

Security Capital Assurance Ltd  
Form 8-K  
June 09, 2008

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): June 9, 2008 (June 6, 2008)**

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**SECURITY CAPITAL ASSURANCE LTD**

(Exact name of registrant as specified in its charter)

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**Bermuda**  
(State or other jurisdiction  
of incorporation)

**001-32950**  
(Commission File Number)

**Not applicable**  
(I.R.S. Employer Identification No.)

**A.S. Cooper Building, 26 Reid Street, 4<sup>th</sup> Floor, Hamilton, Bermuda HM 11**  
(Address of principal executive offices)

**Registrant's telephone number, including area code: (441) 279 7450**

**Not Applicable**  
(Former name or former address, if changed since last report)

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**Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:**

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 8.01 Other Events.**

On June 6, 2008, Standard & Poor's Ratings Services (["S&P"]) announced several rating actions on certain subsidiaries of Security Capital Assurance Ltd (["SCA"]). S&P's release announced that the financial strength ratings of XL Capital Assurance Inc. (["XLCA"]), XL Financial Assurance Ltd. (["XLFA"]) and XL Capital Assurance (UK) Ltd. (["XLCA-UK"]), a wholly-owned subsidiary of XLCA, were lowered to ["BBB-"] from ["A-"] and remain on CreditWatch with negative implications.

In taking the ratings actions described above, S&P noted that:

["The downgrade reflects [its] current assessment of potential losses on [XLCA and XLFA's] 2005-2007 vintage [residential mortgage-backed securities] exposure, direct and indirect, which is higher than previous estimates. In [S&P's] view, XLCA and XLFA's combined capital cushion is inadequate at the previous rating level to absorb those losses, resulting in a shortfall of approximately \$500 million."]

S&P added:

["The CreditWatch reflects [S&P's] view that there is execution risk in [XLCA and XLFA's] restructuring plan and strategy for increasing claims-paying resources. Should [XLCA and XLFA] prove unsuccessful in their restructuring and increasing claims-paying resources, [S&P] believes that XLCA and XLFA would effectively be in runoff, in which case the ratings could go lower."]

**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.

**SECURITY CAPITAL ASSURANCE  
LTD**

**(Registrant)**

Date: June 9, 2008

By:

Name:

Title:

/s/ Susan Comparato

Susan Comparato

Senior Vice President and  
General Counsel