



# QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2019  
OF THE CONDITION AND AFFAIRS OF THE  
FINANCIAL GUARANTY INSURANCE COMPANY

NAIC Group Code 00000 (Current Period) , 00000 (Prior Period) NAIC Company Code 12815 Employer's ID Number 13-2710717

Organized under the Laws of New York State of Domicile or Port of Entry New York

Country of Domicile United States

Incorporated/Organized 04/10/1972 Commenced Business 07/01/1972

Statutory Home Office 463 7th Avenue, Suite 1600 (Street and Number) , New York, NY, US 10018 (City or Town, State, Country and Zip Code)

Main Administrative Office 463 7th Avenue, Suite 1600 (Street and Number) New York, NY, US 10018 (City or Town, State, Country and Zip Code) 212-312-3000 (Area Code) (Telephone Number)

Mail Address 463 7th Avenue, Suite 1600 (Street and Number or P. O. Box) New York, NY, US 10018 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 463 7th Avenue, Suite 1600 (Street and Number) New York, NY, US 10018 (City or Town, State, Country and Zip Code) 212-312-3000 (Area Code) (Telephone Number)

Internet Web Site Address http://www.fgic.com

Statutory Statement Contact Karen L. Brenner (Name) 212-312-3041 (Area Code) (Telephone Number) (Extension)  
karen.brenner@fgic.com (E-Mail Address) 212-312-3093 (Fax Number)

### OFFICERS

Name	Title	Name	Title
<u>Timothy S. Travers</u>	<u>Chief Executive Officer</u>	<u>A. Edward Turi, III</u>	<u>Executive Vice President and General Counsel</u>
<u>Karen L. Brenner</u>	<u>Vice President and Controller</u>		

### OTHER OFFICERS

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### DIRECTORS OR TRUSTEES

<u>Jamie B. Stewart, Jr., Chairman</u>	<u>Derek M. Donnelly</u>	<u>Cono R. Fusco</u>	<u>Edward J. Grzybowski</u>
<u>Paula A. Price</u>	<u>Timothy S. Travers</u>	<u>A. Edward Turi, III</u>	

State of New York

County of New York ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Timothy S. Travers  
Timothy S. Travers  
Chief Executive Officer

A. Edward Turi, III  
A. Edward Turi, III  
Executive Vice President and General Counsel

Karen L. Brenner  
Karen L. Brenner  
Vice President and Controller

a. Is this an original filing? Yes [X] No [ ]

Subscribed and sworn to before me this 7th day of November 2019

b. If no:  
1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

Camille A. Taylor

Camille A. Taylor  
Notary Public, State of New York  
No. 01TA4994058  
Qualified in New York County  
Commission Expires March 30, 2022

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	2,071,896,719		2,071,896,719	1,955,076,932
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....	33,200,000		33,200,000	154,348,390
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....			0	0
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			0	0
5. Cash (\$ .....8,961,873 ), cash equivalents (\$ .....70,458,192 ) and short-term investments (\$ ..... 0 ) .....	79,420,065		79,420,065	41,922,750
6. Contract loans (including \$ ..... premium notes) .....			0	0
7. Derivatives .....	0		0	0
8. Other invested assets .....	8,859,638		8,859,638	8,864,891
9. Receivables for securities .....	78,947		78,947	0
10. Securities lending reinvested collateral assets .....			0	0
11. Aggregate write-ins for invested assets .....	45,822,245	0	45,822,245	43,243,945
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	2,239,277,614	0	2,239,277,614	2,203,456,908
13. Title plants less \$ ..... charged off (for Title insurers only) .....			0	0
14. Investment income due and accrued .....	19,244,139		19,244,139	19,445,814
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....			0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....			0	0
15.3 Accrued retrospective premiums (\$ ..... ) and contracts subject to redetermination (\$ ..... ) .....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	33,371		33,371	19,373
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	7,972,505	0	7,972,505	5,815,727
18.2 Net deferred tax asset .....	3,594,630	3,594,630	0	0
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software .....	64,453	64,453	0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	290,686	290,686	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	464,141		464,141	718,343
24. Health care (\$ ..... ) and other amounts receivable .....			0	0
25. Aggregate write-ins for other-than-invested assets .....	26,026	0	26,026	33,776
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	2,270,967,565	3,949,769	2,267,017,796	2,229,489,941
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			0	0
28. Total (Lines 26 and 27) .....	2,270,967,565	3,949,769	2,267,017,796	2,229,489,941
<b>DETAILS OF WRITE-INS</b>				
1101. Other Invested Assets .....	45,822,245		45,822,245	43,243,945
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	45,822,245	0	45,822,245	43,243,945
2501. Premium Taxes and State Income Tax Refunds .....	26,026		26,026	21,369
2502. Miscellaneous Receivables .....	0		0	12,407
2503. ....			0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	26,026	0	26,026	33,776

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ ..... )	1,736,165,607	1,717,794,832
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	11,129,242	16,646,170
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)	21,601,164	23,768,735
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	25	0
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses))	0	9,564
7.2 Net deferred tax liability		0
8. Borrowed money \$ ..... and interest thereon \$ .....		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ .....852,946 and including warranty reserves of \$ ..... and accrued accident and health experience rating refunds including \$ ..... for medical loss ratio rebate per the Public Health Service Act)	36,829,113	39,343,216
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	954	679
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated		0
16. Provision for reinsurance (including \$ ..... certified)		0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates		0
20. Derivatives	0	0
21. Payable for securities	8,618,290	0
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes \$ ..... and interest thereon \$ .....		0
25. Aggregate write-ins for liabilities	386,273,401	365,526,745
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	2,200,617,796	2,163,089,941
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	2,200,617,796	2,163,089,941
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock	300,000,000	300,000,000
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes		0
34. Gross paid in and contributed surplus		0
35. Unassigned funds (surplus)	(248,600,000)	(248,600,000)
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 30 \$ ..... )		0
36.2 ..... shares preferred (value included in Line 31 \$ ..... )		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	66,400,000	66,400,000
38. Totals (Page 2, Line 28, Col. 3)	2,267,017,796	2,229,489,941
<b>DETAILS OF WRITE-INS</b>		
2501. Contingency Reserve	386,063,282	365,355,197
2502. Other Liabilities	210,119	171,548
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	386,273,401	365,526,745
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 3,816,734 )	6,322,375	4,237,096	6,895,137
1.2 Assumed (written \$ )		0	0
1.3 Ceded (written \$ 217,850 )	209,387	301,396	369,900
1.4 Net (written \$ 3,598,884 )	6,112,988	3,935,700	6,525,237
DEDUCTIONS:			
2. Losses incurred (current accident year \$ ):			
2.1 Direct	70,530,274	64,659,128	47,103,188
2.2 Assumed		0	0
2.3 Ceded	882,072	1,024,501	368,113
2.4 Net	69,648,202	63,634,627	46,735,075
3. Loss adjustment expenses incurred	(148,268)	2,142,960	3,189,903
4. Other underwriting expenses incurred	19,587,064	18,421,101	25,894,356
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	89,086,998	84,198,688	75,819,334
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(82,974,010)	(80,262,988)	(69,294,097)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	60,927,055	60,568,359	80,515,465
10. Net realized capital gains (losses) less capital gains tax of \$ 7,593,840	36,879,971	21,790,360	20,305,752
11. Net investment gain (loss) (Lines 9 + 10)	97,807,026	82,358,719	100,821,217
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ )		0	0
13. Finance and service charges not included in premiums		0	0
14. Aggregate write-ins for miscellaneous income	(2,343,597)	8,368,170	7,033,467
15. Total other income (Lines 12 through 14)	(2,343,597)	8,368,170	7,033,467
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	12,489,419	10,463,901	38,560,587
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	12,489,419	10,463,901	38,560,587
19. Federal and foreign income taxes incurred	(9,751,214)	(9,839,280)	(11,149,930)
20. Net income (Line 18 minus Line 19)(to Line 22)	22,240,633	20,303,181	49,710,517
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	66,400,000	66,400,000	66,400,000
22. Net income (from Line 20)	22,240,633	20,303,181	49,710,517
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (354,438)	(1,333,360)	3,930,567	(15,051,641)
25. Change in net unrealized foreign exchange capital gain (loss)	(134)	1,179	2,745
26. Change in net deferred income tax	(2,511,215)	(3,357,867)	(9,752,480)
27. Change in nonadmitted assets	2,312,161	4,575,806	5,985,075
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	(20,708,085)	(25,452,866)	(30,894,216)
38. Change in surplus as regards policyholders (Lines 22 through 37)	0	0	0
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	66,400,000	66,400,000	66,400,000
<b>DETAILS OF WRITE-INS</b>			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Salvage and Subrogation Income	(2,573,396)	7,846,300	6,416,564
1402. Other Income	229,799	521,870	616,903
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	(2,343,597)	8,368,170	7,033,467
3701. (Increase) Decrease in Contingency Reserves	(20,708,085)	(25,452,866)	(30,894,216)
3702.		0	0
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(20,708,085)	(25,452,866)	(30,894,216)

## CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance.....	3,637,731	4,220,562	4,955,471
2. Net investment income .....	67,033,193	68,805,603	90,885,955
3. Miscellaneous income .....	9,794,378	9,290,184	12,546,884
4. Total (Lines 1 to 3) .....	80,465,302	82,316,349	108,388,310
5. Benefit and loss related payments .....	51,277,427	168,994,808	172,789,453
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	27,240,571	30,551,823	40,558,566
8. Dividends paid to policyholders .....	0	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses).....	8,968	284	0
10. Total (Lines 5 through 9) .....	78,526,966	199,546,915	213,348,019
11. Net cash from operations (Line 4 minus Line 10) .....	1,938,336	(117,230,566)	(104,959,709)
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	471,876,284	659,885,506	716,388,002
12.2 Stocks .....	135,559,283	25,000,000	25,000,000
12.3 Mortgage loans .....	0	0	0
12.4 Real estate .....	0	0	0
12.5 Other invested assets .....	9,977,102	10,122,059	14,502,172
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	776	(9,218)	(9,218)
12.7 Miscellaneous proceeds .....	2,774,248	4,182,463	2,452,837
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	620,187,693	699,180,810	758,333,792
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	566,122,295	591,343,670	683,231,401
13.2 Stocks .....	0	2,053,156	3,129,395
13.3 Mortgage loans .....	0	0	0
13.4 Real estate .....	0	0	0
13.5 Other invested assets .....	18,928,417	7,450,430	35,426,136
13.6 Miscellaneous applications .....	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	585,050,712	600,847,256	721,786,932
14. Net increase (or decrease) in contract loans and premium notes .....	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	35,136,981	98,333,554	36,546,860
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....	0	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0	0
16.3 Borrowed funds .....	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0	0
16.5 Dividends to stockholders .....	0	0	0
16.6 Other cash provided (applied).....	421,998	879,658	663,461
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	421,998	879,658	663,461
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	37,497,315	(18,017,354)	(67,749,388)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	41,922,750	109,672,138	109,672,138
19.2 End of period (Line 18 plus Line 19.1) .....	79,420,065	91,654,784	41,922,750

# STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS

### Organization and Background

Financial Guaranty Insurance Company (the “Company” or “FGIC”), a New York stock insurance corporation, is a wholly owned subsidiary of FGIC Corporation (“FGIC Corp.”), a Delaware corporation which emerged from a proceeding under Chapter 11 of the United States Bankruptcy Code on April 19, 2013.

FGIC 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. FGIC operates in accordance with the terms and conditions set forth in the Rehabilitation Plan (defined below). FGIC’s primary regulator is the New York State Department of Financial Services (the “NYSDFS”). FGIC UK Limited (“FGIC UK”), a wholly owned United Kingdom insurance subsidiary of FGIC, previously issued financial guaranties covering public finance, structured finance and other obligations, but it is no longer engaged in the business of writing new financial guaranties. FGIC UK’s primary regulator is the UK Prudential Regulation Authority.

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 New York Insurance Law (the “NYIL”) placing FGIC in rehabilitation and appointing the Superintendent of Financial Services of the State of New York as FGIC’s rehabilitator.

