage in corporate restructuring related to 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 vote of the 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 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 the Scheme of Arrangement is approved by the requisite vote of both the Series C preference shareholders and the Series E preference shareholders, the Scheme of Arrangement, including with respect to the Preference Share Exchange, is sanctioned by the Cayman Court and the other applicable conditions are satisfied or, if allowed by law, waived. As a result, no Series C or Series E preference shares will be exchanged in

the Transaction unless all shares of both such series are exchanged pursuant to the Scheme of Arrangement. 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, 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, 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 May 20, 2010, at 10:00 a.m., Cayman Islands time.

The XL-Ireland ordinary shares issued to XL-Cayman ordinary 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 ordinary shares bear a legend restricting transfer will receive XL-Ireland ordinary 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 ordinary shareholders who are not executive officers, directors or significant ordinary 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 vote of the ordinary shareholders 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 vote of the 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 occur effectively simultaneously with the various steps of the Ordinary Share Exchange 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 vote of the 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 vote of the 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-Ireland

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 Islands 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.

In order to effect the Preference Share Exchange, the Scheme of Arrangement also requires (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 whether or not the Preference Share Exchange is consummated.

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 Irish Tax Considerations Stamp Duty 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 will be 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. To avoid a potential delay in paying this dividend, if the Series C and Series E preference shareholders approve the Scheme of Arrangement, 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 by XL-Cayman (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 and the receipt of tax opinions (both of which will occur on the effective date of the Scheme of Arrangement), the business day immediately preceding the Effective Time (or such other date on or after June 15, 2010 as is declared by the Board). 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, and have the same liquidation preference, 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 preference share 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 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 preference share 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 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 (as required by the terms of the ESUs). 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.

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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 will be 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 business day immediately preceding 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.

In connection with the Transaction, the initial shareholders of XL-Ireland (which will be XL-Cayman and certain of its subsidiaries) are expected to pass 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 $500 million, 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 Risk Factors, Description of XL Group plc Share Capital Dividends and Description of XL Group plc Share Capital Share Repurchases, Redemptions and Conversions.

PROPOSAL NUMBER THREE: THE DIRECTOR NOMINATION PROCEDURES PROPOSAL

The form of amended article 81 of XL-Cayman s articles of association attached to this proxy statement as Annex E provides for advance notice procedures an ordinary shareholder must follow to properly present director nominations at any general meeting of ordinary shareholders. Amended article 81, which will be adopted if the Director Nomination Procedures Proposal is approved, provides for new advance notice procedures an ordinary shareholder must follow to properly present director nominations before a general meeting of XL-Cayman s ordinary shareholders and related clarifying provisions. Amended article 81 provides, in general, that a nominating ordinary shareholder will be required to 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 of XL (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, among other things, (1) the name and address of such ordinary shareholder and any beneficial owner on whose behalf the nomination is made; (2) the class and number of shares of XL-Cayman directly or indirectly owned by the ordinary shareholder, by any such beneficial owner and by their respective affiliates; (3) a description of the material terms of any agreement, arrangement or understanding (including any derivative or short positions) to which such ordinary shareholder, beneficial owner and nominated person and their respective affiliates is a party with respect to the ordinary shares or other securities of XL-Cayman; (4) any other information relating to such ordinary shareholder, beneficial owner and nominated person that would be required to be disclosed in a proxy statement in connection with a solicitation of proxies for the election of directors in a contested election pursuant to Section 14 of the Exchange Act; (5) a representation that the ordinary shareholder is a holder of record of ordinary shares entitled to vote at the relevant general meeting and intends to appear in person or by proxy at the relevant general meeting to nominate the person or persons specified in the notice; (6) a description of all arrangements or understandings between such ordinary shareholder, beneficial owner and their respective affiliates, on the one hand, and the nominated person or any other person or persons pursuant to which the nomination is to be made by the ordinary shareholder, on the other hand; (7) the written consent of the nominated person with respect to being nominated and his or her willingness to serve as a director, if elected; and (8) an undertaking to notify XL- Cayman of any changes in the information provided in the notice and to update such information.

We are asking our ordinary shareholders to approve the Director Nomination Procedures Proposal to include these new procedures for advance notice of director nominations at general meetings of XL-Cayman s ordinary shareholders and related clarifying provisions in XL-Cayman s articles. The proposed procedures would impose an earlier time period in which an ordinary shareholder must provide us notice of their intended nomination at annual general meetings of XL-Cayman s ordinary shareholder and other new requirements, as summarized above, that need to be followed in order for an ordinary shareholder to be permitted to nominate a candidate for election to the Board at all general meetings of XL-Cayman s ordinary shareholders.

If the Director Nomination Procedures Proposal is approved, the new procedural requirements and related clarifying provisions contained in amended article 81 will be replicated in substantially the same form 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 contained in article 81 of XL-Cayman s articles of association. Article 81 of the XL-Cayman articles of association currently provides that an ordinary shareholder may nominate a person to be elected as a director at an annual general meeting of ordinary shareholders if such shareholder is qualified to vote at such annual general meeting and delivers to the registered office of XL-Cayman, not less than five nor more than twenty-one days before the date appointed for the meeting, a written notice that the nominating shareholder intends to propose such person for election. Such proposed director must sign the notice

indicating his or her willingness to be elected. These alternative provisions are set forth in article 61 of the form of XL-Ireland s articles of association attached to this proxy statement as Annex B.

If the Director Nomination Procedures Proposal is approved, the new director nomination procedural requirements will govern future elections of directors at future general meetings of our ordinary shareholders and the proposed new advance notice period will govern nominations of directors at future annual general meetings of our ordinary shareholders, beginning with the 2011 annual general meeting, whether or not the Transaction is consummated.

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 our 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 interest 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.

Boards of directors of companies incorporated in Delaware and many other states of the United States can, and often do, adopt director nomination procedures similar to the one being proposed by the Board by amending their by-laws without needing or seeking the consent of such companies shareholders. Under Cayman Islands law and the XL-Cayman articles of association, the Board is not able to amend the director nomination procedures in XL-Cayman s articles of association without the approval of XL-Cayman s ordinary shareholders. As such, the Director Nomination Procedures Proposal must be approved by 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.

This description of the proposed director nomination procedural requirements is only a summary of the material terms of those provisions and is qualified by reference to the actual text of proposed amended article 81 of XL-Cayman s articles of association as set forth in Annex E to this proxy statement.

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.

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

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.

Under Cayman Islands law and the XL-Cayman articles of association, the Board is not able to effect the name change with the Cayman Islands Registrar of Companies without the approval of a special majority of XL-Cayman s ordinary shareholders. As such, the Name Change Proposal must be approved by 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.

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.

Shareholders will not be required to submit their share certificates for exchange as a result of this proposed name change. Following the effective date of the change of XL-Cayman s name to XL Group Ltd, all new share certificates issued by XL-Cayman will bear the new XL Group Ltd name.

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.

MATERIAL TAX CONSIDERATIONS RELATING TO THE TRANSACTION

This section contains a general discussion of certain material tax consequences of (1) the Transaction, (2) post-Transaction ownership and disposition of XL-Ireland ordinary shares and (3) post-Transaction operations of XL.

The discussion under the caption U.S. Federal Income Tax Considerations addresses certain material U.S. federal income tax consequences to (1) XL-Cayman and XL-Ireland of the Transaction and post-Transaction operations, and (2) U.S. holders and non-U.S. holders (each as defined below) of exchanging XL-Cayman ordinary shares for XL-Ireland ordinary shares (and of receiving cash in lieu of fractional ordinary shares) in the Transaction and owning and disposing of XL-Ireland ordinary shares received in the Transaction.

The discussion under the caption Irish Tax Considerations addresses certain material Irish tax consequences to ordinary shareholders of the Transaction and of ownership and disposition of the XL-Ireland ordinary shares.

The discussion under the caption Cayman Islands Tax Considerations addresses the Cayman Islands income tax consequences of the Transaction.

