07:30am EDT 27-Oct-00 Wasserstein Perella (Kenneth S. Zuckerberg 212.903.218)
Wasserstein: AIG Another On-Target Qtr; Pricing Trends Remain Positive

Another On-Target Qtr; Pricing Trends Remain Positive

COMPANY: American International Group
RATING : Buy
ANALYST: (Kenneth S. Zuckerberg 212.903.2189) PRICE: $93.31 EXCH: NYSE

E P S :	--- FULL YEAR ($US) ---			--------- PRICE -----		---SHARES (Thsnd's)---	
FY: Dec.	Curr.	Prior	P/E	12 Mo Tgt :	$100	Mkt Cap:	$215,909,635
1999 FC	2.13a			52 Wk High:	$99.94	Shrs Out:	2,313,834
2000 WP	2.45e		38.09x	52 Wk Low :	$52.38	Dly Vol :	3,261
FC	2.45e			3Yr Growth:	15.00%	Div/Yld :	$0.15/0.24%
2001 WP	2.80e		33.33x	YTD Perf :	29.45%	LTD/CAP :	46.77%
FC	2.80e			Book Value:	$15.04		
2002 WP				Px/Book :	6.20x		
FC	3.10e						

as of: 10/27/2000 06:48 EDT

E P S :	--- 1st QTR ---		--- 2nd QTR ---		--- 3rd QTR ---		--- 4th QTR ---	
	Curr.	Prior	Curr.	Prior	Curr.	Prior	Curr.	Prior
1999	0.50a		0.54a		0.53a		0.56a	
2000	0.58a		0.61a		0.61a		0.64e	
2001								
2002								

Footnote: Earnings have been adjusted for the July 31, 2000 3 for 2 stock split.

Event: AIG reported on-target 3Q00 EPS of $0.61, up 15% from 3Q99.

Recommend: Maintain positions, consider accumulating on weakness.

Analysis: Executive Summary on 3Q00 EPS:

AIG reported on target operating EPS of $0.61 in 3Q00 vs. $0.53 in 3Q99 or 15% growth. Relative to our model, pretax earnings were higher in the P&C and Life segments, partially offset by lower-than-expected growth in the Financial Services and Asset Management segments, though growth in both FS and AM were double digit.

In its press release, CEO Hank Greenberg was very positive on P&C pricing, citing continued improvement in domestic commercial and reinsurance. VERY IMPORTANTLY, HE CONFIRMED THAT AIG IS SEEING RATE INCREASES ARE OCCURING IN MANY CLASSES AND REGIONS OF THE WORLD."

In the P&C segment, net premiums earned (NPE) growth of 13% were above target and underwriting results were more favorable than we had expected. The combined ratio came in at 96.25% vs. our 96.40% projection, and improved relative to 3Q99 by 16 basis points.

- FIRST CALL --

The only wrinkle in P&C was that there was a negative $59 million change in loss reserves which equates to 1.4% of NPE. While a decrease in reserves often raises a red flag, the change resulted from higher paid claims from past periods (which lowers the absolute level of outstanding loss reserves) rather than a "take-down" of loss reserves.

We believe that the downward pressure on the stock is the result of: 1) a "buy on the rumor, sell on the news" mentality vis-à-vis the improvement in domestic pricing; 2) concerns about the negative change in P&C loss reserves; and 3) perhaps the lower-than-expected results in the FS and AM segments.

Our full year EPS estimates of $2.45 and $2.80 are unchanged.

Valuation: AIG shares continue to trade at a premium valuation of 36x projected 2001 EPS of $2.80. Given the limited upside relative to our price target, we would accumulate shares principally on weakness.

Upcoming Events: None.

First Call Corporation, a [redacted] company.
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-> End of Note <-

-- FIRST CALL --

life insurance segment was considerably stronger than we anticipated and we believe general insurance (property-casualty) could surprise on the upside as well.

American International Group earned $0.61 per share in the third quarter, up from $0.53 reported last year and spot-on with the consensus expectation. However, investors were clearly un-nerved by the net reduction in property-casualty loss reserves during the quarter, amounting to $58.9 million that the stock market assumed was a reserve release that allowed the company to achieve its earnings target.

Put simply, the reduction is reserves caused some investors to challenge the quality of the company's earnings. Incorrectly, in our view.

Essentially, all of the reserve take-down represented catastrophe reinsurance reserves on the books of Transatlantic Holdings (TRH, rated Attractive) that were paid down during the third quarter. These reserves were attributed to catastrophe losses incurred previous to the third quarter. In addition, 21st Century Insurance (TW, not rated) also had a net reduction in reserves.

