Middle Market Roadshow
Introduction and 2010 Market Outlook:
Aggressive & Defensive Strategies to Weather the Storm?

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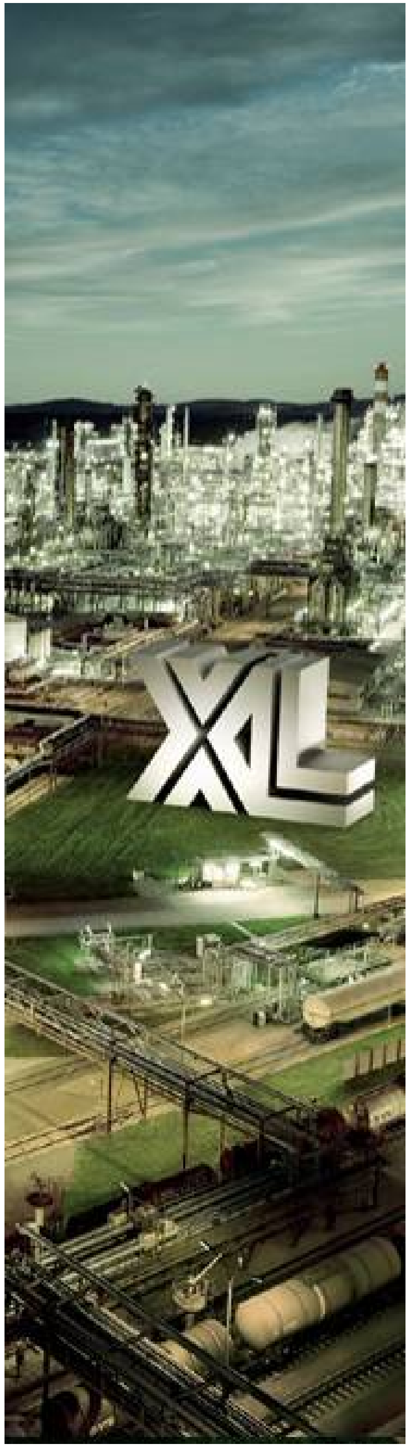
Agenda

- Introduction
- Claims – Overview, Emerging Issues & Future of Fraud Claims
- Surveillance
- 10:50 Coffee
- The industrial athlete: what can elite sports teach us about absence management?
- Advance XL – Managing risk to control costs
- Response XL – Protecting your brand is more important than ever
- Design Professional – Reducing claims for Architects & Engineers
- Conclusions and Final Legal update
- 13:00 Buffet Lunch



XL Insurance at 31.12.09

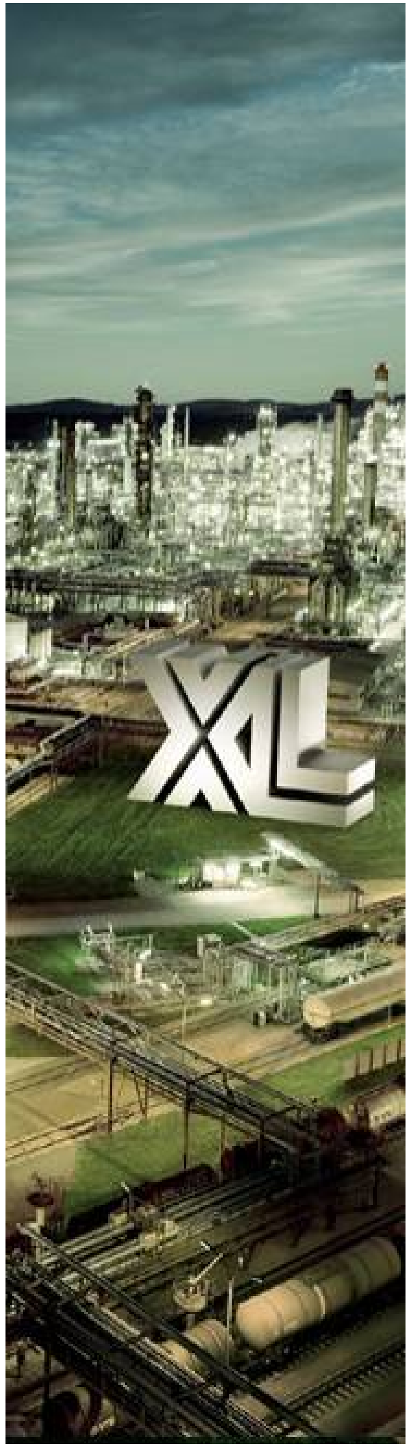
- Gross Premiums Written - US$ 6.1billion
- Operates in 25 countries