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 (as the same may be amended from time to time, collectively, (the “Rehabilitation Plan”) in an order issued pursuant to Article 74 of the NYIL. The Rehabilitation Plan became effective on August 19, 2013 (the “Effective Date”), whereupon FGIC’s rehabilitation proceeding terminated. By notice dated on the Effective Date, FGIC’s rehabilitator set the initial cash payment percentage (“CPP”) at 17%.

On the Effective Date, FGIC emerged from its rehabilitation proceeding as a solvent insurance company under the NYIL, with its policies restructured in a manner intended to ensure it remains solvent and the Rehabilitation Plan became the exclusive means for resolving and paying (i) all policy claims, whenever arising, (ii) all other claims arising during, or relating to, the period prior to the Effective Date and (iii) all equity interests in FGIC in existence as of the commencement date of FGIC’s rehabilitation proceeding (June 28, 2012), in each case other than claims (including policy claims) paid in full by FGIC prior to such date. Claims arising during or relating to the period on and after the Effective Date (other than policy claims) are not covered by the Rehabilitation Plan and will be resolved and paid by FGIC in the ordinary course of business.

As of the Effective Date, any and all policies in force as of the Effective Date (except for certain policies that were novated on that date) were automatically modified by the Rehabilitation Plan.

The Rehabilitation Plan, including the restructured policy terms attached to the Rehabilitation Plan as Exhibit B (the “Restructured Policy Terms”), supersedes any and all provisions of each policy that are inconsistent with the Rehabilitation Plan. FGIC is responsible for administering, reviewing, verifying, reconciling, objecting to, compromising or otherwise resolving all claims (including policy claims) not resolved prior to the Effective Date, in each case in compliance with the Rehabilitation Plan and any applicable guidelines the NYSDFS has issued or may issue to carry out the purposes and effects of the Rehabilitation Plan (“NYSDFS Guidelines”).

With respect to any policy claim permitted by FGIC, pursuant to the Rehabilitation Plan and the applicable policy (as modified by the Rehabilitation Plan), FGIC is obligated to pay in cash to the applicable policy payee only an upfront amount equal to the product of the then-existing CPP and the amount of such permitted policy claim (subject to any setoff rights FGIC may have). The portion of such permitted policy claim not paid or deemed to be paid by FGIC generally comprises a deferred payment obligation (“DPO”) with respect to the applicable policy. The DPO with respect to any policy generally represents the aggregate amount of all permitted policy claims under such policy minus the aggregate amount paid, or deemed to be paid, in cash by FGIC with respect to such policy (other than DPO Accretion, defined below) from and after the Effective Date, subject to further adjustments as provided in the Rehabilitation Plan. From and after the Effective Date, each policy with an outstanding DPO accrues an amount (“DPO Accretion”) in accordance with the Rehabilitation Plan based on such DPO at a rate of 3% per annum (on a daily basis on the basis of a 365-day year). The DPO for any policy and any related DPO Accretion shall only be payable by FGIC when, if and to the extent provided in the Restructured Policy Terms and the Rehabilitation Plan. In the absence of an upward adjustment of the CPP, FGIC shall have no obligation to pay any portion of any DPO or DPO Accretion.

FGIC is required to re-evaluate the CPP (at least annually) pursuant to the procedures set forth in the Restructured Policy Terms to determine whether the CPP should remain the same or be adjusted upward or downward (each, a “CPP Revaluation”). All CPP Revaluations require review and approval by the board of directors of FGIC, and any change in the CPP (among other things) requires the approval of the NYSDFS. In October 2019, in connection with FGIC’s annual CPP Revaluation for 2019, the NYSDFS approved an upward adjustment to the CPP from 38.5% to 43.5% (the “2019 CPP Upward Adjustment”). In August 2018, in connection with FGIC’s annual CPP Revaluation for 2018, the NYSDFS approved an upward adjustment to the CPP from 33% to 38.5%.

The percentage of permitted policy claims that FGIC ultimately pays in cash in accordance with the Rehabilitation Plan, and the timing of any such payments, are subject to various factors and the outcome of future events, including the performance of FGIC’s insured and investment portfolios and the results of FGIC’s litigation and other loss mitigation efforts, and no assurance can be given with respect to the amount of any such percentage or the timing of any such payments. Based on the magnitude of FGIC’s accrued and projected policy claims, while the CPP may further increase over time, FGIC expects to make payments in cash pursuant to the Rehabilitation Plan of only a fractional portion of its permitted policy claims and it does not expect to make any payments pursuant to the Rehabilitation Plan with respect to non-policy claims or equity interests.

References to and descriptions of provisions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court included in these Financial Statements are merely summaries thereof, and do not contain all information necessary to fully understand such provisions and orders. Please refer to the specific terms, requirements and conditions of the Restructured Policy Terms, the Rehabilitation Plan (and related agreements) and orders of the Rehabilitation Court for a full understanding thereof, which in all cases shall govern, rather than any summary description contained in these Financial Statements.

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of the Company have been prepared in conformity with statutory accounting practices prescribed or permitted by the NYSDFS as well as those accounting practices detailed in NYSDFS Guidelines, as described below ("SAP").

**NYSDFS Guidelines**

Pursuant to the provisions of the Rehabilitation Plan, the NYSDFS has issued NYSDFS Guidelines that define certain accounting practices for FGIC for reporting periods ending on or after the Effective Date. In accordance with such NYSDFS Guidelines, for reporting periods ending on or after the Effective Date, FGIC records loss reserves at the applicable reporting date in an amount equal to the excess of (i) the amount of FGIC's admitted assets minus FGIC's minimum required statutory surplus to policyholders at the reporting date (the "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. In accordance with such NYSDFS Guidelines, the loss reserve amount comprises the total amount of (i) the sum, net of reinsurance, of (x) the total amount of all policy claims submitted to FGIC in accordance with the Rehabilitation Plan that are unpaid (excluding any portions of such policy claims that are being disputed by FGIC) and (y) the net present value of the total amount of all policy claims that the Company expects to receive in the future in accordance with the Rehabilitation Plan (using the prescribed statutory discount rate which is based on the average rate of return on FGIC's admitted assets) (such sum is referred to as the "Claims Reserve"), (ii) the DPO for all policies at such reporting date and (iii) the DPO Accretion for all policies at such reporting date, minus an adjustment (the "Policy Revision Adjustment") in an amount that will permit FGIC to report a surplus to policyholders at such reporting date equal to the Minimum Surplus Amount (See also Note 25, Changes in Incurred Losses and Loss Adjustment Expenses).

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of New York is shown below:

	SSAP #	F/S Page	F/S Line #	2019	2018
<b>NET INCOME</b>					
(1) Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$ 22,240,633	\$ 49,710,517
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:				-	-
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP:				-	-
(4) NAIC SAP(1-2-3=4)	XXX	XXX	XXX	<u>\$ 22,240,633</u>	<u>\$ 49,710,517</u>
<b>SURPLUS</b>					
(5) Company state basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 66,400,000	\$ 66,400,000
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:				-	-
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP:				-	-
(8) NAIC SAP(5-6-7=8)	XXX	XXX	XXX	<u>\$ 66,400,000</u>	<u>\$ 66,400,000</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with SAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates, and those differences could be material.

C. Accounting Policies - No significant changes

(2) There have been no changes in the measurement method of SVO-Identified investments since the prior annual statement.

(6) All loan-backed and structured securities (e.g., asset-backed and mortgage-backed securities) are valued at amortized cost using the interest method, including anticipated prepayments. All such securities are adjusted for the effects of changes in prepayment assumptions on the related accretion of discount or amortization of premium of such securities using the retrospective method.

D. Going Concern - None

2. Accounting Changes and Corrections of Errors

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

There were no changes in accounting principles and/or corrections of errors during the nine months ended September 30, 2019.

3. Business Combinations and Goodwill

None

4. Discontinued Operations

None

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans - None
- B. Debt Restructuring - None
- C. Reverse Mortgages - None
- D. Loan-Backed Securities

- (1) Prepayment assumptions for loan-backed and structured securities are obtained from dealer surveys or internal estimates and are based on the current interest rate and economic environment.
- (2) The following summarizes those securities held at September 30, 2019 for which OTTI was recorded during the nine months ended September 30, 2019:

	(1) Amortized Cost Basis Before Other-Than- Temporary Impairment	(2) Other-Than- Temporary Impairment Recognized in Loss	(3) Fair Value 1-2
OTTI recognized 1st quarter			
a. Intent to sell	\$ 5,571,916	\$ 119,819	\$ 5,452,097
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
c. Total 1st quarter	<u>\$ 5,571,916</u>	<u>\$ 119,819</u>	<u>\$ 5,452,097</u>
OTTI recognized 2nd quarter			
d. Intent to sell	\$ -	\$ -	\$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
f. Total 2nd quarter	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTTI recognized 3rd quarter			
g. Intent to sell	\$ -	\$ -	\$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
i. Total 3rd quarter	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OTTI recognized 4th quarter			
j. Intent to sell	\$ -	\$ -	\$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-
l. Total 4th quarter	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
m. Annual aggregate total		<u><u>\$ 119,819</u></u>	

- (3) None

- (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

1. Less than 12 months	<u>\$ 348,141</u>
2. 12 months or longer	<u>\$ 505,502</u>

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 months	<u>\$ 51,718,820</u>
2. 12 months or longer	<u>\$ 66,900,526</u>

- (5) For all investments in loan-backed and structured securities acquired prior to October 1, 2015, a decline in the fair value of any such security below its cost basis as of a reporting date is automatically treated as an other-than-temporary impairment ("OTTI").

FGIC conducts an impairment review no less than quarterly for all investments in loan-backed and structured securities acquired on or after October 1, 2015, in each case which have fair values lower than their respective cost



STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

bases as of the review date. The analysis of a security's decline in value is performed at the lot level. FGIC first determines whether it intends to sell the security. For loan-backed and structured securities, FGIC also determines whether it is more likely than not that it will be unable to hold the security for a period of time to recover its amortized cost basis. The impairment for any loan-backed and structured security that FGIC determines it intends to sell or it is more likely than not that it will be unable to hold for a period of time to recover its amortized cost basis, is considered to be an OTTI.

For loan-backed and structured securities that the Company does not intend to sell and has not determined that it is unable to hold until recovery of their amortized cost bases, the Company estimates the cash flows expected to be collected over the term of each security as of the review date and calculates the present value of those expected cash flows using a discount rate equal to the original effective yield of the security, or in the case of floating rate securities, the then-current coupon. If the present value of future expected cash flows is less than the amortized cost basis of the security, the carrying value of such security is reduced to such present value as of the reporting date, establishing a new cost basis, with a charge to realized loss at such date for the entire reduction. Such realized losses are recorded through income and the new cost basis is not adjusted for subsequent recoveries in fair value. Amortization of premium or discount, as applicable, from the date the security is written down is based on the new cost basis.