The below discussion applies to the ordinary shareholders who receive XL-Ireland ordinary shares (and, if applicable, cash in lieu of fractional ordinary shares) through the Ordinary Share Exchange. The discussion does not apply to the receipt of XL-Ireland preference shares in the Preference Share Exchange, or the ownership or disposition of such shares after the Preference Share Exchange. Additionally, the below discussion is not a substitute for an individual analysis of the tax consequences of the Transaction, post-Transaction ownership and disposition of XL-Ireland ordinary shares or post- Transaction operations of XL. **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 these matters in light of your particular situation.**

U.S. Federal Income Tax Considerations

Scope of Discussion

This discussion generally does not address any aspects of U.S. taxation other than U.S. federal income taxation, is not a complete analysis or listing of all potential tax consequences of the Transaction or of holding and disposing of XL-Ireland ordinary shares, and does not address all tax considerations that may be relevant to XL-Cayman ordinary shareholders. In particular, the below discussion addresses tax consequences to holders who hold their XL-Cayman ordinary shares, and who will hold their XL-Ireland ordinary shares solely as capital assets, which generally means as property held for investment. The below discussion does not address any tax consequences to XL-Cayman or XL-Ireland ordinary shareholders, as applicable, who, for U.S. federal tax purposes, are subject to special rules, such as:

- banks, financial institutions or insurance companies;
- tax-exempt entities;
- persons who hold shares

as part of a straddle, hedge, integrated transaction or conversion transaction;

persons who have been, but are no longer, citizens or residents of the United States;

persons holding shares through a partnership or other fiscally transparent person;

dealers or traders in securities, commodities or currencies;

grantor trusts;

persons subject to the alternative minimum tax;

U.S. persons whose functional currency is not the U.S. dollar;

regulated investment

companies and real estate investment trusts;

persons whose XL-Cayman shares constitute Section 306 stock (as defined in the Code);

persons who received the XL-Cayman shares through exercise of employee share options or otherwise as compensation or through a tax qualified retirement plan;

persons who, at any time within the five-year period ending on the date of the Transaction, have owned (directly, indirectly or through attribution) 10% or more of the total combined voting power of all classes of shares of XL-Cayman entitled to vote; or

persons who, immediately after the Transaction, will own (directly, indirectly or through attribution) 10% or more of the total combined

voting power of all classes of shares of XL-Ireland entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the **Code**, the Treasury regulations promulgated thereunder, which we refer to as the **Treasury Regulations**, judicial and administrative interpretations thereof and the Convention Between the Government of the United States of America and the Government of Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains (the **Ireland-U.S. Tax Treaty**), in each case as in effect and available on the date of this proxy statement. All of the foregoing are subject to change, which change could apply with retroactive effect and could affect the tax consequences described in this proxy statement. The discussion assumes, as is the case under current law, that XL-Cayman and XL-Ireland are treated as foreign persons for U.S. federal tax purposes and will be so treated as of and after the Effective Time (except to the extent XL-Cayman becomes a disregarded entity for U.S. federal tax purposes as previously mentioned herein). Neither XL-Cayman nor XL-Ireland will request a ruling from the United States Internal Revenue Service, which we refer to as the **IRS**, as to the U.S. federal tax consequences of the Transaction, post-Transaction ownership and disposition of XL-Ireland shares or any other matter. There can be no assurance that the IRS will not challenge any of the U.S. federal tax consequences described below.

For purposes of this discussion, a **U.S. holder** is a beneficial owner of XL-Cayman ordinary shares or, after the completion of the Transaction, XL-Ireland ordinary shares, that for U.S. federal income tax purposes is:

- an individual citizen or resident alien of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of

its source; or

a trust, if such trust validly has elected to be treated as a U.S. person for U.S. federal income tax purposes or if (1) a U.S. court can exercise primary supervision over its administration and (2) one or more U.S. persons have the authority to control all of the substantial decisions of the trust.

A **non-U.S. holder** is a beneficial owner of XL-Cayman ordinary shares or, after the completion of the Transaction, XL-Ireland ordinary shares, other than a U.S. holder or an entity or arrangement treated as a partnership for U.S. federal income tax purposes, which we refer to as a **Partnership**. If a Partnership is a beneficial owner of XL-Cayman ordinary shares or XL-Ireland ordinary shares, the tax treatment of a partner in that Partnership will generally depend on the status of the partner and the activities of the Partnership. Holders of XL-Cayman ordinary shares or XL-Ireland ordinary shares that are Partnerships and partners in such Partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them of the Transaction and the ownership and disposition of XL-Ireland ordinary shares. For purposes of this tax discussion, holder or shareholder means either a U.S. holder or a non-U.S. holder or both, as the context may require.

Material U.S. Tax Consequences of the Transaction

XL-Cayman and XL-Ireland

Neither XL-Cayman nor XL-Ireland should be subject to U.S. federal income tax as a result of the Transaction. If both the Ordinary Share Exchange and the Preference Share Exchange are consummated and taking into account the election to treat XL-Cayman as a disregarded entity for U.S. federal income tax purposes, the Transaction should qualify as a Section 368(a)(1)(F) reorganization. If the Preference Share Exchange is not consummated, the Transaction should qualify as an exchange under Section 351 of the Code. The below discussion describes the general consequences to U.S. holders and non-U.S. holders of the Transaction qualifying as a Section 368(a)(1)(F) reorganization or an exchange under Section 351 of the Code, as applicable.

U.S. Holders

Both Ordinary Share Exchange and Preference Share Exchange Consummated

If both the Ordinary Share Exchange and the Preference Share Exchange are consummated, a U.S. holder who receives XL-Ireland shares in the Transaction should not recognize any gain or loss solely as a result of the Transaction, except with respect to any cash received in lieu of fractional shares. The tax basis of the XL-Ireland shares received in exchange for XL-Cayman shares will be equal to the basis of the XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received. U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will carry over the tax basis (and thus the inherent loss) of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. The holding period for the XL-Ireland shares received in the Transaction will include the holding period for the XL-Cayman shares surrendered in the Transaction. Under applicable Treasury Regulations, a U.S. holder should not be required to file a gain recognition agreement, which we refer to as a **GRA**, with the IRS solely as a result of the Transaction, even if such U.S. holder owns five percent or more of the shares of XL-Ireland immediately after the Transaction. U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

Ordinary Share Exchange, but Not Preference Share Exchange, Consummated

If the Ordinary Share Exchange, but not the Preference Share Exchange, is consummated, the tax consequences to certain U.S. holders will depend on whether they own five percent or more of XL-Ireland immediately after the Transaction, as described below.

U.S. Holders Owning Less Than Five Percent of XL-Ireland. Under Section 367(a) of the Code and the Treasury Regulations thereunder, U.S. holders who own (applying ownership attribution rules) less than five percent (of total voting power and total value) of the shares of XL-Ireland immediately after the Transaction should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional shares. The tax basis of the XL-Ireland shares received by U.S. holders in exchange for their XL-Cayman shares will be equal to the tax basis of their XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received. U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will carry over the tax basis (and thus the inherent loss) of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. The holding period of the XL-Ireland shares received by U.S. holders will include the period those holders held their XL-Cayman shares. U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

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U.S. Holders Owning Five Percent or More of XL-Ireland. Under Section 367(a) of the Code and the Treasury Regulations thereunder, U.S. holders who own (applying ownership attribution rules) five percent or more (of total voting power or total value) of the shares of XL-Ireland immediately after the Transaction generally will be required to timely file and maintain with the IRS a GRA (which is an agreement to recognize gain upon the occurrence of certain future events as specified in the Treasury Regulations) in order to defer gain, if any, realized upon the exchange of their XL-Cayman shares for XL-Ireland shares. U.S. holders should consult their own tax advisor to determine whether and when to file a GRA and the tax implications thereof. Five percent or greater U.S. holders whose tax basis in their XL-Cayman shares exceeds the fair market value of such shares at the time of the Transaction will not recognize loss, however, they will carry over the tax basis (and thus the inherent loss), as well as the holding period, of their XL-Cayman shares to their XL-Ireland shares. Thus, subject to any subsequent changes in the fair market value of the XL-Ireland shares, any loss will be preserved. Provided a five percent or greater U.S. holder with gain in its XL-Cayman shares at the time of the Transaction timely files and maintains a GRA, (1) such U.S. holder should not recognize gain or loss in the Transaction, except with respect to any cash received in lieu of fractional shares, (2) the tax basis of the XL-Ireland shares received by the U.S. holder in exchange for its XL-Cayman shares will be equal to the tax basis of such U.S. holder s XL-Cayman shares exchanged, decreased by the amount of any tax basis allocable to any fractional shares for which cash is received and (3) the holding period of the XL-Ireland shares received by the U.S. holder will include the period that holder held its XL-Cayman shares. Five percent or greater U.S. holders who hold their XL-Cayman shares with differing tax bases or holding periods, or who recognize gain in the Transaction as a result of not timely filing or maintaining a GRA, are urged to consult their tax advisor with regard to identifying the tax bases and holding periods of the particular XL-Ireland shares received in the Transaction.

Cash Received in Lieu of Fractional Shares (whether or not the Preference Share Exchange is consummated)

A U.S. holder that receives cash in lieu of a fractional share of XL-Ireland should generally recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the portion of the holder s tax basis in the XL-Cayman shares that was allocable to the fractional share. Any capital gain or loss will be long-term capital gain or loss if the holding period for the fractional share is more than one year as of the date of the Transaction.

Non-U.S. Holders

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on gain realized, if any, on the receipt of XL-Ireland shares in exchange for their XL-Cayman shares.

