

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of August 25, 2000 (the "Agreement"), by and between Kilmare Worldwide Inc., a British Virgin Islands corporation (the "Pledgor") and AIG Capital Corp., a Delaware corporation (the "Pledgee").

WITNESSETH:

WHEREAS, the Pledgee has made a loan to the Pledgor pursuant to a Promissory Note, dated the date hereof, in favor of the Pledgor (the "Note"), the proceeds of which were used by the Pledgor to purchase Common Shares (the "Shares"), of Capco Reinsurance Company Ltd., a Barbados corporation ("Capco"); and

WHEREAS, in order to induce the Pledgee to make such loan and to secure the obligations of the Pledgor under the Note (the "Obligations"), the Pledgor has agreed to pledge the Shares to the Pledgee in accordance with the terms and conditions hereof.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Pledge and Security Interest. The Pledgor hereby pledges, assigns and grants to the Pledgee all of the Pledgor's right, title and interest in and to the Shares (together, with all certificates representing the Shares and, those issued as an addition to, in substitution or in exchange for, or on account of the Shares, and all proceeds of the foregoing, now or hereafter acquired by the Pledgor, the "Pledged Shares") to secure payment and performance of the Obligations.
2. Distributions With Respect to the Pledged Shares. During the term of this Agreement, in the event the Pledgor shall be entitled to receive by reason of its ownership of any of the Pledged Shares any:
 - (a) stock certificate, including, without limitation, any certificate representing a stock dividend or in connection with any increase or reduction in capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off or split-off;
 - (b) option, warrant or right, whether as an addition to or in substitution or exchange for, any of the Pledged Shares, or otherwise;
 - (c) dividend or distribution payable in cash or other property, including securities issued by a party other than Capco; or
 - (d) other dividends or distributions of any other sort,

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then, in each such case, the Pledgor shall accept the same as the Pledgee's agent, in trust for the Pledgee and shall deliver the same immediately to the Pledgee in the exact form received with the Pledgor's endorsement, to the extent necessary, or appropriate stock powers duly executed by the Pledgor, to be held by the Pledgee as part of the Pledged Shares in accordance with the terms and conditions hereof.

3. Representations and Warranties of the Pledgor. The Pledgor hereby represents and warrants that:
 - (a) the Pledgor has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement will not conflict with, result in the creation or imposition of any lien, charge or encumbrance on any of the Pledged Shares (other than the security interest granted to the Pledgee hereunder) pursuant to the terms of, or constitute a default under, any agreement or instrument to which the Pledgor is a party, or by which the Pledgor or the Pledgor's property is bound, nor will such actions result in the violation of the provisions of any statute, law, rule, regulation, ordinance, judgment, order or decree of any government, government instrumentality or court having jurisdiction over the Pledgor or the Pledgor's property. No consent, approval, authorization or order of, or declaration or filing with, any government, government instrumentality or court is required for the execution, delivery or performance of this Agreement and the consummation by the Pledgor of the transactions contemplated hereby; and
 - (b) as of the date hereof, the Pledgor has delivered all certificates representing the Pledged Shares to the Pledgee, together with stock power(s) duly endorsed in blank. The Pledgor has good and valid title to the Pledged Shares, free and clear of all claims, liens, encumbrances, equities or security interests, other than the security interest granted to the Pledgee hereunder.

4. Covenants of the Pledgor. During the term of this Agreement,
 - (a) the Pledgor will not sell, lease, license, assign, convey, dispose of, hypothecate, or otherwise transfer the Pledged Shares or any interest therein, nor will the Pledgor permit the Pledged Shares to become the subject of any subsequent interest of any party, whether voluntarily or involuntarily;
 - (b) the Pledgor, at its sole cost and expense, shall duly execute and deliver financing statements and all such other instruments and documents, and do and cause to be done all such other acts and things, as the Pledgee may at any time reasonably request to enforce, perfect and protect its security interest in the Pledged Shares and its rights and remedies with respect to the Pledged Shares;
 - (c) the Pledgor shall immediately notify the Pledgee of any act, condition, or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default hereunder; and

