

Corporate Governance Guidelines for Security Capital Assurance Ltd

1. Director Qualifications

The Board will have a majority of directors who meet the criteria for independence required by the New York Stock Exchange. The Nominating & Governance Committee is responsible for reviewing with the Board, on an annual basis, the skills and characteristics appropriate for new Board candidates as well as an assessment of the skills and characteristics of the Board as a whole. This assessment will include members' qualification as independent, as well as consideration of other affiliations, diversity, skills, and experience in the context of the needs of the Board. Nominees for directorship will be selected by the Nominating & Governance Committee in accordance with the policies and principles in its charter. The invitation to join the Board should be extended by the Board itself, by the Chairman of the Nominating & Governance Committee and the Chairman of the Board.

It is the sense of the Board that individual directors who change the responsibility they held when they were elected to the Board should volunteer to resign from the Board. It is not the sense of the Board that in every instance the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board through the Nominating & Governance Committee to review the continued appropriateness of Board membership under the circumstances.

A director may serve on other public company boards as long as it does not interfere with the director's ability to discharge his duties to the Company. Directors should advise the Chairman of the Board and the Chairman of the Nominating & Governance Committee in advance of accepting an invitation to serve on another company board whether public or private.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating & Governance Committee will review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

2. Director Responsibilities

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors may use other outside advisors as they may deem appropriate. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's Memorandum and Articles of Association and any indemnification agreements, and to exculpation as provided by applicable law and the Company's Memorandum and Articles of Association.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

The Chairman will establish the agenda for each Board meeting and review the agendas for each Board committee meeting. At the beginning of the year, the Chairman will establish a schedule of agenda subjects to be discussed during the year (to the degree that this can be foreseen). Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting.

The Board believes that the management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. But it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee, a Nominating & Governance Committee and a Finance and Risk Oversight Committee.

Each committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each committee will annually evaluate its performance.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chairman or CEO. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the Chairman and the CEO on any written communications between a director and an officer or an employee of the Company.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company.

5. Director Compensation

The form and amount of director compensation will be determined by the Nominating & Governance Committee in accordance with the policies and principles set forth in its charter, and the Nominating & Governance Committee will conduct an annual review of director compensation. The Nominating & Governance Committee will consider that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated, or if the Company enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

6. Director Orientation and Continuing Education

All new directors must participate in the Company's Orientation Program, which generally should be conducted within three months following the election of any new director to the Board. This orientation will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Business Conduct and Ethics, its principal officers, and its internal and independent auditors. In addition, the Orientation Program should include visits to Company headquarters and, to the extent relevant, certain of the Company's significant facilities. All other directors are also invited to attend the Orientation Program.

7. CEO Evaluation and Management Succession

The Compensation Committee will conduct an annual review of the CEO's performance, as set forth in its charter. The Board of Directors will review the Compensation Committee's report in order to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating & Governance Committee should make an annual report to the Board on succession planning. The entire Board will work with the Nominating & Governance Committee to nominate and evaluate potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively.

9. Code of Business Conduct and Ethics

Each director is subject to the Company's Code of Business Conduct and Ethics including its annual certification requirement.