Material U.S. Tax Considerations Post-Transaction to XL

U.S. Income and Branch Profits Tax. A foreign corporation deemed to be engaged in the conduct of a trade or business in the U.S. will generally be subject to U.S. federal income tax, as well as a branch profits tax in certain circumstances, on its income which is treated as effectively connected with the conduct of that trade or business unless the corporation is entitled to relief under an applicable income tax treaty, as discussed below. Such tax, if imposed, would be based on effectively connected income computed in a manner generally analogous to that applied to the income of a U.S. corporation, except that a foreign corporation is entitled to deductions and credits only if it timely files a U.S. federal income tax return. Whether a trade or business is being conducted in the United States is an inherently factual determination. Because the Code, Treasury Regulations and court decisions fail to identify definitively activities that constitute being engaged in a trade or business in the United States, we cannot assure you that the IRS will not contend successfully that XL-Ireland and/or certain of its non-U.S. subsidiaries are or will be engaged in a trade or business in the United States. XL-Cayman believes it and its non-U.S. subsidiaries have operated, and XL-Ireland and its non-U.S. subsidiaries intend to continue to operate, in such a manner that they will not be considered to be conducting a trade or business within the United States for purposes of U.S. federal income taxation, except with regard to XL s business conducted

through Lloyd s of London (the **Lloyd s Business**), which is governed by a negotiated closing agreement between the IRS and Lloyd s of London, pursuant to which certain of XL s income related to the Lloyd s Business is subject to U.S. tax. XL-Cayman and certain of its non-U.S. subsidiaries have, and XL-Ireland and certain of its non-U.S. subsidiaries intend, to file protective U.S. federal income tax returns on a timely basis in order to preserve the right to claim income tax deductions and credits if it is ever determined that they are subject to U.S. federal income tax.

A corporation resident in Ireland generally will be entitled to the benefits of the Ireland-U.S. Tax Treaty if the corporation: (1) is a resident of Ireland as defined under the Residence article of the Ireland-U.S. Tax Treaty, and (2) qualifies under the Limitation on Benefits article of the Ireland-U.S. Tax Treaty. XL-Ireland expects to be entitled to the benefits of the Ireland-U.S. Tax Treaty. Assuming XL-Ireland is entitled to benefits under the Ireland-U.S. Tax Treaty, it will not be subject to U.S. federal income tax on any business income found to be effectively connected with a U.S. trade or business unless that trade or business is conducted through a permanent establishment in the United States, and then only on income attributable to that permanent establishment. Whether business is being conducted in the United States through a permanent establishment is an inherently factual determination. XL-Ireland intends to continue to conduct its activities so as not to have a permanent establishment in the United States, although we cannot assure you that it will achieve this result.

Some of XL-Ireland s non-U.S. subsidiaries may be entitled to the benefits of a tax treaty with the United States and the country where those subsidiaries are resident. In those cases, the non-U.S. subsidiaries may have additional protections against U.S. taxation. For example, XL believes the non- U.S. insurance subsidiaries organized under the laws of Bermuda, which we refer to as the **Bermuda Insurance Subsidiaries**, are entitled to the benefits under the Convention between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland (on behalf of the Government of Bermuda) relating to the Taxation of Insurance Enterprises and Mutual Assistance in Tax Matters, which we refer to as the **U.S.-Bermuda Treaty**. Accordingly, each such Bermuda Insurance Subsidiary would not be subject to U.S. income tax on any income found to be effectively connected with a U.S. trade or business unless that trade or business is conducted through a permanent establishment in the United States and such income is attributable to such permanent establishment. Each Bermuda Insurance Subsidiary has conducted and intends to conduct its activities so that it does not have a permanent establishment in the United States, although we cannot be certain that they will achieve this result.

Foreign corporations also are subject to U.S. withholding tax at a rate of 30% of the gross amount of certain fixed or determinable annual or periodical gains, profits and income derived from sources within the United States (such as dividends and certain interest on investments), to the extent such amounts are not effectively connected with the foreign corporation s conduct of a trade or business in the United States. The tax rate is subject to reduction by applicable treaties.

U.S. subsidiaries of XL-Ireland are and will continue to be subject to taxation in the United States on their worldwide income at regular corporate rates.

Sections 482 and 845 of the Code give the IRS broad authority to reallocate income, deductions and credits from transactions (in the case of Section 845 of the Code, reinsurance transactions) between related parties. XL-Cayman believes that all agreements it or its subsidiaries entered into, and XL- Ireland believes that all agreements it or its subsidiaries intend to enter into, whether with related or unrelated parties, are and will remain at arm s-length. Nevertheless, no assurance can be given that the Internal Revenue Service will not assert its authority under Sections 482 or 845 of the Code in a manner that would increase the tax liability of XL-Ireland s U.S. subsidiaries.

The United States also imposes an excise tax on insurance and reinsurance premiums paid to foreign insurers or reinsurers with respect to risks located in the United States. The rate of tax applicable to premiums paid to XL-Ireland s Bermuda subsidiaries is 4% for direct, non-life insurance premiums and 1% for reinsurance and direct, life insurance premiums. The excise tax is waived, pursuant to the Ireland-U.S. Tax Treaty, with respect to U.S. premiums paid to insurers and reinsurers who are resident in Ireland, to the extent those risks are not reinsured with a

non-U.S. reinsurer which is not entitled to the benefits of a U.S. treaty which waives the excise tax.

Post-Transaction Consequences to U.S. Holders

Receiving Distributions on XL-Ireland Shares. Subject to the discussion below under Special Rules Controlled Foreign Corporations, Special Rules Related Person Insurance Income and Special Rules Passive Foreign Investment Compa Provisions, U.S. holders will be required to include in gross income the gross amount of any distribution received on the XL-Ireland shares to the extent that the distribution is paid out of XL-Ireland s current or accumulated earnings and profits as determined for U.S. federal income tax purposes, which we refer to as a dividend. With respect to non-corporate U.S. holders, certain dividends received in taxable years beginning before January 1, 2011 from a qualified foreign corporation will be subject to U.S. federal income tax at a maximum rate of 15%. As long as the XL-Ireland shares are listed on the NYSE (or certain other stock exchanges) and/or XL- Ireland qualifies for benefits under the Ireland-U.S. Tax Treaty and XL-Ireland is not a passive foreign investment company, XL-Ireland will be treated as a qualified foreign corporation for this purpose. This reduced rate will not be available in all situations, and U.S. holders should consult their own tax advisor regarding the application of the relevant rules to their particular circumstances. Dividends from XL-Ireland will not be eligible for the dividends-received deduction under the Code, which is generally allowed to U.S. corporate shareholders on dividends received from certain domestic and foreign corporations.

Distributions in excess of the current and accumulated earnings and profits of XL-Ireland will be applied first to reduce the U.S. holder s tax basis in its XL-Ireland shares, and thereafter will constitute gain from the sale or exchange of such shares. In the case of a non-corporate U.S. holder, the maximum U.S. federal income tax rate applicable to such gain is 15% under current law if the holder s holding period for such XL-Ireland shares exceeds twelve months. This reduced rate is scheduled to expire effective for taxable years beginning after December 31, 2010. Special rules not here described may apply to U.S. holders who do not have a uniform tax basis and holding period in all of their XL-Ireland shares, and any such U.S. holders are urged to consult their own tax advisor with regard to such rules.

Dispositions of XL-Ireland Shares. Subject to the discussion below under Repurchase of Shares by XL-Ireland, Special Rules Related Person Insurance Income and Special Rules Passive Foreign Investment Company Provisions, U.S. holders of XL-Ireland shares generally should recognize capital gain or loss for U.S. federal income tax purposes on the sale, exchange or other taxable disposition of XL-Ireland shares in an amount equal to the difference between the amount realized from such sale, exchange or other taxable disposition and the U.S. holders tax basis in such shares. In the case of a non-corporate U.S. holder, the maximum U.S. federal income tax rate applicable to such gain is 15% under current law if the holder s holding period for such XL-Ireland shares exceeds twelve months. This reduced rate is scheduled to expire effective for taxable years beginning after December 31, 2010. The deductibility of capital losses is subject to limitations.

Repurchase of Shares by XL-Ireland. A repurchase of shares by XL-Ireland generally will be treated as a dividend to the extent of XL-Ireland s current and accumulated earnings and profits unless it satisfies one of the alternative tests under Section 302(b) of the Code to be treated as a sale or exchange, subject to the potential application of the CFC, RPII and PFIC rules as discussed in Post-Transaction Special Rules below. The tests for determining whether a repurchase of shares will qualify as a sale or exchange under Section 302(b) of the Code include whether a repurchase (i) is substantially disproportionate, (ii) constitutes a complete termination of the holder s stock interest in XL-Ireland or (iii) is not essentially equivalent to a dividend, each within the meaning of Section 302(b) of the Code. In determining whether any of the tests under Section 302(b) of the Code are met, including the tests mentioned in the preceding sentence, shares considered to be owned by the U.S. holder under certain constructive ownership rules, as well as shares actually owned, generally must be taken into account. Because the determination of whether any of the alternative tests of Section 302(b) of the Code is satisfied with respect to a particular U.S. holder will depend on the particular facts and circumstances at the time the determination is made, U.S. holders are advised to consult their own tax advisors to determine their tax treatment in light of their own particular circumstances.