Another factor that clouds the reserve issue is that most of American International Group's strongest growth came in lines where the reserving tail is rather short (personal auto and mortgage guaranty). This, coupled with the continued payments on reserves built relatively recently results in the net reduction in reserves.

Investors also appeared to react negatively to one comment in the press release attributed to the CEO, that, in view of the poor underwriting environment, AIG stands ready to be a consolidator in the industry. Our interpretation of this remark is that the company agrees with our view that the industry's health is far weaker than is widely believed, and that this will create opportunities for strong companies such as AIG to buy companies or blocks of business on an opportunistic basis. Expanding on this, the company notes that the industry problems are not limited to the domestic property-casualty market, but also involve overseas markets including the London non-Life sector and the Asian life insurance markets.

Recently, the Japanese life insurance industry lost its second major player in two weeks to the bankruptcy courts. What was interesting about the second event was that an official indicated his company's downfall was hastened by the publicized difficulties of other companies that in turn is causing weaker companies to lose new sales and to experience a rising rate of cancellations and surrenders. Thus, we might conclude that the Japanese life insurance industry is experiencing a run on the bank that is allowing the strong companies such as triple-A rated American International Group to experience the benefits of a flight to quality.

With respect to each of American International Group's segments, our reactions are as follows:

** General Insurance (Property-casualty). Impressed by sequential increase in growth rate of domestic brokerage premiums. Company indicates it is getting price increases that are being offset somewhat by a continued paring back of unattractive accounts. Combined ratio was nearly unchanged from year-ago levels, although the personal lines was elevated above 100%,.

-- FIRST CALL --

(excluding Transatlantic and 21st Century) grew 7.7%, up from 6.7% last quarter. International premium growth was slightly lower at 6.9%, in line with last year.

AIG's life insurance business showed an acceleration in premium growth. On a GAAP (reported) basis, international premiums rose 17.6%, above our long-term 15% growth assumption. Domestic premiums rose 27.4%. Including products treated as deposits, domestic premiums would have grown 26.3% and international premiums would have grown 17.7%. In general, foreign life insurance growth is accelerating while domestic premiums are, as expected, slowing down as the base of business continues to build. Our 2001 assumption for domestic premium growth is 20%.

Life insurance earnings, which rose 16.3%, were at a lower run rate than the recent 17%+ primarily because international life insurance earnings growth slowed down to 15.2%. This is in line with our estimates for 2001. SunAmerica's sales rose a very impressive 47.4%. However, its operating earnings rose 18.1% as compared to 21% last quarter. SunAmerica's earnings tend to be lumpy due to the timing of gains recognized in its alternative investment portfolio. SunAmerica's earnings are included both in the life segment and under Asset Management; Asset Management earnings increased 27.0% to $110.2 million and appear on track to range from $420-450 million for the year (we estimate to reach 5.2% of AIG's total earnings, up from 4.2% a year ago).

Underwriting was generally good. AIG reported a 95.3% combined ratio, excellent as usual and in line with its recent trends. Personal lines were a drag on results this quarter, coming in at 101.3% mostly as a result of 21st Century's 105.8% combined ratio. Because 21st Century is around one-third of AIG's personal lines business, by interpolation appears that AIG Direct is writing personal lines at a very acceptable 99% combined ratio. Personal lines are just under 15% of AIG's nonlife business mix. Overcoming the personal lines drag this quarter, the foreign general combined ratio came in at 95.77% and domestic brokerage wrote at a 98.56% combined ratio, consistent with the quarter's very light levels of catastrophe losses.

Reserves -- we're not concerned. The market was disturbed by AIG's net reserve decrease of $59 million, $43 million of which related to its Transatlantic Holdings reinsurance subsidiary. Pass the popcorn, we've seen this movie before . . . to us this looks like a classic buying opportunity. AIG has reduced reserves twice recently -- in the second and fourth quarters of 1999 -- and the market reacted badly then as well. AIG bounced back in both cases because 1) like today, the explanation for the reserve decline was reasonable and 2) more important, no "other shoe" ever dropped. We don't believe another shoe will drop this time either.

We do care a lot about reserves, and if we saw a steady trend of unexplained releases during a period of premium growth, we'd definitely be concerned. But that's not the case here.

· First, the number we are talking about is small -- 0.2% of AIG's reserves -- and represents only a single quarter's data point, not a trend.

