

# Financial Guaranty Insurance Company

Annual Operating Review

2019





**FGIC**  
**Annual Operating Review**  
**December 2019**

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**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](http://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](http://www.fgic.com/investorrelations/financialreports)

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SELECTED STATUTORY FINANCIAL INFORMATION

(Dollars in Millions)

	Year Ended December 31		
	2019	2018	2017
<b>SAP Statements of Operations:</b>			
Premiums written, net of reinsurance . . . . .	\$ 4.2	\$ 4.9	\$ 6.7
Net premiums earned . . . . .	7.4	6.5	13.6
Losses incurred . . . . .	(88.8)	(46.7)	(93.0)
Loss adjustment expenses released (incurred) . . . . .	0.2	(3.2)	(16.4)
Operating expenses . . . . .	(29.3)	(26.0)	(28.4)
Ceding commission income . . . . .	0.1	0.1	0.1
Underwriting loss . . . . .	(110.5)	(69.3)	(124.1)
Net investment income . . . . .	80.4	80.5	87.9
Net realized capital gains, net of tax expense . . . . .	42.8	20.3	40.3
Other (loss) income . . . . .	0.8	7.0	4.7
Income (loss) before federal and foreign income taxes . . . . .	13.6	38.5	8.8
Federal and foreign income tax benefit . . . . .	(11.7)	(11.2)	-
Net income . . . . .	<u>\$ 25.3</u>	<u>\$ 49.7</u>	<u>\$ 8.8</u>
<b>SAP Balance Sheets:</b>			
Total cash and investments . . . . .	\$ 2,192.6	\$ 2,203.5	\$ 2,316.4
Accrued investment income . . . . .	18.8	19.5	21.4
Other assets . . . . .	-	-	1.1
Reinsurance receivable . . . . .	-	-	0.1
Receivable from parent and subsidiaries . . . . .	0.1	0.7	1.1
Federal and foreign income tax receivable . . . . .	2.9	5.8	0.1
Total assets . . . . .	<u>\$ 2,214.4</u>	<u>\$ 2,229.5</u>	<u>\$ 2,340.2</u>
Claims Reserve <sup>(1)</sup> . . . . .	\$ 1,213.3	\$ 1,334.4	\$ 1,518.2
DPO <sup>(2)</sup> . . . . .	1,414.0	1,453.8	1,484.7
DPO Accretion <sup>(2)</sup> . . . . .	231.9	206.2	172.0
Policy Revision Adjustment (PRA) . . . . .	(1,180.5)	(1,276.6)	(1,331.1)
Loss Reserves <sup>(1)</sup> . . . . .	\$ 1,678.7	\$ 1,717.8	\$ 1,843.8
Loss reserves adjustment expenses . . . . .	9.4	16.6	26.8
Unearned premiums . . . . .	36.1	39.3	41.0
Contingency reserves . . . . .	390.1	365.4	334.5
Other liabilities . . . . .	33.7	24.0	27.7
Total liabilities . . . . .	2,148.0	2,163.1	2,273.7
Common stock . . . . .	15.0	15.0	15.0
Redeemable preferred stock . . . . .	300.0	300.0	300.0
Unassigned deficit . . . . .	(248.6)	(248.6)	(248.6)
Total capital and surplus . . . . .	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>
<b>SAP Statements of Changes in Capital and Surplus:</b>			
Balance at January 1 . . . . .	\$ 66.4	\$ 66.4	\$ 66.4
Net income . . . . .	25.3	49.7	8.8
Change in net unrealized gains . . . . .	(0.5)	(15.1)	(5.5)
Change in net deferred income tax . . . . .	(3.0)	(9.8)	24.5
Change in non-admitted assets . . . . .	3.0	6.0	(11.6)
Change in contingency reserves . . . . .	(24.8)	(30.8)	(16.2)
Balance at end of period . . . . .	<u>\$ 66.4</u>	<u>\$ 66.4</u>	<u>\$ 66.4</u>
<b>Summary of Other Statutory Data:</b>			
Net par in force . . . . .	4,978.1	5,515.4	6,663.4
Net debt service in force . . . . .	7,288.9	8,166.3	9,671.9

<sup>(1)</sup> See Notes on Page 4.

