

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

January 2, 2003

Alfons Muller
c/o Bovet, Talacker 42
CH-8001 Zurich
Switzerland

Re: Capco Reinsurance Company Ltd.

Dear Mr. Muller:

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 (212) 363-7176. Should you have any questions regarding this matter, please do not hesitate to contact me at (212) 770-7063.

Very truly yours,

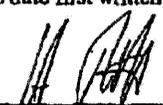


Neil Friedman
Vice President and Comptroller

AGREED TO AND ACCEPTED

As of the date first written above,

By: _____


Alfons Muller