



SHARE PURCHASE AGREEMENT, dated as of December 28, 2001 (the "Agreement"), by and among American International Reinsurance Company Ltd., a Bermuda corporation (the "Seller"), and Western General Insurance Ltd., a Bermuda corporation (the "Purchaser").

WITNESSETH:

WHEREAS, the Seller is the owner of 6,900 issued and outstanding Series A Preferred Shares (the "Preferred Shares") of Capco Reinsurance Company Ltd., a Barbados corporation (the "Company"); and

WHEREAS, the Seller proposes to sell 3,400 Preferred Shares (the "Shares"), and the Purchaser wishes to purchase the Shares, for an aggregate purchase price of US \$2,000,000.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereby agree as follows:

ARTICLE I: SALE OF THE SHARES

1.1 Sale and Purchase of Shares. Upon the terms and subject to the conditions contained herein, on the date hereof, the Seller shall sell, assign, transfer, convey and deliver to the Purchaser, and the Purchaser shall purchase from the Seller, the Shares free and clear of any lien, pledge, mortgage, deed of trust, security interest, claim, lease, charge, option, right of first refusal, preemptive right, easement, servitude, transfer restriction under any shareholder or similar agreement, encumbrance or any other restriction or limitation whatsoever, other than any restriction or obligation arising under the Subscription Agreement (as defined below) (collectively, "Liens").

ARTICLE II: PURCHASE PRICE AND CLOSING

2.1 Purchase Price. The aggregate purchase price for the Shares shall be US \$2,000,000 (the "Purchase Price").

2.2 Closing. The closing of the purchase and sale of the Shares provided for in Section 1.1 hereof (the "Closing") shall take place within 30 days of the date hereof at such place as the Seller and the Purchaser may mutually agree.

2.3 Delivery of and Payment for the Shares. At the Closing, the parties shall make the deliveries provided in Article V hereof.

ARTICLE III: REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Purchaser that:

3.1 Ownership; Title to the Shares. The Seller owns the Shares free and clear of all Liens. Upon delivery to the Purchaser against payment therefor in accordance with the terms of this Agreement, good and valid title to the Shares will be transferred to the Purchaser, free and clear of all Liens.

3.2 Authorization. The Seller has all requisite corporate power, authority and legal capacity to execute and deliver this Agreement, and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Seller and constitutes the legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

3.3 No Conflicts; Consents of Third Parties. None of the execution and delivery by the Seller of this Agreement, the consummation of the transactions contemplated hereby, or compliance by the Seller with any of the provisions hereof will (i) conflict with, or result in the breach of, any provision of the Articles of Incorporation or By-laws or comparable organizational documents of the Seller; or (ii) violate any statute, rule, regulation, order or decree of any governmental body by which the Seller is bound. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any governmental body, is required on the part of the Seller in connection with the execution, delivery and performance of this Agreement, or the compliance by the Seller with any of the provisions hereof.

ARTICLE IV: REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to the Seller that:

4.1 Authorization. The Purchaser has all requisite corporate power, authority and legal capacity to execute and deliver this Agreement, and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is sought in a proceeding at law or in equity).

4.2 No Conflicts; Consents of Third Parties. None of the execution and delivery by the Purchaser of this Agreement, the consummation of the transactions contemplated hereby, or compliance by the Purchaser with any of the provisions hereof will (i) conflict with, or result in the breach of, any provision of the Articles of Incorporation or By-laws or comparable organizational documents of the Purchaser; or (ii) violate any statute, rule, regulation, order or decree of any governmental body by which the Purchaser is bound. No consent, waiver, approval, order, permit or authorization of, or declaration or filing with, or notification to, any person, including without limitation any governmental body, is required on the part of the Purchaser in connection with the execution, delivery and performance of this Agreement, or the compliance by the Purchaser with any of the provisions hereof.

ARTICLE V: DOCUMENTS TO BE DELIVERED

5.1 Deliveries by the Seller to the Purchaser. At the Closing, the Seller shall deliver, or shall cause to be delivered, to the Purchaser the following:

- (a) certificates evidencing the Shares duly endorsed in blank or accompanied by stock powers duly endorsed in blank, in proper form for transfer, and with all appropriate stock transfer tax stamps affixed; and
- (b) a receipt for the Purchase Price paid at Closing.

5.2 Deliveries by the Purchaser to the Seller. At the Closing, the Purchaser shall deliver, or cause to be delivered, to the Seller the Purchase Price and a receipt for the Shares.

ARTICLE VI: MISCELLANEOUS

6.1 Certain Agreements of the Purchaser. The Purchaser acknowledges that the Shares are subject to restrictions on transfer and other rights, restrictions and obligations as set forth in that certain Subscription and Operating Agreement, dated August 18, 2000, by and among the Company, the Purchaser, the Seller and certain other parties thereto (the "Subscription Agreement"), and hereby agrees to be bound by such restrictions on transfer and other rights, restrictions and obligations in respect of the Shares.

6.2 Survival of Representations and Warranties. All representations and warranties and agreements made by the parties hereto in this Agreement or pursuant hereto shall survive the Closing hereunder and any investigation at any time made by or on behalf of the Seller or the Purchaser; provided, however, that no suit or action relating thereto may be commenced at any time more than 24 months after the date hereof.

6.3 Payment of Sales, Use or Similar Taxes; Transfer Taxes. The Seller shall be liable for and shall pay any sales, use, stamp, documentary, filing, recording, transfer or similar fees or taxes or governmental charges as levied by any taxing authority or governmental agency in connection with the transactions contemplated by this Agreement. The Seller hereby agrees to

file all necessary documents with respect to all such amounts in a timely manner.

6.4 Further Assurances. The parties hereto agree to execute and deliver all such other documents or agreements and to take all such other action as may be reasonably necessary or desirable for further effectuate the purposes and intent of this Agreement and the consummation of the transactions contemplated hereby.

6.5 Entire Agreement; Amendments and Waivers. This Agreement represents the entire understanding and agreement between the parties hereto with respect to the subject matter hereof and can be amended, supplemented or changed, and any provision hereof can be waived, only by written instrument making specific reference to this Agreement signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a further or continuing waiver of such breach or as a waiver of any other or subsequent breach. No failure on the part of any party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

6.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Bermuda.

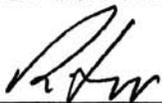
6.7 Severability. The provisions of this Agreement shall be deemed severable, so that if any provision hereof is declared invalid under applicable law, all other provisions of this Agreement shall continue in full force and effect.

6.8 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. Nothing in this Agreement shall create or be deemed to create any third party beneficiary rights in any person or entity not a party to this Agreement.

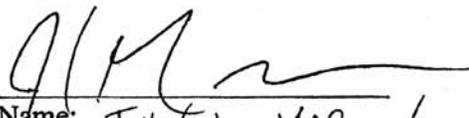
[SIGNATURE PAGE FOLLOWS]

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

AMERICAN INTERNATIONAL
REINSURANCE COMPANY LTD.

By: 
Name: **RICHARD KRUPP**
Title: **VICE PRESIDENT/COMPTROLLER**

WESTERN GENERAL INSURANCE LTD.

By: 
Name: **JOHN L. HARLOW**
Title: **President & Managing Director**