



**Lehman Small Cap Conference
November 14, 2006**

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SECURITY CAPITAL ASSURANCE

Important Notice

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This presentation includes forward-looking statements, both with respect to us and our industry, that reflect our current views with respect to future events and financial performance. Statements that include the words “expect,” “intend,” “plan,” “believe,” “project,” “anticipate,” “will,” “may” and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements.

We believe that these factors include, but are not limited to, the following:

- changes in rating agency policies or practices, including adverse changes to the financial strength or financial enhancement ratings of any or all of our operating subsidiaries;
- ineffectiveness or obsolescence of our business strategy, due to changes in current or future market conditions or other factors;
- the performance of our invested assets or losses on credit derivatives;
- availability of capital (whether in the form of debt or equity) and liquidity (including letter of credit facilities);
- the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;
- increased competition on the basis of pricing, capacity, terms or other factors;
- greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;
- developments in the world’s financial and capital markets that adversely affect the performance of our investments and our access to such markets;
- changes in, or termination of, our ongoing reinsurance agreements with XL Capital Ltd or FSA;
- changes in regulation or tax laws applicable to us or our customers or suppliers such as our reinsurers;
- changes in the rating agencies’ views on third-party inward reinsurance;
- changes in the availability, cost or quality of reinsurance or retrocessions, including a material adverse change in the ratings of our reinsurers or retrocessionaires;
- changes with respect to XL Capital Ltd (including changes in its ownership percentage in us) or our relationship with XL Capital Ltd;
- changes that may occur in our operations as we begin operations as a public company;
- changes in accounting policies or practices or the application thereof;
- changes in the officers of our company or our subsidiaries;
- legislative or regulatory developments;
- changes in general economic conditions, including inflation, interest rates, foreign currency exchange rates and other factors; and
- the effects of business disruption or economic contraction due to war, terrorism or natural or other catastrophic events.

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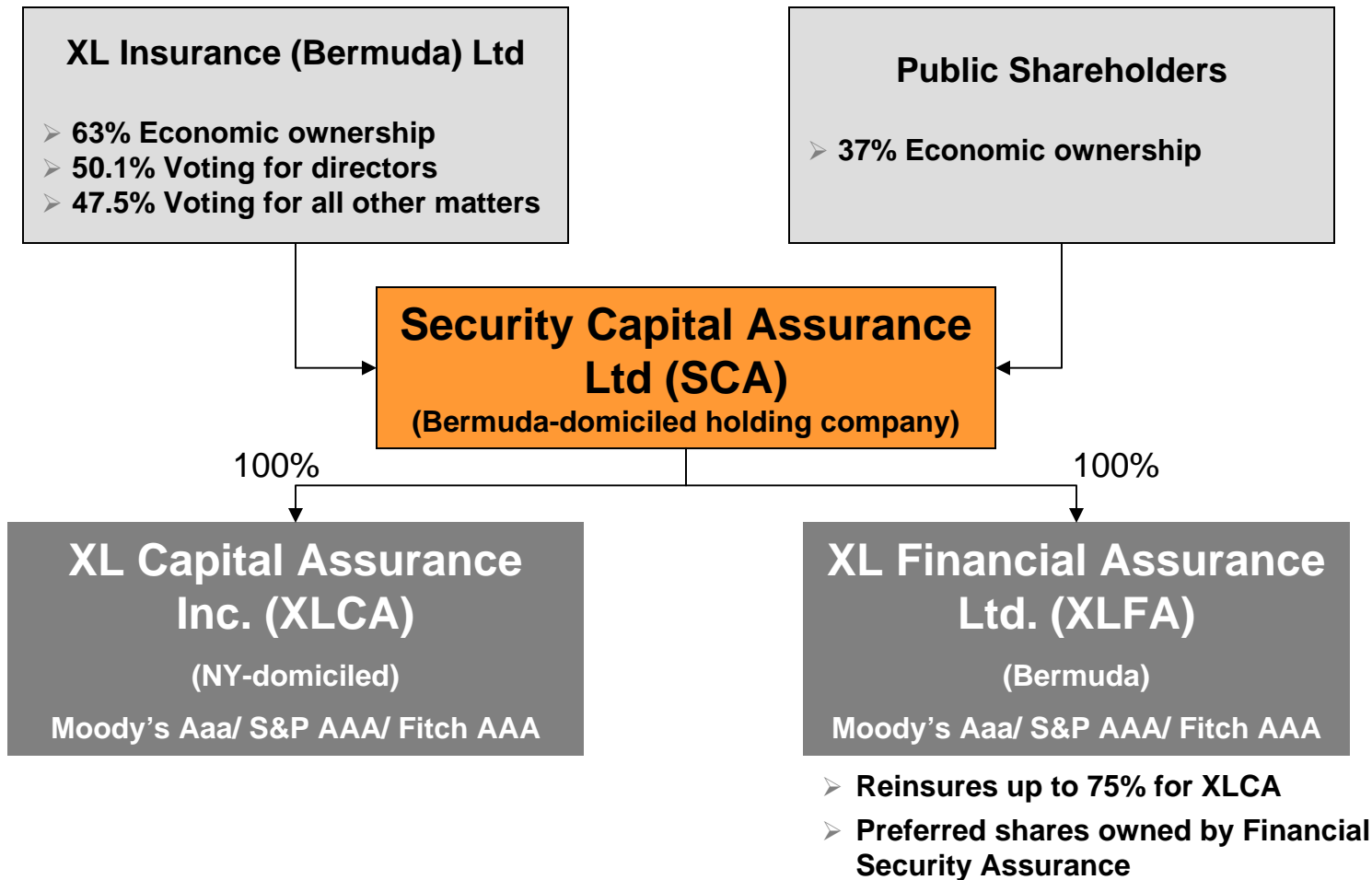
Overview

- Security Capital Assurance Ltd (“SCA”) is a Bermuda-domiciled monoline financial guaranty holding company
- SCA through its operating subsidiaries offers triple-A rated monoline financial guaranty insurance and reinsurance
- SCA owns XL Capital Assurance Inc. (“XLCA”), a primary monoline financial guarantor, and XL Financial Assurance Ltd. (“XLFA”), a monoline financial guaranty reinsurance company
- Through XLCA, SCA is one of only three publicly traded monoline financial guaranty insurers with triple-A ratings from Moody’s, S&P and Fitch
- XLCA’s primary insurance policy provides for the unconditional, irrevocable and timely payment of principal and interest on the scheduled debt service of securities insured
- XLFA is the only monoline financial guaranty reinsurance company with Triple-A ratings from Moody’s, S&P and Fitch