· In general, we think it's dangerous to draw sweeping conclusions from one quarter's reserve data, given the many complex factors that drive this

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WESTGEN INSURANCE

WESTERN GENERAL INSURANCE LTD.
P.O. BOX HM 2442, HAMILTON HM JX, BERMUDA

TELEPHONE: (441) 295-5336
TELECOPIER: (441) 292-3168
E-MAIL: westem@ibl.bm

By Air Courier

① Return to
② Keep a copy for your file.

June 20, 2000

Mr. [redacted]
American International Group, Inc.
70 Pine Street
39th Floor
New York, N.Y. 10270

Dear [redacted]

Re: Transfer of reinsurance
Capco Re (Barbados) to Westgen (Bermuda)
Effective April 28, 2000
Our policy nos. 1310-93 and 94
AIGRM Stop Loss

Enclosed herewith are three (3) originals of the Novation Agreement on the above captioned transfer of reinsurance.

Please arrange for the signing of all originals by the Insured entities and then forward all sets to [redacted] at MIMS International (Barbados) for execution on behalf of Capco Re. Upon completion, [redacted] will then return a fully executed copy to both yourself and Westgen.

Many thanks for your assistance with this matter.

Yours sincerely,

John L. Marion
President & Managing Director

Encl.

Cc: [redacted] (by fax)

[redacted]:JLM:[redacted]

PROPRIETARY AND CONFIDENTIAL

Narrative Description of Proposal for External Investor

Capco Reinsurance Company Ltd. (Capco) is a Barbados domiciled insurer with approximately $5m in equity and $93m assets as at December 31, 1999. Prior to June 30, 2000 Capco will be restructured, novating all active contracts to it's parent, distributing all remaining assets save $.2m of equity and obtaining an indemnification from it's parent in respect of all prior business.

The restructured Capco will then be available for the sole purpose of reinsuring a U.S. insurance entity (Reinsured Company) on a particular closed book of U.S. risk business. Immediately prior to entering this reinsurance treaty Capco will be recapitalized with non-voting cumulative redeemable Preferred shares of $170m, to be funded by a Sponsor Company and $20m Common shares. The Sponsor Company is seeking an External Investor(s) to take a majority holding in the Common shares of Capco.

Since the nature of the business is somewhat unpredictable, and the related losses are difficult to estimate, the business ceded may ultimately create an underwriting loss to Capco. The External Investor's risk of loss from its ownership of Common shares of Capco will be limited through the use of non-recourse loans provided by the Sponsor Company to purchase such Common shares. However, the emergence of a possible underwriting loss in the assumed reinsurance may render such Common equity interest worthless. Immediately thereafter, any continuing losses would erode the value of the Preferred shares placed by the Sponsor Company.

The fully paid purchase price for the Common and Preferred shares and the premium received under the reinsurance treaty will fully fund the limit of the reinsurance treaty. Restrictions will be placed on the business operations of Capco to ensure that these funds are not used for other purposes.

Although the last paid loss under the ceded book will be in approximately six years, the Reinsured Company may wish to commute the reinsurance treaty in three to four years subject to loss experience to date on mutually agreed upon terms. If there were unfavorable underwriting experience the Sponsor Company's remaining Preferred shares would then receive all remaining assets of Capco. Conversely, if there were favorable underwriting experience, the External Investor would receive all remaining assets after redemption of the Preferred shares.

Capco will be managed by a services company. Capco will bear the expense of the services company, audit fees, directors' fees and applicable insurance as required.

Notice: This presentation is not an offer to sell or a solicitation of an offer to buy securities in any jurisdiction where such offer or solicitation would be unlawful.

[redacted]

From: [redacted]
Sent: Tuesday, August 08, 2000 2:52 PM
To: [redacted]
Cc: [redacted]
Subject: CAPCO Reinsurance Company Ltd.

I met with [redacted] (Umansky's group) last week. AIG Capital Corp. has been proposed as the on-shore company to participate in this deal. AIRCO is the other company. [redacted] had told me you were familiar with the deal but not that AIGCC has entered into the picture.

The purpose of the CAPCO structure is to transfer U/W losses (approx. $200 MM) on auto warranty business from NUFI, primarily, to Capital losses over the next 3-4 years. AIGCC's portion would be a $19 Million loan, split equally to three hand-picked investors (by AIG Private Bank).