Treatment of Certain Irish Taxes. For U.S. tax purposes, any Irish stamp duty or Irish capital acquisitions tax imposed on a U.S. holder, as described below under the headings Irish Tax Considerations Stamp Duty and Irish Tax Considerations Capital Acquisitions Tax, will not be creditable against U.S. federal income taxes. U.S. holders should consult their tax advisors regarding the treatment of these Irish taxes.

Post-Transaction Consequences to Non-U.S. Holders

Consequences of Owning XL-Ireland Shares. A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends from XL-Ireland unless: (1) the dividends are effectively connected with the holder s conduct of a trade or business in the United States (or, if a tax treaty applies, the dividends are attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States); or (2) such non-U.S. holder is subject to backup withholding.

Consequences of Disposing of XL-Ireland Shares. A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on any gain recognized on the sale, exchange or other disposition of XL-Ireland shares unless: (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States (or, if a tax treaty applies, is attributable to a permanent establishment or fixed place of business maintained by the non-U.S. holder in the United States); (2) in the case of certain capital gains recognized by a non-U.S. holder that is an individual, such individual is present in the United States for 183 days or more during the taxable year in which the capital gain is recognized and certain other conditions are met; or (3) the non-U.S. holder is subject to backup withholding.

Post-Transaction Special Rules

Classification of XL-Ireland or its Non-U.S. Subsidiaries as Controlled Foreign Corporations. In general, a foreign corporation is considered a controlled foreign corporation, or **CFC**, if 10% U.S. Shareholders own (directly, indirectly through non-U.S. entities or by application of the constructive ownership rules of Section 958(b) of the Code (i.e., **constructively**)) more than 50% of the total combined voting power of all classes of voting stock of such foreign corporation, or more than 50% of the total value of all stock of such corporation. A **10% U.S. Shareholder** is a U.S. Person (as defined in Section 957(c) of the Code) who owns (directly, indirectly through non-U.S. entities or constructively) at least 10% of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. Each 10% U.S. Shareholder of a foreign corporation that is a CFC for an uninterrupted period of 30 days or more during a taxable year and owns shares in that CFC directly or indirectly through foreign entities on the last day of the foreign corporation s taxable year on which it is a CFC must include in its gross income for U.S. federal income tax purposes its pro rata share (based on its actual direct and indirect, through foreign entities, ownership) of the CFC s subpart F income, even if the subpart F income is not distributed. Subpart F income generally includes, among other things, investment income such as dividends, interest and capital gains, and income from insuring risks located outside the insurer s country of incorporation. For purposes of taking into account insurance income, a CFC also includes a foreign corporation in which more than 25% of the total combined voting power of all classes of stock (or more than 25% of the total value of the stock) is owned by 10% U.S. Shareholders on any day during the taxable year of such corporation, if certain premium tests are met. It is expected that all of the income of XL-Ireland s insurance and reinsurance subsidiaries in Bermuda, and a portion of the income of XL-Ireland s other non-U.S. insurance and reinsurance subsidiaries, would be considered subpart F income if such subsidiary were to be considered a CFC. In addition, a non-U.S. insurance subsidiary of XL-Ireland may be considered a CFC under the RPII rules discussed below.

Due to the dispersion of XL-Ireland s share ownership among holders, the provisions in its articles of association that impose limitations on the concentration of voting power of its voting shares, and other factors, XL-Ireland believes that no U.S. Person that owns shares in XL-Ireland directly, indirectly through foreign entities or constructively should be subject to treatment after the Transaction as a 10% U.S. Shareholder of a CFC. These provisions of our articles of association are

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described in Description of XL Group plc Share Capital. We cannot assure you, however, that the IRS will not challenge the effectiveness of these provisions for purposes of preventing CFC and 10% U.S. Shareholder status and that a court will not sustain such challenge.

Related Person Insurance Income

Generally. The CFC rules described above also apply (with certain modifications) to certain insurance companies that earn related person insurance income, which we refer to as **RPII**. For purposes of applying the CFC rules to foreign corporations that earn RPII, a foreign corporation will be treated as a CFC if RPII Shareholders collectively own (directly, indirectly through foreign entities or by application of the constructive ownership rules) 25% or more of the stock of the corporation by vote or value. The term **RPII Shareholder** means any U.S. Person (as defined in Section 957(c) of the Code) who owns, directly or indirectly through foreign entities, any amount (rather than stock possessing 10% or more of the total combined voting power) of the foreign corporation s stock.

RPII is defined as any insurance income attributable to policies of insurance or reinsurance with respect to which the person (directly or indirectly) insured is a RPII Shareholder of the foreign corporation or a related person to such RPII Shareholder. In general, and subject to certain limitations, insurance income is income (including premium and investment income) attributable to the issuing of any insurance or reinsurance contract which would be taxed under the provisions of the Code relating to insurance companies if the income were the income of a domestic insurance company.

For purposes of the RPII rules, related person means someone who controls or is controlled by the RPII Shareholder or someone who is controlled by the same person or persons that control the RPII Shareholder. Control is measured by either more than 50% in value or more than 50% in voting power of stock, applying constructive ownership principles. A corporation s pension plan is ordinarily not a related person with respect to the corporation unless the pension plan owns, directly or indirectly through the application of constructive ownership rules, more than 50%, measured by vote or value, of the stock of the corporation. In the case of a partnership, trust or estate, control means the ownership, directly or indirectly, of more than 50% (by value) of the beneficial interests in such partnership, estate or trust.

If none of the exceptions described below applies, each U.S. Person who owns shares in XL-Ireland (and therefore, indirectly in its non-U.S. insurance subsidiaries) on the last day of the tax year in which a non-U.S. subsidiary is an RPII CFC would be required to include in its gross income for U.S. federal income tax purposes its share of RPII of that non-U.S. subsidiary for the U.S. Person s taxable year that includes the end of that non-U.S. subsidiary s taxable year. This inclusion generally would be determined as if such RPII were distributed proportionately only to such U.S. Persons holding shares at that date. The inclusion would be limited to the current-year earnings and profits of that non-U.S. subsidiary reduced by the shareholder s pro rata share, if any, of certain prior-year deficits in earnings and profits. Even if one or more of the exceptions to the RPII rules applies, the general CFC rules described earlier may still apply to require 10% U.S. Shareholders to include in income their pro rata share of RPII, among other things.

RPII Exceptions. The special RPII rules described above will not apply to a non-U.S. subsidiary if (1) direct or indirect insureds and persons related to such insureds, whether or not U.S. Persons, own, at all times during that non-U.S. subsidiary s taxable year directly or indirectly, less than 20% of the voting power and less than 20% of the value of the stock of that non-U.S. subsidiary (the **20% Ownership Exception**), (2) RPII, determined on a gross basis, is less than 20% of that non-U.S. subsidiary s gross insurance income for the taxable year (the **20% Gross Income Exception**), (3) that non-U.S. subsidiary elects to be taxed on its RPII as if the RPII were effectively connected with the conduct of a U.S. trade or business and to waive all treaty benefits with respect to RPII and meets certain other requirements or (4) that non-U.S. subsidiary elects to be treated as a U.S. corporation for U.S. tax purposes. XL-Ireland intends to monitor its share ownership in order to operate in a manner that is designed to ensure that its non-U.S. subsidiaries qualify for the 20% Gross Income Exception and the 20% Ownership Exception. XL-Ireland will not always be able to

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determine who all of its shareholders or direct or indirect insureds are. Accordingly, it is possible that the IRS will assert that 20% or more of the vote or value of the shares of a non-U.S. insurance subsidiary of XL-Ireland are owned by insureds of that non-U.S. subsidiary of XL-Ireland or their related persons or that RPII constitutes 20% or more of the gross insurance income of that insurance subsidiary for the taxable year, and that XL-Ireland may be unable to prove otherwise.

Computation of RPII. In order to determine how much RPII each of its non-U.S. insurance subsidiaries has earned in each taxable year, XL-Cayman may obtain, and XL-Ireland may obtain and rely upon information from its insureds and reinsureds to determine whether any of the insureds, reinsureds or other persons related to such insureds or reinsureds own XL-Ireland shares and are U.S. Persons. XL-Ireland may not be able to determine whether any of the underlying insureds of the insurance companies to which its non-U.S. subsidiaries provides insurance or reinsurance are RPII shareholders or related persons to such shareholders. Consequently, XL-Ireland may not be able to determine accurately the gross amount of RPII earned by its non-U.S. subsidiaries in a given taxable year. XL-Ireland may also seek information from its shareholders to determine whether direct or indirect owners of XL-Ireland s shares at the end of the year are U.S. Persons so that the RPII may be determined and apportioned among such persons. To the extent XL-Ireland is unable to determine whether a direct or indirect owner of shares is a U.S. Person, XL-Ireland may assume that such owner is not a U.S. Person, thereby increasing the per share RPII amount for all shareholders identified as U.S. Persons.

