



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, N.Y. 10004

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In the Matter of

**FINANCIAL GUARANTY
INSURANCE COMPANY**

**ORDER PURSUANT TO
INSURANCE LAW § 1310**

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WHEREAS, Financial Guaranty Insurance Company ("FGIC" or the "Company") is a domestic financial guaranty insurance corporation organized and licensed under Article 69 of the New York Insurance Law ("Insurance Law"); and

WHEREAS, Section 1310 of the Insurance Law provides that whenever the Superintendent of Insurance (the "Superintendent") finds that the admitted assets of a domestic stock insurer are less than the aggregate amount of its liabilities and outstanding capital stock, or the admitted assets of any such insurer which is required to maintain a minimum surplus to policyholders are less than the aggregate amount of its liabilities and the amount of its minimum surplus to policyholders, the Superintendent shall determine the amount of the impairment and order the insurer to eliminate the impairment within such period as he designates, and may also order the insurer not to issue any new policies while the impairment exists; and

WHEREAS, pursuant to Section 201 of the Insurance Law, the Superintendent possesses the rights, powers and duties in connection with the business of insurance in the State of New York, expressed or reasonably implied by the Insurance Law or any other applicable law of the State of New York State; and

WHEREAS, in its Quarterly Statement for the 3rd Quarter of 2009 filed with the New York State Insurance Department (the "Department"), the Company reported a

surplus to policyholders deficit at September 30, 2009 of \$865,834,577 and an impairment of its required minimum surplus to policyholders of \$ 932,234,577; and

WHEREAS, the Superintendent has directed the Company to submit a plan to eliminate the aforementioned impairment of the Company's surplus to policyholders; and

WHEREAS, on November 23, 2009, the Company submitted a letter to the Department (the "Letter") seeking approval of an outline of a proposal under Section 1310 of the Insurance Law to effectuate a comprehensive Surplus Restoration Plan (as such term is defined below), and eliminate the impairment to the Company's surplus; and

WHEREAS, the Company proposes to: commence a tender offer for the acquisition or exchange of certain residential mortgage backed securities ("RMBS") guaranteed by the Company in the primary market; continue to pursue commutations with the holders of insured collateralized debt obligations of asset-backed securities ("ABS CDOs"); and commute terminate or restructure the Company's exposure in respect of certain other obligations for which it has established statutory loss reserves; all with a view to remediate its RMBS, ABS CDO, and other exposures, remove its capital impairment and return it to compliance with the applicable minimum surplus to policyholders requirement (the "Surplus Restoration Plan"); and

WHEREAS, in the absence of a successful Surplus Restoration Plan, the Company is expected to continue to report a significant policyholders' deficit; and

WHEREAS, a successful Surplus Restoration Plan is likely to result in a better overall recovery for the policyholders of the Company than what may be expected to be achieved in a rehabilitation or liquidation; and

WHEREAS, the Company has provided assurances that it will act in good faith to expeditiously complete the Surplus Restoration Plan; and

WHEREAS, the Department has reviewed the Letter and the proposed plan to eliminate the impairment.

NOW, THEREFORE, it is hereby **ORDERED** as follows:

1. The Company shall provide to the Superintendent a detailed and final plan of the proposed Surplus Restoration Plan (the "Final Plan") no later than January 5, 2010. In the event that the Superintendent is not provided with the Final Plan by such date, he shall seek an order of rehabilitation or liquidation of the Company forthwith.

2. Without limiting in any way the Superintendent's ability to seek rehabilitation or liquidation of the Company prior to such date, the Company shall take such steps as may be necessary to remove the impairment of its capital and to return to

compliance with its minimum surplus to policyholders' requirement by not later than March 25, 2010, or such subsequent date as the Superintendent deems appropriate.

3. Until the Company achieves compliance with paragraph 2 of this Order, the Company shall not write any new policies, and as of November 24, 2009, shall suspend paying any and all claims and otherwise shall operate only in the ordinary course and as necessary to effectuate the Surplus Restoration Plan.

Dated: New York, New York
November 24, 2009

JAMES J. WRYNN
Superintendent of Insurance

By: 

Michael Moriarty
Deputy Superintendent of Insurance