- E. Dollar Repurchase Agreements and/or Securities Lending Transactions - None
- F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - None
- G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing - None
- H. Repurchase Agreements Transactions Accounted for as a Sale - None
- I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - None
- J. Real Estate - None
- K. Low-Income Housing Tax Credits - None
- L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted						
	Current Year					6	7
	1	2	3	4	5		
Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
b. Collateral held under security lending agreements	-	-	-	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-
g. Placed under option contracts	-	-	-	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-
i. FHLB capital stock	-	-	-	-	-	-	-
j. On deposit with states	4,522,028	-	-	-	4,522,028	4,345,985	176,043
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-
n. Other restricted assets	33,319,719	-	-	-	33,319,719	35,002,705	(1,682,986)
o. Total restricted assets	\$37,841,747	\$ -	\$ -	\$ -	\$37,841,747	\$39,348,690	\$ (1,506,943)

(a) Subset of column 1

(b) Subset of column 3

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

Restricted Asset Category	Current Year			
	8  Total Nonadmitted Restricted	9  Total Admitted Restricted (5 minus 8)	Percentage	
			10  Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	11  Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	-	-
b. Collateral held under security lending agreements	-	-	-	-
c. Subject to repurchase agreements	-	-	-	-
d. Subject to reverse repurchase agreements	-	-	-	-
e. Subject to dollar repurchase agreements	-	-	-	-
f. Subject to dollar reverse repurchase agreements	-	-	-	-
g. Placed under option contracts	-	-	-	-
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-
i. FHLB capital stock	-	-	-	-
j. On deposit with states	-	4,522,028	0.2	0.2
k. On deposit with other regulatory bodies	-	-	-	-
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-
m. Pledged as collateral not captured in other categories	-	-	-	-
n. Other restricted assets	-	33,319,719	1.5	1.5
<b>o. Total restricted assets</b>	<b>\$ -</b>	<b>\$37,841,747</b>	<b>1.7%</b>	<b>1.7%</b>

(c) Column 5 divided by asset page, column 1, Line 28

(d) Column 9 divided by asset page, column 3, Line 28

(2) None

(3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate)

Description of Assets	Gross (Admitted & Nonadmitted) Restricted					6  Total From Prior Year	7  Increase/ (Decrease) (5 minus 6)	8  Total Current Year Admitted Restricted	Percentage	
	Current Year								9  Gross (Admitted & Nonadmitted) Restricted to Total Assets	10  Admitted Restricted to Total Admitted Assets
	1  Total General Account (G/A)	2  G/A Supporting Protected Cell Account Activity (a)	3  Total Protected Cell Account Restricted Assets	4  Protected Cell Account Assets Supporting G/A Activity (b)	5  Total (1 plus 3)					
On deposit with institutional trustee	\$33,319,719	\$ -	\$ -	\$ -	\$33,319,719	\$35,002,705	\$ (1,682,986)	\$33,319,719	1.5%	1.5%
<b>Total (c)</b>	<b>\$33,319,719</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$33,319,719</b>	<b>\$35,002,705</b>	<b>\$ (1,682,986)</b>	<b>\$33,319,719</b>	<b>1.5%</b>	<b>1.5%</b>

(a) Subset of column 1

(b) Subset of column 3

(c) Total line for columns 1 through 7 should equal 5L(1)n columns 1 through 7 respectively and total line for columns 8 through 10 should equal 5L(1)n columns 9 through 11 respectively

(4) None

M. Working Capital Finance Investments - None

N. Offsetting and Netting of Assets and Liabilities - None

O. Structured Notes - None

P. 5GI Securities - None

Q. Short Sales - None

R. Prepayment Penalty and Acceleration Fees – No significant changes

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

The amortized cost and fair value of the Company's admitted investments in bonds, surplus notes, common stocks, other invested assets, short-term investments and cash equivalents are as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses</b>	<b>Fair Value</b>
<b>September 30, 2019</b>				
Bonds:				
Obligations of states and political subdivisions	\$ 163,573,912	\$ 27,490,118	\$ -	\$ 191,064,030
Loan-backed and structured securities	576,034,761	11,935,337	(853,643)	587,116,455
Obligations of the U.S. government and its agencies and instrumentalities	97,265,294	11,230,517	-	108,495,811
Corporate obligations	1,235,022,752	88,580,381	(204,357)	1,323,398,776
<b>Total bonds</b>	<b>2,071,896,719</b>	<b>139,236,353</b>	<b>(1,058,000)</b>	<b>2,210,075,072</b>
Surplus notes	8,859,638	1,738,450	-	10,598,088
Common stocks	-	-	-	-
Other invested assets	45,822,245	34,725,754	-	80,547,999
Short-term investments	-	-	-	-
Cash equivalents	70,458,192	-	-	70,458,192
<b>Total</b>	<b>\$2,197,036,794</b>	<b>\$ 175,700,557</b>	<b>\$ (1,058,000)</b>	<b>\$2,371,679,351</b>

	<b>Amortized Cost</b>	<b>Gross Unrealized Holding Gains</b>	<b>Gross Unrealized Holding Losses</b>	<b>Fair Value</b>
<b>December 31, 2018</b>				
Bonds:				
Obligations of states and political subdivisions	\$ 220,123,779	\$ 14,727,799	\$ (1,460,941)	\$ 233,390,637
Loan-backed and structured securities	398,855,152	1,379,410	(9,475,585)	390,758,977
Obligations of the U.S. government and its agencies and instrumentalities	205,577,160	3,400,323	(4,635,859)	204,341,624
Corporate obligations	1,130,520,842	9,820,738	(25,546,544)	1,114,795,036
<b>Total bonds</b>	<b>1,955,076,933</b>	<b>29,328,270</b>	<b>(41,118,929)</b>	<b>1,943,286,274</b>
Surplus notes	8,864,891	-	(25,139)	8,839,752
Common stocks	114,739,004	6,740,927	(331,541)	121,148,390
Other invested assets	43,243,945	29,079,839	-	72,323,784
Short-term investments	749,953	458	-	750,411
Cash equivalents	30,717,253	-	-	30,717,253
<b>Total</b>	<b>\$2,153,391,979</b>	<b>\$ 65,149,494</b>	<b>\$ (41,475,609)</b>	<b>\$2,177,065,864</b>

The Company has recorded OTTI of \$0.0 million and \$1.0 million, and \$2.4 million and \$5.5 million, on certain bonds for the three and nine months ended September 30, 2019 and 2018, respectively. OTTI on bonds is included in "Net realized capital gains or losses net of tax" in the statutory-basis statements of operations and represents the difference between the cost bases of these securities and their fair values (or, in the case of loan-backed and structured securities, the present value of expected cash flows) at the reporting date. The Company has recorded OTTI of \$0.2 million and \$12.1 million, and \$0.6 million and \$1.0 million, on other invested assets for the three and nine months ended September 30, 2019 and 2018, respectively. OTTI on other invested assets is included in "Other income" in the statutory-basis statements of operations and represents the difference between the cost bases of these securities and their fair values at the reporting date.

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

The amortized cost and fair value of investments in bonds (including loan-backed and structured securities) at September 30, 2019, by contractual maturity date, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year	\$ 17,447,679	\$ 17,564,481
Due after one through five years	548,903,419	568,881,606
Due after five years through ten years	408,995,221	433,919,282
Due after ten years	520,515,639	602,593,248
Loan-backed and structured securities	576,034,761	587,116,455
Total	<u>\$2,071,896,719</u>	<u>\$2,210,075,072</u>

Net investment income was derived from the following sources:

	<b>Nine Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Income from bonds	\$ 61,037,488	\$ 57,960,603
Income from common stocks	-	2,053,157
Income from surplus notes	308,041	118,437
Income from cash, cash equivalents and short-term investments	<u>1,183,216</u>	<u>1,888,452</u>
Total investment income	62,528,745	62,020,649
Investment expenses	<u>(1,601,690)</u>	<u>(1,452,290)</u>
Net investment income	<u>\$ 60,927,055</u>	<u>\$ 60,568,359</u>

For the three and nine months ended September 30, 2019 and 2018, proceeds from dispositions of investments in bonds carried at amortized cost were \$234.2 million and \$471.9 million, and \$213.4 million and \$659.9 million, respectively. For the three and nine months ended September 30, 2019 and 2018, gross realized gains on such dispositions were \$20.9 million and \$26.7 million, and \$3.0 million and \$22.7 million, respectively. For the three and nine months ended September 30, 2019 and 2018, gross realized losses on such dispositions were \$0.6 million and \$2.0, and \$5.2 million and \$9.7 million, respectively.

For the three and nine months ended September 30, 2019 and 2018, proceeds from dispositions of investments in common stock were \$0.0 million and \$135.6 million, and \$25.0 million and \$25.0 million, respectively. Gross realized gains on such dispositions were \$0.0 million and \$20.9 million, and \$6.7 million and \$6.7 million, for the three and nine months ended September 30, 2019 and 2018, respectively. There were no gross realized losses on such dispositions for the three and nine months ended September 30, 2019 and 2018, respectively. The Company sold all its investments in common stocks in February 2019.

The carrying values of the Company's investment in the common stock of SCA entities were \$33.2 million as of both September 30, 2019 and December 31, 2018. In July 2018, the Company dissolved an SCA entity that was not conducting any active business. The Company recorded a realized gain of \$13.3 million from such dissolution.

**6. Joint Ventures, Partnerships and Limited Liability Companies**

No significant changes

**7. Investment Income**

All investment income due and accrued was admitted at September 30, 2019 and December 31, 2018.

**8. Derivative Instruments**

None

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

A. The components of the net deferred tax asset/(liability) at September 30, 2019 and December 31, 2018 are as follows:

(1)

9/30/2019			
(1)	(2)	(3)	
Ordinary	Capital	(Col 1+2) Total	
(a.) Gross deferred tax assets	\$ 715,085,913	\$ 10,190,621	\$ 725,276,534
(b.) Statutory valuation allowance adjustments	466,343,208	10,121,466	476,464,674
(c.) Adjusted gross deferred tax assets (1a-1b)	248,742,705	69,155	248,811,860
(d.) Deferred tax assets nonadmitted	3,594,630	-	3,594,630
(e.) Subtotal net admitted deferred tax asset (1c-1d)	245,148,075	69,155	245,217,230
(f.) Deferred tax liabilities	245,148,075	69,155	245,217,230
(g.) Net admitted deferred tax asset/(net deferred tax liability) (1e-1f)	\$ -	\$ -	\$ -

12/31/2018			
(4)	(5)	(6)	
Ordinary	Capital	(Col 4+5) Total	
(a.) Gross deferred tax assets	\$ 742,607,795	\$ 9,387,307	\$ 751,995,102
(b.) Statutory valuation allowance adjustments	471,090,373	9,272,517	480,362,890
(c.) Adjusted gross deferred tax assets (1a-1b)	271,517,422	114,790	271,632,212
(d.) Deferred tax assets nonadmitted	5,751,408	-	5,751,408
(e.) Subtotal net admitted deferred tax asset (1c-1d)	265,766,014	114,790	265,880,804
(f.) Deferred tax liabilities	265,766,014	114,790	265,880,804
(g.) Net admitted deferred tax asset/(net deferred tax liability) (1e-1f)	\$ -	\$ -	\$ -

Change			
(7)	(8)	(9)	
(Col 1-4) Ordinary	(Col 2-5) Capital	(Col 7+8) Total	
(a.) Gross deferred tax assets	\$ (27,521,882)	\$ 803,314	\$ (26,718,568)
(b.) Statutory valuation allowance adjustments	(4,747,165)	848,949	(3,898,216)
(c.) Adjusted gross deferred tax assets (1a-1b)	(22,774,717)	(45,635)	(22,820,352)
(d.) Deferred tax assets nonadmitted	(2,156,778)	-	(2,156,778)
(e.) Subtotal net admitted deferred tax asset (1c-1d)	(20,617,939)	(45,635)	(20,663,574)
(f.) Deferred tax liabilities	(20,617,939)	(45,635)	(20,663,574)
(g.) Net admitted deferred tax asset/(net deferred tax liability) (1e-1f)	\$ -	\$ -	\$ -

In accordance with SSAP 101, Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10 ("SSAP 101"), the Company evaluates its deferred income tax asset to determine whether a valuation allowance is required. SSAP 101 requires that companies assess whether a valuation allowance should be established based on the consideration of all available evidence using a "more likely than not" standard. In making such judgments, significant weight is given to evidence that can be objectively verified. Management believes it is more likely than not that the amortization of the net unearned premium reserve, collection of future installment premiums on contracts already written, and income from the investment portfolio will not generate sufficient taxable income to realize the entire deferred tax asset that currently exists. Accordingly, a valuation allowance of \$476.5 million was established against the Company's domestic net deferred tax asset as of September 30, 2019. This resulted in a net deferred tax asset of \$3.6 million, which relates to the Company's AMT credit carryforward discussed below. Such net deferred tax asset is not admitted under SAP. The Company will continue to analyze the need for a valuation allowance on a quarterly basis. The Company's tax returns are subject to routine audits by the Internal Revenue Service and other taxing authorities.

