





**Item 8.01. Other Events.**

On June 7, 2006, subsidiaries of XL Capital Ltd (the “Company”), entered into an agreement (the “Agreement”) with Winterthur Swiss Insurance Company (“WSIC”). The purpose of this Agreement is to release all actual or potential disputes, claims or issues arising out of or related in any way to: (i) the Liquidity Facility and the Sellers Retrocession Agreements, as well as (ii) subject to certain exceptions, the Sale and Purchase Agreement (the “SPA”), as amended, between XL Insurance (Bermuda) Ltd (“XLI”) and WSIC. The Company does not expect to record a charge in connection with this Agreement in the second quarter of 2006.

The Agreement further provides for a four-year term, collateralized escrow arrangement (the “Fund”) of up to \$185 million (plus interest) to protect XLI and other subsidiaries from future nonperforming third party reinsurance related to the Winterthur International business. The Fund has been structured to align the parties’ interests by providing for any sums remaining in the Fund at the end of its term to be shared in agreed percentages.

The Agreement replaces the protections provided to XLI from WSIC for reinsurance receivables and recoverables under the Liquidity Facility and Sellers Retrocession Agreements described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2005 and the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 7, 2006

XL CAPITAL LTD  
(Registrant)

By: /s/ Fiona Luck

Name: Fiona Luck

Title: Executive Vice President,  
Global Head of Corporate Services &  
Assistant Secretary