

Financial Guaranty Insurance Company

Quarterly Operating Review

First Quarter 2019





FGIC
Quarterly Operating Review
First Quarter 2019

Company Profile

Financial Guaranty Insurance Company (the “Company” or “FGIC”), a wholly owned subsidiary of FGIC Corporation (“FGIC Corp.”), is a New York stock insurance corporation regulated by the New York State Department of Financial Services (the “NYSDFS”). The Company previously issued financial guaranty insurance policies insuring public finance, structured finance and other obligations, but it is no longer engaged in the business of writing new insurance policies. The Company is currently responsible for administering its outstanding policies in accordance with the Rehabilitation Plan (defined below), any NYSDFS Guidelines and applicable law.

On June 28, 2012, the Supreme Court of the State of New York (the “Rehabilitation Court”) issued an order pursuant to Article 74 of the Insurance Law (“Article 74”) placing FGIC in rehabilitation. On June 11, 2013, the Rehabilitation Court approved the First Amended Plan of Rehabilitation for FGIC, dated June 4, 2013, together with all exhibits and the plan supplement thereto (collectively, the “Rehabilitation Plan”). The Rehabilitation Plan became effective on August 19, 2013 (the “Effective Date”), whereupon FGIC’s rehabilitation proceeding terminated. Additional information about the Rehabilitation Plan is available at:

www.fgic.com/policyholderinfocenter

This Operating Review should be read in conjunction with the Statutory-Basis Financial Statements of FGIC and the Statutory Statements of FGIC filed with the NYSDFS. These can be accessed at

www.fgic.com/investorrelations/financialreports

Company Contact Information

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SELECTED STATUTORY FINANCIAL INFORMATION

(Dollars in Millions)

	March 31		Year Ended December 31		
	2019	2018	2018	2017	2016
SAP Statements of Operations:					
Premiums written, net of reinsurance	\$ 1.7	\$ 2.0	\$ 4.9	\$ 6.7	\$ 9.1
Net premiums earned	1.7	2.0	6.5	13.6	19.7
Losses incurred	(19.0)	(19.0)	(46.7)	(93.0)	(139.3)
Loss adjustment expenses incurred	-	(2.7)	(3.2)	(16.4)	(19.5)
Operating expenses	(6.8)	(8.1)	(26.0)	(28.4)	(30.7)
Ceding commission income	0.1	0.1	0.1	0.1	0.1
Underwriting loss	(24.0)	(27.8)	(69.3)	(124.1)	(169.7)
Net investment income	19.2	20.5	80.5	87.9	89.0
Net realized capital gains, net of tax expense	17.6	12.1	20.3	40.3	23.7
Other (loss) income	(8.4)	2.4	7.0	4.7	55.2
Income (loss) before federal and foreign income taxes	4.4	7.2	38.5	8.8	(1.8)
Federal and foreign income tax benefit	(5.4)	(4.7)	(11.2)	-	(4.5)
Net income	<u>\$ 9.8</u>	<u>\$ 11.9</u>	<u>\$ 49.7</u>	<u>\$ 8.8</u>	<u>\$ 2.7</u>
SAP Balance Sheets:					
Total cash and investments	\$ 2,212.1	\$ 2,324.4	\$ 2,203.5	\$ 2,316.4	\$ 2,459.4
Accrued investment income	20.4	19.6	19.5	21.4	22.4
Other assets	-	1.1	-	1.1	1.3
Reinsurance receivable	-	-	-	0.1	-
Receivable from parent and subsidiaries	0.3	0.7	0.7	1.1	0.5
Federal and foreign income tax receivable	6.5	1.5	5.8	0.1	2.1
Total assets	<u>\$ 2,239.3</u>	<u>\$ 2,347.3</u>	<u>\$ 2,229.5</u>	<u>\$ 2,340.2</u>	<u>\$ 2,485.7</u>
Claims Reserve ⁽¹⁾	\$ 1,288.6	\$ 1,470.3	\$ 1,334.4	\$ 1,518.2	\$ 1,311.6
DPO ⁽²⁾	1,469.3	1,533.6	1,453.8	1,484.7	1,678.3
DPO Accretion ⁽²⁾	217.5	184.8	206.2	172.0	128.8
Policy Revision Adjustment (PRA)	(1,255.4)	(1,348.5)	(1,276.6)	(1,331.1)	(1,169.0)
Loss Reserves ⁽¹⁾	\$ 1,720.0	\$ 1,840.2	\$ 1,717.8	\$ 1,843.8	\$ 1,949.7
Loss adjustment expenses	14.2	25.4	16.6	26.8	24.1
Unearned premiums	39.3	41.0	39.3	41.0	47.9
Contingency reserves	373.3	342.9	365.4	334.5	318.3
Other liabilities	26.1	30.7	24.0	27.7	79.3
Total liabilities	2,172.9	2,280.2	2,163.1	2,273.7	2,419.3
Common stock	15.0	15.0	15.0	15.0	15.0
Redeemable preferred stock	300.0	300.0	300.0	300.0	300.0
Unassigned deficit	(248.6)	(248.6)	(248.6)	(248.6)	(248.6)
Total capital and surplus	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>
SAP Statements of Changes in Capital and Surplus:					
Balance at January 1	\$ 66.4	\$ 66.4	\$ 66.4	\$ 66.4	\$ 66.4
Net income	9.8	11.9	49.7	8.8	2.7
Change in net unrealized gains	(1.6)	(2.8)	(15.1)	(5.5)	7.2
Change in net deferred income tax	(1.1)	(2.2)	(9.8)	24.5	-
Change in non-admitted assets	0.8	1.5	6.0	(11.6)	0.7
Change in contingency reserves	(7.9)	(8.5)	(30.8)	(16.2)	(10.8)
Other changes in capital and surplus	-	-	-	-	0.2
Balance at end of period	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>
Summary of Other Statutory Data:					
Net par in force	5,401.2	6,549.7	5,515.4	6,663.4	9,198.7
Net debt service in force	7,967.2	9,542.4	8,166.3	9,671.9	13,719.0

