

IMPORTANT NOTICE

The Depository Trust Company



#: 6996-10
Date: July 27, 2010
To: All Participants
Category: Dividends
From: International Services
Attention: Operations, Reorg & Dividend Managers, Partners & Cashiers
Subject: Tax Relief Country: Ireland – XL Group LTD
CUSIP: 98372P876 Record Date 7/14/10 Pay Date 7/15/10

DTC has received the following market announcement from BNY Mellon. Questions regarding this notice may be directed to GlobeTax at 212-747-9100.

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Non-Confidential

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**XL GROUP LTD (formerly XL Capital Ltd)
Series "C" Cumulative Preference Shares
CUSIP: 98372P876
RECORD DATE: July 14, 2010
PAY DATE: July 15, 2010**

Note: The terms for dividend withholding tax exemption outlined throughout this notice apply to the current dividend with Record Date July 14, 2010 only. Future dividends may be subject to different requirements that will be outlined in subsequent important notices.

Participants can elect to receive a distribution with 0% (tax-exempt rate) tax withheld on behalf of beneficial owners who both held shares on July 14, 2010 and meet the following conditions:

1. U.S. beneficial owners who will provide the required Split Letter to GlobeTax, which acts on behalf of BNY Mellon, the Qualifying Intermediary ("QI"), by 5 P.M. August 3, 2010 or
2. beneficial owners residing in "relevant territories" (other than the U.S.) (**see list below**) who will provide the required Split Letter to GlobeTax on behalf of BNY Mellon, the Qualifying Intermediary ("QI"), by 5 P.M. ET. August 3, 2010 or
3. beneficial owners residing OUTSIDE of relevant territories that qualify for other exemptions and that have the Irish Composite Non-Resident V2 forms in place or
4. beneficial owners that are Irish resident companies or other qualifying Irish resident entities that are exempt from Irish dividend withholding tax for Irish domestic tax purposes and that have the Irish Composite Resident V3 forms in place.

All others will be subject to a DWT of 20% (unfavorable rate) tax.

Note: All beneficial owners residing in a relevant territory (including the U.S.) will need to provide the Irish Composite Non-Resident Form V2 ("V2") to BNY Mellon / GlobeTax, to support their Split Letters exemption by October 9, 2010. All U.S. shareholders claiming exemption must submit an original Form 6166 along with their V2 forms. Additionally, these Irish Composite forms (V2 or V3) should be put in place as soon as possible to cover future dividend events.

Participants can use the attached Split Letter to certify and communicate to the Issuer and BNY Mellon/GlobeTax that all or a portion of their positions were entitled to the applicable tax rate. This Split Letter must be received by **August 3, 2010**.

SPLIT LETTER (DECLARATION OF BENEFICIAL OWNERSHIP) FOR

XL Group Ltd

CUSIP: 98372P876

RECORD DATE: July 14, 2010

PAY DATE: July 15, 2010

To: BNY Mellon / GlobeTax

For the above mentioned record date of XL Group Ltd. please find the following information:

Shares Category of Beneficial Owner

_____ **Exempt U.S. residents** – U.S. beneficial owners who have been disclosed to BNY Mellon / GlobeTax on Appendix B – Exempt U.S. Beneficial Owner List.

_____ **Exempt Residents of Relevant Territories** - beneficial owners residing in “relevant territories” (other than the U.S.) (**see list below**) that have been disclosed to BNY Mellon / GlobeTax on Appendix C – Exempt Relevant Territory Beneficial Owner List.

_____ **Exempt Irish Resident Corporations and Other Entities** – beneficial corporations or other Irish resident exempt entities that have the relevant Irish Composite Resident V3 forms in place.

_____ **Exempt Other Eligible Entities** – beneficial entities that are residents outside of the relevant territories but are controlled either by an entity that is a resident in a relevant territory or by a company that is substantially and regularly traded on a recognized stock exchange in a relevant territory and such entities have the relevant Irish Composite Non-Resident V2 forms in place.