<sup>(2)</sup> 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 December 31, 2019**

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**Twelve months ended:**

December 31, 2020 .....	3.9
December 31, 2021 .....	3.8
December 31, 2022 .....	3.5
December 31, 2023 .....	3.2
December 31, 2024 .....	3.0

**Five years ended:**

December 31, 2029 .....	11.9
December 31, 2034 .....	7.8
December 31, 2039 .....	4.7
December 31, 2044 .....	1.8
December 31, 2049 .....	0.2



**INVESTMENT PORTFOLIO**  
(Dollars in Millions)

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
<b>Investments At Fair Value</b>		
Long-term		
Municipal obligations . . . . .	\$ 191.9	\$ 263.9
U.S. government obligations . . . . .	109.4	204.3
Asset backed securities . . . . .	567.8	381.6
Corporate <sup>(1)</sup> . . . . .	1,074.1	980.4
High yield corporate . . . . .	<u>205.7</u>	<u>121.9</u>
Total long-term . . . . .	2,148.9	1,952.1
Short-term investments . . . . .	0.6	0.8
Cash equivalents . . . . .	80.7	30.7
Common stock . . . . .	-	121.1
Total . . . . .	<u><u>\$ 2,230.2</u></u>	<u><u>\$ 2,104.7</u></u>

<sup>(1)</sup> Corporate includes a Surplus Note of \$10.472 reported separately on the Balance Sheet

<b>Rating <sup>(2)</sup></b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
AAA . . . . .	15.6%	13.4%
AA . . . . .	22.9%	25.9%
A . . . . .	25.9%	25.5%
BBB . . . . .	26.8%	29.4%
BIG . . . . .	<u>8.8%</u>	<u>5.8%</u>
	<u><u>100.0%</u></u>	<u><u>100.0%</u></u>

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



**LOSS RESERVES AND POLICY CLAIM INFORMATION**  
*(Dollars in Millions)*

<b>Loss Reserve Detail <sup>(1)</sup></b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Claims Reserve	\$ 1,213.3	\$ 1,334.4
DPO	1,414.0	1,453.8
DPO Accretion	231.9	206.2
Total	<u>2,859.2</u>	<u>2,994.4</u>
Policy Revision Adjustment	<u>(1,180.5)</u>	<u>(1,276.6)</u>
Loss reserve at end of period	<u>\$ 1,678.7</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.

<b>Policy Claim Detail <sup>(2)</sup></b>	<b>December 31, 2019</b>
Submitted Claims under Rehabilitation Plan	\$ 3,779.5
Permitted Claims under Rehabilitation Plan <sup>(3)</sup>	\$ 3,009.4
Claims Submitted; Review Pending	\$ 22.5

(2) These amounts represent claims from the Effective Date of the Rehabilitation Plan through December 31, 2019.

(3) 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.

Refer to the Rehabilitation Plan for additional information.



**INSURED EXPOSURE BY BOND TYPE AND GEOGRAPHY**

**As of December 31, 2019**

*(Dollars in Millions)*

	<b>Gross Par in Force <sup>(1)</sup></b>	<b>Net Par in Force <sup>(1)</sup></b>	<b>% of Total Net Par in Force</b>
<b>U.S. Public Finance</b>			
Tax Backed <sup>(2)</sup>	792.5	764.8	15%
Project Finance	639.9	494.8	10%
General Obligation	272.5	266.9	6%
Housing	20.0	20.0	0%
Investor-Owned Utilities	10.5	10.5	0%
Higher Education	4.7	4.7	0%
Water and Sewer <sup>(2)</sup>	0.1	0.1	0%
<b>Total Public Finance</b>	<b>1,740.2</b>	<b>1,561.8</b>	<b>31%</b>
<b>U.S. Structured Finance</b>			
RMBS	2,123.3	2,116.5	43%
Student Loan	156.1	156.1	3%
RV/Marine	0.1	0.1	0%
<b>Total Structured Finance</b>	<b>2,279.5</b>	<b>2,272.7</b>	<b>46%</b>
<b>International</b>			
Project Finance	1,048.6	1,048.6	22%
Investor-Owned Utilities	79.5	79.5	1%
Toll Road	15.5	15.5	0%
<b>Total International</b>	<b>1,143.6</b>	<b>1,143.6</b>	<b>23%</b>
<b>Total</b>	<b>5,163.3</b>	<b>4,978.1</b>	<b>100%</b>