IPO: Security Capital Assurance Ltd

- In August 2006, XL Capital Ltd (“XL”) – through an initial public offering of SCA – sold 37% of its economic interest in its monoline financial guaranty insurance business
- The IPO was undertaken for three principal reasons:
 - De-link triple-A ratings from XL’s ratings
 - Provide direct access to the capital markets
 - Raise fresh capital (\$341.5 mm) to support growth of SCA
- Following a two week US / European “roadshow” which launched in mid-July, the SCA IPO was successfully sold and allocated to 86 institutional investors
- SCA’s IPO priced at \$20.50 per share, or approximately 1.01x pro-forma Q206 book value
- On August 2nd, SCA began trading on the NYSE under the ticker symbol “SCA”
- On November 1, SCA closed at \$25.15, up 23% over the IPO price

SCA's Triple-A Financial Guarantee Platform*



➤ As of 9/30/06, SCA had \$2,634 million in Claims-Paying Resources in the Financial Guaranty platform. This was up from \$1,949 million at year-end 2005.

* Holders of XLCA-insured bonds have direct recourse against XLCA only. XLFA, SCA, XL Insurance (Bermuda) Ltd, and XL Capital Ltd are not directly liable to such bondholders.

SCA: At a Glance

- Unique “triple” triple-A insurance and reinsurance platform
- Began operations in 1998
- Organized along three product lines:
 - Public Finance
 - Structured Finance
 - International Finance
- Global presence: 157 employees in U.S., Europe, Bermuda and Singapore
- Experienced management team

SCA's Value Proposition

- SCA is one of six triple-A rated guarantors from all three rating agencies
- Financial guarantee products provide security to investors and lower issuer borrowing costs
- Key enabler to capital markets
- There is strong investor demand for multiple providers of triple-A rated monoline financial guaranty insurance
 - Investors prefer high quality diversification
- SCA has established a reputation for service and innovation
- SCA's primary FG business has experienced AGP growth of 27%* per annum from 2001 through the third quarter of 2006 (annualized basis)
 - Industry Compounded Annual Growth Rate (CAGR) has been about 8%* per annum over the same period

* SCA Estimate

Corporate Strategy

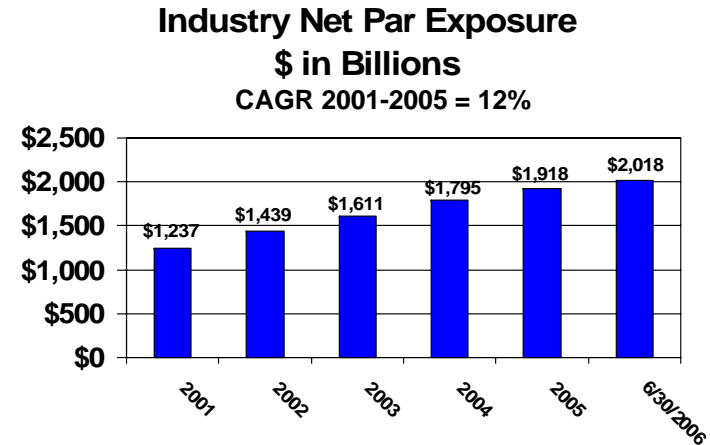
- Continue to grow the franchise and improve market penetration
 - AGP* production of \$358.9 million through nine-months of 2006 versus \$286.2 for nine-months of 2005, an increase of 25%
 - Increased primary AGP market share from approximately 4% in 2001 to 10%** through the first nine months of 2006
 - SCA is not market share-driven; long-term focus on profitable growth by increasing penetration in our target product and geographic areas
 - Offer one product: Triple-A rated credit enhancement
 - Compete with other financial guarantors and alternative capital markets executions
- Maintain triple-A credit ratings
 - Disciplined risk selection
 - Prudent operating and financial leverage
 - Conservative investment guidelines
- Attract and retain top talent

*Non GAAP measure: see reconciliation at the end of the presentation

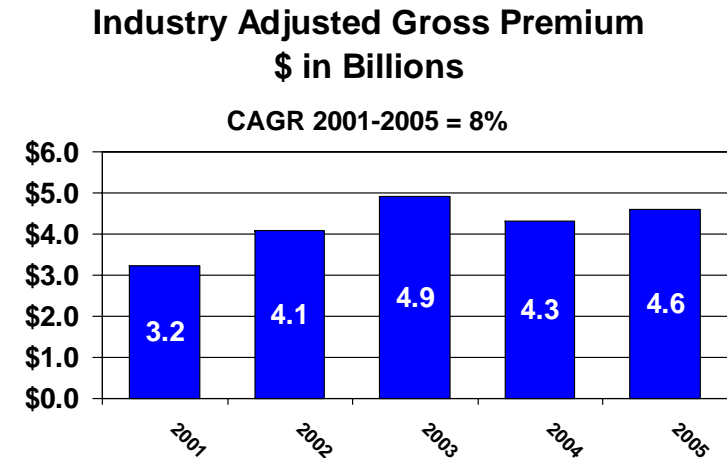
** SCA Estimate

Market Summary

- Challenging market conditions
 - Continued tight credit spreads
 - Intense competition in the ABS market due to strong senior/sub bid
 - Lower new issuance and insured penetration in US public finance
- Solid growth in net par exposure and AGP* for the industry over time
- Positive long term prospects for Triple-A financial guaranty business
 - Structured finance
 - International



