

XL America, Inc. Employee Savings Plan

Loan Policy and Procedures

Effective June 1, 2011, XL America, Inc. (the “Plan Sponsor”) adopted the following program for loans under XL America, Inc. Employee Savings Plan (the “Plan”).

1. Administration of the Participant Loan Program

Under the terms of the Plan, Merrill Lynch is authorized to administer the loan program. In its discretion, the Plan Sponsor may delegate its authority to an approved person in the Company’s Benefits or Human Resources Department.

2. Eligibility for Participant Loans

A. Only Active Participants may request a loan from the plan.

B. Participant must have a vested balance of at least \$2,000.

C. Loans are not available to an alternate payee under a Qualified Domestic Relations Order (QDRO).

3. Purpose of Loan

A loan that may be obtained for any purpose is a general purpose loan. A residential loan may be requested for the purchase of a primary residence of the Participant. The allowable repayment periods for a general purpose and residential loans are described in Section 8. Participants may be required to provide additional documentation to request a loan for the purchase of a principal residence of the Participant.

4. Number of Loans

A maximum of one loan may be outstanding per Participant at any time.

5. Frequency of Loans

There is no limit as to how frequently a Participant may request a loan from the plan.

6. Minimum Loan Amount

Each loan must be for at least \$1,000.

7. Maximum Loan Amount:

The maximum amount that a Participant may borrow from the Plan is the lesser of:

A. \$50,000 minus the highest outstanding loan balance on the date the loan is requested, or at any time during the immediate 12 month period preceding the loan request or;

- B. 50% of the vested balance minus any current outstanding loan Balance determined as of the date the loan is requested.

8. Repayment Periods of Loans

The amount of the loan, plus interest, will be amortized over the repayment period. Loan Repayment amounts will be level throughout the payment period and each payment will include principal and interest.

- A. The maximum term that a Participant may elect for the repayment of a general-purpose loan is 5 years.
- B. The maximum term that a Participant may elect for the repayment of a residential loan is 15 years.
- C. Loan Repayments must be made based on the Amortization Schedule for the loan. Payments in any event must be made at least quarterly, or within a fixed number of days as prescribed in the cure period below.

9. Interest Rate

- A. The interest rate will be calculated by Merrill Lynch. The interest rate will be the prime rate as listed in the Wall Street Journal on the last business day of month preceding the month in which the participant applies for the loan, + 1%.
- B. The interest rate for a Plan loan will be fixed on the day the loan is requested and will remain constant during the term of the loan except as otherwise required by the Servicemembers Civil Relief Act (“SCRA”).
- C. If SCRA is applicable to a Participant’s loan, the interest rate for such loan shall be adjusted, if necessary, in accordance with the applicable requirements of SCRA.

10. Source (Account) Liquidation Sequence for Loan Requests

- A. A Participant’s loan will be funded from the following sources (or accounts) using the following method:

Hierarchy by source (indicate source order). List all sources that can be used in the calculation and funding of participant loans. Loanable indicates the source may be used in the funding of loans. Liable indicates the source may be used in the calculation of the loan amount available. Indicate (by numbering 1-8, etc.) the order in which the sources should be used to fund a Participant’s loan request.

Source Label	Source name	Liable	Liquidation sequence
9	Rollover	Yes	1
D	Employer Match	Yes	2
5	Prior Employer Contribution	Yes	2
A	Employee Pre Tax Basic	Yes	4

G	After Tax matched	Yes	5
K	After Tax	Yes	6
E	Pre Tax Supplemental	Yes	7
P	XL Enviro Profit Sharing	Yes	8
1	Employer Discretionary	Yes	9
F	Prior Plan Profit Sharing	Yes	10
C	QNEC	No	0
4	Prior Plan Profit Sharing	No	0

- B. Loan amounts will be withdrawn proportionately from the investment funds in which such accounts are invested in accordance with the value of the account.
- C. Loan repayments will be credited to the same sources (accounts) from which the loan was funded, in proportion to the ratio of the dollar amount loaned from each source to the total dollar amount loaned.
- D. Loan repayments will be invested in the investment funds in accordance with the Participant's investment direction on file at the time a loan repayment is processed.