(2) None

(3) None

(4) None

B. None

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

C. Current income taxes incurred consist of the following major components:

	(1) 9/30/2019	(2) 12/31/2018	(3) (Col 1-2) Change
(1) Current Income Tax			
(a.) Federal	\$ (9,750,937)	\$ (11,149,930)	\$ 1,398,993
(b.) Foreign	(277)	-	(277)
(c.) Subtotal	(9,751,214)	(11,149,930)	1,398,716
(d.) Federal income tax on net capital gains	7,593,840	5,397,732	2,196,108
(e.) Utilization of capital loss carry-forwards	-	-	-
(f.) Other	-	-	-
(g.) Federal and foreign income taxes incurred	\$ (2,157,374)	\$ (5,752,198)	\$ 3,594,824

The tax effects of temporary differences that give rise to significant portions of the net deferred tax asset at September 30, 2019 and December 31, 2018 are presented below by tax component:

(2) Deferred Tax Assets:			
(a.) Ordinary			
(1) Discounting of unpaid losses	\$ -	\$ -	\$ -
(2) Unearned premium reserve	773,411	826,207	(52,796)
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefits accrual	1,968,018	2,668,936	(700,918)
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	-	-	-
(11) Net operating loss carry-forward	675,036,455	700,074,218	(25,037,763)
(12) Tax credit carry-forward	4,404,044	6,560,822	(2,156,778)
(13) Other (including items <5% of total ordinary tax assets)	13,274,691	12,848,318	426,373
(14) Unrealized loss - subsidiary	19,629,294	19,629,294	-
(99) Subtotal	715,085,913	742,607,795	(27,521,882)
(b.) Statutory valuation allowance adjustment	466,343,208	471,090,373	(4,747,165)
(c.) Nonadmitted	3,594,630	5,751,408	(2,156,778)
(d.) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	245,148,075	265,766,014	(20,617,939)
(e.) Capital			
(1) Investments	10,190,621	9,387,307	803,314
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	10,190,621	9,387,307	803,314
(f.) Statutory valuation allowance adjustment	10,121,466	9,272,517	848,949
(g.) Nonadmitted	-	-	-
(h.) Admitted capital deferred tax assets (2e99 - 2f - 2g)	69,155	114,790	(45,635)
(i.) Admitted deferred tax assets (2d + 2h)	\$ 245,217,230	\$ 265,880,804	\$ (20,663,574)
(3) Deferred Tax Liabilities:			
(a.) Ordinary			
(1) Investments	\$ 533,601	\$ 533,601	\$ -
(2) Fixed assets	426,030	420,986	5,044
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other (including items <5% of total ordinary tax liabilities)	213	7,101	(6,888)
(6) Tax basis losses incurred adjustment	244,188,231	264,804,325	(20,616,094)
(99) Subtotal	245,148,075	265,766,013	(20,617,938)
(b.) Capital			
(1) Investments	69,155	114,791	(45,636)
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	69,155	114,791	(45,636)
(c.) Deferred tax liabilities (3a99 + 3b99)	\$ 245,217,230	\$ 265,880,804	\$ (20,663,574)
(4) Net deferred tax assets/liabilities (2i - 3c)	\$ -	\$ -	\$ -

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

(5) The change in net deferred income taxes is composed of the following:

	September 30, 2019	December 31, 2018	Change
Current:			
Total adjusted gross deferred tax assets	\$ 248,811,860	\$ 271,632,212	\$ (22,820,352)
Less: Total gross deferred tax liabilities	245,217,230	265,880,804	(20,663,574)
Net deferred tax asset	<u>\$ 3,594,630</u>	<u>\$ 5,751,408</u>	\$ (2,156,778)
Less: tax effect of net unrealized gains (losses)			354,438
Change in net deferred income taxes			<u>\$ (2,511,216)</u>

D. The following is a reconciliation of current federal income taxes computed at the statutory rate on income before provision for federal income taxes and the provision for current federal income taxes:

	Nine Months Ended September 30,	
	2019	2018
Income taxes computed at the statutory rate on income before provision for federal income taxes	\$ 4,217,507	\$ 3,357,655
Tax effect of:		
Tax-exempt interest	-	(90,917)
Change in valuation allowance	(3,898,216)	(935,566)
Realized gain on dissolution of subsidiary	-	(2,782,903)
Other, net	35,147	(237,307)
Expense (benefit) expense for federal income taxes	<u>\$ 354,438</u>	<u>\$ (689,038)</u>
Federal income tax benefit	(2,156,778)	(4,046,906)
Expense related to change in net deferred income taxes	2,511,216	3,357,868
Total statutory income taxes	<u>\$ 354,438</u>	<u>\$ (689,038)</u>

E. As of September 30, 2019, the Company had a domestic net operating loss ("NOL") carryforward of \$3,214.5 million for federal income tax purposes, which will be available (subject to certain limitations) to offset future taxable income. If not used, the NOL carryforward will start expiring in 2029 through 2037 depending on the originating year.

As of September 30, 2019, the Company had an AMT credit carryforward of \$3.6 million for federal income tax purposes. In the absence of offsetting taxable income, the Company may claim a refund of 50% of the then remaining AMT credit carryforward in each tax year through 2020 and 100% of the then remaining AMT credit carryforward in 2021. The Company has recognized the AMT credit as a current period recoverable to the extent it relates to refundable AMT credits for the 2019 tax year. The remaining AMT credit carryforward has been recognized as a deferred tax asset.

	September 30, 2019
Gross AMT credit recognized as:	
Current period recoverable	\$ 2,156,778
Deferred tax asset	3,594,630
Beginning balance of AMT credit carryforward	5,751,408
Amounts recovered	(2,156,778)
Adjustments	-
Ending balance of AMT credit carryforward	<u>3,594,630</u>
Non-admitted	-
Ending balance of AMT credit carryforward	<u>\$ 3,594,630</u>

As of September 30, 2019, the Company had a foreign tax credit carryforward of \$0.8 million, which will be available to offset future foreign tax. If not used, the foreign tax credit carryforward will start expiring in 2034 through 2036 depending on the originating year.

The amount of federal income taxes incurred and available for recoupment in the event of future losses is \$0.

F. FGIC Corp. files a consolidated U.S. federal income tax return which includes FGIC. The method of allocation between FGIC Corp. and FGIC is determined under an amended and restated income tax allocation agreement approved by the NYSDFS and is based upon separate return calculations.

NOTES TO FINANCIAL STATEMENTS

**10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

- A. No significant changes
- B. None
- C. None
- D. No significant changes
- E. None
- F. No significant changes
- G. No significant changes
- H. None
- I. None
- J. None
- K. Not Applicable
- L. Not Applicable
- M. No significant changes
- N. Not Applicable
- O. Not Applicable

**11. Debt**

None

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

- A. None
- B. None
- C. None
- D. None
- E. No significant changes
- F. Not Applicable
- G. Not Applicable
- H. Not Applicable
- I. Not Applicable

**13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

No significant changes

**14. Liabilities, Contingencies and Assessments**

- A. No significant changes
- B. No significant changes
- C. No significant changes
- D. No significant changes
- E. No significant changes
- F. No significant changes
- G. Legal Proceedings

FGIC may be involved from time to time in various legal proceedings filed against it. In addition, FGIC has received, and may in the future receive, various subpoenas, regulatory inquiries, requests for information and document preservation letters. Defending against legal proceedings and responding to subpoenas, regulatory inquiries, requests for information and document preservation letters may involve significant expense and diversion of management's attention and other FGIC resources.



## STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

### NOTES TO FINANCIAL STATEMENTS

FGIC has asserted, and from time to time may assert, claims in legal or arbitration proceedings against third parties to recover losses already incurred by FGIC or to mitigate future losses that FGIC may incur, including the lawsuits described below. The amount of losses that FGIC may recover or mitigate as a result of these proceedings is uncertain, although, in the event of favorable outcomes or settlements, such amount could be material to FGIC's results of operations, financial position, profitability or cash flows.

In *Financial Guaranty Insurance Company v The Putnam Advisory Company, LLC* (U.S. District Court for the Southern District of New York, filed October 1, 2012 and thereafter amended on November 19, 2012), FGIC sued The Putnam Advisory Company ("Putnam"), alleging fraud, negligent misrepresentation and negligence by Putnam in connection with the Pyxis ABS CDO 2006-1 transaction for which Putnam acted as collateral manager. On September 10, 2013, FGIC's complaint was dismissed, with leave to file a further amended complaint. On September 30, 2013, FGIC filed a further amended complaint. On April 28, 2014, the District Court granted Putnam's motion to dismiss FGIC's claims. On April 15, 2015, the United States Court of Appeals for the Second Circuit vacated the District Court's dismissal of FGIC's complaint and remanded the case for further proceedings. On May 18, 2015, Putnam filed its answer to the complaint. On September 10, 2019, the District Court denied FGIC's motion for summary judgment as to its claims arising from Putnam's negligent misrepresentation and negligence, and denied the principal elements of Putnam's motion for summary judgment as to FGIC's claims. The District Court has scheduled FGIC's claims for trial in 2020.

In *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. and Morgan Stanley Mortgage Capital Holdings LLC*, (N.Y. Sup.Ct., Index No. 652853/2014, filed on September 19, 2014), FGIC sued Morgan Stanley ABS Capital I Inc. ("MSAC") and Morgan Stanley Mortgage Capital Holdings LLC ("MSMC"), alleging, *inter alia*, that defendants breached various warranties and affirmative covenants in connection with the securitization transaction known as Basket of Aggregated Residential NIMS 2007-1, including their obligations to repurchase breaching net interest margin securities that collateralized the insured securities, and to reimburse FGIC for payments made under the related FGIC policy. On January 19, 2017, the trial court denied in its entirety defendants' motion to dismiss FGIC's claims. On March 1, 2017, defendants filed their answer to the complaint. On September 13, 2018, the Appellate Division of the Supreme Court of New York, First Department, affirmed the trial court's decision denying defendants' motion to dismiss.

In *Financial Guaranty Insurance Company v. Morgan Stanley, et al.*, (N.Y. Sup.Ct., Index No. 652914/2014, filed on September 23, 2014), FGIC sued MSAC, MSMC, Morgan Stanley (MS) and Morgan Stanley & Co. LLC (collectively, "Morgan Stanley"), and Saxon Mortgage Services, Inc. ("Saxon"), alleging, *inter alia*, that (i) Morgan Stanley fraudulently induced FGIC to insure the RMBS transaction known as MSAC 2007-NC4; (ii) MSAC, MSMC and MS breached various warranties and affirmative covenants, including their obligations to repurchase breaching or fraudulent mortgage loans and to reimburse FGIC for payments made under the related FGIC policy; and (iii) Saxon and MS breached their warranties and obligations under the Pooling and Servicing Agreement for the MSAC 2007-NC4 transaction, including their obligation to provide notice of breaching mortgage loans. On January 23, 2017, the trial court denied in its entirety defendant's motion to dismiss FGIC's claims. On March 1, 2017, defendants filed their answer to the complaint. On September 13, 2018, the Appellate Division of the Supreme Court of New York, First Department, modified the decision of the trial court and granted defendants' motion to dismiss FGIC's fraud claim, but otherwise affirmed the trial court's decision denying defendants' motions to dismiss. On December 20, 2018, FGIC's motion for leave to reargue or appeal this dismissal was denied by the Appellate Division. On July 16, 2019, the trial court granted FGIC's motion for leave to amend its complaint (i) to expressly plead that Morgan Stanley was grossly negligent and (ii) to assert a cause of action related to Morgan Stanley's failure to notify FGIC of breaches of warranties that Morgan Stanley discovered.