Source: S&P and Company Operating Supplements



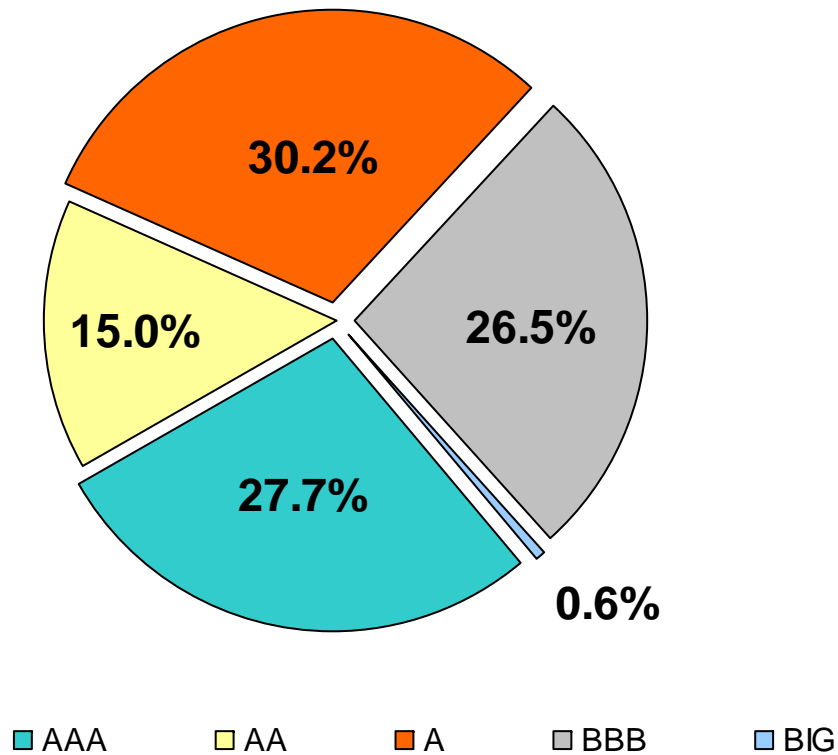
Source: Company Operating Supplements

*Non GAAP measure: see reconciliation at the end of the presentation

SCA Portfolio Overview

\$110.8 Bn Net Insured Par Outstanding as of 9/30/06

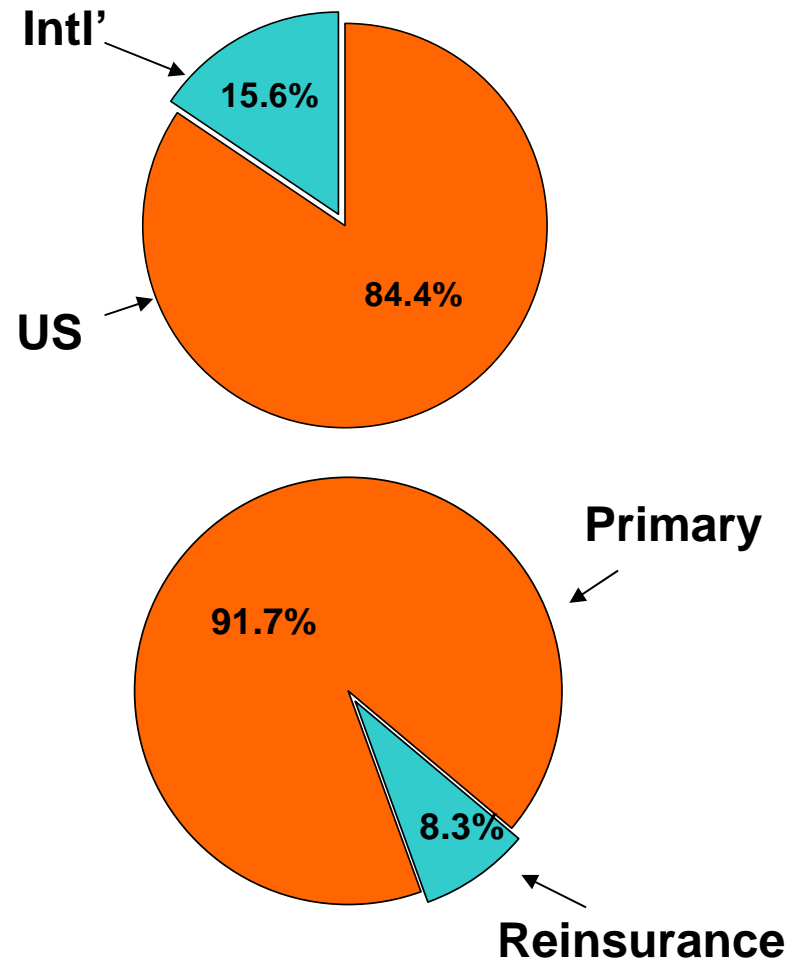
Underlying Credit Rating



Weighted average credit rating: A+

**BIG—Below Investment Grade*

Business Mix



SECURITY CAPITAL ASSURANCE

Industry Pricing Trends

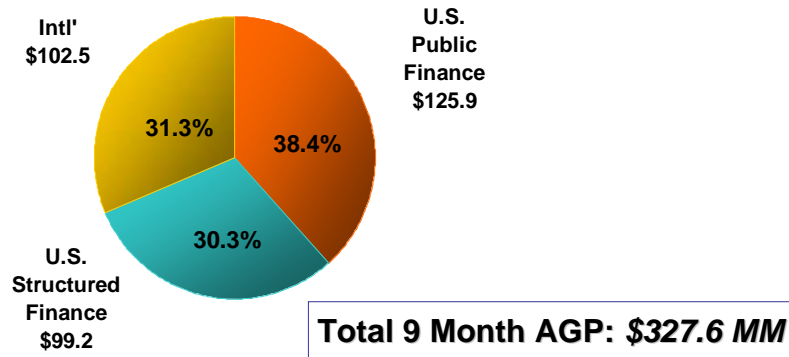
- Industry pricing has come under pressure, but SCA has priced in a responsible manner as shown in S&P's recent Profitability index study

	INDUSTRY				SCA	SCA	Industry
	2002	2003	2004	2005	2005	Q206	Q206
S&P's Profitability Index							
US Public Finance	5.87%	7.59%	6.56%	5.57%	5.77%	5.42%	5.25%
ABS	10.79%	12.82%	10.27%	8.29%	7.93%	9.25%	10.05%
International Structured	17.44%	16.76%	13.47%	12.25%	6.94%	13.89%	12.70%
International Public Finance	10.43%	13.67%	13.76%	10.44%	13.64%	11.16%	10.10%

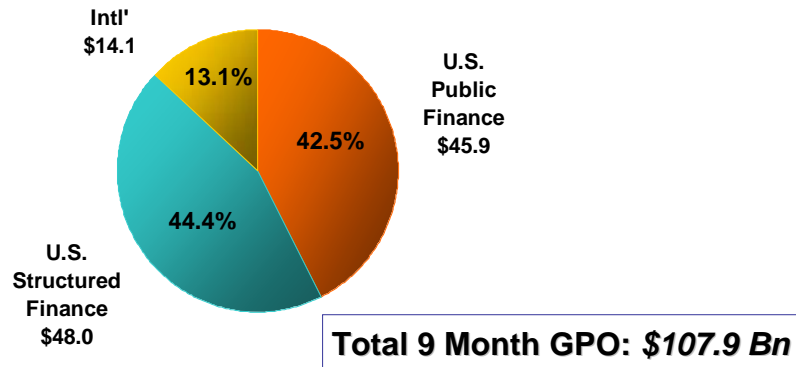
Source: S&P Profitability Index Report, 2006