- (d) the Pledgee shall be entitled to reimbursement, out of any proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares, for all costs and expenses (including reasonable attorneys' fees and advances and expenditures for recording and filing fees in connection with the perfection of the Pledgee's security interest hereunder, for remedying any Event of Default hereunder, and for the protection, preservation and maintenance of the Pledged Shares) incurred by the Pledgee in connection with the exercise by the Pledgee of any of its rights and remedies under this Agreement, or in enforcing, perfecting or protecting its interests under this Agreement.
5. Voting of the Pledged Shares. The Pledgor shall be entitled to vote any Pledged Shares owned by it and held by the Pledgee pursuant to this Agreement, and to give consents, waivers and ratifications in respect thereof unless and until the occurrence of an Event of Default and for so long as such Event of Default is continuing. Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may, in its sole discretion, vote such Pledged Shares and give, consents, waivers and ratifications with respect thereof. The foregoing rights are coupled with an interest and are irrevocable during the term of this Agreement. At any time after the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee, at its option, may have any or all of the Pledged Shares registered in its name or that of a nominee and the Pledgor hereby covenants that upon the Pledgee's request it will cause the issuer of the Pledged Shares to effect such registration.
6. Events of Default. The occurrence of any of the following events with respect to the Pledgor shall, without notice or demand, constitute a default on the part of the Pledgor hereunder (each an "Event of Default"):
- (a) a material breach, failure or violation in the payment or performance by the Pledgor of any of its obligations or covenants under this Agreement shall have occurred, and such breach, failure or violation continues uncorrected for a period of five days after written notice thereof from the Pledgee to the Pledgor;
 - (b) any event of default by the Pledgor of its Obligations under the Note shall have occurred;
 - (c) (i) the entry of a decree or order of a court having jurisdiction adjudging the Pledgor bankrupt or insolvent, approving a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Pledgor under applicable bankruptcy or insolvency law; as now or hereafter constituted, and the continuance of any such decree or order unstayed and in effect for a period of 60 days; (ii) the commencement by the Pledgor of a voluntary case under applicable bankruptcy or insolvency law, as now or hereafter constituted, or the consent by the Pledgor to the institution of bankruptcy or insolvency proceedings against him; (iii) the filing by the Pledgor of a petition or answer or consent seeking

reorganization or relief under applicable bankruptcy or insolvency law; (iv) the appointment of a receiver, liquidator, assignee, trustee or similar official for the Pledgor or for any substantial part of his property which is not discharged within 60 days; or (v) the making by the Pledgor of an assignment for the benefit of creditors, or the admission by the Pledgor in writing of his inability to pay his debts generally as they become due, or the taking of any action by the Pledgor, in furtherance of any such action; or

(d) the death of the Pledgor.

7. Pledgee's Rights and Remedies.

- (a) Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may exercise in respect of the Pledged Shares, in addition to all other rights and remedies provided for herein or otherwise available to it as a secured party under applicable law, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "UCC") (whether or not the UCC applies to the Pledged Shares), and may also, without notice except as specified below, sell the Pledged Shares or any part thereof in one or more lots at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash or credit or future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that to the extent required by law, at least 10 days notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of the Pledged Shares regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor and any such sale may, without further notice, be made at the time and place to which it is so adjourned. In the event the Pledgor has filed or a filing has been made against the Pledgor under applicable bankruptcy law, the Pledgor hereby consents to the lifting of any stay, including any stay under Section 362 of the United States Bankruptcy Code, to permit the Pledgee to exercise its rights and remedies as a secured lender hereunder and agrees to execute any stipulation to the foregoing.
- (b) All proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter be applied in whole or in part by the Pledgee against, all or part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all of the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

8. Term. The obligations of the Pledgor under this Agreement shall be of no further force and effect upon the satisfaction by the Pledgor of all of the Obligations. Upon any such termination, subject to the satisfaction of any other obligations of the Pledgor which may also be secured by the Pledged Shares, the Pledgee shall as soon as reasonable practicable send all certificates representing the Pledged Shares to the Pledgor or to the Pledgor's designee, at such address as may be designated by the Pledgor.