Uncertainty as to Application of RPII. Treasury Regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these Treasury Regulations will be adopted in their proposed form or what changes might ultimately be made or whether any such changes, as well as any interpretation or application of the RPII rules by the IRS, the courts or otherwise, might have retroactive effect. Accordingly, the meaning of the RPII provisions and their application to XL-Ireland is uncertain. These provisions include the grant of authority to the U.S. Treasury to prescribe such regulations as may be necessary to carry out the purposes of this subsection, including . . . regulations preventing the avoidance of this subsection through cross insurance arrangements or otherwise. In addition, we cannot assure you that the IRS will not challenge any determinations by XL-Ireland as to the amount, if any, of RPII that should be includible in income or that the amounts of the RPII inclusions will not be subject to adjustment based upon subsequent IRS examination. U.S. holders should consult their tax advisors as to the effects of these uncertainties.

Basis Adjustments for RPII. A U.S. shareholder s tax basis in its XL-Ireland shares will be increased by the amount of any subpart F income that the shareholder includes in income, including any RPII included in income by an RPII shareholder. Any distributions made by XL-Ireland out of previously taxed subpart F income, including RPII income, will be exempt from further U.S. income tax in the hands of the U.S. shareholder. The U.S. shareholder s tax basis in its XL-Ireland shares will be reduced by the amount of any distributions that are excluded from income under this rule.

Information Reporting. Under certain circumstances, U.S. Persons owning stock in a foreign corporation are required to file IRS Form 5471 with their U.S. federal income tax returns. Generally, information reporting on IRS Form 5471 is required with respect to (1) a person who is treated as an RPII Shareholder, and (2) certain 10% U.S. Shareholders. For any taxable year in which XL-Ireland determines that the 20% Gross Income Exception and the 20% Ownership Exception do not apply, XL-Ireland intends to mail to all U.S. Persons registered as holders of its shares IRS Form 5471, completed with information from XL-Ireland, for attachment to the U.S. federal income tax returns of such shareholders.

Dispositions of Shares and Code Section 1248. Section 1248 of the Code provides that if a U.S. Person sells or exchanges stock in a foreign corporation and such person owned directly, indirectly through certain foreign entities or constructively 10% or more of the voting power of the corporation at any time during the five-year period ending on the date of disposition when the corporation was a CFC, any gain from the sale or exchange of the shares will be treated as a dividend to the extent of the CFC s earnings and profits (determined under U.S. federal income tax

principles) during the period that the shareholder held the shares and while the corporation was a

CFC (with certain adjustments). A 10% U.S. Shareholder may in certain circumstances be required to report a disposition of shares of a CFC by attaching IRS Form 5471 to the U.S. federal income tax or information return that it would normally file for the taxable year in which the disposition occurs.

Section 1248 of the Code also applies to the sale or exchange of shares in a foreign corporation if the foreign corporation would be treated as a CFC for RPII purposes and would be taxed as an insurance company if it were a domestic corporation, regardless of whether the shareholder is a 10% U.S. Shareholder or whether the 20% Gross Income Exception or the 20% Ownership Exception applies. Existing Treasury Regulations do not address whether section 1248 of the Code would apply if a foreign corporation is not a CFC but the foreign corporation has a subsidiary that is a CFC or that would be taxed as an insurance company if it were a domestic corporation. U.S. holders should consult their tax advisors regarding the effects of these rules on a disposition of shares.

Passive Foreign Investment Company Provisions

The treatment of U.S. holders of XL-Ireland shares in some cases could be materially different from that described above if, at any relevant time, XL-Cayman or XL-Ireland were a passive foreign investment company, which we refer to as a **PFIC**.

For U.S. tax purposes, a foreign corporation will generally be classified as a PFIC for any taxable year if either (1) 75% or more of its gross income is passive income (as defined for U.S. federal income tax purposes) or (2) the average percentage of assets held by such corporation which produce passive income or which are held for the production of passive income is at least 50%. For purposes of applying the tests in the preceding sentence, a look-through rule applies and the foreign corporation is deemed to own its proportionate share of the assets, and to receive directly the proportionate share of the income, of any other corporation of which the foreign corporation owns, directly or indirectly, at least 25% by value of the stock. In addition, the PFIC statutory provisions also contain an express exception for income derived in the active conduct of an insurance business by a corporation that is predominantly engaged in an insurance business. This exception is intended to ensure that income derived by a bona fide insurance company is not treated as passive income, except to the extent such income is attributable to financial reserves in excess of the reasonable needs of the insurance business.

XL believes that it is not a PFIC, and has not been a PFIC in any prior taxable year. XL further believes that XL-Ireland will not be a PFIC following the Transaction. The tests for determining PFIC status are applied annually and it is difficult to accurately predict future income and assets relevant to this determination. In addition, there are currently no Treasury Regulations regarding the application of the PFIC provisions to an insurance company and Treasury Regulations or pronouncements interpreting or clarifying these rules may be forthcoming. Accordingly, no assurance can be given that the IRS would not challenge this position or that a court would not sustain such challenge.

If XL-Ireland should determine in the future that it is a PFIC, it will endeavor to so notify U.S. holders of XL-Ireland shares, although there can be no assurance that it will be able to do so in a timely and complete manner.

U.S. holders of XL-Ireland shares should consult their own tax advisor about the PFIC rules, including the availability of certain elections.

Information Reporting and Backup Withholding

If both the Ordinary Share Exchange and Preference Share Exchange are consummated, U.S. holders that own at least five percent (of total voting power or total value) of XL-Cayman immediately before the Transaction will be required to file a Section 368(a) statement. If only the Ordinary Share Exchange is consummated, U.S. holders that own at least five percent (of total voting power or total value) of XL-Ireland immediately after the Transaction (i) will be required to file a Section 351 statement, and (ii) to the extent such U.S. holders do not file a GRA, may be required to report the Transaction on IRS Form 926. A U.S. holder that is required to file IRS

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Form 926 may be subject to penalties if that holder fails to timely file such form. Other information reporting could also apply to the Transaction. Shareholders of XL-Cayman should consult their own tax advisor about the information reporting requirements that could be applicable to the exchange of XL-Cayman shares for XL-Ireland shares in the Transaction.

Dividends on XL-Ireland shares paid within the United States or through certain U.S.-related intermediaries are subject to information reporting unless the holder is a corporation, other exempt recipient or non-U.S. holder who establishes such foreign status. Dividends subject to information reporting are subject to backup withholding (currently at a rate of 28%) unless the payee furnishes the payor with a taxpayer identification number and satisfies certain certification requirements. Information reporting requirements and backup withholding may also apply to the payment of proceeds from a sale of XL-Ireland shares within the United States or through certain U.S.-related intermediaries. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder s U.S. federal income tax liability, provided that the holder furnishes certain required information to the IRS.

If a U.S. holder of XL-Ireland shares does not provide us (or our paying agent) with the holder s correct taxpayer identification number or other required information, the holder may be subject to penalties imposed by the IRS.

In order for a non-U.S. holder to not be subject to backup withholding tax on a subsequent disposition of XL-Ireland shares, or dividends paid on those shares, a non-U.S. holder may be required to provide a taxpayer identification number, certify the holder s foreign status or otherwise establish an exemption.

Holders should consult their tax advisor regarding the application of information reporting and backup withholding to their particular situations.

THE U.S. FEDERAL INCOME TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH XL-CAYMAN SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Irish Tax Considerations

Scope of Discussion

The following is a summary of the material Irish tax considerations for ordinary shareholders of the Transaction and of owning and disposing of XL-Ireland ordinary shares. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each of the ordinary shareholders. The summary is based upon Irish tax laws and the practice of the Irish Revenue Commissioners as in effect on the date of this proxy statement and on discussions and correspondence with the Irish Revenue Commissioners. Changes in law and/or administrative practice may result in alteration of the tax considerations described below.

The summary does not constitute tax advice and is intended only as a general guide. The summary is not exhaustive and ordinary shareholders should consult their own tax advisers about the Irish tax consequences and tax consequences under the laws of other relevant jurisdictions of the Transaction and the acquisition, ownership and disposal of XL-Ireland ordinary shares. The summary applies only to ordinary shareholders who will own XL-Ireland ordinary shares as capital assets and does not apply to other categories of ordinary shareholders, such as dealers in securities, trustees, insurance companies, collective investment schemes and ordinary shareholders who have, or who are deemed to have, acquired their XL-Ireland ordinary shares by virtue of an office or employment.

Irish Tax on Chargeable Gains

The rate of tax on chargeable gains in Ireland is 25%. Shareholders that are not resident or ordinarily resident in Ireland for Irish tax purposes and that do not hold their shares in connection with a trade or business carried on by such shareholders through an Irish branch or agency:

- will not be within the charge to Irish tax on chargeable gains on the transfer of their XL-Cayman shares to XL-Ireland in return for the receipt of XL-Ireland shares pursuant to the Ordinary Share Exchange;

- will not be within the charge to Irish tax on chargeable gains on the transfer of any fractional XL-Cayman shares to XL-Ireland in return for cash; and

- should not be liable for Irish tax on chargeable gains realized on a subsequent disposal of their XL-Ireland shares.