Primary Insurance Strategy

9/30/2006 Direct Adjusted Gross Premiums*



9/30/2006 Direct Gross Par Outstanding



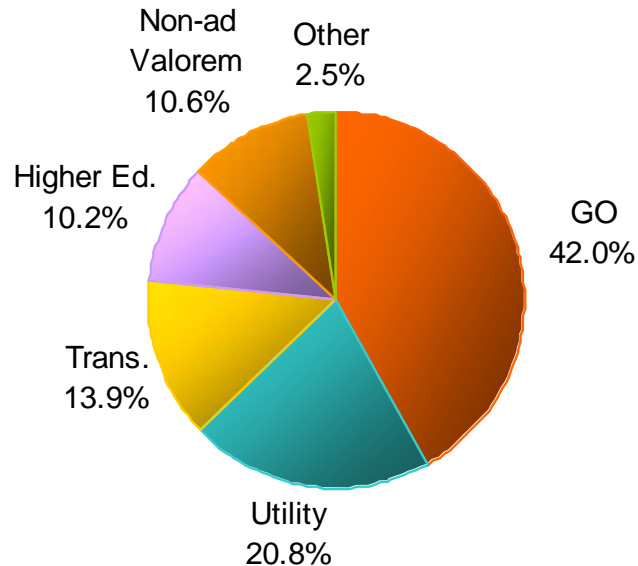
*Non GAAP measure: see reconciliation at the end of the presentation

Highlights

- Diversified insured portfolio
- Balance flow with higher-return, off-the-run deals
- Responsive services driven approach
- Market acceptance in all product lines
- Profitable growth

SCA Primary Insurance Public Finance

9/30/2006 Direct Gross Par Outstanding



Total Public Finance GPO: \$45.9 Bn

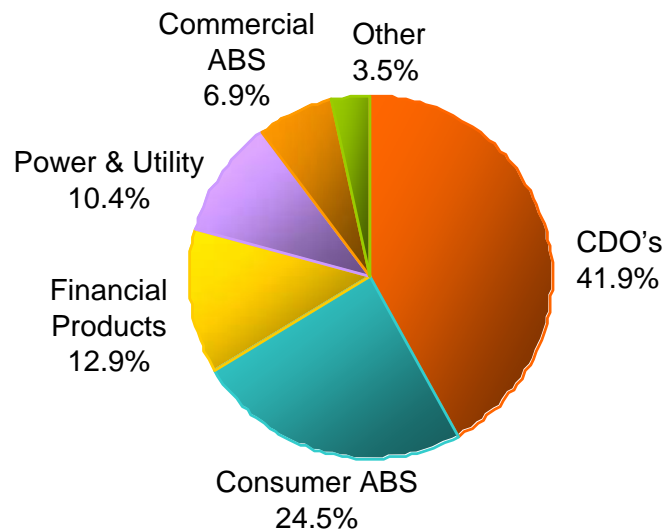
* SCA Estimate

Highlights

- Large and stable source of AGP
- Initial focus on underserved markets
 - Regional dealers and smaller issues
- Leverage operating platform
 - Focus on larger municipalities/deals
 - Average deal size doubled in 2006
- Leverage investors' desire for diversification
- Market share has been increasing
 - 9.4% through Q306, versus 5.5%* in 2005

SCA Primary Insurance U.S. Structured Finance

9/30/2006 Direct Gross Par Outstanding



Total U.S Structured Finance GPO: \$48.0 Bn

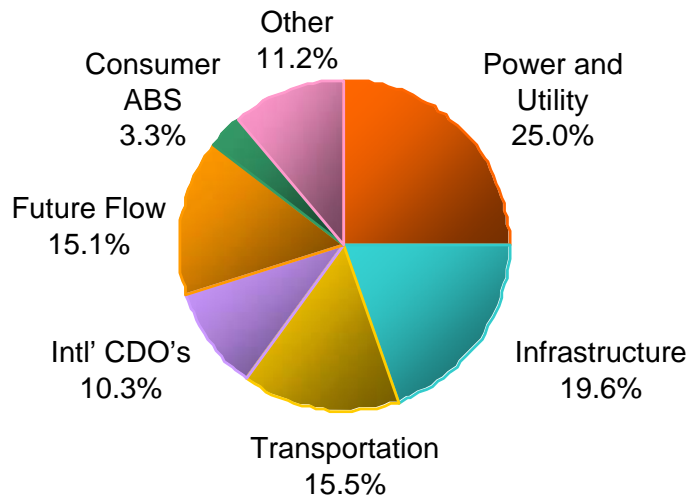
* SCA Estimate

Highlights

- Significant contributor to NPE
- **ABS: Growing roster of repeat issuers**
 - Targeting off-the-run transactions
- **Rapidly expanding CDO market**
 - 5-year historical growth: 27%*
 - Low credit-risk / AAA shadow ratings
 - Diversify into new segments
- **Leverage demand for credit default swaps**

SCA Primary Insurance International

9/30/2006 Direct Gross Par Outstanding



Total International GPO: \$14.1 Bn

Highlights

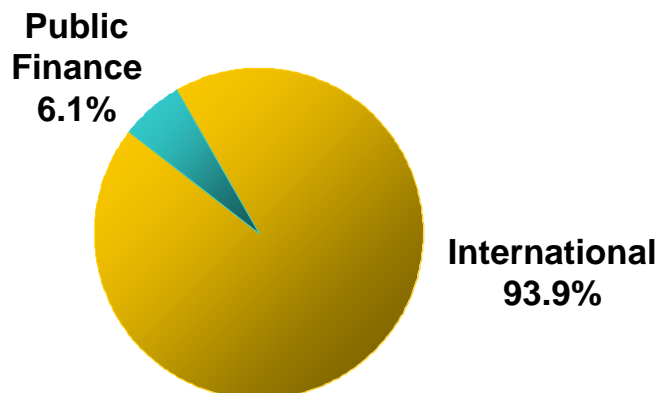
- Attractive growth characteristics
 - High AGP per transaction
 - Stable, long-term source of premiums
- “Go-to” player for structured products
- Focus on infrastructure, utility and future flow deals
- Target essential assets that generate stable / predictable cash flows
- International focus

