

Updated on 11/14/05

Q&A REGARDING THE IMPACT OF KATRINA ON FGIC

Q: Has FGIC taken any loss reserves as a result of Hurricane Katrina?

A: FGIC establishes a provision for loss and loss adjustment expenses when an actual payment default occurs or when a payment default is probable. For the quarter ending September 30, 2005, FGIC recorded pre-tax loss expenses of \$20.7 million, which stemmed primarily from the negative impact that Hurricane Katrina has had on credits in the City of New Orleans and immediately surrounding areas. The loss reserves will likely be adjusted as additional information becomes available.

Q: How many credits did this represent?

A: The \$20.7 million pre-tax loss expense related to 10 public finance credits with a total net par insured of \$578 million. FGIC established watch list reserves of \$12.1 million for nine credits, which were offset by a small reinsurance recoverable, and \$8.8 million in case reserves for one credit, an investor-owned utility that has filed for bankruptcy. In total, FGIC placed insured credits with a net par of \$977 million on its credit watch list.

Q: In total, how much public finance exposure does FGIC have to Katrina-impacted areas?

A: FGIC's exposure to counties with a FEMA designation of "Individual and Public Assistance" is \$2.1 billion, as seen below. However, FGIC currently views the \$977 million in exposure that we have added to our watch list to be the only impaired credits.

**FGIC's Public Finance Exposure in FEMA-Designated Counties⁽¹⁾
Net Par as of August 31, 2005 (\$000)**

FEMA "Individual and Public Assistance" Designations Only

Bond Type	Alabama	New Orleans	Other Louisiana	Mississippi	Total	% of Total
College Education Loan Program	-	-	19,432	-	19,432	0.9
General Obligation	-	273,349	239,420	158,020	670,790	32.3
Hospital Revenue	-	-	85,724	-	85,724	4.1
Hotel Tax	-	169,750	-	-	169,750	8.2
Investor-Owned Utility ⁽²⁾	-	75,000	-	-	75,000	3.6
Municipal Utility	57,754	120,642	7,830	135,271	321,497	15.5
Ports	-	30,386	-	-	30,386	1.5
Private College & University	-	52,079	-	-	52,079	2.5
Public College & University	49,935	18,427	25,225	44,170	137,756	6.6
Sales Tax	-	65,318	444,582	-	509,900	24.5
State Agency Housing	-	-	-	7,538	7,538	0.4
County Total	\$ 107,689	\$ 804,950	\$ 822,212	\$ 344,999	\$ 2,079,850	100.0%

⁽¹⁾ Counties designated by FEMA for individual and public assistance as of August 31, 2005.

⁽²⁾ Entergy New Orleans First Mortgage Bond

Q: Which bond types do you consider the highest risk?

A: Our long-term focus is on one investor-owned utility, the Port of New Orleans, and certain water and sewer systems and tax-backed bonds within the most affected areas, including some general obligation bonds and bonds backed by hotel/motel taxes and sales taxes.

Our concerns with the tax-backed bonds are for the shorter-term, as we expect there will be a disruption in economic activity during this period. However, because these bonds are of long duration, as the area recovers, so should tax receipts.

Q: What are your largest exposures in the FEMA-designated areas?

A: The following chart provides our top 20 exposures in the FEMA-designated areas, as well as average annual debt service (AADS) figures and final maturities.

**Top 20 Public Finance Exposures in FEMA-Designated Counties⁽¹⁾
as of August 31, 2005**

Issue	State	County	Bond Type	Net Par Inforce (\$ '000s)	AADS ⁽²⁾ (\$ '000s)	Final Maturity
City of New Orleans	LA	Orleans	General Obligation	151,344	11,153	2031
Louisiana Stad Expo District	LA	Orleans	Hotel Tax	138,599	7,283	2026
City of Lafayette	LA	Lafayette	Sales Tax	120,475	9,969	2027
Orleans Parish SD	LA	Orleans	General Obligation	92,223	8,210	2022
City of Baton Rouge	LA	East Baton Rouge	Sales Tax	91,826	12,767	2026
City of New Orleans Sewage	LA	Orleans	Municipal Utility	87,918	8,711	2021
Entergy New Orleans	LA	Orleans	Investor-Owned Utility	75,000	4,220	2029
Harrison County Wastewater	MS	Harrison	Municipal Utility	70,558	5,764	2027
Madison County SD	MS	Madison	General Obligation	66,190	6,031	2025
Orleans Par Sch Brd	LA	Orleans	Sales Tax	65,318	12,029	2015
East Baton Rouge Parish	LA	East Baton Rouge	Sales Tax	61,935	7,285	2026
City of Mobile	AL	Mobile	Municipal Utility	54,636	3,997	2022
Lafayette Parish School Board	LA	Lafayette	Sales Tax	53,784	5,569	2018
Tulane University	LA	Orleans	Private College & University	52,079	5,153	2025
Univ of South Alabama	AL	Baldwin	Public College & University	49,935	3,607	2024
Jackson Water & Sewer	MS	Hinds	Municipal Utility	47,237	2,101	2032
St. Tammany Par	LA	St. Tammany	Sales Tax	47,205	4,898	2018
Womans Hosp Foundation	LA	East Baton Rouge	Hospital Revenue	46,999	4,869	2022
Lamar SD	MS	Lamar	General Obligation	43,000	3,109	2025
St. Charles Par SD #1	LA	St. Charles	General Obligation	38,992	3,409	2022

⁽¹⁾ Counties designated by FEMA for individual and public assistance as of August 31, 2005.

⁽²⁾ Average Annual Debt Service is based upon the first 5 years (2006 - 2010).

Q: What might be the concerns in the structured portfolio?

A: We have fewer concerns in the structured portfolio because of the substantial geographic diversification in the individual deals.

Q: Does FGIC have adequate liquidity to cover principal and interest payments that may be missed?

A: Yes. It is important to remember that under our insurance policies we only pay principal and interest as they become due and many of these bonds are of 20-30 year duration. In addition, the bond structures themselves often provide for reserve funds to support the obligation. If FGIC is required to make additional payments, we have a total of \$4.0 billion in claims-paying resources, including a highly liquid investment portfolio, and a \$200 million credit facility that are available to pay any such claims.

Q: Do you expect this to have a material impact on your claims-paying ability?

A: No, we do not.

Q: How does Hurricane Katrina impact FGIC's investment portfolio?

A: The securities in FGIC's investment portfolio relating to Alabama, Louisiana or Mississippi are either insured by others in the financial guaranty industry or are in areas that were not hard hit by the storm.