AIGCC would get a $19 Million capital contribution. Lend the money (via AIGPB) to the 3 investors who must use the loan proceeds to purchase Common Stock of CAPCO. AIGCC gets a secured interested in the Common Stock (from the investors, but has no direct ownership in CAPCO). The 3 loans mature June 30, 2005 & interest rate is 6% compounded annually. All payments of P&I are balloons, at maturity.

The $19 Million loans will, in all probability, blome worthless at some time in the future (it is anticipated that the structure will be completely unwound in 3-4 years). Assuming full write down, AIGCC would end up with negative retained earnings. Total capital structure would still be positive because of the offsetting capital injection above. Since AIGCC is unaudited, the negative retained earnings is not the major issue it would be with an audited company.

Since, I would have to book this as an arm's length transaction, the interest income will need to be accrued (even though I would reserve against it in the financials). Thus, for tax purposes, taxes will have to be paid annually on the interest income. I can only take the tax write-off when the loan + interest defaults are deemed worthless for tax purposes. The tax statutes don't allow write-offs without 100% proof (there must be no doubt or possibility, at all, as to possible future recovery).

Please let me know when you are ready to discuss this matter.

Tracking:

Recipient	Delivery	Read
[redacted]	Delivered: 8/8/2000 2:52 PM	Read: 8/8/2000 3:04 PM
[redacted]	Delivered: 8/8/2000 2:52 PM	Read: 8/8/2000 3:00 PM

CONFIDENTIAL

CAPCO

MEMORANDUM

August 11, 2000

To: [redacted]

From: Howard Smith

Re: Investment in Capco Preferred shares

This memo serves as authorization for AIRCO to execute the purchase of 8,500 Series A Preferred Shares of Capco Reinsurance Company Ltd. for the aggregate purchase price of $170,000,000 USD. I understand the transaction is to take place at or near August 25th, 2000.

cc: M. Murphy
J. Urosevich

AIGTI, Inc.
70 Pine Street
New York, NY 10270

January 2, 2003

[redacted]
c/o [redacted]
AIG Private Bank Ltd.,
Pelikanstrasse 37,
CH-8021 Zurich
Switzerland

Re: Capco Reinsurance Company Ltd.

Dear [redacted]

In connection with the US$6,333,334 Limited Recourse Promissory Note, dated August 25, 2000 (the "Note"), between you, as borrower (the "Borrower"), and AIGTI, Inc. ("AIGTI", formerly known as AIG Capital Corp.), as holder (the "Holder"), and the Pledge and Security Agreement, dated August 25, 2000 (the "Pledge Agreement"), between you, as pledgor, and AIGTI, as pledgee, pledging 6,333,334 shares of the common stock (the "Common Stock") of Capco Reinsurance Company, Ltd., a Barbados corporation ("Capco") to AIGTI in order to secure the obligations of the Borrower under the Note, please be advised of the following:

1. As you are aware, the board of directors and shareholders of Capco voted to wind up Capco's affairs and liquidate Capco on or prior to December 31, 2002.

2. All of the existing assets of Capco remaining after commutation of Capco's reinsurance agreements and payment of other expenses were distributed to the holders of shares of the preferred stock (the "Preferred Stock") of Capco in partial satisfaction of the liquidation preference on the Preferred Stock.

3. Upon the distribution of the assets of Capco to the holders of shares of the Preferred Stock, no further assets remained for distribution to the holders of shares of the Common Stock.

4. In light of the non-recourse nature of the Note, you have no further liability under the Pledge Agreement or the Note.

5. AIGTI, therefore, (x) cancels the Note and (y) agrees to terminate the Pledge Agreement.

[SIGNATURE PAGE FOLLOWS]

Please signify your agreement with the foregoing by executing a copy of this letter and kindly returning it to me by facsimile at ([redacted]) [redacted]. Should you have any questions regarding this matter, please do not hesitate to contact me at [redacted]) [redacted].

Very truly yours,

[redacted]

AGREED TO AND ACCEPTED
As of the date first written above, 14 January 2003

By: [redacted]

AIGTI, Inc.
70 Pine Street
New York, NY 10270

January 2, 2003

[redacted]
c/o [redacted]
AIG Private Bank Ltd.,
Pelikanstrasse 37,
CH-8021 Zurich
Switzerland

Re: Capco Reinsurance Company Ltd.