2006 Awards



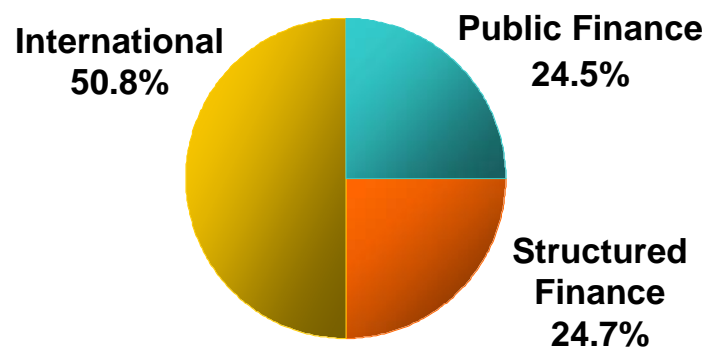
Unique Triple-A Reinsurance Franchise

9/30/2006 Adjusted Gross Premiums*



Total: \$31.3 MM

9/30/2006 Gross Par Outstanding



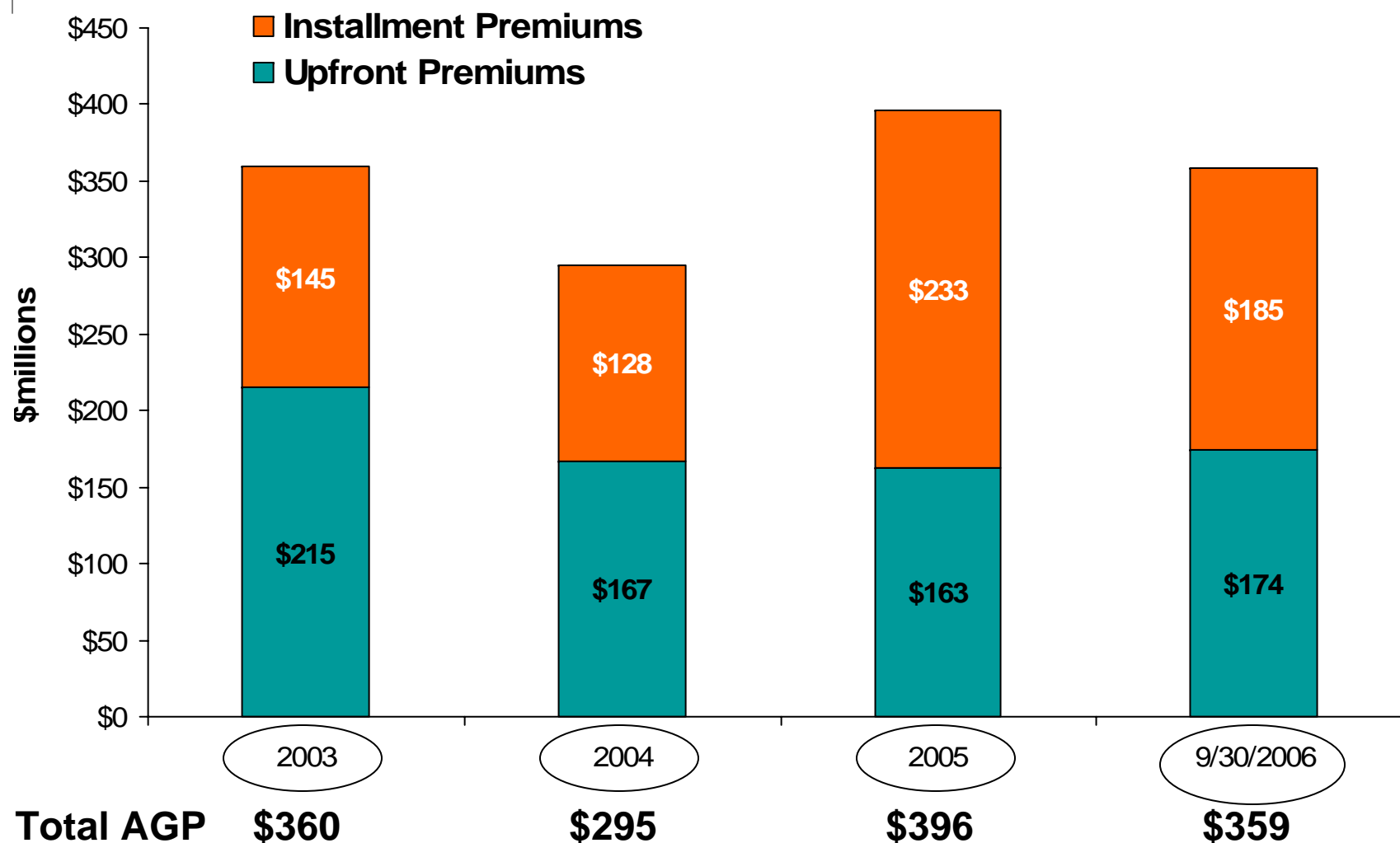
Total: \$9.4 Bn

Highlights

- Complements insurance operations
- Only “triple” Triple-A reinsurer
- Opportunistic, ROE-driven underwriting
 - Facultative focus
- Strategic relationship with FSA since 1998

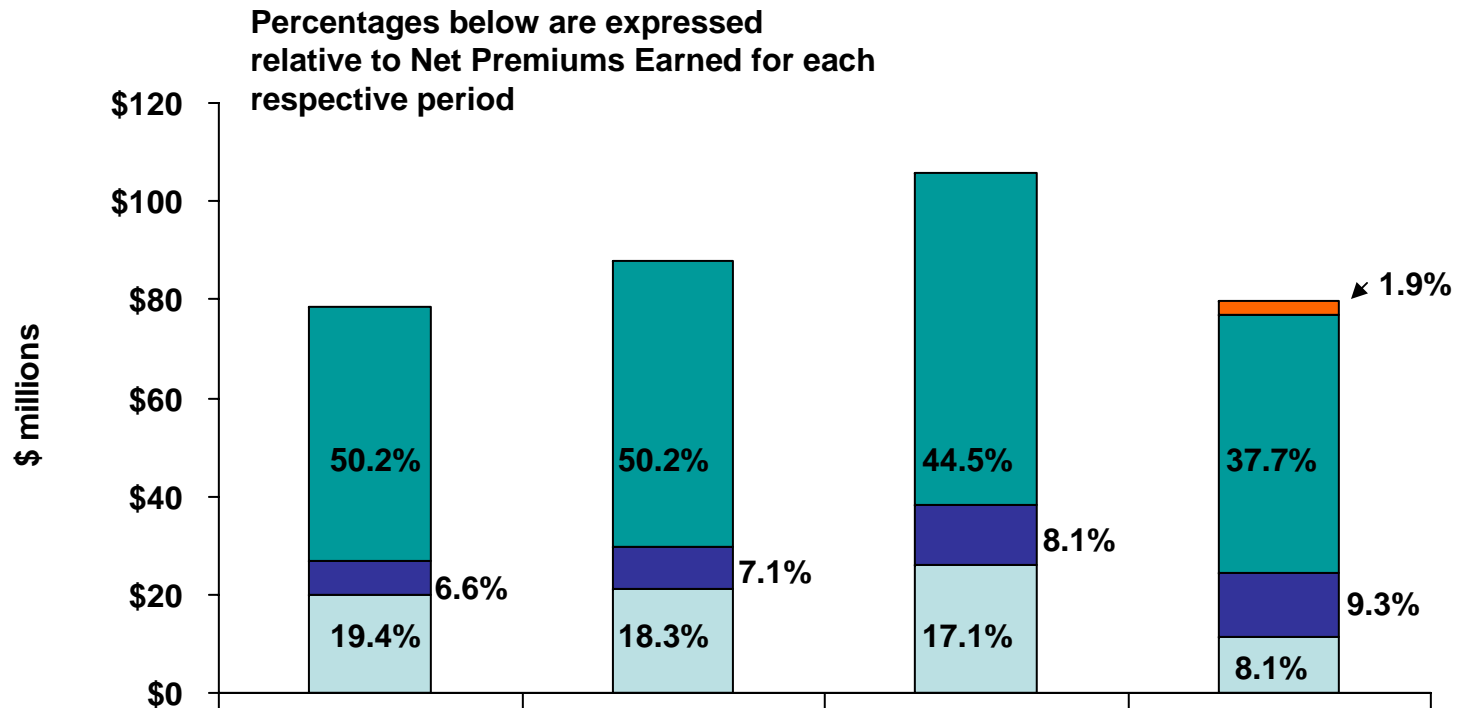
*Non GAAP measure: see reconciliation at the end of the presentation