9. Other Provisions.

- (a) The Pledgee may waive any default, or remedy any default in any reasonable manner, without waiving any other prior or subsequent default; and the Pledgee may delay the exercise of any right or remedy under this Agreement without waiving that right or remedy or any other right or remedy hereunder.
- (b) The Pledgee agrees that upon the occurrence of an Event of Default and prior to the sale of the Pledged Shares under Section 7(a) above, at the request of the Pledgor, the Pledgee shall grant to a designee of the Pledgor the right (but not the obligation) to (i) cure any monetary default hereunder, or (ii) purchase the Pledged Shares from the Pledgee for the full face amount of the Obligations.
- (c) This Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, executors, administrators, successors and assigns of the parties hereto.
- (d) This Agreement shall be governed by and construed in accordance with the laws of the State of New York; without giving effect to principles of conflicts of laws. Each of the parties hereby irrevocably submits to the jurisdiction of any New York State or United States Federal Court sitting in the county, city and State of New York over any action or proceeding arising out of or relating to this Agreement; and each hereby waives the defense of an inconvenient forum for the maintenance of such an action.
- (e) Any notice to be given under this Agreement shall be sent in writing by registered airmail, internationally recognized overnight delivery service, or facsimile transmission as follows:

if to the Pledgee:

AIG Capital Corp.
70 Pine Street - 17th Floor
New York, NY 10270
Attention: Cindy Yoon
Facsimile: 212 248-0908

with a copy to:

American International Companies
160 Water Street, 24th Floor
New York, NY 10038 USA
Attention: General Counsel, Domestic Brokerage Group
Facsimile: (212) 820-4504

if to the Pledgor:

AIG Private Bank Ltd.,
Pelikanstrasse 37
CH-8021 Zurich, Switzerland
Attention: Eduardo Leemann
Facsimile: 41 1 211 6211

or to such other address as may from time to time be provided by either party to the other hereunder.

Any notice sent by registered airmail shall be deemed to have been delivered seven days after dispatch, any notice sent by internationally recognized overnight delivery service shall be deemed to have been delivered upon receipt, and any notice sent by facsimile transmission shall be deemed to have been delivered upon confirmed transmission.

- (f) This Agreement may not be amended, modified or terminated except in a writing executed by all parties hereto, and no waiver of any provision or consent hereunder shall be effective unless executed in a writing by the waiving or consenting party.
- (g) The provisions of this Agreement shall be deemed severable, so that if any provision hereof is declared invalid under the laws of any state where it is in effect or of the United States, all other provisions of this Agreement shall continue in full force and effect.
- (h) Each of the parties hereto agrees to do or cause to be done any and all such further acts and agrees to execute and delivered or cause to be executed and delivered any and all such additional documents as either of them shall reasonably require to effectuate the purposes and intent of this Agreement.
- (i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

Kilmare Worldwide Inc.

By: _____
Name:
Title:

AIG Capital Corp.

By: *[Signature]*
Name: *Neil Friedman*
Title: *Vice President*

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PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of August 25, 2000 (the "Agreement"), by and between Alfons Muller (the "Pledgor") and AIG Capital Corp., a Delaware Corporation (the "Pledgee").

WITNESSETH:

WHEREAS, the Pledgee has made a loan to the Pledgor pursuant to a Promissory Note, dated the date hereof, in favor of the Pledgor (the "Note"), the proceeds of which were used by the Pledgor to purchase Common Shares (the "Shares"), of Capco Reinsurance Company Ltd., a Barbados corporation ("Capco"); and

WHEREAS, in order to induce the Pledgee to make such loan and to secure the obligations of the Pledgor under the Note (the "Obligations"), the Pledgor has agreed to pledge the Shares to the Pledgee in accordance with the terms and conditions hereof.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Pledge and Security Interest. The Pledgor hereby pledges, assigns and grants to the Pledgee all of the Pledgor's right, title and interest in and to the Shares (together, with all certificates representing the Shares and, those issued as an addition to, in substitution or in exchange for, or on account of the Shares, and all proceeds of the foregoing, now or hereafter acquired by the Pledgor, the "Pledged Shares") to secure payment and performance of the Obligations.
2. Distributions With Respect to the Pledged Shares. During the term of this Agreement, in the event the Pledgor shall be entitled to receive by reason of its ownership of any of the Pledged Shares any:
 - (a) stock certificate, including, without limitation, any certificate representing a stock dividend or in connection with any increase or reduction in capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off or split-off;
 - (b) option, warrant or right, whether as an addition to or in substitution or exchange for, any of the Pledged Shares, or otherwise;
 - (c) dividend or distribution payable in cash or other property, including securities issued by a party other than Capco; or
 - (d) other dividends or distributions of any other sort,

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then, in each such case, the Pledgor shall accept the same as the Pledgee's agent, in trust for the Pledgee and shall deliver the same immediately to the Pledgee in the exact form received with the Pledgor's endorsement, to the extent necessary, or appropriate stock powers duly executed by the Pledgor, to be held by the Pledgee as part of the Pledged Shares in accordance with the terms and conditions hereof.

