



XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 11
Bermuda
Tel: (441) 292-8515
Fax: (441) 292-5280
www.xlcapital.com

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TO THE INVESTMENT COMMUNITY:

RESPONSE TO 2ND QUARTER CONFERENCE CALL QUESTIONS

During our quarterly conference call yesterday there were a number of issues raised requiring further response.

The supplementary information contained herein is being furnished for the convenience of the reader only, and does not purport to be complete. Investors should refer to XL Capital Ltd's Form 10-Q for the quarter ended June 30, 2002 to be filed with the SEC (and XL Capital Ltd's other documents on file with the SEC) for a complete description of XL Capital Ltd.

Our responses are provided below in the order raised:

1) What is the notional value and credit quality of your Financial Products and Services segment's derivative portfolio?

The current notional value of all wrapped securities is approximately \$8 billion. Approximately \$4.3 billion, or 54%, of the notional amount is AAA rated, \$1.0 billion, or 12.5%, is AA rated and \$700 million, or 9%, is A rated. The remaining \$2 billion, or 25%, of notional value supports financial guaranties on project finance and future flow transactions and is rated BBB.

2) Can you provide a breakout of the minority interest, corporate tax and equity in the earnings (loss) in insurance affiliates?



	<u>Qtr end</u> <u>June 30,2002</u>	<u>Qtr end</u> <u>June 30,2001</u>
Minority interest expense (income)	\$ 1,779	\$ (652)
Equity earnings in insurance and other operating affiliates	416	6,318
Income tax expense	22,900	13,603

Equity earnings in insurance and other affiliates in the quarter ended June 30,2001 includes income of Le Mans Ré, now accounted for as a subsidiary with effect from January 1, 2002.

3) **Please explain why the growth in net premiums written for the Insurance segment, excluding Winterthur International and XL London Market (Lloyd's), was lower than the gross written premiums in the second quarter of 2002?**

Net premiums written for the insurance segment, excluding Winterthur International and XL London Market, were lower in the second quarter of 2002 as compared to the first quarter of 2002 due to higher levels of reinsurance protections, incepting on January 1, 2002, but completed in the second quarter of 2002. These reinsurance protections principally impacted the aerospace and specialty insurance lines.

In addition, there was a change in the overall mix of business written. In the first quarter of 2002, there was a new multiyear professional lines contract written of approximately \$41 million. This contract did not have any associated reinsurance costs. In the second quarter of 2002, growth of other professional lines business written did have associated reinsurance costs, impacting the sequential change in premiums from the first quarter to the second quarter of 2002.

Finally, as part of the integration of all of XL's risk management business following the acquisition of Winterthur International, an increasing proportion of this business, principally in North America, has been renewed on Winterthur International paper.

The impact of these factors has affected the change in net premiums written in the second quarter of 2002 are compared to the first quarter of 2002 and the second quarter of 2001.



- 4) **Please comment on the increase in expenses in the second quarter of 2002 versus the second quarter of 2001 in Insurance, excluding Winterthur International and XL London Market?**

The expense increases in the second quarter of 2002 compared to the second quarter of 2001 principally reflect growth in specialty lines operations, notably professional and environmental, as well as increased corporate expenses borne by the operating units, particularly in North America. The operating expense ratio for the six months of 2002 is more indicative of the expected ongoing run rate.

- 5) **What is your current capacity at Lloyd's and anticipated capacity for 2003?**

XL London Market's current total stamp at Lloyd's is GBP 440 million (approximately \$680 million, at current exchange rates). The current plan for 2003 is for capacity to be reduced by 10% to GBP 400 (approximately \$620 million).

If you any additional questions or comments, please direct them to Lily Outerbridge, Manager of Investor Relations, at (441)294-7345, e-mail: louterbridge@xl.bm, or to me, at (441)294-7104, e-mail: garton@xl.bm.

Sincerely,

Gavin R. Arton
Senior Vice President
Investor Relations