(1) See Notes on Page 4.

(2) Capitalized terms which are defined in the Rehabilitation Plan and are used but not otherwise defined in this report have the meanings ascribed to them in the Rehabilitation Plan.

Certain prior year amounts have been reclassified to conform to the 2019 presentation.



PROJECTED FUTURE INSTALLMENT PREMIUM

(Dollars in Millions)

**Future Installment
Premium Projected as
of March 31, 2019**

Nine months ended:

December 31, 2019 3.0

Twelve months ended:

December 31, 2020 4.7

December 31, 2021 4.2

December 31, 2022 3.8

December 31, 2023 3.5

December 31, 2024 3.3

Five years ended:

December 31, 2029 12.2

December 31, 2034 7.8

December 31, 2039 4.7

December 31, 2044 1.8

December 31, 2048 0.2



INVESTMENT PORTFOLIO
(Dollars in Millions)

	March 31, 2019	December 31, 2018
Investments At Fair Value		
Long-term		
Municipal obligations	\$ 237.2	\$ 263.9
U.S. government obligations	203.4	204.3
Asset backed securities	402.2	381.6
Corporate ⁽¹⁾	1,030.0	980.4
High yield corporate	<u>229.3</u>	<u>121.9</u>
Total long-term	2,102.1	1,952.1
Short-term investments	0.3	0.8
Cash equivalents	67.1	30.7
Common stock	-	121.1
Total	<u><u>\$ 2,169.5</u></u>	<u><u>\$ 2,104.7</u></u>

⁽¹⁾ Corporate includes a Surplus Note of \$9.528 reported separately on the Balance Sheet

Rating ⁽²⁾	March 31, 2019	December 31, 2018
AAA	15.6%	13.4%
AA	21.7%	25.9%
A	24.5%	25.5%
BBB	27.7%	29.4%
BIG	<u>10.5%</u>	<u>5.8%</u>
	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

⁽²⁾ Ratings represent lower of Moody's, S&P and Fitch



LOSS RESERVES AND POLICY CLAIM INFORMATION
(Dollars in Millions)

Loss Reserve Detail ⁽¹⁾	March 31, 2019	December 31, 2018
Claims Reserve	\$ 1,288.6	\$ 1,334.4
DPO	1,469.3	1,453.8
DPO Accretion	217.5	206.2
Total	<u>2,975.4</u>	<u>2,994.4</u>
Policy Revision Adjustment	<u>(1,255.4)</u>	<u>(1,276.6)</u>
Loss reserve at end of period	<u>\$ 1,720.0</u>	<u>\$ 1,717.8</u>

(1) In accordance with NYSDFS Guidelines, FGIC records loss reserves for any reporting period ending on or after the Effective Date in an amount equal to the excess at the applicable reporting date of (i) the amount of FGIC's admitted assets minus FGIC's Minimum Surplus Amount (currently \$66.4 million) over (ii) the sum of FGIC's statutory reserves excluding loss reserves (e.g., unearned premiums, contingency reserves, loss adjustment expense reserves) and other liabilities. The loss reserve amount comprises the total amount of (i) the Claims Reserve, (ii) the DPO for all policies and (iii) the DPO Accretion for all policies, minus the Policy Revision Adjustment.