_____ **Non-Exempt Residents** - All shares that do not meet the criteria for exemption noted above will be paid net of Irish dividend withholding tax applied at the unfavorable rate of 20%.

_____ **Total Record Date Share Position**

Sincerely,

Please mail to:

DTC Participant Name _____
DTC Participant Number _____
Authorized Signature _____
Telephone Number _____

BNY Mellon c/o GlobeTax
90 Broad Street – 16th Floor
New York, NY 10004
Attn: Tim McNally
Telephone: 1-800-915-3536

By certifying the exempt rate, the participant is certifying that the beneficial owner meets the criteria listed under each category below:

EXEMPT 0% - U.S. RESIDENTS (FOR PERSONS WHO HELD SHARES ON JULY 14, 2010)

The underlying beneficial owners details are provided in the Appendix B – Exempt U.S. Beneficial Owner List.

The participant is required to provide BNY Mellon/GlobeTax with an Irish Composite Non-Resident V2 form along with an original Form 6166 in support of the beneficial owners' residencies by October 9, 2010.

EXEMPT 0% - RESIDENTS OF RELEVANT TERRITORIES (OTHER THAN THE U.S.) (FOR PERSONS WHO HELD SHARES ON JULY 14, 2010)

The direct beneficial owner of the shares to be paid at the exempt rate has an address in a “relevant territory” (other than the U.S.) on the record date of July 14, 2010 (**Appendix A**).

To qualify under this category:

- a) The beneficial owner must have a validated address in a relevant territory (other than the U.S.) listed on the participant's books and records. A validated address is one for which a W-8BEN has been provided to the DTC Participant.
- b) The participant must disclose the Name, Country of Residence, and holdings of the eligible beneficial owners to BNY Mellon/GlobeTax on Appendix C – Exempt Relevant Territory Beneficial Owner List by July 29, 2010
- c) The participant is required to provide BNY Mellon/GlobeTax with an Irish Composite Non-Resident V2 form in support of the beneficial owners' residencies by October 9, 2010.

EXEMPT 0% - OTHER ELIGIBLE ENTITIES

The direct beneficial owner of the shares is an entity that is resident outside of the relevant territories but is controlled either by an entity that is a resident in a relevant territory or by a company that is substantially and regularly traded on a recognized stock exchange in a relevant territory on the record date of July 14, 2010 (**Appendix A**).

To qualify under this category:

- a) the participant is required to have the relevant Irish Composite Non-Resident V2 form in place.

EXEMPT 0% - IRISH RESIDENT CORPORATIONS AND OTHER ENTITIES

The direct beneficial owner of the shares to be paid at the exempt rate is a company or other Irish resident entity that is exempt from Irish dividend withholding tax, such as a pension fund, that is resident in Ireland on the record date of July 14, 2010.

To qualify under this category:

- a) the participant is required to have the relevant Irish Composite Resident V3 form in place.

UNFAVORABLE 20%

For purposes of certifying via Split Letter on this dividend distribution, all shares that do not meet the criteria for the exempt rate noted above should be noted in the Unfavorable (Non-Exempt Entities) category.

Partnerships and Trusts are entitled for tax relief via Split Letter as follows:

PARTNERSHIPS

For Irish Dividend Withholding Tax (DWT) purposes, a partnership is viewed as a resident of a relevant territory only to the extent that all of the partnership's underlying partners are residents of a relevant territory. If all partners are residents of relevant territories, the partnership is entitled to exemption from DWT. If at least one partner is not a resident of a relevant territory, no part of the partnership's position is entitled to exemption from DWT.

Withholding rate with participant Split Letter certification for partnerships whose partners are all residents of relevant territories: 0%

Withholding rate without participant Split Letter certification and for partnerships with at least one partner that is not a resident of a relevant territory: 20%

TRUSTS

Taxable Trusts (for DWT purposes, "discretionary trusts"): If a trust is taxable at the entity level and falls within one of the exempt categories set out above at the level of the trust, it is entitled to exemption from DWT.