XL Insurance Operations – UK

2 Locations: London
Newcastle

2 Platforms:

	XL Insurance Company Ltd **Financial Strength Ratings**	**Lloyd's Syndicate 1209** **Lloyd's Market Ratings**
AM Best	A (Excellent)	A (Excellent)
S+P	A (Strong)	A+ (Strong)
Fitch	A (Strong)	A+ (Strong)
Moody's	A2 (Strong)	



XL Capital Ltd at 31.12.09

- Two operating segments: Insurance and Reinsurance

Total Consolidated Assets:	$45.6bn
Total Consolidated Shareholders' Capital:	$9.4bn
Book value per ordinary share:	$24.60

Full Q4 and 2009 results can be found at www.xlcapital.com

UK: Business focus

Large Risks

- Property
- Casualty
- Professional
- Specialty
  - Aviation
  - Environmental
  - Equine
  - Fine Art & Specie
  - Marine

SME +

- Middle Market
- Environmental
- Specie
- Products Guarantee / Recall
- D & O / PI

UK Middle Markets

- Primary and/or excess EL + TP + Car
- International capability
- Via wholesale or retail brokers
- Rehabilitation and Advance XL
- Project policies
- Schemes

Review of 2009

Positive Features

- Profitable UK Casualty market
- Continuation of positive prior year claims reserve releases
- Underwriting discipline - integrated approach to risk/capital management
- Differentiation to buyers who maintain risk management standards