In *Assured Guaranty Corp., et al. v. Commonwealth of Puerto Rico, et al.*, (D.P.R., Case No. 17-00156-LTS, filed on June 3, 2017, and thereafter amended on July 23, 2017), FGIC, Assured Guaranty Corp., Assured Guaranty Municipal Corp., and National Public Finance Guarantee Corporation commenced an adversary proceeding in the Puerto Rico Highways and Transportation Authority ("PRHTA") Title III case seeking to enforce the special revenue protections of the U.S. Bankruptcy Code (11 U.S.C. §§ 902, 922(d), 928(a)), which Congress incorporated into Title III proceedings under PROMESA (as defined in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses) with respect to special revenues pledged to secure the repayment of PRHTA bonds. Plaintiffs seek (i) a declaration that defendants have violated Sections 922(d) and 928(a) of the U.S. Bankruptcy Code, and that efforts to compel defendants to transfer such pledged revenues to pay for debt service on PRHTA bonds are not stayed, (ii) injunctive relief prohibiting defendants from taking or causing to be taken any action that would further violate Sections 922(d) and 928(a) of the U.S. Bankruptcy Code and ordering defendants to remit revenues securing the PRHTA Bonds in accordance with such Sections, and (iii) declaratory relief that all funds held in the PRHTA bond reserve accounts are property of the PRHTA bondholders and are being improperly withheld. On January 30, 2018, the District Court granted defendants' motion to dismiss this adversary proceeding. On March 26, 2019, the United States Court of Appeals for the First Circuit affirmed the District Court's dismissal of this adversary proceeding. On July 31, 2019, the United States Court of Appeals for the First Circuit denied plaintiffs' petition for panel rehearing or rehearing *en banc* of this decision. In September 2019, the other plaintiffs in this proceeding filed with the Supreme Court of the United States a petition for writ of certiorari with respect to the First Circuit's decision.

In *Assured Guaranty Corp., et al. v. Commonwealth of Puerto Rico, et al.*, (D.P.R., Case No. 18-00059-LTS, filed on May 23, 2018), FGIC, Assured Guaranty Corp., and Assured Guaranty Municipal Corp. commenced an adversary proceeding in the Commonwealth of Puerto Rico's Title III case seeking a judgment declaring that the revised fiscal plan for the Commonwealth that was certified by the Oversight Board, (as defined in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses) on April 29, 2018, is unlawful and unconstitutional based on, among other things, violations of various provisions of PROMESA and the Contracts, Takings and Due Process Clauses of the U.S. Constitution, and declaring that the Oversight Board cannot use the revised fiscal plan as the basis for proposing a plan of adjustment in the Commonwealth's Title III case. Since July 24, 2019, this adversary proceeding has been stayed pursuant to the Stay and Mediation Order, (as defined in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses). This adversary proceeding had previously been stayed by judicial order from August 13, 2018, until June 24, 2019.

In *The Financial Oversight and Management Board for Puerto Rico, et al. v. Ambac Assurance Corporation, et al.* (D.P.R. Case No. 19-00363, filed on May 20, 2019), the Oversight Board, the Official Committee of Unsecured Creditors and PRHTA commenced an adversary proceeding in PRHTA's Title III case against numerous parties, including FGIC and other insurers and holders of PRHTA's bonds, seeking, among other things, declaratory judgments that such parties do not possess a security interest in anything beyond revenues received by PRHTA and deposited in accounts held by the fiscal agent, and that such parties' claims, to the extent they are valid, are unsecured. On June 11, 2019, FGIC filed its answer, counterclaims and third-party claims, seeking declaratory judgments that (i) FGIC has a lawful lien or priority in the revenues and taxes pledged to secure the PRHTA bonds, and that these pledged revenues and taxes are not subject

# STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

## NOTES TO FINANCIAL STATEMENTS

to clawback or the conditions for effectuating any clawback have not been satisfied, (ii) the Oversight Board acted *ultra vires* and in violation of the U.S. and Commonwealth Constitutions when approving certain fiscal plans and budgets for the Commonwealth and PRHTA and (iii) such fiscal plans and budgets are void. FGIC further seeks through its and counterclaims and third-party claims both writs of mandamus and prohibition to: (a) require the Oversight Board to revoke the invalid fiscal plans and budgets and to develop and approve legal fiscal plans and budgets respecting such liens and priorities of the PRHTA bonds; and (b) prohibit the Oversight Board from approving any fiscal plans or budgets that do not respect such liens and priorities and from proposing any plan of adjustment that is *per se* unconfirmable. Since July 24, 2019, this adversary proceeding has been stayed pursuant to the Stay and Mediation Order.

In *The Financial Oversight and Management Board for Puerto Rico, et al v. Autonomy Master Fund Limited, et al.* (D.P.R. Case No. 19-00291, filed on May 2, 2019), the Oversight Board and the Official Committee of Unsecured Creditors commenced an adversary proceeding in the Commonwealth's Title III case against numerous parties, including FGIC and other insurers and holders of the Commonwealth's general obligation and guaranteed debt, seeking, among other things, declaratory judgments that such parties do not hold consensual or statutory liens against the Commonwealth's good faith, credit, and taxing power, available resources, allocable revenues or property tax revenues, and that such parties' claims, to the extent they are valid, are unsecured. Since July 24, 2019, this adversary proceeding has been stayed pursuant to the Stay and Mediation Order.

On June 21, 2019, FGIC filed a joinder to Ambac Assurance Corporation's motion concerning application of the automatic stay to the rum tax revenues securing certain Puerto Rico Infrastructure Financing Authority ("PRIFA") bonds (D.P.R. Case No. 17-bk-3283-LTS, filed on May 30, 2019). Ambac's motion requests an order finding that the automatic stay does not apply to two lawsuits relating to these PRIFA bonds or, in the alternative, relief from the automatic stay to pursue the two lawsuits in alternative forums or an order requiring the Commonwealth to provide adequate protection with respect to such PRIFA bonds. Since July 24, 2019, this motion has been stayed pursuant to the Stay and Mediation Order.

In *Financial Guaranty Insurance Company v. Alejandro García Padilla, et al.*, (D.P.R., Case No. 3:16-cv-01095, filed on January 19, 2016), FGIC commenced an action for declaratory judgment and injunctive relief seeking, *inter alia*, to invalidate the executive orders issued by the Governor of Puerto Rico on November 30 and December 7, 2015, authorizing the Commonwealth's Treasury Department to clawback certain revenues assigned or pledged to secure the payment of bonds issued by PRIFA, PRHTA and Puerto Rico Convention Center District Authority ("PRCCDA"), including bonds insured by FGIC, on the grounds that they are preempted by federal law and/or violate the Contracts, Due Process, Takings, and Equal Protection Clause of the United States Constitution. On January 21, 2016, FGIC's action was consolidated with an analogous action brought by Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Ambac Assurance Corporation.

On October 4, 2016, the District Court entered an order denying all defendants' motions to dismiss FGIC's claims, except that it dismissed FGIC's preemption-based claim. This action was subject to the PROMESA Stay, and it is now stayed by the commencement of the Commonwealth's PROMESA Title III proceeding.

On March 16, 2017, FGIC filed a motion for leave to intervene as a plaintiff in *Lex Claims, LLC, et al. v. The Commonwealth of Puerto Rico, et al.*, (D.P.R. Case No. 3:16-cv-02374, filed on July 20, 2016), which case was filed by a group of holders of the Commonwealth's general obligation bonds challenging, *inter alia*, the validity of the Puerto Rico Emergency Moratorium and Financial Rehabilitation Act, related executive orders, and the availability of resources pledged to pay bonds issued by the Puerto Rico Sales Tax Financing Corporation (also known by its acronym in Spanish, "COFINA"). Before the District Court ruled on FGIC's motion to intervene, the United States Court of Appeals for the First Circuit, on April 4, 2017, ruled that the PROMESA Stay applied to all claims asserted by the original plaintiffs in this action. Therefore, FGIC's motion for leave to intervene was similarly subject to the PROMESA Stay, and it is now stayed by the commencement of the Commonwealth's PROMESA Title III proceeding.

### 15. Leases

- A. No significant changes
- B. Not Applicable

### 16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk

No significant changes

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

None

### 18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not Applicable

### 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable

### 20. Fair Value Measurements

SSAP 100R specifies a fair value hierarchy based on whether the inputs to valuation techniques used to measure fair value are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about market participants' assumptions based on the best information available in the circumstances. The fair value hierarchy prioritizes model inputs into three broad levels: quoted prices for identical instruments in active markets are Level 1 inputs; quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets are Level 2 inputs; and model-driven valuations in which one or more significant inputs or significant value drivers are unobservable are Level 3 inputs.

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

A.

(1) Fair Value Measurements at Reporting Date

Description for Each Class of Asset or Liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
Bonds:					
Obligations of states and political subdivisions	\$ -	\$ 191,064,030	\$ -	\$ -	\$ 191,064,030
Loan-backed and structured securities	-	587,116,455	-	-	587,116,455
Obligations of the U.S. government and its agencies and instrumentalities	-	108,495,811	-	-	108,495,811
Corporate obligations	-	1,323,398,776	-	-	1,323,398,776
Total bonds	-	2,210,075,072	-	-	2,210,075,072
Surplus notes	-	10,598,088	-	-	10,598,088
Common stocks	-	-	-	-	-
Other invested assets	-	-	80,547,999	-	80,547,999
Short-term investments	-	-	-	-	-
Cash equivalents	-	70,458,192	-	-	70,458,192
Total assets at fair value/NAV	\$ -	\$ 2,291,131,352	\$ 80,547,999	\$ -	\$ 2,371,679,351

(2) Not Applicable

(3) Transfers among Levels 1, 2 and 3 are recognized at the end of the period in which the transfer occurs. The Company reviews the classification of financial instruments in Levels 1, 2 and 3 quarterly to determine whether a transfer is necessary. There have been no transfers into or out of Levels 1, 2 or 3 during the period.

(4) No significant changes

B. None

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$2,210,075,072	\$2,071,896,719	\$ -	\$2,210,075,072	\$ -	\$ -	\$ -
Surplus notes	10,598,088	8,859,638	-	10,598,088	-	-	-
Common stocks	-	-	-	-	-	-	-
Other invested assets	80,547,999	45,822,245	-	-	80,547,999	-	-
Short-term investments	-	-	-	-	-	-	-
Cash equivalents	70,458,192	70,458,192	-	70,458,192	-	-	-
Total	\$2,371,679,351	\$2,197,036,794	\$ -	\$2,291,131,352	\$ 80,547,999	\$ -	\$ -

D. No significant changes.

E. Not Applicable.

21. Other Items

A. None

B. None

C. None

D. None

E. Not Applicable

F. No significant changes

G. None

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

**22. Events Subsequent**

Subsequent events described elsewhere in the notes to these financial statements include: in Organization and Background, Note 25, Changes in Incurred Losses and Loss Adjustment Expenses, and Note 14, Liabilities, Contingencies and Assessments, information relating to the 2019 CPP Upward Adjustment; in Note 25, Changes in Incurred Losses and Loss Adjustment Expenses, information about developments concerning FGIC's Puerto Rico-related insured exposures; and in Note 14, Liabilities, Contingencies and Assessments, information about developments concerning certain legal proceedings.

The date through which subsequent events have been evaluated is November 7, 2019, the date the statutory-basis financial statements were available to be issued.

**23. Reinsurance**

No significant changes

**24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**

None

**25. Changes in Incurred Losses and Loss Adjustment Expenses**

Loss reserves comprise 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. The Policy Revision Adjustment shown in the table below is prescribed by NYSDFS Guidelines and reflects the reduction in the loss reserve components necessary to reflect a Minimum Surplus Amount of \$66.4 million.

The loss reserve components as of September 30, 2019 and December 31, 2018 are summarized as follows:

	<b>September 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
	<i>(In Thousands)</i>	
Claims Reserve	\$ 1,142,552	\$ 1,334,365
DPO	1,528,843	1,453,824
DPO Accretion	238,939	206,171
Total	<u>2,910,334</u>	<u>2,994,360</u>
Policy Revision Adjustment	<u>(1,174,168)</u>	<u>(1,276,565)</u>
Loss reserves, net balance at end of period	<u>\$ 1,736,166</u>	<u>\$ 1,717,795</u>

**Claims Reserve**

The Claims Reserve is calculated on a policy-by-policy basis for insured obligations, net of reinsurance, as of the reporting date (using the prescribed statutory discount rate which is based on the average rate of return on the Company's admitted assets, which was 4.60% at both September 30, 2019 and December 31, 2018). The amount of the discount applied to the Claims Reserve as of September 30, 2019 and December 31, 2018 was \$834.6 million and \$934.5 million, respectively. The amount of the discount decreased by \$99.9 and \$34.5 for the nine months ended September 30, 2019 and the year ended December 31, 2018, respectively. Any decrease (increase) in the amount of the discount is recorded as an increase (decrease) to losses incurred.