Dear Sir or Madam:

In connection with the US$6,333,333 Limited Recourse Promissory Note, dated August 25, 2000 (the "Note"), between [redacted] ("[redacted]"), as borrower (the "Borrower"), and AIGTI, Inc. ("AIGTI", formerly known as AIG Capital Corp.), as holder (the "Holder"), and the Pledge and Security Agreement, dated August 25, 2000 (the "Pledge Agreement"), between [redacted], as pledgor, and AIGTI, as pledgee, pledging 6,333,333 shares of the common stock (the "Common Stock") of Capco Reinsurance Company, Ltd., a Barbados corporation ("Capco") to AIGTI in order to secure the obligations of the Borrower under the Note, please be advised of the following:

1. As you are aware, the board of directors and shareholders of Capco voted to wind up Capco's affairs and liquidate Capco on or prior to December 31, 2002.

2. All of the existing assets of Capco remaining after commutation of Capco's reinsurance agreements and payment of other expenses were distributed to the holders of shares of the preferred stock (the "Preferred Stock") of Capco in partial satisfaction of the liquidation preference on the Preferred Stock.

3. Upon the distribution of the assets of Capco to the holders of shares of the Preferred Stock, no further assets remained for distribution to the holders of shares of the Common Stock.

4. In light of the non-recourse nature of the Note, [redacted] has no further liability under the Pledge Agreement or the Note.

5. AIGTI, therefore, (x) cancels the Note and (y) agrees to terminate the Pledge Agreement.

[SIGNATURE PAGE FOLLOWS]

Please signify [redacted] agreement with the foregoing by executing a copy of this letter and kindly returning it to me by facsimile at [redacted] Should you have any questions regarding this matter, please do not hesitate to contact me at [redacted]

Very truly yours,

[redacted]

AGREED TO AND ACCEPTED
As of the date first written above, 14 January 2003

[redacted]

By: [redacted]
Name: [redacted]
Title: [redacted]

AIGTI, Inc.
70 Pine Street
New York, NY 10270

January 2, 2003

[redacted]
c/o [redacted]
CH-8001 Zurich
Switzerland

Re: Capco Reinsurance Company Ltd.

Dear Mr. [redacted]:

In connection with the US$6,333,333 Limited Recourse Promissory Note, dated August 25, 2000 (the "Note"), between you, as borrower (the "Borrower"), and AIGTI, Inc. ("AIGTI", formerly known as AIG Capital Corp.), as holder (the "Holder"), and the Pledge and Security Agreement, dated August 25, 2000 (the "Pledge Agreement"), between you, as pledgor, and AIGTI, as pledgee, pledging 6,333,333 shares of the common stock (the "Common Stock") of Capco Reinsurance Company, Ltd., a Barbados corporation ("Capco") to AIGTI in order to secure the obligations of the Borrower under the Note, please be advised of the following:

1. As you are aware, the board of directors and shareholders of Capco voted to wind up Capco's affairs and liquidate Capco on or prior to December 31, 2002.

2. All of the existing assets of Capco remaining after commutation of Capco's reinsurance agreements and payment of other expenses were distributed to the holders of shares of the preferred stock (the "Preferred Stock") of Capco in partial satisfaction of the liquidation preference on the Preferred Stock.

3. Upon the distribution of the assets of Capco to the holders of shares of the Preferred Stock, no further assets remained for distribution to the holders of shares of the Common Stock.

4. In light of the non-recourse nature of the Note, you have no further liability under the Pledge Agreement or the Note.

5. AIGTI, therefore, (x) cancels the Note and (y) agrees to terminate the Pledge Agreement.

[SIGNATURE PAGE FOLLOWS]

Please signify your agreement with the foregoing by executing a copy of this letter and kindly returning it to me by facsimile at [redacted]. Should you have any questions regarding this matter, please do not hesitate to contact me at [redacted].

Very truly yours,

[redacted]

AGREED TO AND ACCEPTED
As of the date first written above,

[redacted]

By: _____

[redacted]

Spier, Arnold

From: [redacted]
Sent: Tuesday, December 07, 1999 3:23 PM
To: [redacted]
Cc: Umansky, Joseph; [redacted]
Subject: AGG LOSS RATIO AND EXCES AGRMT

Attached is the rough basis of an agreement I was discussing. Thanks for your assistance.

aglosaigunion.doc

1999 AGGREGATE LOSS RATIO AGREEMENT

between

AMERICAN INTERNATIONAL REINSURANCE COPMANY, LTD.
(hereinafter called the "Company")

and

UNION EXCESS REINSURANCE COMPANY LTD.
(hereinafter called the "Reinsurer")

****

ARTICLE I

BUSINESS COVERED

The Reinsurer hereby agrees to obligate itself to accept 100% of the liability deemed by the Company to be classified as Life Insurance in Brazil for the calendar year 1999 in excess of the retention.