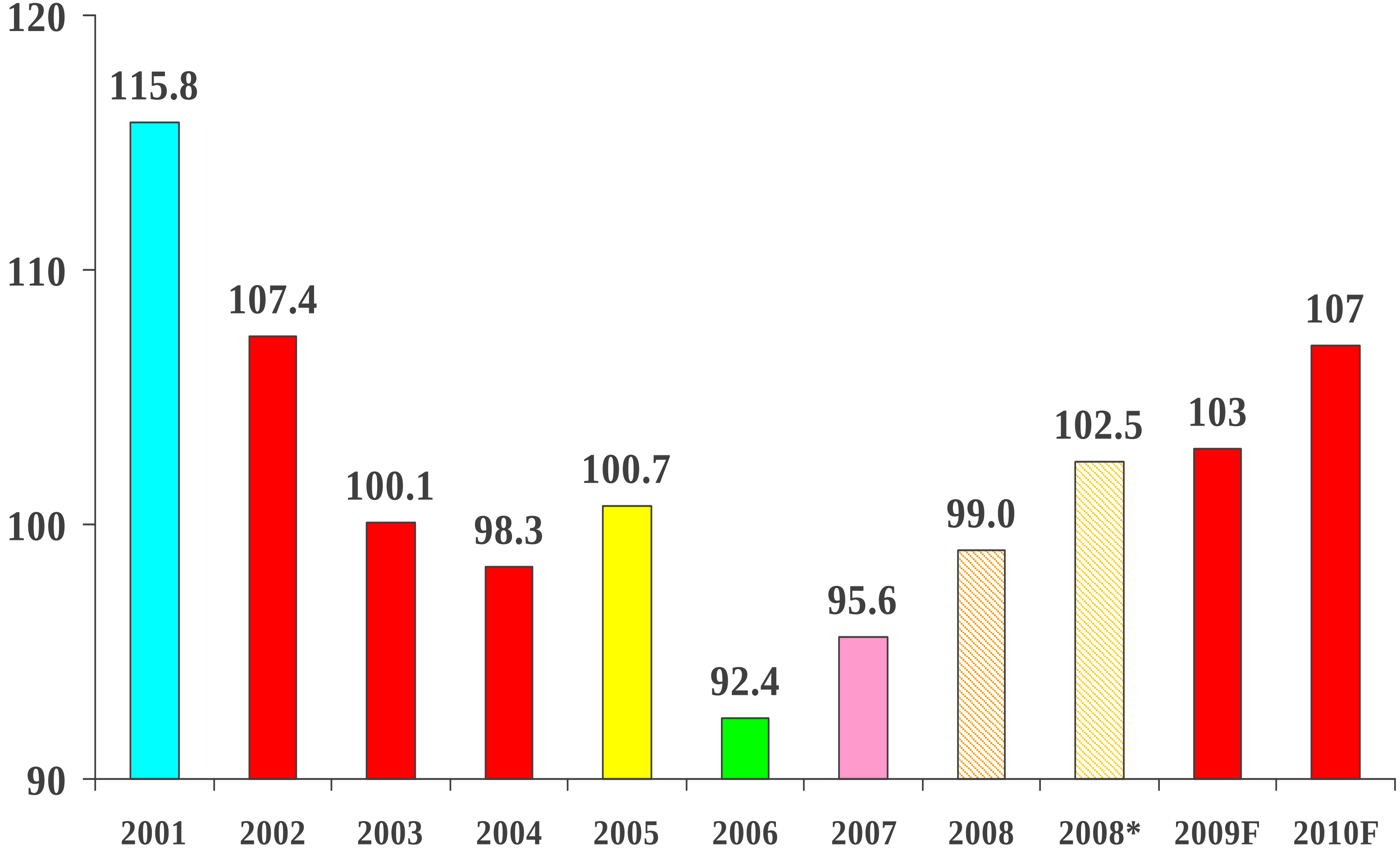
Negative Features

- Lower exposure data / reduced premiums
- Economic pressures – premium rate increases below claims inflation rate
- Lower investment earnings
- Dual market pricing

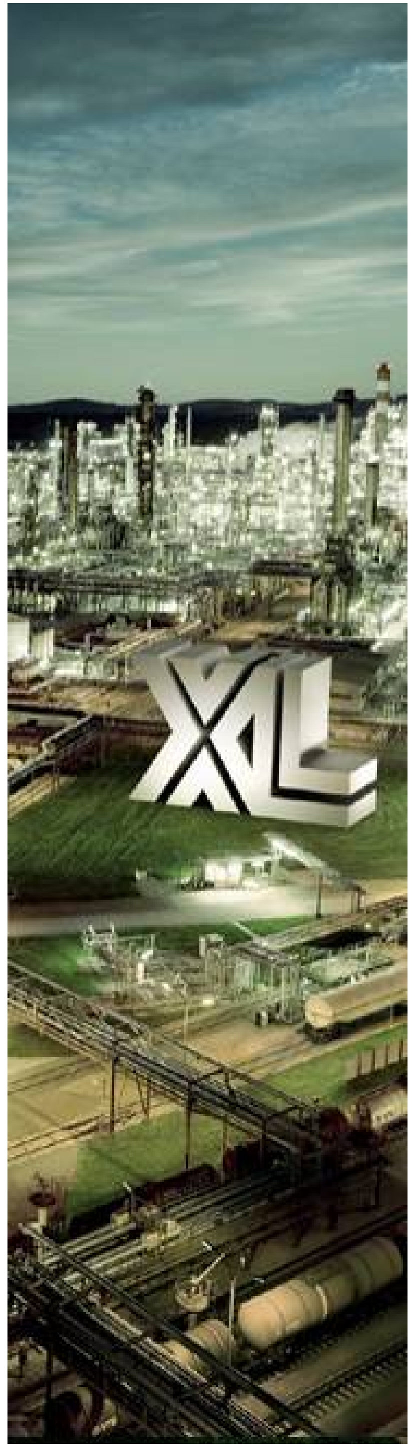
Warning signs

- Continuation of 2007 and 2008 reductions in NWP (2008 witnessed the first multi-year decline since 1930)
- 5 continuous years of rate reductions
- Industry combined ratios at or close to 100%