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

Activity related to the Claims Reserve for the nine months ended September 30, 2019 and the year ended December 31, 2018 is summarized as follows:

	September 30, 2019	December 31, 2018
	<i>(In Thousands)</i>	
Claims Reserve, beginning of period	\$ 1,334,365	\$ 1,518,188
Total Claims Reserve released related to:		
Current year	-	-
Prior years	(65,517)	(56,595)
Total released	(65,517)	(56,595)
Paid related to:		
Current year	-	-
Prior years	(51,277)	(42,797)
Total paid	(51,277)	(42,797)
DPO related to policy claims paid at the applicable CPP, less DPO reductions:		
Current year	-	-
Prior years	(75,019)	(84,431)
Total related to DPO	(75,019)	(84,431)
Claims Reserve, end of period	<u>\$ 1,142,552</u>	<u>\$ 1,334,365</u>

As of September 30, 2019, FGIC's Claims Reserve was attributable nearly entirely to its Puerto Rico-related insured exposures and certain residential mortgage-backed securities ("RMBS") insured by FGIC. The Claims Reserve decreased \$191.8 million to \$1,142.6 million at September 30, 2019 from \$1,334.4 million at December 31, 2018. The Claims Reserve released of \$65.5 million for the nine months ended September 30, 2019 was primarily driven by decreases in estimated losses for certain FGIC-insured floating rate RMBS due to forward interest rate movements, which were partially offset by a decrease in the amount of the discount applied to the Claims Reserve.

The following table shows the gross and net par in force for FGIC's Puerto Rico-related insured exposures as of September 30, 2019:

	Gross Par In Force*	Net Par In Force*
	<i>(In Thousands)</i>	
Puerto Rico General Obligation	\$ 189,655	\$ 188,078
Puerto Rico Convention Center District Authority	97,075	97,075
Puerto Rico Highways and Transportation Authority (Trans Revs - Senior)	367,200	339,529
Puerto Rico Highways and Transportation Authority (Trans Revs - Subordinate)	27,320	27,320
Puerto Rico Infrastructure Financing Authority**	293,030	293,030
Total	<u>\$ 974,280</u>	<u>\$ 945,032</u>

\* 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.

\*\* Includes capital appreciation bonds (CABs) using their total original principal amount of \$111.2 million. As of September 30, 2019, the total accreted value of these CABs was \$214.9 million.

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

The following table shows the scheduled net debt service due on FGIC's Puerto Rico-related insured exposures as of September 30, 2019, for each of the years presented:

	<b>Puerto Rico General Obligation</b>	<b>Puerto Rico Convention Central District Authority</b>	<b>Puerto Rico Highways and Transportation Authority (Trans Revs - Senior)</b>	<b>Puerto Rico Highways and Transportation Authority (Trans Revs - Subordinate)</b>	<b>Puerto Rico Infrastructure Financing Authority</b>	<b>Total</b>
	<i>(In Thousands)</i>					
2020	\$ 26,232	\$ 4,755	\$ 24,820	\$ 12,571	\$ 54,716	\$ 123,094
2021	95,096	19,075	38,486	17,258	54,712	224,627
2022	60,170	19,073	47,226	-	54,713	181,182
2023	1,579	19,076	28,866	-	8,045	57,566
2024	1,579	19,075	28,865	-	8,045	57,564
Thereafter	36,458	38,147	411,232	-	482,756	968,593
<b>Total</b>	<b>\$ 221,114</b>	<b>\$ 119,201</b>	<b>\$ 579,495</b>	<b>\$ 29,829</b>	<b>\$ 662,987</b>	<b>\$ 1,612,626</b>

There is no scheduled net debt service due for the remainder of 2019.

FGIC's Puerto Rico-related insured exposures are subject to significant stress and credit deterioration arising from Puerto Rico's fiscal, financial, liquidity and other challenges. There is substantial uncertainty as to Puerto Rico's ability and willingness to pay its various debt service obligations, as discussed below.

Puerto Rico has defaulted on all semi-annual debt service payments on FGIC-insured PRIFA bonds due from and after January 1, 2016, FGIC-insured General Obligation ("GO") and GO Guaranteed bonds due from and after July 1, 2016, and FGIC-insured PRHTA and PRCCDA bonds due from and after July 1, 2017. Due to Puerto Rico's defaults, FGIC has made payments in accordance with the terms of its related policies (as modified by the Rehabilitation Plan) in respect of aggregate policy claims of approximately \$358.4 million through September 30, 2019. To the extent Puerto Rico continues to fail to pay scheduled debt service on FGIC-insured exposures as and when due, FGIC would be obligated to pay the related claims under its policies (as modified by the Rehabilitation Plan), and such claims could be material. While FGIC will seek to recover any claim payments it makes, there can be no assurance that FGIC will be able to recover any such payments.

On June 30, 2016, the President of the United States signed into law the Puerto Rico Oversight Management and Economic Stability Act ("PROMESA"). PROMESA, among other things, established the Financial Oversight and Management Board (the "Oversight Board") with broad responsibilities and authority for (i) overseeing the development of budgets and fiscal plans for the Commonwealth and its instrumentalities and (ii) initiating judicial processes under Title III of PROMESA to restructure the debts of the Commonwealth and its instrumentalities, by accessing multiple sections of the U.S. Bankruptcy Code (including cramdown provisions) that were not previously available to Puerto Rico. PROMESA also set forth collective action provisions intended to facilitate consensual debt restructurings pursuant to Title VI of PROMESA. PROMESA provided for an automatic stay of debt-related litigation and other enforcement actions upon its enactment (the "PROMESA Stay"), which expired on May 1, 2017.

On May 3, 2017, the Oversight Board filed a petition in the U.S. District Court for the District of Puerto Rico and thereby commenced a debt adjustment proceeding for the Commonwealth of Puerto Rico under Title III of PROMESA. On May 21, 2017, the Oversight Board filed a petition in the U.S. District Court for the District of Puerto Rico and thereby commenced a debt adjustment proceeding for PRHTA under Title III of PROMESA. The terms and timing for any final outcome of these Title III proceedings are uncertain but could materially impact FGIC.

On June 14, 2017, Judge Laura Taylor Swain (the federal judge hearing the Title III cases) entered an order designating a mediation team comprising five sitting federal judges to facilitate confidential settlement negotiations of any and all issues and proceedings arising in the Title III cases. On October 28, 2019, Judge Swain entered an order extending (i) the stay of the litigation of various issues in the Commonwealth and PRHTA Title III cases, including adversary proceedings and other disputes involving FGIC, from November 30, 2019 to December 31, 2019, and (ii) the mandatory mediation of various matters before the designated mediators, which were imposed by her prior order entered on July 24, 2019 (collectively, the "Stay and Mediation Order"). Since 2017, FGIC has participated in many mediation and negotiation sessions with no resolution to its claims.

The Oversight Board has certified several fiscal plans for the Commonwealth and PRHTA. On May 9, 2019, the Oversight Board certified a revised fiscal plan for the Commonwealth, which projects annual budgetary surpluses through 2037, followed by annual budgetary deficits (the "May 2019 Certified Fiscal Plan"). As was the case with prior certified fiscal plans for the Commonwealth, this revised fiscal plan does not provide a high degree of detail regarding the underlying data, assumptions and rationales supporting those assumptions, which hinders the reconciliation and verification of the financial projections. In addition, the Oversight Board and the Commonwealth appear to be at odds over basic assumptions used in the revised fiscal plan. Consequently, it is difficult to predict with any certainty the ability and willingness of the Oversight Board and Commonwealth to pay, or allocate or appropriate funds for payment of, the existing contractual debt service obligations of the Commonwealth and its authorities and public corporations, including PRIFA and PRCCDA, shown in the revised fiscal plan.

On June 5, 2019, the Oversight Board certified a revised fiscal plan for PRHTA, which continues to exclude large sources of PRHTA revenues from the forecasted cash flows for PRHTA and consequently continues to show limited capacity to pay PRHTA's existing contractual debt service obligations over the six-year period covered by such revised fiscal plan.

## STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

### NOTES TO FINANCIAL STATEMENTS

The Oversight Board may revise these certified fiscal plans if it determines that revisions are warranted. It is unclear, however, whether, or to what extent, the Oversight Board may revise these certified fiscal plans in the future. The nature and extent of any such revisions could be material to FGIC, since the final certified fiscal plans for the Commonwealth and PRHTA are intended to serve as the bases for the plans of adjustment in their respective Title III proceedings.

On September 27, 2019, the Oversight Board filed a joint plan of adjustment for the Commonwealth, the Employees Retirement System and the Puerto Rico Public Buildings Authority, in the Commonwealth's Title III proceeding. The proposed plan of adjustment is based on the May 2019 Certified Fiscal Plan and provides for, among other things, discounted recoveries for holders of GO and GO Guaranteed bonds and minimal recoveries for holders of PRIFA, PRCCDA and PRHTA bonds, which vary by bond type. The Oversight Board may amend this proposed plan of adjustment if it amends the May 2019 Certified Fiscal Plan or otherwise determines that revisions are warranted. It is unclear, however, whether, or to what extent, the Oversight Board may revise this proposed plan of adjustment in the future. The proposed plan of adjustment and the nature and extent of any such revisions could be material to FGIC.

The Oversight Board has not yet filed a proposed plan of adjustment for PRHTA in PRHTA's Title III proceeding, and it is unclear when it will file such plan of adjustment. Any such proposed plan of adjustment, however, may provide for additional recoveries for holders of PRHTA bonds, including bonds insured by FGIC.

On February 15, 2019, the United States Court of Appeals for the First Circuit held that members of the Oversight Board were not appointed in compliance with the Appointments Clause of the U.S. Constitution, but it declined to invalidate any prior actions of the Oversight Board, including the PROMESA Title III proceedings commenced by the Oversight Board. On June 20, 2019, the Supreme Court of the United States granted the separate petitions of the Oversight Board and other parties to review the First Circuit's ruling. On July 2, 2019, the First Circuit extended the stay of its ruling, which had been in effect, pending disposition of the case by the Supreme Court. On October 18, 2019, the Supreme Court heard oral argument from the parties in interest. The Supreme Court's opinion, when rendered, may be material to FGIC.

FGIC has commenced various legal proceedings and taken various legal actions against the Commonwealth, the Oversight Board and others with respect to actions taken (or not taken) that affect the Puerto Rico-related exposures it insures, including those discussed in Note 14, Liabilities, Contingencies and Assessments.

The ultimate impact of Hurricanes Irma and Maria, which caused widespread devastation in the Commonwealth in September 2017 (the "Hurricanes") (and the amount and timing of any federal aid or other assistance for the Commonwealth), PROMESA (including the Title III proceedings that have been or may be filed and legal challenges that have been or may be brought), laws enacted by the Commonwealth, executive orders issued by the Governor of Puerto Rico, and actions taken (or not taken) by the Oversight Board or the Commonwealth, on Puerto Rico and its fiscal, financial, liquidity and other challenges, including the payment or restructuring of its debt obligations (including those insured by FGIC), is uncertain, but could be material to FGIC.

As of September 30, 2019, FGIC's Claims Reserve for its Puerto Rico-related insured exposures was based on various factors and assumptions, including the possible timing and outcome of the Title III proceedings that have been or may be filed and legal challenges that have been or may be brought, the nature, timing and impact of recovery and relief efforts relating to the Hurricanes (including the amount and timing of any federal aid or other assistance for the Commonwealth), and the impact of actions taken (or not taken) by the Oversight Board or the Commonwealth, and other matters, including those highlighted above. The establishment of such Claims Reserve is an inherently uncertain process involving numerous assumptions, estimates and subjective judgments by management about the outcome of future events. Rulings, outcomes or other developments relating to, or otherwise affecting, Puerto Rico, including in the Title III proceedings, may lead to changes in the Claims Reserve for FGIC's Puerto Rico-related insured exposures and the policy claims that FGIC may be required to pay under its related policies, and such changes could be material. It is impossible to predict with any certainty how or when Puerto Rico will be able to resolve its debt and other challenges, and any such resolution could have a material effect on FGIC's Claims Reserve and the related policy claims that FGIC would be required to pay.