ARTICLE II

TERM AND TERMINATION

This Agreement commences at 12:01 a.m. Eastern Standard Time, January 1, 1999 and shall remain in force until all liabilities of the Company are settled.

ARTICLE III

TERRITORY

This Agreement covers risks Originally underwritten in Brazil as Life policies.

ARTICLE IV

LIMIT AND RETENTION

The Reinsurer shall be liable for 100% of the excess loss incurred by the company as a result of an aggregate loss ratio in excess of _____%. The aggregate liability of the Reinsurer shall not exceed $35,000,000.

ARTICLE V

CONSIDERATION

The Company will pay the Reinsurer a premium of $1,000,000 (US Dollars) prior to December 31, 1999.

ARTICLE VI

REPORTS AND ACCOUNTING

As promptly as possible after the end of each calendar quarter, the Company shall furnish a report to the Reinsurer including the following:

1. Subject earned premiums, inception to date;
2. Net losses paid by the Company, inception to date;
3. Reserve for outstanding losses on subject business.

Should the net paid losses of the Company exceed _____% of the subject earned premiums, the Reinsurer will pay to the Company the amount by which such losses exceed _____% subject to the limit specified in Article IV. The amount due shall be remitted to the Company within one hundred eighty (180) days following receipt of the report by the Reinsurer.

ARTICLE VII

CURRENCY

All premium and loss payments hereunder shall be in United States currency. The rate of exchange applied shall be that used by the Company in its own books of account or in accordance with any subsequent adjustments thereto.

ARTICLE VIII

ACCESS TO RECORDS

Provided the Reinsurer's balance with respect to this Agreement is current in accordance with the terms and conditions of the Agreement, or with the consent of the Company, the Reinsurer or its duly appointed representatives shall have free access at all reasonable times to such books and records of those Divisions, Departments and Branch Offices of the Company which are directly involved with the subject matter business of this Agreement as shall reflect premium and loss transactions of the Company for the purpose of obtaining any and all information concerning this Agreement or the subject matter hereof. All non-public information provided in the course of the inspection shall be kept confidential by the Reinsurer as against third parties.

ARTICLE IX

ERRORS & OMISSIONS

Any inadvertent delay, omission or error shall not relieve either party hereto from any liability which would attach to it hereunder if such delay, omission or error had not been made, provided such delay, omission or error is rectified immediately upon discovery.

ARTICLE X

FOLLOW THE FORTUNES

The Reinsurer's liability shall attach simultaneously with that of the Reinsured Company, and shall be subject in all respects to the same risks, terms, conditions, interpretations, waivers and to the same modifications, alterations and cancellations, as the respective insurances (or reinsurances) of the Reinsured Company, the true intent of this Agreement being that the Reinsurer shall, in every case to which this Agreement applies, follow the fortunes of the Company.

ARTICLE XI

SERVICE OF SUIT

(Applicable only to Reinsurers domiciled outside the United States of America)

A. It is agreed that in the event of the failure of the Reinsurers hereon to pay any amount claimed to be due hereunder, the Reinsurers hereon, at the request of the Company, will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this clause constitutes or should be understood to constitute a waiver of Reinsurers' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Mendes & Mount, 3 Park Avenue, New York, New York 10016, and that in any suit instituted against any one of them upon this contract, Reinsurers will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

B. The above-named are authorized and directed to accept service of process on behalf of Reinsurers in any such suit and/or upon the request of the Company to give a written undertaking to the Company that they will enter a general appearance upon Reinsurers' behalf in the event such a suit shall be instituted.

C. Further, pursuant to any Statute of any state, territory or district of the United States which makes provision therefore, Reinsurers hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Company or any beneficiary hereunder arising out of this contract of reinsurance, and hereby designate the above-named Mendes & Mount as the person to whom the said officer is authorized to mail such process or a true copy thereof.

ARTICLE XII

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the liquidator, receiver, conservator or statutory successor of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the Company shall give written notice to the Reinsurer of the pendency of a claim against the Company indicating the policy or bond reinsured which claim would involve a possible liability on the part of the Reinsurers within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim the Reinsurers may investigate such claim and interpose, at their own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that they may deem available to the Company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurers shall be chargeable, subject to the approval of the court, against the Company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by the Reinsurers.

Where two or more Reinsurers are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of the reinsurance agreement as though such expense had been incurred by the Company.