11. Procedures for Applying for Loans

- A. An eligible Participant, as defined in Section 2.0 above, may request a loan from the plan by using Merrill Lynch's Benefits OnLine® or by speaking with a Merrill Lynch Participant Service Representative in the call center.
- B. Merrill Lynch will process the loan in accordance with the plan provisions.
- C. All loans will be processed the same day if the request is received 4:00 pm ET. Loans requested after 4 p.m. ET will be processed the following business day.
- D. If the participant is eligible to take the loan that he or she has applied for, Merrill Lynch will assume that all loans are approved unless notified otherwise. Once a loan is processed on the Merrill Lynch system (based on the schedule referenced above), a loan issuance report is generated and made available through the Plan Sponsor's Benefits OnLine system. This report is available the business day following the day the loan is processed. XL must notify Merrill Lynch of any loans that have been denied by 5:00 PM EST by either fax or email that day in order to prevent the loan check from being sent to the Participant. The Participant will be notified by the Plan Sponsor if his or her loan has been denied.
- E. Loan checks will be mailed one business day after settlement of the funds. Attached to the check will be a Federal Truth-in-Lending disclosure, Promissory Note / Security Agreement, and Amortization Schedule.
- F. The Participant will sign the back of the check which will serve to acknowledge receipt of the loan and the Truth-in-Lending disclosure, as well as acceptance of the terms and conditions of the loan.

12. Loan Processing Fee

There will be a \$50 loan origination fee deducted from the Participant's account using the same liquidation sequence as the loan issuance. A loan maintenance fee of \$24 will also be deducted from the Participant's account on an annual basis. Fees are deducted based on the anniversary of the loan being issued. Operationally, the loan fees are deducted at the beginning of the month prior to the anniversary of the issuance of the loan, i.e., all loans issued in September will have the fee taken at the beginning of August.

13. Security for Repayment of Plan Loans

A Participant's repayment obligation with respect to a Plan loan shall be secured by a portion of his/her vested Plan account(s) equal to the amount of the loan. No other property shall be accepted as security.

14. Repayment of Loans

Loan repayments for Active Participants must be made via payroll deduction and will continue for the entire term of the loan until it is paid off. Loan repayments for Participants who have separated from service may only be made via ACH debit origination or by remitting a certified check or money order directly to the Plan Sponsor. The check should be made payable to the "XL America, Inc. Employee Savings Plan" and submitted directly to Bank of America Merrill Lynch at the following address:

Retirement Group Processing Center
NJ2-140-03-50
1400 Merrill Lynch Drive
Pennington, NJ 08534

- A. Loan repayments must be made in the amounts stated in the Amortization Schedule for the loan. Each payment will include principal and interest and must equal the amount due or exact multiples of the payment amount. Partial payments are not permitted.
- B. Loan repayments will begin as soon as administratively feasible following the day the loan is processed as determined by the Plan Sponsor.
- C. If the Participant subsequently is granted an unpaid leave of absence, is transferred to a group or location which is not covered under the Plan, (or ceases to have sufficient pay from which the loan payment can be made), he or she can continue loan payments of principal and interest by personal check or bank check, ACH debit origination, or other form approved by the Plan Sponsor. The payment amounts must be for the exact amount due and payable or multiples thereof. The certified check or money order should be made payable to the XL America, Inc. Employee Savings Plan and submitted directly to Bank of America Merrill Lynch at the following address:

Retirement Group Processing Center

NJ2-140-03-50
1400 Merrill Lynch Drive
Pennington, NJ 08534

- D. Loan repayments may be suspended as permitted under section 414(u) of the Internal Revenue Code of 1986, as amended.

In the event a Participant files for bankruptcy, XL may stop the Participant's loan repayments in accordance with the applicable law.

15. Loan Considered an Asset of the Participant's Plan Account

- A. A Plan loan to a Participant shall be treated by the Plan as a separate asset of the account of the Participant, and
- All interest received by the Plan with respect to such loan shall be credited to the Participant's account.
 - All losses and expenses incurred by the Plan with respect to such loan (including, without limitation, any expenses of collection in the event of a default) shall be charged against the Participant's account.
- B. All loan repayments made via payroll must be deposited into the plan trust on the earliest date that they can reasonably be segregated from the employer's general assets, but in no event later than the 15th business day of the month following the month in which the loan repayments are withheld or received by the employer.

