

XL Capital Assurance (U.K.) Limited
70 Gracechurch Street
London EC3V 0XL
United Kingdom
Telephone: (44) (0) 207-933-7000
Fax: (44) (0) 207-469-1000

NEWS RELEASE

IMMEDIATE

Contact: Stephen Finch, +44 (0) 207 067-0705, sfinch@webershandwick.com
Courtney Franson, +1 (212) 478-3463, courtney.franson@xlgroup.com

XLCA-UK GUARANTEES BONDS ISSUED TO FINANCE THE SOUTH LANARKSHIRE SECONDARY SCHOOLS MODERNISATION PROJECT

Works with leaders in PFI market to structure cost-effective financing of school improvements

London, June 29, 2006 – XL Capital Assurance (U.K.) Limited ("XLCA-UK") announced today that it has issued a £320 million triple-A rated financial guarantee for the financing of the South Lanarkshire Secondary Schools Modernisation Project, a PFI project¹ to build 17 new secondary schools and refurbish two secondary schools within South Lanarkshire Council in Scotland.

The XLCA-UK guarantee covers £320 million of senior index-linked bonds issued by InspirED Education (South Lanarkshire) plc ("InspirED"), a special project company created to manage all aspects of the project, including its design, construction, financing and operation. InspirED is comprised of Amec Project Investments, Equion, a division of John Laing plc, and Innisfree. The XLCA-UK-guaranteed notes will mature in September 2038 and have an average life of 20.4 years. The lead arranger was Barclays Capital.

Commenting on the project, Alberto Ramos, head of XLCA's Global Infrastructure group, said, "We're proud to again work with Equion, Amec and Innisfree to secure financing for this project. The project will improve the working environment for both students and teachers in the region. UK PFI is a key business area for XLCA. We look forward to continuing to deliver financial solutions to meet the needs of this rapidly evolving market."

Stephen Todd, commercial director, Amec Project Investments, added, "As an international project management services company, specializing in bringing together the best financing, investment and construction partners to undertake complex projects, we are pleased to have XLCA involved in this financing. XLCA offered us an experienced and knowledgeable project team as well as a solid reputation with investors worldwide."

-more-

Joe Linney, operations director at Equion, added, "We're delighted to be working once again with XLCA, following the success of the Newcastle Hospitals PFI transaction. XLCA's excellent reputation among investors worldwide, combined with the knowledge and responsiveness of the transaction team, were key in InspirED Education's decision to select XLCA as the financial guarantor for the project."

John Harris, director, Innisfree, said, "With £885 million of funds already under management, delivering on PFI commitments is critical for our business. Our prior experience of working with XLCA as part of the North Lanarkshire transaction was very positive, and we are pleased to benefit once again from XLCA's expertise and responsive support."

This is the fourth PFI transaction XLCA-UK has guaranteed. In 2005, XLCA-UK provided a £143 million financial guarantee for the North Lanarkshire (Scotland) schools project, as well as a £313 million financial guarantee for the Newcastle Hospitals PFI project. In June 2003, XLCA-UK provided a £152.4 million financial guarantee for the M77 road financing transaction, also in Scotland.

Notes to Editors:

¹Private Finance Initiative (PFI) or Public Private Partnership (PPP) projects are a method of funding and operating essential public infrastructure, generally through a concession contract signed between a public sector authority and a private sector company, whereby the private sector carries out the design, finance, construction, maintenance and operation of the infrastructure asset or service to standards negotiated in the concession contract.

About XL Capital Assurance (U.K.) Limited

XL Capital Assurance (U.K.) Limited is a wholly owned subsidiary of XL Capital Assurance Inc. (XLCA). XLCA – rated triple-A by Moody's Investors Service, Standard & Poor's Ratings Service, and Fitch Ratings – is a monoline financial guarantee company that provides triple-A rated credit enhancement for the obligations of debt issuers worldwide. XLCA guarantees U.S. municipal bonds; asset-backed securities; debt backed by utilities and selected infrastructure projects; specialized risks, including future flow securitizations and bank deposit insurance; and structured investment products – in both the primary and secondary global markets. XLCA is an indirect, wholly owned subsidiary of XL Capital Ltd (NYSE: XL), which, through its operating subsidiaries, is a leading provider of insurance and reinsurance coverages and financial products and services to industrial, commercial and professional service firms, insurance companies and other enterprises on a worldwide basis. For more information please visit www.xlca.com.

###