Adjusted Gross Premiums (AGP)*



*Non GAAP measure: see reconciliation at the end of the presentation

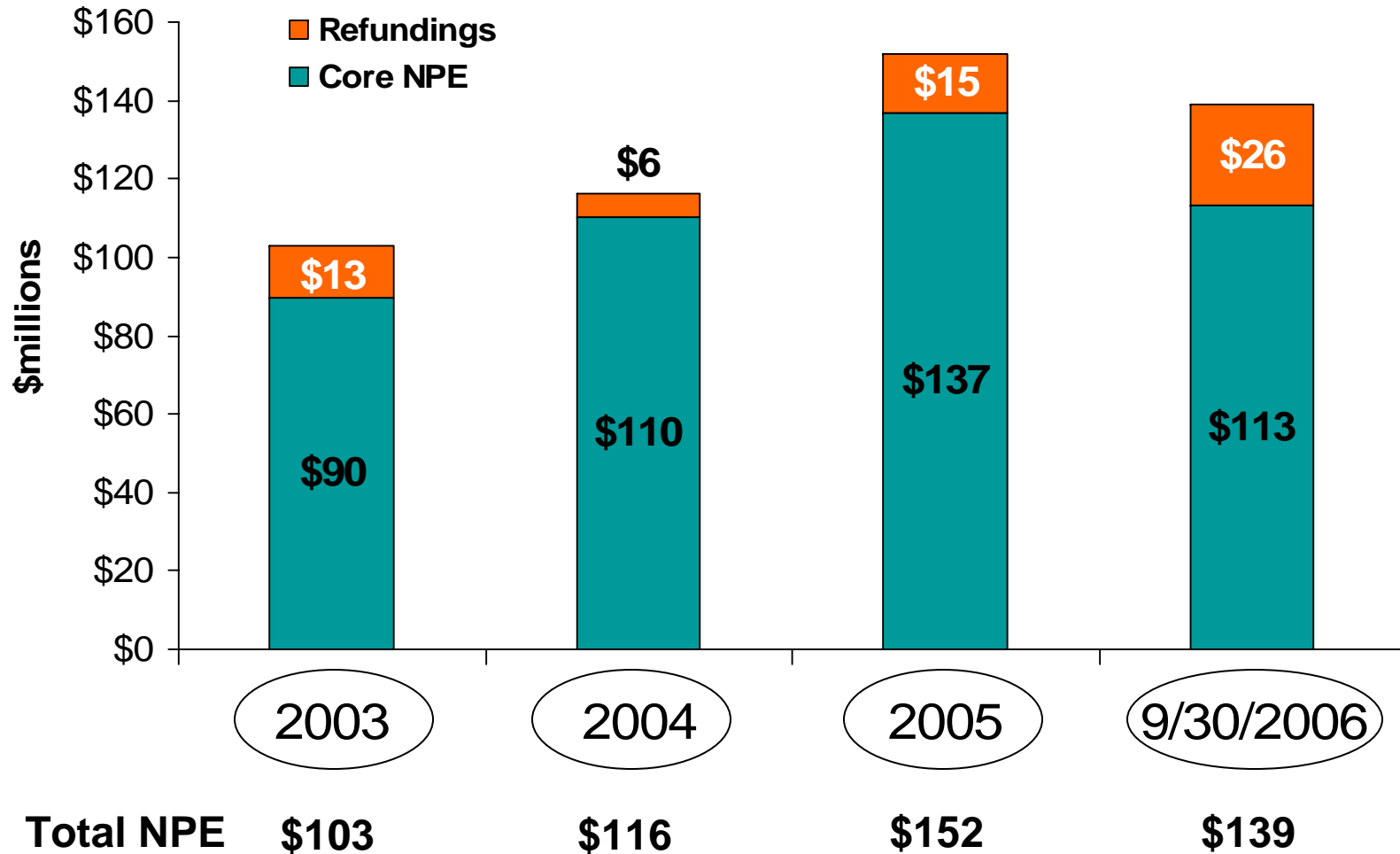
Loss and Expense Ratios



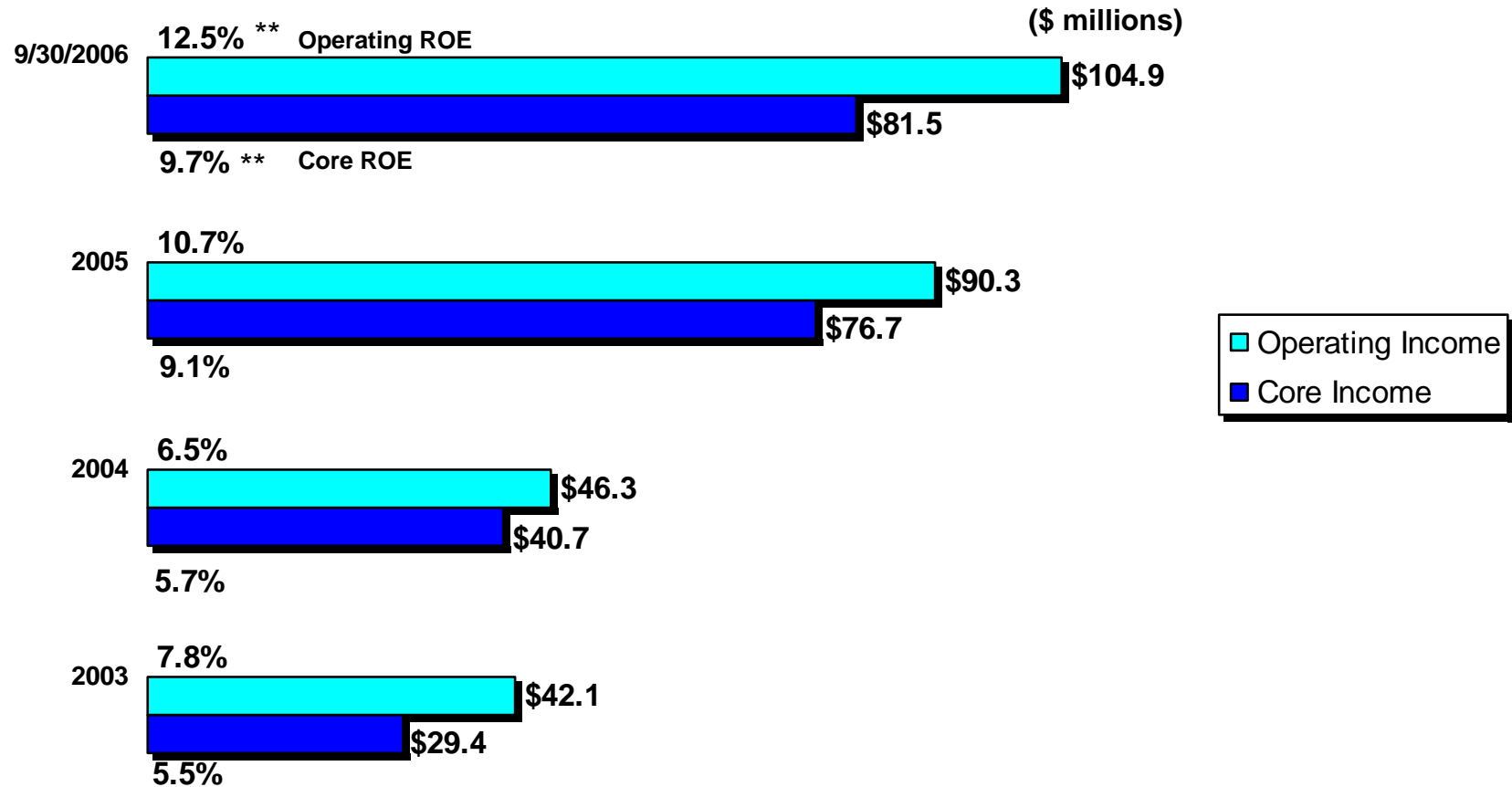
	2003	2004	2005	9 mos. 2006
Corporate Expenses *	-	-	-	\$2.7
Operating Expenses	\$51.7	\$58.4	\$67.6	\$52.7
Acquisition Costs	\$6.8	\$8.3	\$12.2	\$13.0
Losses and LAE	\$20.0	\$21.3	\$26.0	\$11.3

* Corporate Expenses not included in calculation of Loss and Expense Ratios

Net Premiums Earned (NPE)