Non-taxable trusts (for DWT purposes, "non-discretionary trusts"): If a trust is not taxable at the entity level, eligibility for exemption from DWT depends on the residency of its underlying beneficiaries. If all beneficiaries are residents of relevant territories, the trust is entitled to exemption from DWT. If at least one beneficiary is not a resident of a relevant territory, no part of the trust's position is entitled to exemption from DWT and the trust's entire position is subject to the 20% DWT.

Withholding rate with participant Split Letter certification for taxable trusts and non-taxable trusts whose beneficiaries are all residents of relevant territories: 0%

Withholding rate without participant Split Letter certification and for Non-taxable trusts with at least one resident not in a relevant territory: 20%

***NOTE: The Finance Bill 2010, which has been acted, replaces the requirement for Companies to complete the Composite Non-Resident V2 Form certified by an external auditor with the requirement to complete a new self assessment Non-Resident V2B Form. Composite Non-Resident V2 forms that have already been submitted will be valid until expiry.**

SPECIAL SITUATIONS

U.S. Citizens and Residents on long-term assignment abroad

If a shareholder has an address in a relevant territory but has a valid W-9 on file that validates their residency in the U.S. then this shareholder may obtain the exempt withholding rate with,

Either:

AN ELECTION IN THE EXEMPT 0% - U.S. RESIDENTS CATEGORY IF:

- a) The shareholder meets the requirements listed for U.S. Residents above.

Or:

AN ELECTION IN THE EXEMPT 0% - RESIDENTS OF RELEVANT TERRITORIES (OTHER THAN THE U.S.) CATEGORY IF:

- a) The shareholder meets the requirements listed for residents in Relevant Territories (other than the U.S.) above.

Residents of a Relevant Territory residing in the U.S.

If a shareholder has an address in the U.S. but has a form W-8BEN on file that validates his residency in a relevant territory (other than the U.S.) he may claim exemption in **EITHER** the EXEMPT 0% - RESIDENTS OF RELEVANT TERRITORIES (OTHER THAN THE U.S.) (FOR PERSONS WHO HELD SHARES ON JULY 14, 2010) provided that he satisfies all other terms and conditions under that category.

To ensure that beneficial owners who meet the exempt treatment criteria receive their **XL GROUP LTD.** dividends gross please submit the necessary Split Letter, no later than **August 3, 2010** and the necessary Irish Composite forms no later than **October 9, 2010**.

Individual residents of Ireland may not benefit from the exempt / favorable rate program.

APPENDIX A
RELEVANT TERRITORIES

Relevant Territories

ALBANIA	GREECE	NORWAY
AUSTRALIA	HONG KONG	PAKISTAN
AUSTRIA	HUNGARY	POLAND
BAHRAIN	ICELAND	PORTUGAL
BELARUS	INDIA	ROMANIA
BELGIUM	ISRAEL	RUSSIA
BOSNIA & HERZEGOVINA	ITALY	SERBIA
BULGARIA	JAPAN	SLOVAK REPUBLIC
CANADA	KOREA	SLOVENIA
CHILE	LATVIA	SOUTH AFRICA
CHINA	LITHUANIA	SPAIN
CROATIA	LUXEMBOURG	SWEDEN
CYPRUS	MACEDONIA	SWITZERLAND
CZECH REPUBLIC	MALAYSIA	REPUBLIC OF TURKEY, THE
DENMARK	MALTA	UNITED ARAB EMIRATES
ESTONIA	MEXICO	UNITED KINGDOM
FINLAND	MOLDOVA	UNITED STATES
FRANCE	MOROCCO	VIETNAM
GEORGIA	NETHERLANDS	ZAMBIA
GERMANY	NEW ZEALAND	