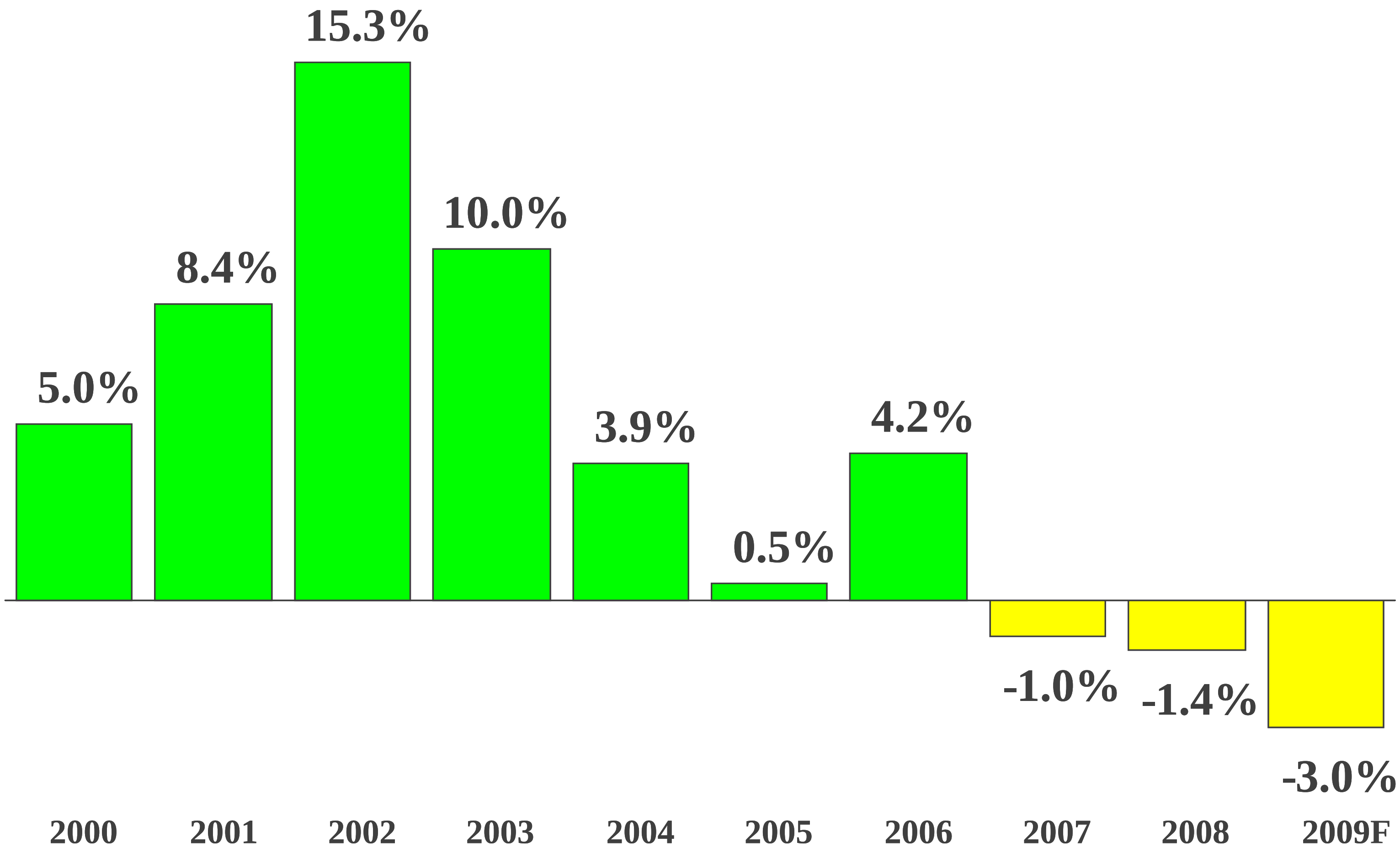
Insurance Industry P&C Combined Ratios

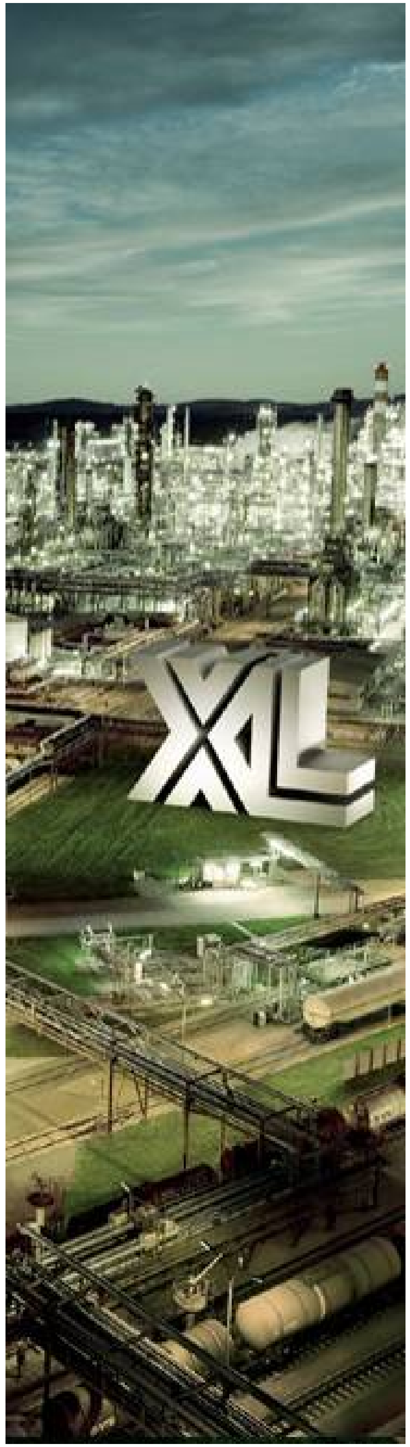


Source: AM BEST, ISO; III – P&C INSURANCE INDUSTRY COMBINED RATIO 2001 – 2010F



Change in P & C Net Written Premium





Source: AM BEST, ISO – YEAR TO YEAR CHANGE IN NET WRITTEN PREMIUM BETWEEN 2000 and Q3 2009

Casualty Market outlook for 2010?

