

February 10, 2009

## **XL CAPITAL LTD. REPORTED A FOURTH QUARTER NET LOSS BUT GENERATED STRONG UNDERWRITING RESULTS**

XL reported a fourth-quarter net loss of \$1.43 billion, or \$4.36 a share. That compared to a net loss of \$1.22 billion, or \$6.88 a share, a year earlier. The most recent net loss was mainly driven by a \$990 million non-cash charge for the partial impairment of goodwill and permanent impairments of \$608.5 million, including an investment portfolio reorganization charge of \$400 million. Operating earnings, which exclude net realized investment gains and losses, were \$189.5 million, or 58 cents a share, up from \$98 million, or 55 cents a share, a year earlier.

XL will cut its quarterly dividend to 10 cents a share from 19 cents a share and plans to reduce its global workforce by 10%. The job cuts will cost roughly \$60 million to \$80 million but will save \$100 million to \$120 million a year for 2010 and beyond.

XL's main property and casualty insurance and reinsurance business reported a combined ratio of 89.4% in the latest quarter, an improvement from the 93.3% ratio a year earlier. Results for the full year produced a combined ratio of 95.7% versus 88.8% in 2007.

During the fourth quarter, XL sold the renewal rights for its Life, Accident and Health business, and continues to explore various strategic options for its annuity book, its mortality and critical illness book, and for its US life company.

"Notwithstanding the disappointment of another large reported loss following a \$1.6 billion loss in the third quarter of 2008, XL's underwriting performance continues to be strong and consistent with our expectations," said Steven Ader and Neil Stein, analysts at Standard & Poor's Ratings Services. S&P affirmed XL's BBB+ counterparty credit ratings after the results.

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