3. Representations and Warranties of the Pledgor. The Pledgor hereby represents and warrants that:
 - (a) the Pledgor has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement will not conflict with, result in the creation or imposition of any lien, charge or encumbrance on any of the Pledged Shares (other than the security interest granted to the Pledgee hereunder) pursuant to the terms of, or constitute a default under, any agreement or instrument to which the Pledgor is a party, or by which the Pledgor or the Pledgor's property is bound, nor will such actions result in the violation of the provisions of any statute, law, rule, regulation, ordinance, judgment, order or decree of any government, government instrumentality or court having jurisdiction over the Pledgor or the Pledgor's property. No consent, approval, authorization or order of, or declaration or filing with, any government, government instrumentality or court is required for the execution, delivery or performance of this Agreement and the consummation by the Pledgor of the transactions contemplated hereby; and
 - (b) as of the date hereof, the Pledgor has delivered all certificates representing the Pledged Shares to the Pledgee, together with stock power(s) duly endorsed in blank. The Pledgor has good and valid title to the Pledged Shares, free and clear of all claims, liens, encumbrances, equities or security interests, other than the security interest granted to the Pledgee hereunder.
4. Covenants of the Pledgor. During the term of this Agreement,
 - (a) the Pledgor will not sell, lease, license, assign, convey, dispose of, hypothecate, or otherwise transfer the Pledged Shares or any interest therein, nor will the Pledgor permit the Pledged Shares to become the subject of any subsequent interest of any party, whether voluntarily or involuntarily;
 - (b) the Pledgor, at its sole cost and expense, shall duly execute and deliver financing statements and all such other instruments and documents, and do and cause to be done all such other acts and things, as the Pledgee may at any time reasonably request to enforce, perfect and protect its security interest in the Pledged Shares and its rights and remedies with respect to the Pledged Shares;
 - (c) the Pledgor shall immediately notify the Pledgee of any act, condition, or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default hereunder; and

- (d) the Pledgee shall be entitled to reimbursement, out of any proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares, for all costs and expenses (including reasonable attorneys' fees and advances and expenditures for recording and filing fees in connection with the perfection of the Pledgee's security interest hereunder, for remedying any Event of Default hereunder, and for the protection, preservation and maintenance of the Pledged Shares) incurred by the Pledgee in connection with the exercise by the Pledgee of any of its rights and remedies under this Agreement, or in enforcing, perfecting or protecting its interests under this Agreement.
5. Voting of the Pledged Shares. The Pledgor shall be entitled to vote any Pledged Shares owned by it and held by the Pledgee pursuant to this Agreement, and to give consents, waivers and ratifications in respect thereof unless and until the occurrence of an Event of Default and for so long as such Event of Default is continuing. Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may, in its sole discretion, vote such Pledged Shares and give, consents, waivers and ratifications with respect thereof. The foregoing rights are coupled with an interest and are irrevocable during the term of this Agreement. At any time after the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee, at its option, may have any or all of the Pledged Shares registered in its name or that of a nominee and the Pledgor hereby covenants that upon the Pledgee's request it will cause the issuer of the Pledged Shares to effect such registration.
6. Events of Default. The occurrence of any of the following events with respect to the Pledgor shall, without notice or demand, constitute a default on the part of the Pledgor hereunder (each an "Event of Default"):
- (a) a material breach, failure or violation in the payment or performance by the Pledgor of any of its obligations or covenants under this Agreement shall have occurred, and such breach, failure or violation continues uncorrected for a period of five days after written notice thereof from the Pledgee to the Pledgor;
 - (b) any event of default by the Pledgor of its Obligations under the Note shall have occurred;
 - (c) (i) the entry of a decree or order of a court having jurisdiction adjudging the Pledgor bankrupt or insolvent, approving a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Pledgor under applicable bankruptcy or insolvency law, as now or hereafter constituted, and the continuance of any such decree or order unstayed and in effect for a period of 60 days; (ii) the commencement by the Pledgor of a voluntary case under applicable bankruptcy or insolvency law, as now or hereafter constituted, or the consent by the Pledgor to the institution of bankruptcy or insolvency proceedings against him; (iii) the filing by the Pledgor of a petition or answer or consent seeking