16. Prepayment of a Loan

A Participant may prepay a Plan loan, in full, at any time and without penalty, by remitting a check deposit form with a certified bank check, money order, or by ACH debit origination through the Merrill Lynch Benefits OnLine System. Partial prepayment of a loan is not permitted.

17. Separation from Service

- A. If a Participant separates from service for any reason, the remaining unpaid principal loan balance will become immediately due and payable, unless the Participant elects to continue loan repayments via certified check or ACH debit origination.
- B. A Participant or the Participant's beneficiary will have a period of three months following the end of the calendar quarter in which the Separation from Service occurs (as long as at least one repayment is made in that calendar quarter) to repay the outstanding principal loan balance. The Participant or Participant's beneficiary must repay the outstanding loan balance in full via certified bank check, money order, or ACH debit origination.
- C. If the loan has exceeded the maximum loan term or if the Participant or the Participant's beneficiary does not repay the outstanding principal loan balance within

the three-month period described in the preceding paragraph, the outstanding principal loan balance may be treated as a distribution from his or her Plan accounts, which may be taxable.

18. Leave of Absence or Layoff

If a Plan Participant takes a leave of absence, loan repayments may be suspended up to one year. Participants who take a military leave may suspend their loan repayments until the conclusion of their military leave.

- A. Interest continues to accrue during the leave of absence.
- B. A Participant who takes an approved, unpaid leave of absence and returns to active employment will have their loan repayment payroll deduction re-activated as soon as administratively feasible following the date he or she returns to active employment. If the cure period as defined in 19-B has not been exceeded, the payroll deduction will be based upon the Participant's original payroll deduction authorization. If the cure period has been exceeded, the loan payment amount will be recalculated to comply with the applicable law.
- C. When the Participant returns to active employment and the loan balance is re-amortized, the payroll deduction amount will be increased accordingly.
- D. A Participant who either takes an unpaid leave of absence, is laid off for a period exceeding twelve months or does not return to active employment after an unpaid leave of absence or lay-off after twelve months has elapsed, will be treated as if a Separation from Service occurred for purposes of determining the default status of the loan, as described in Section 17 above. The date of such Separation of Service shall be determined by XL.

19. Delinquent Loans & Defaults

- A. A loan will be considered delinquent if the Participant misses a regularly scheduled payment and is not covered under the provisions of Sections 17 and 18 above.
- B. A cure period is required in order to allow Participants to make payments for loans that may be delinquent. The cure period ends on the last day of the calendar quarter following the calendar quarter in which the last payment was due. If the Participant does not make a payment on at least a quarterly basis, the Plan Sponsor will consider the loan to be in default on the last day of the calendar quarter following the calendar quarter in which the last payment was due.
- C. A loan will be defaulted for an employee once it goes beyond the allowable cure period as defined in Section 19.B. Such default shall occur despite the fact that the Participant's account is frozen pending the determination of the qualified status of a Domestic Relations Order. Upon default, the outstanding balance of the loan may be subject to ordinary income tax, as well as a possible early distribution penalty.
- D. If at the end of the cure period the borrower is entitled to a distribution from the plan, the unpaid balance of the principal and interest will be offset against the borrower's

account balance, and be treated as a distribution. This may result in a taxable event for the Participant.


- E. If at the end of the cure period the borrower is not entitled to a distribution from the plan, the loan will continue to be treated as a defaulted loan, and will accrue interest until an actual distribution takes place. The defaulted loan, with interest, will also be included in the calculation of the amount available for future loans, as well as the number of loans outstanding.

20. Amendments

The Plan Sponsor reserves the right to amend this Loan Policy at any time for any reason.

21. Scope

This Loan Policy is not meant to interpret, extend or change the provisions of the Plan in any way. In any case in which the Loan Policy is inconsistent with the terms of the Plan, the terms of the Plan govern.

Administrative Fiduciary Name (Print) Richard P. Kewski
Title Assistant Secretary, XL America, Inc.
Signature 
Date 7/5/11