This reinsurance shall be payable by the Reinsurers to the Company or to its liquidator, receiver, conservator or statutory successor, except (a) where the Agreement specifically provides another payee of such reinsurance in the event of the insolvency of the Company, and (b) where the Reinsurers with the consent of the direct insured or insureds have assumed such policy obligations of the Company as direct obligations of the Reinsurers to the payees under such policies and in substitution for the obligations of the Company to the payees.

ARTICLE XIII

OFFSET

Each party hereto shall have, and may exercise at any time and from time to time, the right to offset any undisputed balance or balances, whether on account of premiums or on account of losses or otherwise, due from such party to the other (or, if more than one, any other) party hereto under this Agreement or under any other reinsurance agreement heretofore or hereafter entered into by and between them, and may offset the same against any undisputed balance or balances due to the former from the latter under the same or any other reinsurance agreement between them, and the party asserting the right of offset shall have and may exercise such right whether the undisputed balance or balances due to such party from the other are on account of premiums or on account of losses or otherwise and regardless of the capacity, whether as assuming insurer or a ceding insurer, in which each party acted under the agreement or, if more than one, the different agreements involved.

ARTICLE XIV

ARBITRATION

All disputes or differences arising out of the interpretation of this Agreement shall be submitted to the decision of two arbitrators, one to be chosen by each party and in the event of the arbitrators failing to agree, to the decision of an umpire to be chosen by the arbitrators. The arbitrators and umpire shall be active or retired executive officials of fire or casualty insurance or reinsurance companies. If either of the parties fails to appoint an arbitrator within one month after being required by the other party in writing to do so, such arbitrator or umpire, as the case may be, shall at the request of either party be appointed by a Justice of the Supreme Court of the State of New York.

The Arbitration proceeding shall take place in New York, New York. The applicant shall submit its case within one month after the appointment of the court of arbitration, and the respondent shall submit his reply within one month after the receipt of the claim. The arbitrators and umpire are relieved from all judicial formality and may abstain from following the strict rules of law. They shall settle any dispute under the Agreement according to an equitable rather than a strictly legal interpretation of its terms and their decision shall be final and not subject to appeal. Each party shall bear the expenses of its arbitrator and shall jointly and equally share with the other the expenses of the umpire and the arbitration.

This Article shall survive the termination of this Agreement.

ARTICLE XV

SEVERABILITY

If any provision of this Agreement shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Agreement or the enforceability of such provision in any other jurisdiction.

ARTICLE XVI

GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the state of New York.

ARTICLE XVII

ENTIRE AGREEMENT

The contract constitutes the entire understanding between the parties to this Agreement and may only be amended by written agreement signed by both parties and attached hereto.

ARTICLE XVIII

CONFIDENTIALITY

All terms and conditions of this Agreement and any materials provided in the course of inspection shall be kept confidential by the Reinsurer as against third parties, unless the disclosure is required pursuant to process of law or unless the disclosure is to Reinsurer's retrocessionaires, financial auditors or governing regulatory bodies. Disclosing or using this information for any purpose beyond the scope of this Agreement, or beyond the exceptions set forth above, is expressly forbidden without the prior consent of the Company.

IN WITNESS WHEREOF:-The parties hereto have caused this Agreement to be executed by their authorized representatives.

In: _____ this _____ day of _____ 1999

AMERICAN INTERNATIONAL REINSURANCE COMPANY, LTD.

By: _____ Title _____

And in: _____ this _____ day of _____ 1999

UNION EXCESS REINSURANCE COMPANY LTD.

By: _____ Title: _____

MEMORANDUM

AMERICAN INTERNATIONAL COMPANIES.
DBG LEGAL SERVICES
160 Water Street, 24th Floor
New York, NY 10038
Fax No: (212) [redacted]
Direct Dial No: (212) [redacted]

TO: [redacted] DATE: March 16, 2005

FROM: [redacted]

RE: Richmond Insurance Company

In response to your memo of January 7, 1999 regarding the above, please be advised that although an AIG entity owns 19.9 % of Richmond Insurance Company Ltd. (Bermuda) it does not control the insurer. 49.9 % of the single class of common voting stock of the Bermuda insurer is owned by Munich RE.

The remaining shares are owned by three minority investors; [redacted] (a [redacted] company), the [redacted] (a trust) and [redacted]. Each of these minority investors is independent of American International Group, Inc. and its subsidiaries and affiliates.