reorganization or relief under applicable bankruptcy or insolvency law; (iv) the appointment of a receiver, liquidator, assignee, trustee or similar official for the Pledgor or for any substantial part of his property which is not discharged within 60 days; or (v) the making by the Pledgor of an assignment for the benefit of creditors, or the admission by the Pledgor in writing of his inability to pay his debts generally as they become due, or the taking of any action by the Pledgor, in furtherance of any such action; or

(d) the death of the Pledgor.

7. Pledgee's Rights and Remedies.

(a) Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may exercise in respect of the Pledged Shares, in addition to all other rights and remedies provided for herein or otherwise available to it as a secured party under applicable law, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "UCC") (whether or not the UCC applies to the Pledged Shares), and may also, without notice except as specified below, sell the Pledged Shares or any part thereof in one or more lots at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash or credit or future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that to the extent required by law, at least 10 days notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of the Pledged Shares regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor and any such sale may, without further notice, be made at the time and place to which it is so adjourned. In the event the Pledgor has filed or a filing has been made against the Pledgor under applicable bankruptcy law, the Pledgor hereby consents to the lifting of any stay, including any stay under Section 362 of the United States Bankruptcy Code, to permit the Pledgee to exercise its rights and remedies as a secured lender hereunder and agrees to execute any stipulation to the foregoing.

(b) All proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter be applied in whole or in part by the Pledgee against, all or part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash proceeds held by the Pledgee and remaining after payment in full of all of the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

8. Term. The obligations of the Pledgor under this Agreement shall be of no further force and effect upon the satisfaction by the Pledgor of all of the Obligations. Upon any such termination, subject to the satisfaction of any other obligations of the Pledgor which may also be secured by the Pledged Shares, the Pledgee shall as soon as reasonable practicable send all certificates representing the Pledged Shares to the Pledgor or to the Pledgor's designee, at such address as may be designated by the Pledgor.

9. Other Provisions.

- (a) The Pledgee may waive any default, or remedy any default in any reasonable manner, without waiving any other prior or subsequent default; and the Pledgee may delay the exercise of any right or remedy under this Agreement without waiving that right or remedy or any other right or remedy hereunder.
- (b) The Pledgee agrees that upon the occurrence of an Event of Default and prior to the sale of the Pledged Shares under Section 7(a) above, at the request of the Pledgor, the Pledgee shall grant to a designee of the Pledgor the right (but not the obligation) to (i) cure any monetary default hereunder, or (ii) purchase the Pledged Shares from the Pledgee for the full face amount of the Obligations.
- (c) This Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, executors, administrators, successors and assigns of the parties hereto.
- (d) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws. Each of the parties hereby irrevocably submits to the jurisdiction of any New York State or United States Federal Court sitting in the county, city and State of New York over any action or proceeding arising out of or relating to this Agreement; and each hereby waives the defense of an inconvenient forum for the maintenance of such an action.
- (e) Any notice to be given under this Agreement shall be sent in writing by registered airmail, internationally recognized overnight delivery service, or facsimile transmission as follows:

if to the Pledgee:

AIG Capital Corp.
70 Pine Street - 17th Floor
New York, NY 10270
Attention: Cindy Yoon
Facsimile: 212-248-0908

with a copy to:

American International Companies
160 Water Street, 24th Floor
New York, NY 10038 USA
Attention: General Counsel, Domestic Brokerage Group
Facsimile: (212) 820-4504

if to the Pledgor:

Alfons Muller
c/o Bovet, Talacker 42
CH-8001 Zurich, Switzerland
Attention: A. Muller
Facsimile: 41 1 218 70 91

or to such other address as may from time to time be provided by either party to the other hereunder.

Any notice sent by registered airmail shall be deemed to have been delivered seven days after dispatch, any notice sent by internationally recognized overnight delivery service shall be deemed to have been delivered upon receipt, and any notice sent by facsimile transmission shall be deemed to have been delivered upon confirmed transmission.