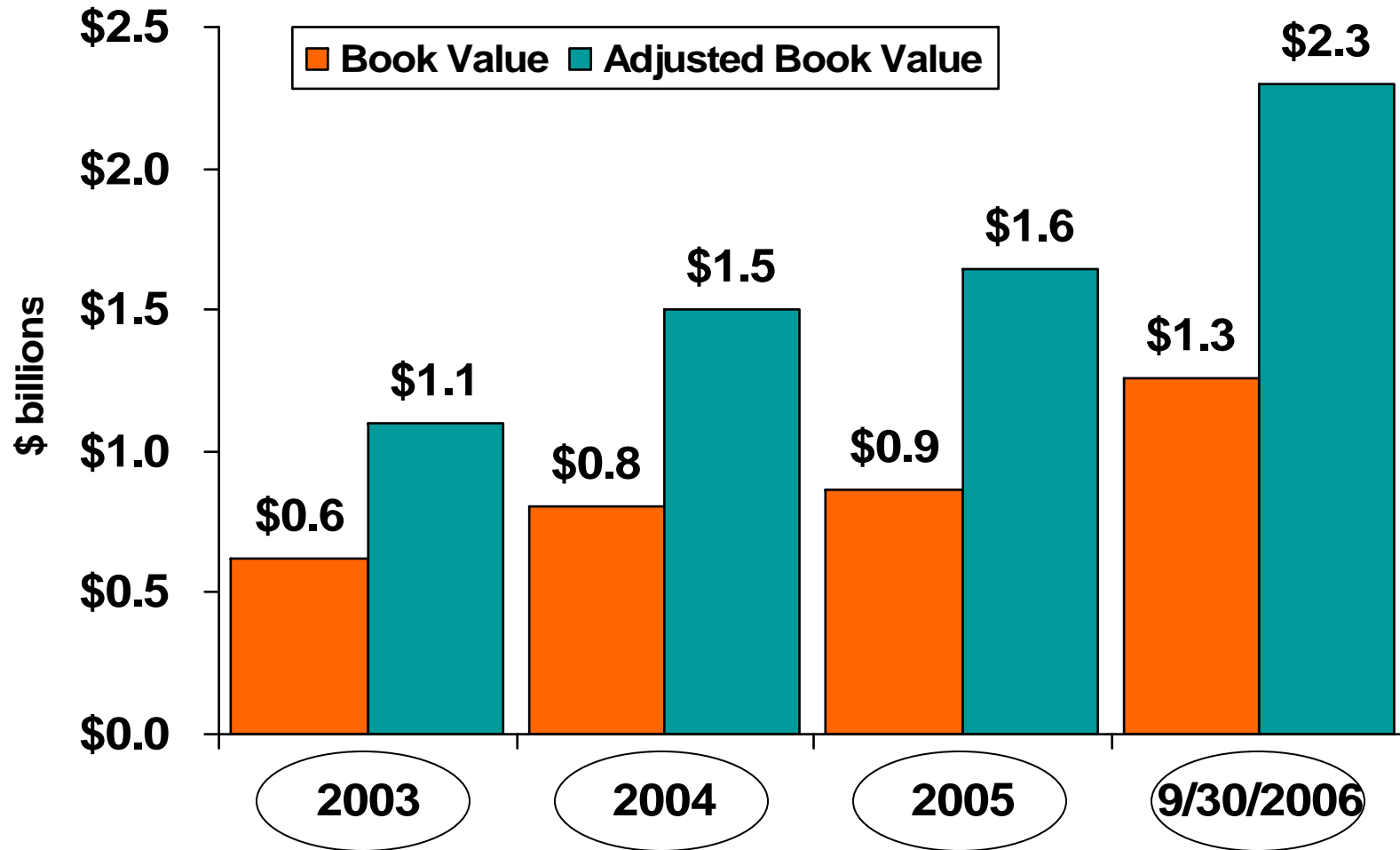
Operating and Core Income and ROE*



*Non GAAP measures: see reconciliation at the end of the presentation

**Annualized

Adjusted Book Value* Growth



Adjusted Book Value = Book value plus after-tax value of (deferred premium revenue – deferred acquisition cost – prepaid reinsurance premiums + present value of future installment premiums)

*Non GAAP measure: see reconciliation at the end of the presentation

Shareholder Value Levers

- Build on reputation for service and innovation
 - Expand market presence
- Increase operating leverage
 - Increase business volume through platform
- Grow operating earnings
 - Increasing net premiums earned due to growing back-book
 - Rising investment income through higher yields and operating cash flow
- Lower expense ratio
- Expand operating ROE over time
 - Capacity to introduce financial leverage
- Maintain credit and pricing discipline
- Increase book value and adjusted book value

Summary

- IPO successfully completed in August 2006
 - \$341.5 mm of fresh capital raised
- Triple-A franchise stable and well positioned for growth
 - Ratings de-linkage achieved
- Favorable long-term industry prospects for financial guaranty products globally
- Strong earnings growth potential for SCA
- Return-driven culture
- High-quality and diversified insured portfolio
- Disciplined underwriting philosophy
- Experienced management team

Reconciliation of non-GAAP items

Reconciliation of Total Premiums Written to Adjusted Gross Premiums (in millions)

	Quarter ended		Nine months ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
Total upfront premiums written	\$ 47.1	\$ 40.4	\$ 174.2	\$ 113.1
Total installment premiums written	38.5	42.6	101.2	103.8
Total premiums written	<u>85.6</u>	<u>83.0</u>	<u>275.4</u>	<u>216.9</u>
Add: present value of future installments	5.7	20.5	83.5	69.3
Adjusted gross premiums	<u>\$ 91.3</u>	<u>\$ 103.5</u>	<u>\$ 358.9</u>	<u>\$ 286.2</u>

Reconciliation of Net Income to Operating Income and Core Income (in millions)

	Quarter ended		Nine months ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
Net income	\$ 28.4	\$ 31.4	\$ 81.6	\$ 53.4
Net realized losses on investments	0.2	0.8	16.6	2.1
Net realized and unrealized losses on credit derivatives	3.2	1.9	6.7	4.2
Operating income	<u>\$ 31.8</u>	<u>\$ 34.1</u>	<u>\$ 104.9</u>	<u>\$ 59.8</u>
Income from refunding premiums	(0.3)	(3.5)	(22.7)	(3.7)
Core Income	<u>\$ 31.5</u>	<u>\$ 30.6</u>	<u>\$ 82.2</u>	<u>\$ 56.1</u>

Reconciliation of Shareholders' Equity to Adjusted Book Value (in millions)

	As of 9/30/06	As of 12/31/05
Shareholders' equity	\$ 1,327.4	\$ 867.8
Add: Deferred premium revenue	673.9	563.0
Add: Present value of future installment premiums	444.8	340.3
Less: Deferred acquisition costs	(81.3)	(56.6)
Less: Prepaid reinsurance premiums	(46.5)	(66.4)
Subtotal of adjustments	<u>990.9</u>	<u>780.2</u>
Adjusted book value, net of tax	<u>\$ 2,318.3</u>	<u>\$ 1,648.0</u>

Non-GAAP financial measures

Adjusted Gross Premiums