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 12/31/19**

*(Dollars in Millions)*

	<b>Pre-2004</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total</b>
<b>Alt-A (1st lien)</b>						
Number of Transactions. . . . .	-	4	6	5	-	15
Net Par in Force (in \$). . . . .	-	122.5	138.9	103.5	-	364.9
<b>HELOC</b>						
Number of Transactions. . . . .	-	6	6	4	1	17
Net Par in Force (in \$). . . . .	-	42.7	86.0	104.8	46.8	280.2
<b>Closed end seconds</b>						
Number of Transactions. . . . .	-	-	-	8	-	8
Net Par in Force (in \$). . . . .	-	-	-	557.7	-	557.7
<b>Subprime (1<sup>st</sup> lien)</b>						
Number of Transactions. . . . .	20	3	3	1	3	30
Net Par in Force (in \$). . . . .	50.8	82.5	157.5	37.0	585.9	913.6
<b>Prime (1<sup>st</sup> lien)</b>						
Number of Transactions. . . . .	1	-	-	-	-	1
Net Par in Force (in \$). . . . .	-	-	-	-	-	-
<b>Total</b>						
Number of Transactions. . . . .	21	13	15	18	4	71
Net Par in Force . . . . .	\$ 50.8	\$ 247.7	\$ 382.4	\$ 802.9	\$ 632.7	\$ 2,116.5



## TOP INSURED EXPOSURES

(Dollars in Millions)

### Top 10 U.S. Public Finance Exposures

December 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total <sup>(1)</sup>	
Yankee Ballpark LLC (NYC IDA) . . . . .	\$	544.2	\$	399.1	8.0%
Puerto Rico Highway Transportation . . . . .		394.5		366.8	7.4%
Puerto Rico Infrac Fin Auth, PR, Spec Tax Rev. . . . .		293.0		293.0	5.9%
Puerto Rico Commonwealth GO. . . . .		189.7		188.1	3.8%
Puerto Rico Conv Ctr Dist Auth, PR Hotel Rev. . . . .		97.1		97.1	2.0%
Green Stadco-New York Jets Stadium. . . . .		95.7		95.7	1.9%
Detroit (City of) School District, MI GO. . . . .		56.5		52.8	1.1%
New Orleans (City of), LA GO. . . . .		25.5		25.1	0.5%
Fort Benning Family Hsg LLC 2007. . . . .		19.2		19.2	0.4%
The York Water Company. . . . .		10.5		10.5	0.2%
<b>Total</b> . . . . .	\$	1,725.8	\$	1,547.4	31.1%

### Top 15 U.S. Structured Finance Exposures

December 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total <sup>(1)</sup>	
MSAC 2007-NC4. . . . .		407.7		407.7	8.2%
Terwin Mortgage Trust 2006-8SL. . . . .		295.1		295.1	5.9%
SLM Private Credit Student Loan Trust 2006-B. . . . .		156.1		156.1	3.1%
Argent Mortgage Loan Trust 2005-W1. . . . .		146.5		146.5	2.9%
BARN 2007-1, Class N-1. . . . .		126.0		126.0	2.5%
Terwin Mortgage Trust 2006-2HGS. . . . .		122.4		122.4	2.5%
CWHEQ 2006-H. . . . .		94.6		94.6	1.9%
Impac CMB Trust Series 2004-10. . . . .		61.7		61.7	1.2%
New Century HEL Trust 2004-A (FRMS). . . . .		53.6		53.6	1.1%
BSABS 2007-SD3, Class A. . . . .		52.2		52.2	1.0%
MASTR 2005-AB1. . . . .		50.0		50.0	1.0%
MASTR 2006-AB1. . . . .		46.8		46.8	0.9%
CWHEQ 2007-C. . . . .		46.8		46.8	0.9%
CMLTI Series 2005-WF2, Class AF-6B. . . . .		43.9		43.9	0.9%
Quest Trust 2006-X1. . . . .		37.0		37.0	0.7%
<b>Total</b> . . . . .	\$	1,740.5	\$	1,740.5	35.0%