The Company believes that the Claims Reserve as of September 30, 2019 is adequate. However, the establishment of the Claims Reserve is an inherently uncertain process involving numerous assumptions, estimates and subjective judgments by management about the outcome of future events. Rulings, outcomes or other developments relating to, or otherwise affecting, Puerto Rico may lead to changes in the Claims Reserve for FGIC's Puerto Rico-related insured exposures and the policy claims that FGIC may be required to pay under its related policies, and such changes could be material. It is impossible to predict with any certainty how or when Puerto Rico will be able to resolve its debt and other challenges, and any such resolution could have a material effect on FGIC's Claims Reserve and the related policy claims that FGIC would be required to pay. Actual loan performance and other RMBS-related developments may lead to changes in the Claims Reserve for insured RMBS, including as to default frequency and liquidation values for loans supporting the insured RMBS, future interest rate movements, the amount and timing of collateral cash flows, and the priority of application of those cash flows under the transactions documents.

Small changes in the assumptions, estimates or judgments used by management, which may arise from, among other things, further deterioration in FGIC-insured Puerto Rico-related exposures or the performance of FGIC-insured RMBS, interest rate movements, or changes in the ability or willingness of insured obligors (including Puerto Rico-related entities) to pay their debt service obligations, could result in significant changes in the Company's loss expectations and the related Claims Reserve. These changes will not affect the Company's loss reserve or operating results as long as a Policy Revision Adjustment is required to be made. There can be no assurance that the Company's estimate of the Claims Reserve is accurate. Accordingly, there can be no assurance that the total amount of policy claims permitted by the Company after September 30, 2019 will not exceed or be less than its Claims Reserve at September 30, 2019, and it is possible that they could significantly exceed such reserve.

In RMBS, asset-backed securities and other securitization transactions insured by FGIC, the structure of the waterfall of cash flows in the transaction documents and applicable terms and conditions of the Rehabilitation Plan may permit FGIC to recover claims paid from subsequent cash flows. The projected recoveries found in Note 36B, Financial Guaranty Insurance, reflect FGIC's current estimate of these recoveries, but there can be no assurance that such recoveries will be received by FGIC. The Company's insured obligations are structured to provide for rights and remedies in order to mitigate claim loss exposure. Loss mitigation activities may include making repurchase claims or pursuing other claims for breaches of representations and warranties by the originator or others, obtaining appraisals of collateral or reviews of loan files, enforcing collateral provisions

**STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY**

**NOTES TO FINANCIAL STATEMENTS**

and covenants of the servicer or others, more frequent meetings with the issuer or servicer, evaluating the financial position of the originator or servicer, renegotiating financial covenants, triggers, or terms of servicing, enforcing rights to remove and replace the servicer, evaluating restructuring plans or bankruptcy proceedings, and commencing litigation or arbitration proceedings as and where appropriate.

There can be no assurance that any loss mitigation efforts will be successful, or as to the magnitude of any benefit that might be derived from any such efforts that are successful.

In accordance with the Rehabilitation Plan, each reinsurer is obligated to pay FGIC in full in cash for such reinsurer's reinsured portion of the entire amount of each permitted policy claim covered by the reinsurance, in each case without giving effect to the modification of FGIC's policy obligations and regardless of the amount paid in cash by FGIC on account of such policy claim. Any reinsurance recoverable on losses is calculated in a manner consistent with the calculation of the gross Claims Reserve and reflected in the Claims Reserve as a reduction of the liability.

**DPO**

Activity in the DPO for the nine months ended September 30, 2019 and the year ended December 31, 2018 is summarized as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<i>(In Thousands)</i>	
DPO, beginning of period	\$ 1,453,824	\$ 1,484,761
Payments of DPO	-	(138,789)
DPO related to policy claims paid at the applicable CPP, less DPO reductions	75,019	84,431
DPO increases related to amounts recovered by FGIC	-	23,421
DPO, end of period	<u>\$ 1,528,843</u>	<u>\$ 1,453,824</u>

In connection with the 2019 CPP Upward Adjustment, on October 28, 2019, FGIC made payments of DPO (net of amounts recovered by FGIC) in an aggregate amount of \$108.7 million.

**DPO Accretion**

Activity in the DPO Accretion for the nine months ended September 30, 2019 and the year ended December 31, 2018 is summarized as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<i>(In Thousands)</i>	
DPO Accretion, beginning of period	\$ 206,171	\$ 171,972
DPO Accretion for the period	32,768	48,825
Payments of DPO Accretion	-	(14,626)
DPO Accretion, end of period	<u>\$ 238,939</u>	<u>\$ 206,171</u>

In connection with the 2019 CPP Upward Adjustment, on October 28, 2019, FGIC made payments of DPO Accretion in an aggregate amount of \$17.2 million.

**Policy Revision Adjustment**

Activity in the Policy Revision Adjustment for the nine months ended September 30, 2019 and the year ended December 31, 2018 is summarized as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	<i>(In Thousands)</i>	
Policy Revision Adjustment, beginning of period	\$ (1,276,565)	\$ (1,331,071)
Decrease in Policy Revision Adjustment	102,397	54,506
Policy Revision Adjustment, end of period	<u>\$ (1,174,168)</u>	<u>\$ (1,276,565)</u>

**Loss Adjustment Expense Reserve**

The Company estimates a loss adjustment expense reserve based on the ultimate future net cost, determined using internally developed estimates, of the efforts involved in managing and mitigating existing and future policy claims and recovering or mitigating its policy losses and liabilities.



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**NOTES TO FINANCIAL STATEMENTS**

Activity in the loss adjustment expense reserve for the nine months ended September 30, 2019 and the year ended December 31, 2018 is summarized as follows:

	<b>September 30, December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<i>(In Thousands)</i>	
Net balance at beginning of period	\$ 16,646	\$ 26,828
(Released) incurred related to:		
Current year	-	-
Prior years	(148)	3,190
Total (released) incurred	<u>(148)</u>	<u>3,190</u>
Paid related to:		
Current year	-	-
Prior years	(5,369)	(13,372)
Total paid	<u>(5,369)</u>	<u>(13,372)</u>
Net balance at end of period	<u>\$ 11,129</u>	<u>\$ 16,646</u>

**26. Intercompany Pooling Arrangements**

None

**27. Structured Settlements**

Not Applicable

**28. Health Care Receivables**

Not Applicable

**29. Participating Policies**

None

**30. Premium Deficiency Reserves**

None

**31. High Deductibles**

None

**32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

No significant changes

**33. Asbestos/Environmental Reserves**

None

**34. Subscriber Savings Accounts**

None

**35. Multiple Peril Crop Insurance**

None

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

36. Financial Guaranty Insurance

A. No significant changes

B. Schedule of insured financial obligations at the end of the period

	Surveillance Categories			
	2	3	4	Total
1. Number of policies	12	-	84	96
2. Remaining weighted-average contract period (in years)	2.5	-	9.4	XXX
Insured contractual payments outstanding:				
3a. Principal	\$ 79,911,119	\$ -	\$ 3,077,084,456	\$ 3,156,995,575
3b. Interest	5,693,593	-	1,342,746,280	1,348,439,873
3c. Total	\$ 85,604,712	\$ -	\$ 4,419,830,736	\$ 4,505,435,448
4. Gross claim liability	\$ -	\$ -	\$ 2,249,016,606	\$ 2,249,016,606
Less:				
5a. Gross projected recoveries	-	-	218,862,980	218,862,980
5b. Discount, net	-	-	856,376,968	856,376,968
6. Net claim liability	\$ -	\$ -	\$ 1,173,776,658	\$ 1,173,776,658
7. Unearned premium revenue	\$ 8,284	\$ -	\$ 25,452,824	\$ 25,461,108
8. Reinsurance recoverables	\$ -	\$ -	\$ 33,371	\$ 33,371

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? ..... Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? ..... Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [X]
- 2.2 If yes, date of change: .....
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [X] No [ ]  
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? ..... Yes [ ] No [X]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.  
.....
- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? ..... Yes [ ] No [X]
- 3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.....
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [X]  
If yes, complete and file the merger history data file with the NAIC for the annual filing corresponding to this period.
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? ..... Yes [ ] No [ ] NA [X]  
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. ....12/31/2016
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....12/31/2016
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....05/30/2018
- 6.4 By what department or departments?  
New York State Department of Financial Services.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ ] No [ ] NA [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ ] No [ ] NA [X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [X]
- 7.2 If yes, give full information:  
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

## GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes  No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

.....

- 9.2 Has the code of ethics for senior managers been amended? ..... Yes  No

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

.....

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes  No

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

### FINANCIAL

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?..... Yes  No

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:.....\$ .....7,483

### INVESTMENT

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) ..... Yes  No

11.2 If yes, give full and complete information relating thereto:

.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....0

13. Amount of real estate and mortgages held in short-term investments: .....\$ .....0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? ..... Yes  No

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds .....	\$ .....0	\$ .....
14.22 Preferred Stock .....	\$ .....0	\$ .....
14.23 Common Stock .....	\$ .....33,200,000	\$ .....33,200,000
14.24 Short-Term Investments .....	\$ .....0	\$ .....
14.25 Mortgage Loans on Real Estate .....	\$ .....	\$ .....
14.26 All Other .....	\$ .....	\$ .....
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$ .....33,200,000	\$ .....33,200,000
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....	\$ .....	\$ .....

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? ..... Yes  No

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes  No

If no, attach a description with this statement.

16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$ .....0
16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$ .....0
16.3 Total payable for securities lending reported on the liability page	\$ .....0

## GENERAL INTERROGATORIES

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes  No

17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
State Street Global Services.....	801 Pennsylvania Ave., Kansas City, MO 64105.....
Newport Trust Company.....	570 Lexington Ave., Suite 1903 New York, NY 10022.....

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? .....

Yes  No

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. [“...that have access to the investment accounts”; “...handle securities”]

1 Name of Firm or Individual	2 Affiliation
Wellington Management Company, LLP.....	U.....

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) manage more than 10% of the reporting entity’s assets?

Yes  No

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity’s assets?

Yes  No

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of “A” (affiliated) or “U” (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
106595.....	Wellington Mangement Company, LLP.....	549300YHP12TEZNLX41.....	Securities and Exchange Commission.....	NO.....

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? .....

Yes  No

18.2 If no, list exceptions:

.....

19. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:

- Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or
- a. PL security is not available.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities? .....

Yes  No

20. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- a. The security was purchased prior to January 1, 2018.
- b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is
- c. shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities? .....

