

**Bulletin:**

# XL And Subsidiaries Ratings Unaffected By Goodwill Impairment

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NEW YORK (Standard & Poor's) Feb. 9, 2012--Standard & Poor's Ratings Services said today that its ratings on XLIT Ltd. (previously known as XL Group Ltd.) (BBB+/Stable/--) and its operating subsidiaries (collectively referred to as XL) were unaffected by today's announcement that XL will take a noncash goodwill impairment charge of \$429 million for the fourth quarter of 2011.

XL took this write-down in connection with its annual goodwill impairment testing. The impairment charge relates to all of the goodwill associated with its insurance segment and was attributed to both the persistently low market valuations and recurring losses in its insurance segment, which we already capture in our ratings. The goodwill impairment has not affected our view of XL's risk-adjusted capital adequacy because, consistent with our criteria, we exclude goodwill and intangible assets, which totaled \$839 million as of Sept. 30, 2011, when we analyze the company's capitalization. Furthermore, XL does not expect this noncash charge to affect its business operations, cash flow, regulatory capital ratios, or to result in future cash expenditures.

XL reported a full-year property and casualty combined ratio of 107.5% (excluding corporate expenses) and net loss of \$475 million for 2011. These results included catastrophe losses net of reinsurance and reinstatement premium of \$761 million. Although XL's reported combined ratio is somewhat above our expectation for 2011 of 103%-105%, these catastrophe losses were not outside its stated risk thresholds and XL does not appear to be a negative outlier relative to its peers. More importantly, excluding the goodwill impairment, XL would have reported a modest amount of net income for the year.



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