Redacted for Privilege

1/18/95

somehow. So the investment guy was saying that we got to go down, lower than 20% anyway and the underwriting guy was saying I don't anything about non-traditional business and I'm retiring next may and so lets work this out.. So they sent me this letter and exchange of e-mail in early December – [redacted] and I went over to a meeting with them to see what they were talking about, you know, how they wanted to work it out. The e-mail said let's work it out to our mutual advantage – that's what initially started this. And we had long conversations about options and they were saying, well we would really like to put the shares to get time period going because if they did not put them – they did not express interest in the put, you know, a then which is just telling us, basically, if they did not express that interest in December then they would have to wait another eighteen (18) months. So they expressed the interest at the meeting and I said that I would honor that as a tender and that means that on June 30th, technically they could put the shares. But putting the shares is the worst exit for everybody because they lose 80% of the value that's built up, you know they'll lose the excess over cost and its not going to get them out of what happens subsequently which is the letter that I sent to you that they said they got form Spitzer of S— or whatever it is and they are going to cooperate just like AIG is cooperating. You know the —— in the non-traditional business I've been able to count twelve of them but anytime Spitzer's group gets wind of a non-traditional contract, they send out a subpoena and so, you know, he is just looking at every transaction he can and he wants to investigate. \

So, what happened in December, we came back and I told them I would look for a buyer – went back to Howie and Howie Smith, our CFO at that time and the Actuary, [redacted] and I went up to see them all to explain the business and discuss the options, you know, including running it off, winding it up, finding a buyer to take the put from Munich and continue as usual. And, initially in January, like mid-January, 3rd week in January they

03/30/2005 11:38 FAX 441 295 6983 AICO LEGAL BOA 002/024
CONFIDENTIAL AIG/GEN-RE-TRANS 0014315

[redacted]

From: [redacted]
Sent: Friday, March 10, 2000 9:01 AM
To: [redacted]
Cc:
Subject: RE: AIRCO settlements

[redacted] will liase with [redacted] concerning the cash requirement for 20th March.

---Original Message---
From: [redacted]
Sent: Friday, March 10, 2000 8:56 AM
To: [redacted]
Subject: RE: AIRCO settlements

The proposed settlements of 33.3 million to Union Excess in March and the 34.2 million due AIRCO under the commutation agreement are wrap ups of last year's reinsurance.

I do not know anything about a similar transaction for about 56 million for 2000.

---Original Message---
From: [redacted]
Sent: Friday, March 10, 2000 8:41 AM
To: [redacted]
Subject: FW: AIRCO settlements

There has been some new correspondence about Union Excess. Can you please clarify what these payments/bookings are for Hank?

Also, does anyone know anything about this similar transaction for 2000 for about $56m, mentioned by Hank?

Regards

[redacted]

---Original Message---
From: [redacted]
Sent: Thursday, March 09, 2000 3:29 PM
To: [redacted]
Cc: [redacted]
Subject: RE: AIRCO settlements

Isn't this just the wrap-up of last year's reinsurance?
No, I did not know that MRG wants more.
Can you be more specific. Suggest that this be done by phone. [redacted] is one hour ahead.

---Original Message---
From: [redacted]
Sent: Thursday, March 09, 2000 2:12 PM
To: Austin, Frank
Cc: [redacted]
Subject: RE: AIRCO settlements
Importance: High

What does all this mean.
Are you aware that MRG wants a similar transaction for 2000 for about $56 million?

[redacted]
AIG - Life Management Division - Wilmington, DE
Phone: [redacted] Fax: [redacted]
Internet E-Mail: [redacted]@AIG.com

CONFIDENTIAL AIG/GEN-RE-TRANS 0016610

[redacted]

From: [redacted]
Sent: Tuesday, January 09, 2001 10:43 AM
To: [redacted]
Subject: FW: Union Excess - Swaps

[redacted]lease accrue the RCL in 4Q'00 with a payable due to Union Excess.

See me if you have any questions

Thanks
[redacted]

—Original Message—
From: [redacted]
Sent: Tuesday, January 09, 2001 10:34 AM
To: [redacted]
Subject: Union Excess - Swaps

In 2000 AIRCO (Life) entered in to 3 swap transactions with Union Excess. These were closed out on December 5, 2000 with a loss to AIRCO of $28,300,000. Please accrue a payable in AIRCO (Life)'s 2000 results for this realised capital loss.

Settlement is due to Union Excess by January 19, 2001 and I will speak to you about this separately.

Thanks.

CONFIDENTIAL AIG/GEN-RE-TRANS 0016625