A Buyers Market

- Material rate increases are unlikely without adversely affecting top line
- Surplus capital will maintain market competition
  - 2010 will see new market entrants
- Business Environment / Insolvencies will contribute to falling GWP/NWP
- Economic uncertainty
- Broker Tender activity may increase

Movement towards Price correction

- Claims inflation still likely to exceed premium rate increases
- Further reliance upon underwriting discipline to generate profits
  - Low investment returns
  - More attention towards poor performing risks
  - Ongoing focus to reduce loss ratios / operating ratios
- Increase in magnitude / frequency of claims through the year

2011 Casualty Market considerations?

Claims

- Will 2011 be the year the claims lag finally catches up?
- Legal costs at 40% of bodily injury settlements is unsustainable
- Economic conditions will increase loss frequency / defence costs
- Projecting future loss developments with certainty becomes more difficult
- Potential Monetary Inflation pressures

Decline in previous year Industry results

- Reduced capital
- Reliance on reserve releases no longer sustainable
- Premium rate increases above claims inflation
- Continued uncertainty surrounding the impact of emerging risks:
  - Chinese Dry Wall, Climate Change
  - Welding Fumes, Bisphenol A, EMF, Nanotechnology

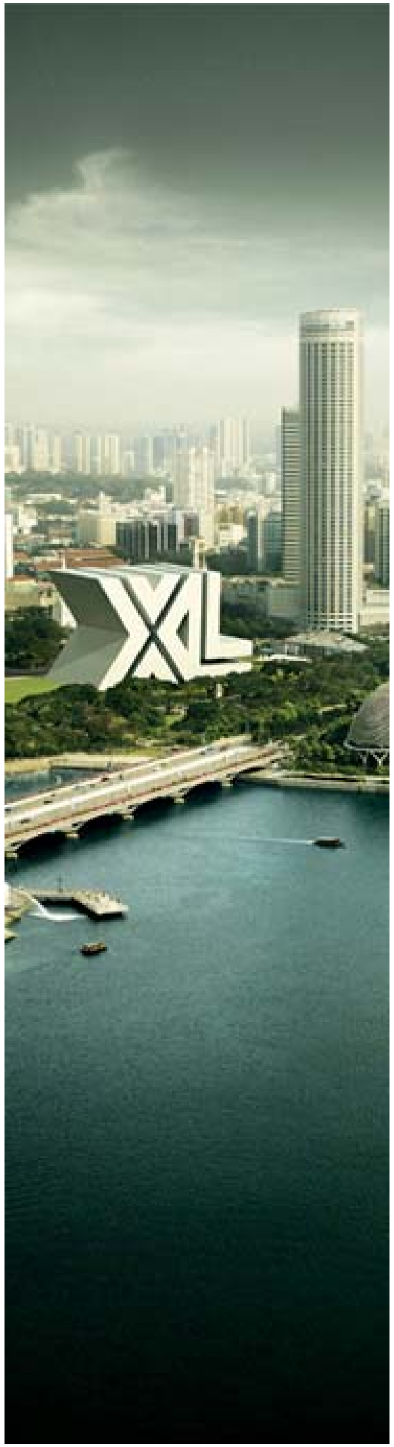
Conclusion

2010

- Continued tough economic environment for clients
- Broker competition
- Continued soft market
- Increasing claims?

2011

- Likely shift towards sustainable longer term rating
- Managed rate increases above claims inflation levels
- Clients/Brokers likely to take a greater interest in risk retention strategies



So what to do?

- Aggressive (Proactive)
- Educate Commercial Clients
- Introduce Effective Risk Improvement Solutions
- Create Incentivised Risk Transfer Programmes
- Deliver Absence Management/Return to work capabilities

- Defensive (Reactive)
- Learn the lessons and feed into improvement process
- Mitigate losses through prompt and incisive claims handling
- Communicate often and clearly with Broker and Insured