See the Statutory-Basis Financial Statements of FGIC for additional information regarding the matters referred to in this table.

Policy Claim Detail ⁽²⁾	March 31, 2019
Submitted Claims under Rehabilitation Plan	\$ 3,629.6
Permitted Claims under Rehabilitation Plan	\$ 2,884.0
Claims Submitted; Review Pending	\$ 4.4

(2) These amounts represent Policy Claims which were submitted to and Permitted by FGIC in accordance with the Rehabilitation Plan, regardless of the actual amount of the applicable Policy Claim submitted to FGIC, from the Effective Date of the Rehabilitation Plan through March 31, 2019.

Refer to the Rehabilitation Plan for additional information.



INSURED EXPOSURE BY BOND TYPE AND GEOGRAPHY
As of March 31, 2019
(Dollars in Millions)

	Gross Par in Force ⁽¹⁾	Net Par in Force ⁽¹⁾	% of Total Net Par in Force
U.S. Public Finance			
Tax Backed ⁽²⁾	859.1	831.3	15%
Project Finance	639.9	494.8	9%
General Obligation	316.7	309.6	6%
Housing	21.0	21.0	0%
Investor-Owned Utilities	10.5	10.5	0%
Higher Education	8.4	8.4	0%
Water and Sewer ⁽²⁾	1.3	1.2	0%
Total Public Finance	1,856.9	1,677.0	31%
U.S. Structured Finance			
RMBS	2,384.9	2,375.4	44%
Student Loan	180.3	180.3	3%
RV/Marine	0.3	0.3	0%
Total Structured Finance	2,565.5	2,556.0	47%
International			
Project Finance	1,075.1	1,075.1	20%
Investor-Owned Utilities	83.2	83.2	2%
Toll Road	9.9	9.9	0%
Total International	1,168.2	1,168.2	22%
Total	5,590.6	5,401.2	100%

1) With respect to any FGIC-insured exposure, (i) gross par in force is based on the outstanding principal amount of such exposure, as of the date of determination, but, if such exposure has been the subject of any permitted policy claim paid by FGIC at the CPP in accordance with the Rehabilitation Plan, the gross par in force is reduced by the total amount of all such permitted policy claims relating to principal (without duplication of any other actual reductions), not merely by the CPP portion thereof paid in cash, since the Rehabilitation Plan prohibits future policy claims for that principal amount or interest thereon, and (ii) net par in force means the gross par in force for such exposure net of any related reinsurance.

2) Certain insured exposures were reclassified from prior reporting periods.



RMBS INSURED EXPOSURE BY ASSET CLASS AND YEAR OF CLOSURE

Net Par in Force as of 3/31/19

(Dollars in Millions)

	Pre-2004	2004	2005	2006	2007	Total
Alt-A (1st lien)						
Number of Transactions.	-	4	6	5	-	15
Net Par in Force (in \$).	-	145.3	146.9	119.6	-	411.8
HELOC						
Number of Transactions.	-	7	6	4	1	18
Net Par in Force (in \$).	-	58.2	115.1	133.6	57.8	364.7
Closed end seconds						
Number of Transactions.	-	-	-	8	-	8
Net Par in Force (in \$).	-	-	-	613.4	-	613.4
Subprime (1st lien)						
Number of Transactions.	20	3	4	1	3	31
Net Par in Force (in \$).	58.8	90.0	190.7	40.1	605.8	985.4
Prime (1st lien)						
Number of Transactions.	1	-	-	-	-	1
Net Par in Force (in \$).	0.1	-	-	-	-	0.1
Total						
Number of Transactions.	21	14	16	18	4	73
Net Par in Force	\$ 58.9	\$ 293.5	\$ 452.6	\$ 906.7	\$ 663.6	\$ 2,375.4



TOP INSURED EXPOSURES

(Dollars in Millions)

Top 10 U.S. Public Finance Exposures

March 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total ⁽¹⁾	
Yankee Ballpark LLC (NYC IDA)	\$	544.2	\$	399.1	7.4%
Puerto Rico Highway Transportation		415.5		387.8	7.2%
Puerto Rico Infras Fin Auth, PR, Spec Tax Rev.		335.5		335.5	6.2%
Puerto Rico Commonwealth GO.		206.1		204.0	3.8%
Puerto Rico Conv Ctr Dist Auth, PR Hotel Rev.		97.1		97.1	1.8%
Green Stadco-New York Jets Stadium.		95.7		95.7	1.8%
Detroit (City of) School District, MI GO.		72.1		67.7	1.3%
New Orleans (City of), LA GO.		37.2		36.7	0.7%
Fort Benning Family Hsg LLC 2007.		19.2		19.2	0.4%
The York Water Company.		10.5		10.5	0.2%
Total	\$	1,833.0	\$	1,653.2	30.6%

