

Client Update: August 26, 2009

XL Capital Ltd.

Frank Crystal & Company is constantly monitoring the financial stability and claims paying ability of every insurance carrier through which we place business. We are continually monitoring the ongoing turmoil in the insurance marketplace and are committed to keeping our clients apprised of any new developments therein. In the event that a carrier falls below our minimum financial stability standards, we immediately notify our clients and replace coverages at renewal or, if requested, mid term.

Following the 2008 year-end downgrades of XL Capital Ltd by Standard & Poor's, Fitch, and Moody's, the company renewed efforts to minimize risk in its investment portfolio and increased focus on disciplined underwriting. Over the past two quarters, XL has made substantial rebuilding efforts, the result of which is continued improvement in financial stability.

Second quarter results show that book value per ordinary share increased by 26% from March 31, 2009 to June 30, 2009, and total shareholder equity increased 22% to \$7.5 billion over the same period. XL's Property & Casualty combined ratio of 93% is further evidence of strong underwriting.

Additionally, the company has continued to lower the risk associated with its investment portfolio. Since the beginning of 2009, the company has reduced its exposure to more volatile asset classes by \$3.5 billion, with \$17.2 billion of its \$32 billion fixed income portfolio in cash or government-related securities.

Michael S. McGavick, XL's Chief Executive Officer, wrote in a letter to clients, "XL will remain steadfast in the pursuit of disciplined underwriting. It is what we at XL do well. Responsible underwriting will continue to drive our results, especially under today's extraordinary economic and insurance market conditions."

We are pleased with XL's rapid financial improvement, and, based on past and current performance, we recommend that coverage currently placed with XL remain so, as a change in carrier can have significant, potentially negative, impact on program pricing, terms, and conditions.

We will continue to keep our clients apprised of further material developments as respects XL and the broader insurance marketplace. As always, we encourage you to contact us at Frank Crystal should you have any further questions or wish to discuss your specific policy circumstances.

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ABOUT FRANK CRYSTAL & COMPANY

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