Adjusted Gross Premiums is a non-GAAP measure of new business production that management uses to evaluate our business because it provides comparability between upfront premiums and installment premiums, unlike GAAP Total premiums written. Because Adjusted Gross Premiums includes premiums due on future and installment business written in the period, management believes it provides an additional, useful measure of new business production than only GAAP total premiums written. Adjusted Gross Premiums for any period equals the sum of: (i) upfront premiums written in such period, (ii) current installment premiums due on business written in such period and (iii) expected future installment premiums on contracts written during such period that remain in force and for which there is a binding obligation on the part of the insured to pay the future installments, discounted at 7%. The 7% discount rate was established when our subsidiaries first started reporting Adjusted Gross Premiums based upon the view that 7% was the appropriate discount for these future premiums and that rate has not been changed in order to preserve comparability between and among periods. This measure adjusts for the fact, as described above, that upfront premiums are recorded in full, as total premiums written when written but future installment premiums are not, even though the volume of insured business we are writing is essentially the same. This measure should not be viewed as a substitute for total premiums written determined in accordance with GAAP.

Non-GAAP financial measures

Operating Income

Operating income, which is a non-GAAP financial measure, is defined as net income excluding realized gains (losses) on investments and net realized and unrealized gains (losses) on credit derivatives. We believe operating income is a useful measure for management, equity analysts and investors because the presentation of operating income enhances the understanding of our results of operations by highlighting the underlying profitability of our business. We exclude net realized gains (losses) on investments and net realized and unrealized gains (losses) on credit derivatives because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for net income determined in accordance with GAAP.

Core Income

Core income, which is a non-GAAP financial measure, is defined as operating income excluding the impact of refundings.

Non-GAAP financial measures

Adjusted Book Value

Adjusted book value, which is a non-GAAP financial measure, is defined as shareholders' equity (book value) plus the after-tax value of deferred premium, net of prepaid reinsurance premiums and deferred acquisition costs plus the net present value of estimated future installment premiums in force, after-tax, discounted at 7%. We believe adjusted book value is a useful measure for management, equity analysts and investors because the calculation of adjusted book value permits an evaluation of the net present value of the Company's in-force premiums and capital base. The premiums described above will be earned in future periods, but may differ materially from the estimated amounts used in determining current adjusted book value due to changes in market interest rates, refinancing or refunding activity, pre-payment speeds, policy changes or terminations, credit defaults, and other factors that management cannot control or predict. This measure should not be viewed as a substitute for book value determined in accordance with GAAP.