Top 15 U.S. Structured Finance Exposures

March 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total ⁽¹⁾	
MSAC 2007-NC4.		419.9		419.9	7.8%
Terwin Mortgage Trust 2006-8SL.		299.7		299.7	5.5%
SLM Private Credit Student Loan Trust 2006-B.		180.3		180.3	3.3%
Argent Mortgage Loan Trust 2005-W1.		160.5		160.5	3.0%
BARN 2007-1, Class N-1.		126.0		126.0	2.3%
Terwin Mortgage Trust 2006-2HGS.		125.5		125.5	2.3%
CWHEQ 2006-H.		116.8		116.8	2.2%
Impac CMB Trust Series 2004-10.		73.7		73.7	1.4%
BSABS 2007-SD3, Class A.		59.9		59.9	1.1%
CWHEQ 2007-C.		57.8		57.8	1.1%
New Century HEL Trust 2004-A (FRMS).		56.6		56.6	1.0%
MASTR 2006-AB1.		50.0		50.0	0.9%
MASTR 2005-AB1.		50.0		50.0	0.9%
CWHEQ 2006-S5.		48.4		48.4	0.9%
CMLTI Series 2005-WF2, Class AF-6B.		47.5		47.5	0.9%
Total	\$	1,872.5	\$	1,872.5	34.7%

Top 5 International Exposures

March 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total ⁽¹⁾	
Consort Healthcare (Birmingham) Limited.		324.2		324.2	6.0%
River Run Project (Canada).		323.5		323.5	6.0%
Consort Healthcare (Mid Yorkshire) Funding plc.		214.7		214.7	4.0%
Praeco Pty Ltd (Australian Defence HQ).		160.9		160.9	3.0%
Premier Transmission Ltd.		83.2		83.2	1.5%
Total	\$	1,106.5	\$	1,106.5	20.5%

⁽¹⁾ Represents percentage of total NPIF.



STRUCTURED FINANCE SERVICERS AND REINSURER EXPOSURE

(Dollars in Millions)

Top 10 Structured Finance Servicers

March 31, 2019

	Gross Par in Force		Net Par in Force	
	Amount		Amount	% of Total ⁽¹⁾
Ocwen Loan Servicing.	\$ 1,351.5	\$	1,351.5	25.0%
Countrywide Home Loans.	491.6		482.1	8.9%
Wells Fargo Bank, NA.	195.2		195.2	3.6%
Sallie Mae, Inc..	180.3		180.3	3.3%
Specialized Loan Servicing LLC.	125.9		125.9	2.3%
Select Portfolio Servicing, Inc..	77.9		77.9	1.4%
JPMorgan Chase.	50.9		50.9	0.9%
CitiMortgage, Inc..	33.1		33.1	0.6%
Green Tree Servicing.	23.4		23.4	0.4%
Green Tree Servicing LLC.	17.6		17.6	0.3%
Total	\$ 2,547.4	\$	2,537.9	47.0%

⁽¹⁾ Represents percentage of total NPIF.

Top Reinsurer Exposures

Ceded Par in Force - As of March 31, 2019

Reinsurer	Reinsurer Rating ⁽²⁾	Ceded Par in Force	Public Finance	RMBS
Assured Guaranty Re Ltd	AA	\$ 182.2	\$ 172.7	\$ 9.5
Assured Guaranty Corp.	AA	\$ 7.1	7.1	0.0
Total		\$ 189.3	\$ 179.8	\$ 9.5

⁽²⁾ S&P ratings from company website.



NET DEBT SERVICE AMORTIZATION ⁽¹⁾
(Dollars in Millions)

	March 31, 2019	
	Scheduled Net Debt Service Amortization	Ending Net Debt Service Outstanding
2019.....	\$ 612.0	\$ 7,355.2
2020.....	760.1	6,595.1
2021.....	738.7	5,856.4
2022.....	639.0	5,217.5
2023.....	297.6	4,919.8
2019-2023.....	3,047.3	4,919.8
2024-2028.....	1,217.2	3,702.6
2029-2033.....	1,136.4	2,566.3
2034-2038.....	1,764.9	801.4
After 2038.....	801.4	-
Total.....	<u>\$ 7,967.2</u>	

⁽¹⁾ Depicts expected amortization of the total insured portfolio (principal and interest), assuming no refundings or calls through the contractual maturity date as of March 31, 2019.