

**Young, Stanton**  
**From:** Cameron, Patricia  
**Sent:** Wednesday, September 18, 2002 4:13 PM  
**To:** Young, Stanton  
**Cc:** Holland, Andrew; Spier, Arnold  
**Subject:** RE: 4th quarter losses.

Taking the losses in 2002 will reduce the utilization of the carryforward FTC's.

However, if it is just a question of 2002 versus 2003, I would say go ahead and clear it out.

-----Original Message-----

**From:** Young, Stanton  
**Sent:** Wednesday, September 18, 2002 3:55 PM  
**To:** Cameron, Patricia  
**Cc:** Holland, Andrew; Spier, Arnold  
**Subject:** 4th quarter losses.

Andrew and Arnie called to give me a heads up that a structure developed in 2000 that was specifically designed to turn underwriting losses into investment losses is planned to be unwound by 12/31 and now realize much of the losses. I do not know if these losses have been some how accrued previously so I thought you would want the numbers presented to me. We previously discussed this deal with Peter and at that time you raised FTC and AMT concerns from putting losses into AIRCO but the transaction was executed.

Briefly, we previously sponsored formation of an offshore insurer named Capco to which loss business (warranty) was ceded. AIRCO purchased preferred and third persons purchased the common with a non recourse loan from AIG Capital secured by the stock. I am informed that it is Joe Umansky's goal to have the offshore company liquidated by 12/31/02. AIRCO will realize a 70 million capital loss on the preferred. In addition since the loans made by AIG Capital were secured by common stock issued to the third persons, AIG Capital would write some 18 million off as a bad debt. The results of the transaction were expected but my question is whether you would prefer to have the unwind deferred to 2003. If so we may have to talk to Joe.