- (f) This Agreement may not be amended, modified or terminated except in a writing executed by all parties hereto, and no waiver of any provision or consent hereunder shall be effective unless executed in a writing by the waiving or consenting party.
- (g) The provisions of this Agreement shall be deemed severable, so that if any provision hereof is declared invalid under the laws of any state where it is in effect or of the United States, all other provisions of this Agreement shall continue in full force and effect.
- (h) Each of the parties hereto agrees to do or cause to be done any and all such further acts and agrees to execute and delivered or cause to be executed and delivered any and all such additional documents as either of them shall reasonably require to effectuate the purposes and intent of this Agreement.
- (i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

Alfons Muller

AIG Capital Corp.

By: *Neil Friedman*
Name: *Neil Friedman*
Title: *V.P. Controller*

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PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT, dated as of August 25, 2000 (the "Agreement"), by and between Hanspeter Knecht (the "Pledgor") and AIG Capital Corp., a Delaware corporation (the "Pledgee").

WITNESSETH:

WHEREAS, the Pledgee has made a loan to the Pledgor pursuant to a Promissory Note, dated the date hereof, in favor of the Pledgor (the "Note"), the proceeds of which were used by the Pledgor to purchase Common Shares (the "Shares"), of Capco Reinsurance Company Ltd., a Barbados corporation ("Capco"); and

WHEREAS, in order to induce the Pledgee to make such loan and to secure the obligations of the Pledgor under the Note (the "Obligations"), the Pledgor has agreed to pledge the Shares to the Pledgee in accordance with the terms and conditions hereof.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Pledge and Security Interest. The Pledgor hereby pledges, assigns and grants to the Pledgee all of the Pledgor's right, title and interest in and to the Shares (together, with all certificates representing the Shares and, those issued as an addition to, in substitution or in exchange for, or on account of the Shares, and all proceeds of the foregoing, now or hereafter acquired by the Pledgor, the "Pledged Shares") to secure payment and performance of the Obligations.
2. Distributions With Respect to the Pledged Shares. During the term of this Agreement, in the event the Pledgor shall be entitled to receive by reason of its ownership of any of the Pledged Shares any:
 - (a) stock certificate, including, without limitation, any certificate representing a stock dividend or in connection with any increase or reduction in capital, reclassification, merger, consolidation, sale of assets, combination of shares, stock split, spin-off or split-off;
 - (b) option, warrant or right, whether as an addition to or in substitution or exchange for, any of the Pledged Shares, or otherwise;
 - (c) dividend or distribution payable in cash or other property, including securities issued by a party other than Capco; or
 - (d) other dividends or distributions of any other sort,

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then, in each such case, the Pledgor shall accept the same as the Pledgee's agent, in trust for the Pledgee and shall deliver the same immediately to the Pledgee in the exact form received with the Pledgor's endorsement, to the extent necessary, or appropriate stock powers duly executed by the Pledgor, to be held by the Pledgee as part of the Pledged Shares in accordance with the terms and conditions hereof.

3. Representations and Warranties of the Pledgor. The Pledgor hereby represents and warrants that:
 - (a) the Pledgor has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement will not conflict with, result in the creation or imposition of any lien, charge or encumbrance on any of the Pledged Shares (other than the security interest granted to the Pledgee hereunder) pursuant to the terms of, or constitute a default under, any agreement or instrument to which the Pledgor is a party, or by which the Pledgor or the Pledgor's property is bound, nor will such actions result in the violation of the provisions of any statute, law, rule, regulation, ordinance, judgment, order or decree of any government, government instrumentality or court having jurisdiction over the Pledgor or the Pledgor's property. No consent, approval, authorization or order of, or declaration or filing with, any government, government instrumentality or court is required for the execution, delivery or performance of this Agreement and the consummation by the Pledgor of the transactions contemplated hereby; and
 - (b) as of the date hereof, the Pledgor has delivered all certificates representing the Pledged Shares to the Pledgee, together with stock power(s) duly endorsed in blank. The Pledgor has good and valid title to the Pledged Shares, free and clear of all claims, liens, encumbrances, equities or security interests, other than the security interest granted to the Pledgee hereunder.