Shareholders that are resident or ordinarily resident in Ireland for Irish tax purposes, or shareholders that hold their shares in connection with a trade or business carried on by such persons through an Irish branch or agency:

will be within the charge to Irish tax on chargeable gains on the Ordinary Share Exchange, but the Ordinary Share Exchange should be treated as falling within specific relieving provisions applicable to certain reorganizations and, accordingly, such shareholders should not recognize any taxable gain or loss as a result of the Ordinary Share Exchange and the XL-Ireland shares received pursuant to the Ordinary Share Exchange should be treated as the same asset as their transferred XL-Cayman shares;

will be within the charge to Irish tax on chargeable gains on the transfer of any fractional XL-Cayman shares to XL-Ireland in

return for cash and may, therefore, realize a chargeable gain on such transfer; and

will, subject to the availability of any exemptions and reliefs, generally be within the charge to Irish tax on chargeable gains in respect of a gain or loss made on the sale or other disposal of XL-Ireland shares.

A shareholder of XL-Ireland who is an individual and who is temporarily non-resident in Ireland may, under Irish anti-avoidance legislation, still be liable to Irish tax on any chargeable gain realized.

Stamp Duty

The rate of stamp duty (where applicable) on transfers of shares of Irish incorporated companies is 1%. Where it arises Irish stamp duty is generally a liability of the transferee.

The Ordinary Share Exchange will be within the charge to Irish stamp duty, but the Ordinary Share Exchange should be treated as falling within specific relieving provisions applicable to certain reorganizations and, accordingly, the Ordinary Share Exchange should not give rise to Irish stamp duty charges.

Irish stamp duty may, depending on the manner in which the shares in XL-Ireland are held, be payable in respect of transfers of XL-Ireland shares after completion of the Transaction.

Shares Held Through DTC (directly or through a broker)

A transfer of XL-Ireland 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.

Shares Held Outside of DTC or Transferred Into or Out of DTC

A transfer of XL-Ireland shares where any party to the transfer holds such shares outside of DTC may be subject to Irish stamp duty. Shareholders wishing to transfer their 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 shares; and

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

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

Withholding Tax on Dividends

Distributions made by XL-Ireland will, absent the application of one of many exemptions, generally be subject to Irish dividend withholding tax, which we refer to as **DWT**, at a rate of 20%.

For DWT purposes, a distribution includes any distribution that may be made by XL-Ireland to its shareholders, including cash dividends, non-cash dividends and additional stock or units taken in lieu of a cash dividend. Where an exemption does not apply in respect of a distribution made to a particular shareholder, XL-Ireland is responsible for withholding DWT prior to making such distribution.

General Exemptions

Irish domestic law provides that a non-Irish resident shareholder is not subject to DWT on dividends received from XL-Ireland if such shareholder is beneficially entitled to the dividend and is either:

- an individual resident for tax purposes in a relevant territory and is neither resident nor ordinarily resident in Ireland (for a list of relevant territories for DWT purposes, please see Annex F to this proxy statement);
- a company resident for tax purposes in a relevant territory, provided such company is not under the

control, whether directly or indirectly, of a person or persons who is or are resident in Ireland;

a company, wherever resident, that is controlled, directly or indirectly, by persons resident in a relevant territory and who is or are (as the case may be) not controlled by, directly or indirectly, persons who are not resident in a relevant territory ;

a company, wherever resident, whose principal class of shares (or those of its 75% direct or indirect parent) is substantially and regularly traded on a recognized stock exchange either in a relevant

territory or on such other stock exchange approved by the Irish Minister for Finance; or

a company, wherever resident, that is wholly owned, directly or indirectly, by two or more companies where the principal class of shares of each of such companies is substantially and regularly traded on a recognized stock exchange in a relevant territory or on such other stock exchange approved by the Irish Minister for Finance;

and provided, in all cases noted above, the shareholder has furnished the relevant Irish Revenue Commissioners DWT forms (the **DWT Forms**) to:

its broker (and the relevant information is further transmitted to XL-Ireland

or any qualifying intermediary appointed by XL-Ireland) before the record date for the dividend if its shares are held through DTC, or

to XL-Ireland s transfer agent at least seven business days before such record date if its shares are held outside of DTC.

Links to the various DWT Forms are available at:

http://www.revenue.ie/en/tax/dwt/forms/index.html.

For shareholders that cannot avail themselves of one of Ireland s domestic law exemptions from DWT, it may be possible for such shareholders to rely on the provisions of a double tax treaty to which Ireland is party to reduce the rate of DWT.

Shares Held by U.S. Resident Shareholders

Dividends paid in respect of XL-Ireland shares that are owned by U.S. residents and held through DTC will not be subject to DWT provided the addresses of the beneficial owners of such shares in the records of the broker holding such shares are in the U.S. and such broker has transmitted this information to a qualifying intermediary appointed by XL-Ireland. XL strongly recommends that such 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 shares held outside of DTC will not be subject to DWT if such shareholders held 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. XL strongly recommends that such shareholders ensure that an appropriate Form W-9 has been provided to XL-Ireland s transfer agent.

Dividends paid in respect of XL-Ireland shares that are owned by residents of the U.S. and held outside of DTC will not be subject to DWT, even if such shareholders did not hold shares in XL-Cayman on January 12, 2010, if such shareholders satisfy the conditions of one of the exemptions referred to above under the heading General Exemptions, including the requirements to furnish completed DWT Forms and that such forms remain valid. Such shareholders must provide the appropriate DWT 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. XL strongly recommends that such shareholders complete the appropriate DWT Forms and provide them to XL-Ireland s transfer agent as soon as possible after acquiring their shares.

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

Shares Held by Residents of Relevant Territories Other Than the U.S.

Shareholders who are residents of relevant territories, other than the U.S. and regardless of when such shareholders acquired their shares, must satisfy the conditions of one of the exemptions referred to above under the heading General Exemptions, including the requirement to furnish completed DWT Forms, in order to receive dividends without suffering DWT.

If such shareholders hold their shares through DTC, they must provide the appropriate DWT 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 shareholders hold their shares outside of DTC, they must provide the appropriate DWT forms to XL-Ireland s transfer agent at least seven business days before such record date. XL strongly recommends that such shareholders complete the appropriate DWT Forms and provide them to their brokers or XL-Ireland s transfer agent, as the case may be, as soon as possible after acquiring their XL-Ireland ordinary shares.

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

Shares Held by Residents of Ireland

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

Shareholders that are residents of Ireland but that are entitled to receive dividends without DWT must complete the appropriate DWT 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 shares held through DTC), or to XL-Ireland s transfer agent at least seven business days before such record date (in the case of shares held outside of DTC).

Shares Held by Other Persons

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

Qualifying Intermediary

Prior to paying any dividend, 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 shares of XL-Ireland that are held through DTC, which we refer to as 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 shareholders reside, whether they have provided the required U.S. tax information and whether they have provided the required DWT Forms. Shareholders that are required to file DWT Forms in order to receive dividends free of DWT 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.

Income Tax on Dividends Paid on XL-Ireland Shares

Irish income tax may arise in respect of dividends received from Irish resident companies.

A shareholder that is not resident or ordinarily resident in Ireland and that is entitled to an exemption from DWT generally has no liability to Irish income tax or the income and health levies on a dividend from XL-Ireland. An exception to this position may apply where such shareholder holds XL- Ireland shares through a branch or agency in Ireland through which a trade is carried on.

A shareholder that is not resident or ordinarily resident in Ireland and that is not entitled to an exemption from DWT generally has no additional Irish income tax liability or a liability to the levies. An exception to this position may apply where the shareholder holds XL-Ireland shares through a branch or agency in Ireland through which a trade is carried on. The DWT deducted by XL-Ireland discharges the liability to income tax.

Irish resident or ordinarily resident shareholders may be subject to Irish tax and/or levies on dividends received from XL-Ireland.

Repurchase of Shares by XL-Ireland

Chargeable gains

A repurchase of shares by XL-Ireland under current legislation should be treated as a capital event for Irish tax purposes and, as a result, Irish tax on chargeable gains (which is currently at a rate of 25%) will be relevant to a gain realized on any such repurchase. Holders of shares of XL-Ireland who are neither resident nor ordinarily resident in Ireland and who do not have some connection with Ireland other than holding XL-Ireland shares should not realize a taxable gain on the repurchase of such shares. Please see Irish Tax on Chargeable Gains above for a more detailed description of Irish tax on chargeable gains. Draft legislation has been published, which, if enacted in its current form, will provide that a repurchase forming part of a scheme to enable shareholders to participate in the profits of XL-Ireland or its subsidiaries without receiving a dividend may be re-characterized for Irish tax purposes as a dividend from XL-Ireland. If such re-characterization were to apply, the discussions under Withholding Tax on

Dividends and Income Tax on Dividends Paid on XL-Ireland Shares above would be relevant such that our shareholders falling within one of the exemptions from DWT (which should include residents of the

U.S. and residents of the countries listed in Annex F attached to this proxy statement provided relevant documentation supporting the exemption has been put in place) should not be subject to Irish tax by reference to a re-characterized repurchase of shares by XL-Ireland.