### Top 5 International Exposures

December 31, 2019

Revenue Stream Name	Gross Par in Force		Net Par in Force		
	Amount		Amount	% of Total <sup>(1)</sup>	
Consort Healthcare (Birmingham) Limited. . . . .		320.8		320.8	6.4%
River Run Project (Canada). . . . .		316.4		316.4	6.4%
Consort Healthcare (Mid Yorkshire) Funding plc. . . . .		213.0		213.0	4.3%
Praeco Pty Ltd (Australian Defence HQ). . . . .		150.8		150.8	3.0%
Premier Transmission Ltd. . . . .		79.5		79.5	1.6%
<b>Total</b> . . . . .	\$	1,080.5	\$	1,080.5	21.7%

<sup>(1)</sup> Represents percentage of total NPIF.



**STRUCTURED FINANCE SERVICERS AND REINSURER EXPOSURE**

(Dollars in Millions)

**Top 10 Structured Finance Servicers**

**December 31, 2019**

	Gross Par in Force		Net Par in Force	
	Amount		Amount	% of Total <sup>(1)</sup>
Ocwen Loan Servicing. . . . .	\$ 1,327.7	\$	1,327.7	26.7%
Countrywide Home Loans. . . . .	374.6		367.7	7.4%
Wells Fargo Bank, NA. . . . .	185.2		185.2	3.7%
Sallie Mae, Inc.. . . . .	156.1		156.1	3.1%
Specialized Loan Servicing LLC. . . . .	122.5		122.5	2.5%
JPMorgan Chase. . . . .	44.2		44.2	0.9%
CitiMortgage, Inc.. . . . .	22.6		22.6	0.5%
Green Tree Servicing. . . . .	19.4		19.4	0.4%
Green Tree Servicing LLC. . . . .	12.3		12.3	0.2%
PNC Bank N.A.. . . . .	5.7		5.7	0.1%
<b>Total</b> . . . . .	<b>\$ 2,270.2</b>	<b>\$</b>	<b>2,263.4</b>	<b>45.5%</b>

<sup>(1)</sup> Represents percentage of total NPIF.

**Top Reinsurer Exposures**

**Ceded Par in Force - As of December 31, 2019**

Reinsurer	Reinsurer Rating <sup>(2)</sup>	Ceded Par in Force	Public Finance	RMBS
Assured Guaranty Re Ltd . . . . .	AA \$	179.6 \$	172.7	\$ 6.8
Assured Guaranty Corp... . . . .	AA \$	5.7	5.7	0.0
<b>Total</b> . . . . .	<b>\$</b>	<b>185.3 \$</b>	<b>178.4</b>	<b>\$ 6.8</b>

<sup>(2)</sup> S&P ratings from company website.



**NET DEBT SERVICE AMORTIZATION <sup>(1)</sup>**  
*(Dollars in Millions)*

	<b>December 31, 2019</b>	
	<b>Scheduled Net Debt Service Amortization</b>	<b>Ending Net Debt Service Outstanding</b>
2020.....	\$ 789.0	\$ 6,499.9
2021.....	743.6	5,756.3
2022.....	633.6	5,122.7
2023.....	299.7	4,823.0
2024.....	270.4	4,552.6
2020-2024.....	2,736.3	4,552.6
2024-2028.....	1,131.1	3,421.5
2029-2033.....	1,055.4	2,366.1
2034-2038.....	1,732.3	633.8
After 2038.....	633.8	-
Total.....	\$ 7,288.9	

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