4. Covenants of the Pledgor. During the term of this Agreement,
 - (a) the Pledgor will not sell, lease, license, assign, convey, dispose of, hypothecate, or otherwise transfer the Pledged Shares or any interest therein, nor will the Pledgor permit the Pledged Shares to become the subject of any subsequent interest of any party, whether voluntarily or involuntarily;
 - (b) the Pledgor, at its sole cost and expense, shall duly execute and deliver financing statements and all such other instruments and documents, and do and cause to be done all such other acts and things, as the Pledgee may at any time reasonably request to enforce, perfect and protect its security interest in the Pledged Shares and its rights and remedies with respect to the Pledged Shares;
 - (c) the Pledgor shall immediately notify the Pledgee of any act, condition, or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default hereunder; and

(d) the Pledgee shall be entitled to reimbursement, out of any proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares, for all costs and expenses (including reasonable attorneys' fees and advances and expenditures for recording and filing fees in connection with the perfection of the Pledgee's security interest hereunder, for remedying any Event of Default hereunder, and for the protection, preservation and maintenance of the Pledged Shares) incurred by the Pledgee in connection with the exercise by the Pledgee of any of its rights and remedies under this Agreement, or in enforcing, perfecting or protecting its interests under this Agreement.

5. Voting of the Pledged Shares. The Pledgor shall be entitled to vote any Pledged Shares owned by it and held by the Pledgee pursuant to this Agreement, and to give consents, waivers and ratifications in respect thereof unless and until the occurrence of an Event of Default and for so long as such Event of Default is continuing. Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may, in its sole discretion, vote such Pledged Shares and give, consents, waivers and ratifications with respect thereof. The foregoing rights are coupled with an interest and are irrevocable during the term of this Agreement. At any time after the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee, at its option, may have any or all of the Pledged Shares registered in its name or that of a nominee and the Pledgor hereby covenants that upon the Pledgee's request it will cause the issuer of the Pledged Shares to effect such registration.

6. Events of Default. The occurrence of any of the following events with respect to the Pledgor shall, without notice or demand, constitute a default on the part of the Pledgor hereunder (each an "Event of Default"):

- (a) a material breach, failure or violation in the payment or performance by the Pledgor of any of its obligations or covenants under this Agreement shall have occurred, and such breach, failure or violation continues uncorrected for a period of five days after written notice thereof from the Pledgee to the Pledgor;
- (b) any event of default by the Pledgor of its Obligations under the Note shall have occurred;
- (c) (i) the entry of a decree or order of a court having jurisdiction adjudging the Pledgor bankrupt or insolvent, approving a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Pledgor under applicable bankruptcy or insolvency law, as now or hereafter constituted, and the continuance of any such decree or order unstayed and in effect for a period of 60 days; (ii) the commencement by the Pledgor of a voluntary case under applicable bankruptcy or insolvency law, as now or hereafter constituted, or the consent by the Pledgor to the institution of bankruptcy or insolvency proceedings against him; (iii) the filing by the Pledgor of a petition or answer or consent seeking

reorganization or relief under applicable bankruptcy or insolvency law; (iv) the appointment of a receiver, liquidator, assignee, trustee or similar official for the Pledgor or for any substantial part of his property which is not discharged within 60 days; or (v) the making by the Pledgor of an assignment for the benefit of creditors, or the admission by the Pledgor in writing of his inability to pay his debts generally as they become due, or the taking of any action by the Pledgor, in furtherance of any such action; or

(d) the death of the Pledgor.