Stamp duty

A repurchase of shares by XL-Ireland may, depending on the method by which the repurchase is effected, be subject to Irish stamp duty; however, any stamp duty arising on such a repurchase would generally be a liability of XL and not of the shareholder.

Capital Acquisitions Tax

Irish capital acquisitions tax, which we refer to as **CAT**, comprises principally gift tax and inheritance tax. CAT could apply to a gift or inheritance of XL-Ireland shares irrespective of the place of residence, ordinary residence or domicile of the parties. This is because XL-Ireland shares are regarded as property situated in Ireland as the share register of XL-Ireland must be held in Ireland. The person who receives the gift or inheritance has primary liability for CAT.

CAT is levied at a rate of 25% above certain tax-free thresholds. The appropriate tax-free threshold is dependent upon (1) the relationship between the donor and the donee and (2) the aggregation of the values of previous gifts and inheritances received by the donee from persons within the same group threshold. Gifts and inheritances passing between spouses are exempt from CAT.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE FOR GENERAL INFORMATION ONLY. EACH XL-CAYMAN SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE PARTICULAR CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Cayman Islands Tax Considerations

The Transaction will not result in any income tax consequences under Cayman Islands law to XL-Cayman, XL-Ireland or their shareholders.

DESCRIPTION OF XL GROUP PLC SHARE CAPITAL

The following description of XL-Ireland s share capital is a summary. This summary is subject to the Irish Companies Acts and to the complete text of XL-Ireland s memorandum and articles of association (which will be adopted by XL-Ireland substantially in the form attached as Annex B prior to the Effective Time) and the terms of issue of the XL-Ireland Series C preference shares and the XL-Ireland Series E preference shares (which, if the Preference Share Exchange is consummated, will be adopted by the XL-Ireland Board of Directors substantially in the forms attached as Annexes C and D immediately prior to the Effective Time). We encourage you to read those laws and documents carefully. There are differences between XL-Cayman s memorandum and articles of association and XL-Ireland s memorandum and articles of association. However, there are no material differences between those documents, except:

(1) for changes that are required by Irish law (i.e., certain provisions of the XL-Cayman articles of association will not be replicated in the XL-Ireland articles of association because Irish law would not permit such replication, and certain provisions will be included in the XL-Ireland articles of association although they were not in the XL-Cayman articles of association because they reflect the relevant Irish legal provisions or Irish law requires such provisions to

be included in the articles of association of an Irish public limited company);

(2) for changes that eliminate certain provisions that are no longer applicable due to the passage of time;

(3) for changes that are necessary in order to preserve the current rights of shareholders and powers of the Board of Directors of XL following the Transaction; and

(4) if the amendments to the XL-Cayman articles of association described in the Director Nomination Procedures Proposal are approved by our ordinary shareholders, the new procedural requirements relating to shareholder nominations of

directors will be replicated in the articles of association of XL-Ireland if the Transaction is consummated. Please see Proposal Number Three: The Director Nomination Procedures Proposal.

See Comparison of Rights of Shareholders and Powers of the Board of Directors. Except where otherwise indicated, the description below reflects XL-Ireland s memorandum and articles of association and the terms of issue of the XL-Ireland Series C and Series E preference shares substantially as those documents will be in effect upon consummation of the Transaction.

Capital Structure

Authorized Share Capital

The authorized share capital of XL-Ireland will be 40,000 divided into 40,000 subscriber shares with a nominal value of 1 per share (the **subscriber shares**) and US$9,999,900, divided into 500,000,000 ordinary shares with a nominal value of US$0.01 per share (the **XL-Ireland ordinary shares**), and 499,990,000 undesignated shares with a nominal value of US$0.01 per share (the **undesignated shares**). The authorized share capital includes 40,000 subscriber shares with a nominal value of 1 per share in order to satisfy statutory requirements for all newly formed Irish public limited companies.

If the Preference Share Exchange is consummated, the Board of Directors of XL-Ireland will adopt, effective immediately prior to the Effective Time, the terms of issue setting forth the special rights of the Series C preference shares and Series E preference shares of XL-Ireland to be issued in the Preference Share Exchange, substantially in the forms attached to this proxy statement as Annexes C and D. The issuance of the Series C preference shares and the Series E preference shares of XL-Ireland will reduce the number of authorized but unissued undesignated shares. There will be no material differences between the terms and rights of the Series C and Series E preference shares of XL-Cayman and those of the Series C preference shares and the Series E preference shares of XL-Ireland, except for changes that are required by Irish law and the changes described below under Dividends. Except for the limited voting rights described below under Voting Voting Rights of Series C and E Preference Shares the Series C and Series E preference shares of

XL-Ireland, if issued, will be non-voting shares. Accordingly, holders of those preference shares will not have the right to attend and vote generally at general meetings of the shareholders of XL-Ireland.

Except as otherwise specified below, references to voting by shareholders of XL-Ireland contained in this Description of Share Capital are references to voting by holders of shares entitled to attend and vote generally at general meetings of the shareholders of XL-Ireland. Immediately after the Effective Time, the only such shares of XL-Ireland issued and outstanding will be the XL-Ireland ordinary shares.

XL-Ireland has the authority, pursuant to its articles of association, to increase its authorized but unissued share capital by ordinary resolution by creating additional XL-Ireland shares of any class or series. An **ordinary resolution** of XL-Ireland requires more than 50% of the votes cast at a shareholders meeting by shareholders entitled to vote at that meeting.

As a matter of Irish law, the board of directors of a company may issue authorized but unissued new shares without shareholder approval once authorized to do so by the articles of association of the company or by an ordinary resolution adopted by the shareholders at a general meeting. The authority conferred can be granted for a maximum period of five years, at which point it must be renewed by the shareholders by an ordinary resolution. Because of this requirement of Irish law, the articles of association of XL-Ireland authorize the Board of Directors of XL-Ireland to issue new shares up to the amount of XL-Ireland s authorized but unissued share capital without shareholder approval for a period of five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek to renew such general authority at an annual general meeting before the end of that five-year period.

XL-Ireland s articles of association authorize its Board of Directors, without shareholder approval, to determine the terms of the undesignated shares issued by XL-Ireland. The XL-Ireland Board of Directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of that class or series of shares, to provide from time to time for the issuance of ordinary shares or other classes or series of shares and to establish the characteristics of each such other class or series, including the number of shares and their preferred or deferred or other special rights and privileges or limitations, conditions and restrictions, whether in regard to dividend, voting, return of capital, conversion, redemption or otherwise.

Unlike Cayman Islands law, Irish law does not recognize fractional shares held of record. Accordingly, XL-Ireland s articles of association do not provide for the issuance of fractional XL-Ireland shares and the official register of XL-Ireland will not reflect any fractional shares. Whenever as a result of an alteration or reorganization of the share capital of XL-Ireland any shareholder would become entitled to fractions of a share, the Board of Directors may, on behalf of those shareholders, sell the shares representing the fractions and distribute the proceeds of sale among those shareholders (or, if those proceeds are less than an amount fixed by the Board of Directors, retain them for the benefit of the company). This ability of the Board of Directors of XL-Ireland to dispose of fractional shares is required in order to comply with the Irish law prohibition on fractional shares held of record.

Issued Share Capital

Immediately prior to the Transaction, the issued share capital of XL-Ireland will be 40,000, consisting of 40,000 subscriber shares, with nominal value of 1 per share. At the Effective Time, the subscriber shares will be redeemed at their nominal value by XL-Ireland and cancelled. Also at the Effective Time, XL-Ireland will issue a number of its ordinary shares that is equal to the number of whole XL-Cayman ordinary shares that will be transferred to XL-Ireland as part of the Transaction.

If the Preference Share Exchange is consummated, then at the Effective Time, XL-Ireland also will issue a number of Series C preference shares that is equal to the number of XL-Cayman Series C preference shares that will be transferred to XL-Ireland as part of the Transaction and a number

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of Series E preference shares that is equal to the number of XL-Cayman Series E preference shares that will be transferred to XL-Ireland as part of the Transaction.

XL-Ireland shares issued pursuant to the Transaction will be issued credited as fully paid up and will be non-assessable.

Pre-emption Rights, Share Warrants and Share Options

Under Irish law, certain statutory pre-emption rights apply automatically in favor of XL-Ireland ordinary shareholders when XL-Ireland shares are issued for cash. However, XL-Ireland has opted out of these pre-emption rights in its articles of association as permitted under Irish law. Irish law requires this opt-out to be renewed at least every five years by a special resolution of the shareholders. A **special resolution** requires not less than 75% of the votes cast by XL-Ireland shareholders at a meeting of shareholders. We expect that XL-Ireland will seek renewal of the opt-out at an annual general meeting within five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. If the opt-out expires and is not renewed, shares issued for cash must be offered to pre-existing ordinary shareholders of XL-Ireland pro rata to their existing shareholding before the shares can be issued to any new shareholders or pre-existing shareholders in an amount greater than their pro rata entitlements. The statutory pre-emption rights:

- generally do not apply where shares are issued for non-cash consideration;
- do not apply to the issuance of non-equity shares (that is, shares that have the right to participate only up to a specified amount in any dividend and capital distribution, which are sometimes referred to as non-participating shares); and
- do not apply to the issuance of shares pursuant to certain employee compensation plans (but the XL 1991

Performance Incentive Program and the XL Directors Stock and Option Plan, both of which permit grants to non-employee directors, do not fit within this exception).

Holders of Series C preference shares and Series E preference shares of XL-Ireland will not have pre-emption rights.

The Irish Companies Acts provide that directors may issue share warrants or options without shareholder approval once authorized to do so by the articles of association or an ordinary resolution of shareholders. This authority can be granted for a maximum period of five years, after which it must be renewed by the shareholders by an ordinary resolution. The articles of association of XL-Ireland provide that the Board of Directors of XL-Ireland is authorized to grant, upon such terms as the Board of Directors deems advisable, options to purchase (or commitments to issue at a future date) XL- Ireland shares of any class or series, and to cause warrants or other appropriate instruments evidencing such options or commitments to be issued. This authority under the articles will lapse after five years from the date XL-Ireland s articles of association are adopted in substantially the form attached as Annex B. We expect that XL-Ireland will seek renewal of this authority at an annual general meeting before the end of that five-year period. Under the same authority, the Board of Directors may issue shares upon exercise of warrants or options or other commitments without shareholder approval or authorization (up to the relevant authorized but unissued share capital). Statutory pre-emption rights will apply to the issuance of warrants and options issued by XL-Ireland unless an opt-out applies or shareholder approval for an opt-out is obtained in the same manner described directly above for XL- Ireland ordinary shares.

XL-Ireland will be subject to the rules of the NYSE requiring shareholder approval of certain share issuances. The Irish Takeover Rules may be applicable in certain circumstances and can impact on XL-Ireland s ability to issue shares. Please see Risk Factors.

Dividends

Under Irish law, dividends and distributions may only be made from distributable reserves. Distributable reserves, broadly, means the accumulated realized profits of XL-Ireland less accumulated realized losses of XL-Ireland on a standalone basis. In addition, no dividend or

distribution may be made unless the net assets of XL-Ireland are not less than the aggregate of XL-Ireland s share capital plus undistributable reserves and the distribution does not reduce XL-Ireland s net assets below such aggregate. Undistributable reserves include the share premium account, the capital redemption reserve fund and the amount by which XL-Ireland s accumulated unrealized profits, so far as not previously utilized by any capitalization, exceed XL-Ireland s accumulated unrealized losses, so far as not previously written off in a reduction or reorganization of capital.

The determination as to whether or not XL-Ireland has sufficient distributable reserves to fund a dividend must be made by reference to relevant accounts of XL-Ireland. The relevant accounts are either the last set of unconsolidated annual audited financial statements or unaudited financial statements prepared in accordance with the Irish Companies Acts, which give a true and fair view of XL-Ireland s unconsolidated financial position in accordance with accepted accounting practice in Ireland. These relevant accounts must be filed in the Companies Registration Office (the official public registry for companies in Ireland).

XL-Ireland will not have any distributable reserves from which to make distributions immediately following the Effective Time. Please see Risk Factors and Proposal Number Two: The Distributable Reserves Proposal.

XL-Ireland s articles of association authorize the Board of Directors of XL-Ireland to declare such dividends as appear justified from the profits of XL-Ireland without the approval of the shareholders. The dividends can be declared and paid in the form of cash or non-cash assets, subject to applicable law. XL-Ireland may pay dividends in any currency but intends to do so in U.S. dollars. The Board of Directors of XL-Ireland may deduct from any dividend or other moneys payable to any shareholder all sums of money, if any, due from the shareholder to XL-Ireland in respect of shares of the company.

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, and have the same liquidation preference, 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 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 preference share 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 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 preference share 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 the Preference Share Exchange is consummated, the Series C and Series E preference shares of XL- Ireland will rank senior to the XL-Ireland ordinary shares in terms of dividends. Further, subject to certain limited exceptions, no dividends may be paid on the XL-Ireland ordinary shares unless full cumulative dividends on the XL-Ireland Series C preference shares and full dividends with respect to the then-current dividend period for the XL-Ireland Series E preference shares have been or contemporaneously are declared and paid, or declared and a sum sufficient for the payment thereof set apart for payment.

The Board of Directors of XL-Ireland is also authorized to issue shares in the future with preferred rights to participate in dividends declared by XL-Ireland. The holders of such preference shares may, depending on their terms, rank senior to the holders of the ordinary shares of XL-Ireland with respect to dividends.

For information about the Irish tax considerations relating to dividend payments, please see Material Tax Considerations Relating to the Transaction Irish Tax Considerations.

Share Repurchases, Redemptions and Conversions

Repurchases and Redemptions by XL-Ireland

Under Irish law and subject to certain restrictions, a company can issue redeemable shares and redeem or repurchase them out of distributable reserves (which are described above under Dividends) or the proceeds of a new issue of shares made for that purpose. XL-Ireland will not have any distributable reserves from which to make redemptions or repurchases immediately following the Effective Time because it will be a newly formed holding company with no retained earnings. Please see Proposal Number Two: The Distributable Reserves Proposal with respect to our plan to create such distributable reserves. The issue or redemption of redeemable shares may only be made by XL-Ireland where the nominal value of the issued share capital that is not redeemable is at least 10% of the nominal value of the total issued share capital of XL-Ireland. No share may be redeemed unless it is fully paid up and the terms of redemption of the shares must provide for payment on redemption. Subject to certain limitations imposed by Irish law, shareholder approval will not be required to redeem XL-Ireland shares.

XL-Ireland s articles of association provide that any ordinary share of XL-Ireland will be automatically converted into a redeemable share at the time of the existence or creation of an agreement, transaction or trade pursuant to which XL-Ireland acquires or will acquire its ordinary shares or an interest in its ordinary shares from a person, unless the ordinary shares are listed on a recognized stock exchange as defined in the Irish Companies Acts and the Board of Directors of XL-Ireland determines to treat the acquisition as a purchase. Accordingly, for Irish law purposes, it is intended that the repurchase of ordinary shares by XL-Ireland can technically be consummated as a redemption of those shares as described in the preceding paragraph. If the articles of association of XL-Ireland did not contain such provisions, repurchases by XL-Ireland would be subject to many of the same rules that apply to purchases of XL-Ireland shares by subsidiaries described below under Purchases by Subsidiaries of XL-Ireland, including the shareholder approval requirements described below and the requirement that any on-market purchases be consummated on a recognized stock exchange. Except where otherwise noted, when we refer elsewhere in this proxy statement to repurchasing or buying back XL-Ireland shares, we are referring to the redemption of shares by XL-Ireland pursuant to such provision of the articles of association.

XL-Ireland s articles of association also provide it with an additional general authority to purchase its own shares on-market that would take effect on substantially the same terms and be subject to substantially the same conditions applicable to purchases by XL-Ireland s subsidiaries, as described below.

If the Preference Share Exchange is consummated, XL-Ireland will have certain rights and obligations to redeem the XL-Ireland Series C and Series E preference shares as generally described below. XL-Ireland will have the right to redeem the XL-Ireland Series C preference shares, in whole or in part, on or after July 15, 2013, at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Ireland will have the right, under certain circumstances, to redeem the XL-Ireland Series C preference shares prior to July 15, 2013, at specified redemption prices, plus accrued and unpaid dividends to the date of redemption. The XL-Ireland Series C preference shares will be redeemable at the option of the holders from and after July 15, 2033 to but excluding the 45th day thereafter (subject to extension under certain circumstances), at a redemption price of $25 per share, plus accrued and unpaid dividends to the date of redemption. XL-Ireland will have the right to redeem the XL-Ireland Series E preference shares, in whole or in part, on or after April 15, 2017, at a redemption price of $1,000 per share, plus declared but unpaid dividends with respect to the then- current dividend period to the date of redemption. XL-Ireland will have the right, under certain circumstances, to redeem the XL-Ireland Series E preference shares prior to April 15, 2017, at specified redemption prices, plus declared but unpaid dividends with respect to the then-current dividend period to the date of redemption. Holders of the Series E preference shares will not have any rights to require XL-Ireland to redeem their Series E preference shares at any time.

In addition, subject to certain limitations contained in the terms of issue of such shares, XL-Ireland will have the right to repurchase the XL-Ireland Series C and Series E preference shares

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in the open market, by tender to all holders of the relevant series of preference shares, by private agreement or otherwise as the XL-Ireland Board of Directors sees fit. The terms of issue of the XL-Ireland Series C and Series E preference shares provide that any such repurchase can technically be effected as a redemption of those shares, on the terms agreed with the holder or holders. A redemption effected pursuant to the terms of the XL-Ireland Series C or Series E preference shares governing repurchases will not be subject to the other terms of those shares relating to redemptions described in the preceding paragraph.