7. Pledgee's Rights and Remedies.

- (a) Upon the occurrence of an Event of Default and for so long as such Event of Default is continuing, the Pledgee may exercise in respect of the Pledged Shares, in addition to all other rights and remedies provided for herein or otherwise available to it as a secured party under applicable law, all the rights and remedies of a secured party upon default under the Uniform Commercial Code in effect in the State of New York at such time (the "UCC") (whether or not the UCC applies to the Pledged Shares), and may also, without notice except as specified below, sell the Pledged Shares or any part thereof in one or more lots at public or private sale, at any exchange, broker's board or at any of the Pledgee's offices or elsewhere, for cash or credit or future delivery, and upon such other terms as the Pledgee may deem commercially reasonable. The Pledgor agrees that to the extent required by law, at least 10 days notice to the Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Pledgee shall not be obligated to make any sale of the Pledged Shares regardless of notice of sale having been given. The Pledgee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor and any such sale may, without further notice, be made at the time and place to which it is so adjourned. In the event the Pledgor has filed or a filing has been made against the Pledgor under applicable bankruptcy law, the Pledgor hereby consents to the lifting of any stay, including any stay under Section 362 of the United States Bankruptcy Code, to permit the Pledgee to exercise its rights and remedies as a secured lender hereunder and agrees to execute any stipulation to the foregoing.
- (b) All proceeds received by the Pledgee in respect of any sale, collection from, or other realization upon all or part of the Pledged Shares may, in the discretion of the Pledgee, be held by the Pledgee as collateral for, and/or then or at any time thereafter be applied in whole or in part by the Pledgee against, all or part of the Obligations in such order as the Pledgee shall elect. Any surplus of such cash or cash-proceeds held by the Pledgee and remaining after payment in full of all of the Obligations shall be paid over to the Pledgor or to whomsoever may be lawfully entitled to receive such surplus.

8. Term. The obligations of the Pledgor under this Agreement shall be of no further force and effect upon the satisfaction by the Pledgor of all of the Obligations. Upon any such termination, subject to the satisfaction of any other obligations of the Pledgor which may also be secured by the Pledged Shares, the Pledgee shall as soon as reasonable practicable send all certificates representing the Pledged Shares to the Pledgor or to the Pledgor's designee, at such address as may be designated by the Pledgor.

9. Other Provisions.

- (a) The Pledgee may waive any default, or remedy any default in any reasonable manner, without waiving any other prior or subsequent default; and the Pledgee may delay the exercise of any right or remedy under this Agreement without waiving that right or remedy or any other right or remedy hereunder.
- (b) The Pledgee agrees that upon the occurrence of an Event of Default and prior to the sale of the Pledged Shares under Section 7(a) above, at the request of the Pledgor, the Pledgee shall grant to a designee of the Pledgor the right (but not the obligation) to (i) cure any monetary default hereunder, or (ii) purchase the Pledged Shares from the Pledgee for the full face amount of the Obligations.
- (c) This Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, executors, administrators, successors and assigns of the parties hereto.
- (d) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts of laws. Each of the parties hereby irrevocably submits to the jurisdiction of any New York State or United States Federal Court sitting in the county, city and State of New York over any action or proceeding arising out of or relating to this Agreement; and each hereby waives the defense of an inconvenient forum for the maintenance of such an action.
- (e) Any notice to be given under this Agreement shall be sent in writing by registered airmail, internationally recognized overnight delivery service, or facsimile transmission as follows:

if to the Pledgee:

AIG Capital Corp.
70 Pine Street - 17th Floor
New York, NY 10270
Attention: Cindy Yoon
Facsimile: 212 248-0908

with a copy to:

American International Companies
160 Water Street, 24th Floor
New York, NY 10038 USA
Attention: General Counsel, Domestic Brokerage Group
Facsimile: (212) 820-4504

if to the Pledgor:

AIG Private Bank Ltd.,
Pelikanstrasse 37
CH-8021 Zurich, Switzerland
Attention: Eduardo Leemann
Facsimile: 41 1 211 6211

or to such other address as may from time to time be provided by either party to the other hereunder.

Any notice sent by registered airmail shall be deemed to have been delivered seven days after dispatch, any notice sent by internationally recognized overnight delivery service shall be deemed to have been delivered upon receipt, and any notice sent by facsimile transmission shall be deemed to have been delivered upon confirmed transmission.

- (f) This Agreement may not be amended, modified or terminated except in a writing executed by all parties hereto, and no waiver of any provision or consent hereunder shall be effective unless executed in a writing by the waiving or consenting party.
- (g) The provisions of this Agreement shall be deemed severable, so that if any provision hereof is declared invalid under the laws of any state where it is in effect or of the United States, all other provisions of this Agreement shall continue in full force and effect.
- (h) Each of the parties hereto agrees to do or cause to be done any and all such further acts and agrees to execute and delivered or cause to be executed and delivered any and all such additional documents as either of them shall reasonably require to effectuate the purposes and intent of this Agreement.
- (i) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and which together shall constitute one instrument.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

Hanspeter Knecht

AIG Capital Corp.

By: 
Name: Neil Friedman
Title: V.P. Controller

July 31

CONFIDENTIAL

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