Yes  No



**SCHEDULE F - CEDED REINSURANCE**

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Type of Reinsurer	6 Certified Reinsurer Rating (1 through 6)	7 Effective Date of Certified Reinsurer Rating
<b>NONE</b>						

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date – Allocated by States and Territories

States, etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	N	0	0	42,982	503,019	489,516
2. Alaska	AK	N	0	0	0	0	0
3. Arizona	AZ	N	0	0	0	0	0
4. Arkansas	AR	N	0	0	0	0	0
5. California	CA	N	0	0	0	0	0
6. Colorado	CO	N	0	0	0	0	0
7. Connecticut	CT	N	0	0	0	0	0
8. Delaware	DE	N	0	0	0	0	0
9. Dist. Columbia	DC	N	0	0	0	0	0
10. Florida	FL	N	0	0	112,726	1,327,687	1,289,467
11. Georgia	GA	N	24,850	25,397	0	0	0
12. Hawaii	HI	N	0	0	0	0	0
13. Idaho	ID	N	0	0	0	0	0
14. Illinois	IL	N	214	8,001	0	0	0
15. Indiana	IN	N	0	0	0	0	0
16. Iowa	IA	N	0	0	0	0	0
17. Kansas	KS	N	0	0	0	0	0
18. Kentucky	KY	N	0	0	0	0	0
19. Louisiana	LA	N	0	0	0	0	0
20. Maine	ME	N	0	0	0	0	0
21. Maryland	MD	N	0	0	0	0	0
22. Massachusetts	MA	N	40	0	0	0	0
23. Michigan	MI	N	0	0	62,859,700	797,216,326	775,097,907
24. Minnesota	MN	L	43	0	0	0	0
25. Mississippi	MS	N	0	0	0	0	0
26. Missouri	MO	N	0	0	0	0	0
27. Montana	MT	N	0	0	0	0	0
28. Nebraska	NE	N	0	0	0	0	0
29. Nevada	NV	N	0	0	0	0	0
30. New Hampshire	NH	N	0	0	0	0	0
31. New Jersey	NJ	L	133,980	134,680	0	0	0
32. New Mexico	NM	N	0	0	0	0	0
33. New York	NY	L	2,712,279	3,152,268	5,260,495	66,145,471	(12,368,798)
34. No. Carolina	NC	N	0	0	0	0	0
35. No. Dakota	ND	N	0	0	0	0	0
36. Ohio	OH	N	0	0	0	0	0
37. Oklahoma	OK	N	0	0	0	0	0
38. Oregon	OR	N	0	0	0	0	0
39. Pennsylvania	PA	L	0	0	0	0	0
40. Rhode Island	RI	L	0	0	0	0	0
41. So. Carolina	SC	N	0	0	0	0	0
42. So. Dakota	SD	N	0	0	0	0	0
43. Tennessee	TN	N	0	0	0	0	0
44. Texas	TX	L	0	0	165,833	1,943,308	1,890,361
45. Utah	UT	N	0	0	0	0	0
46. Vermont	VT	N	0	0	0	0	0
47. Virginia	VA	N	0	0	0	0	0
48. Washington	WA	N	0	0	0	0	0
49. West Virginia	WV	N	0	0	0	0	0
50. Wisconsin	WI	N	0	0	0	0	0
51. Wyoming	WY	N	0	0	0	0	0
52. American Samoa	AS	N	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0
54. Puerto Rico	PR	L	0	0	48,053,943	41,705,100	969,652,970
55. U.S. Virgin Islands	VI	N	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0
58. Aggregate Other Alien	OT	XXX	945,411	1,083,143	0	11	0
59. Totals	XXX		3,816,734	4,403,572	53,314,438	171,031,823	1,758,274,512
<b>DETAILS OF WRITE-INS</b>							
58001. GBR United Kingdom	XXX		945,411	1,017,769	10		0
58002. AUS Australia	XXX		0	65,374	1		0
58003.	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX		0	0	0	0	0
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX		945,411	1,083,143	0	11	0

(a) Active Status Counts

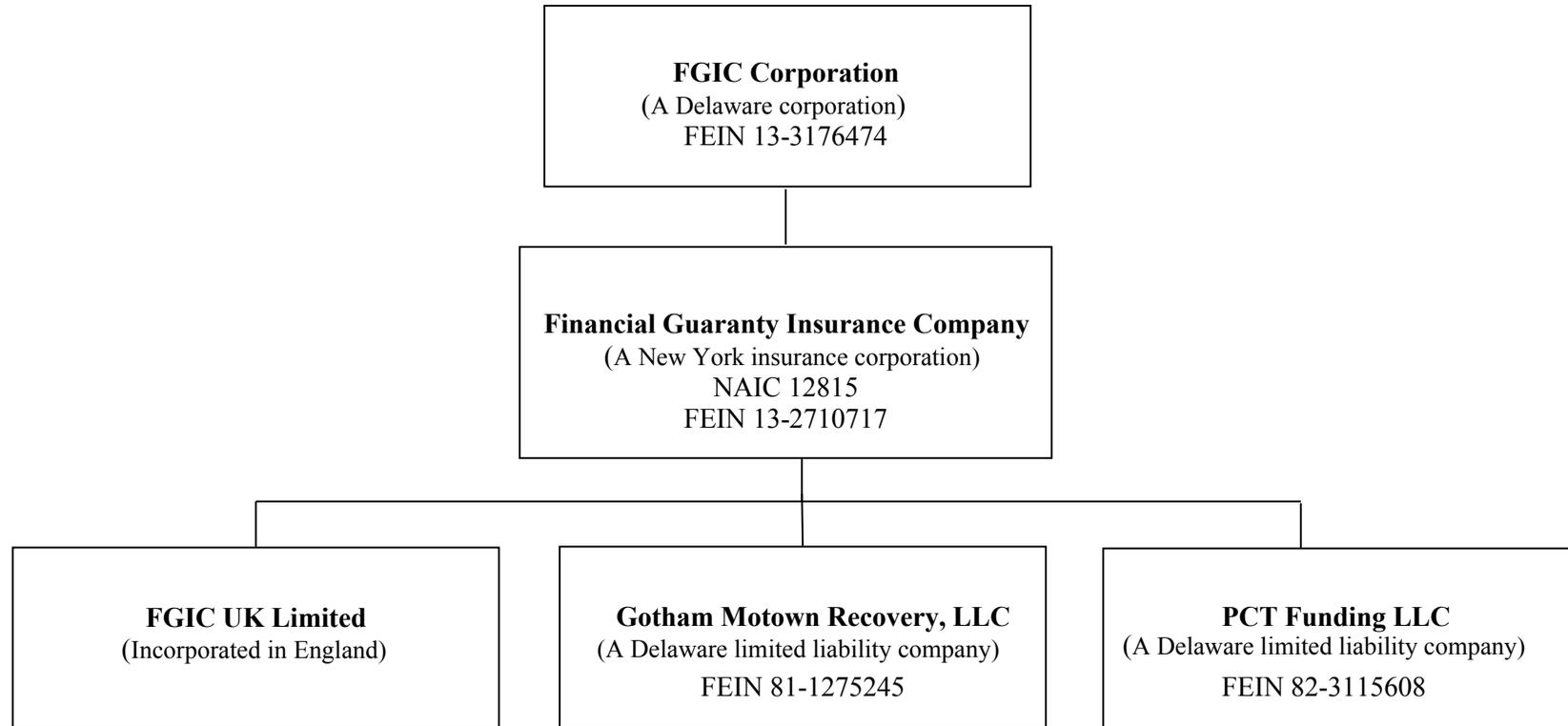
L – Licensed or Chartered – Licensed insurance carrier or domiciled RRG ..... 7 R – Registered – Non-domiciled RRGs ..... 0  
 E – Eligible – Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSLI) ..... 0 Q – Qualified – Qualified or accredited reinsurer ..... 0  
 D – Domestic Surplus Lines Insurer (DSLII) – Reporting entities authorized to write surplus lines in the state of domicile ..... 0 N – None of the above – Not allowed to write business in the state ..... 50

Line 33, New York business column 6, Current Year to Date Direct Losses Unpaid and column 7, Prior Year to Date Direct Losses Unpaid includes losses unpaid of \$(1,174,168,646) and \$(1,329,961,520), respectively, which represents the Policy Revision Adjustment ("PRA") as of September 30, 2019 and 2018, in accordance with NYSDFS Guidelines.



SCHEDULE Y: INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 – ORGANIZATIONAL CHART

**FGIC Group Organization Structure Chart** (as of 9/30/19)



*All ownership interests are 100%, except for Gotham where FGIC is the managing member and holds a 38.5% indirect beneficial ownership interest by virtue of having paid policy claims on the Detroit Pension COPs.*



**PART 1 - LOSS EXPERIENCE**

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			0.0	0.0
2. Allied lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty	6,322,375	(31,866,026)	(504.0)	1,499.8
11.1 Medical professional liability -occurrence			0.0	0.0
11.2 Medical professional liability -claims made			0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability occurrence			0.0	0.0
17.2 Other liability-claims made			0.0	0.0
17.3 Excess Workers' Compensation			0.0	0.0
18.1 Products liability-occurrence			0.0	0.0
18.2 Products liability-claims made			0.0	0.0
19.1,19.2 Private passenger auto liability			0.0	0.0
19.3,19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety			0.0	0.0
26. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	102,396,300	0.0	0.0
35. TOTALS	6,322,375	70,530,274	1,115.6	1,526.0
<b>DETAILS OF WRITE-INS</b>				
3401. Policy Revision Adjustment ('PRA') - NYSDFS Guidelines		102,396,300	0.0	0.0
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	102,396,300	0.0	0.0

**PART 2 - DIRECT PREMIUMS WRITTEN**

Line of Business	1	2	3
	Current Quarter	Current Year to Date	Prior Year Year to Date
1. Fire	0		0
2. Allied lines	0		0
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	0		0
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0		0
10. Financial guaranty	1,083,679	3,816,734	4,403,572
11.1 Medical professional liability-occurrence	0		0
11.2 Medical professional liability-claims made	0		0
12. Earthquake	0		0
13. Group accident and health	0		0
14. Credit accident and health	0		0
15. Other accident and health	0		0
16. Workers' compensation	0		0
17.1 Other liability occurrence	0		0
17.2 Other liability-claims made	0		0
17.3 Excess Workers' Compensation	0		0
18.1 Products liability-occurrence	0		0
18.2 Products liability-claims made	0		0
19.1,19.2 Private passenger auto liability	0		0
19.3,19.4 Commercial auto liability	0		0
21. Auto physical damage	0		0
22. Aircraft (all perils)	0		0
23. Fidelity	0		0
24. Surety	0		0
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. TOTALS	1,083,679	3,816,734	4,403,572
<b>DETAILS OF WRITE-INS</b>			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2019 Loss and LAE Payments on Claims Reported as of Prior Year-End	2019 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2019 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2016 + Prior	3,011,006	(1,276,565)	1,734,441	56,646	0	56,646	2,921,464		(1,174,169)	1,747,295	(32,896)	102,396	69,500
2. 2017			0			0				0	0	0	0
3. Subtotals 2017 + prior	3,011,006	(1,276,565)	1,734,441	56,646	0	56,646	2,921,464	0	(1,174,169)	1,747,295	(32,896)	102,396	69,500
4. 2018			0			0				0	0	0	0
5. Subtotals 2018 + prior	3,011,006	(1,276,565)	1,734,441	56,646	0	56,646	2,921,464	0	(1,174,169)	1,747,295	(32,896)	102,396	69,500
6. 2019	XXX	XXX	XXX	XXX		0	XXX		0	0	XXX	XXX	XXX
7. Totals	3,011,006	(1,276,565)	1,734,441	56,646	0	56,646	2,921,464	0	(1,174,169)	1,747,295	(32,896)	102,396	69,500
8. Prior Year-End Surplus As Regards Policy-holders	66,400												
											Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. (1.1)	2. (8.0)	3. 4.0
													Col. 13, Line 7 Line 8
													4. 104.7

## SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

	<u>Response</u>
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	.....SEE EXPLANATION.....
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	.....NO.....
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	.....NO.....

**Explanation:**

1. Company is a US entity.

**Bar Code:**

2.   
 1 2 8 1 5 2 0 1 9 4 5 5 0 0 0 0 3

3.   
 1 2 8 1 5 2 0 1 9 3 6 5 0 0 0 0 3

4.   
 1 2 8 1 5 2 0 1 9 5 0 5 0 0 0 0 3

**OVERFLOW PAGE FOR WRITE-INS**

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**SCHEDULE A – VERIFICATION**

**Real Estate**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		0
2.2 Additional investment made after acquisition .....		0
3. Current year change in encumbrances .....		0
4. Total gain (loss) on disposals .....		0
5. Deduct amounts received on disposals .....		0
6. Total foreign exchange change in book/adjusted carrying value .....		0
7. Deduct current year's other-than-temporary impairment recognized .....		0
8. Deduct current year's depreciation .....		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) .....	0	0
10. Deduct total nonadmitted amounts .....	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

**SCHEDULE B – VERIFICATION**

**Mortgage Loans**

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		0
2.2 Additional investment made after acquisition .....		0
3. Capitalized deferred interest and other .....		0
4. Accrual of discount .....		0
5. Unrealized valuation increase (decrease) .....		0
6. Total gain (loss) on disposals .....		0
7. Deduct amounts received on disposals .....		0
8. Deduct amortization of premium and mortgage interest points and commitment fees .....		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....		0
10. Deduct current year's other-than-temporary impairment recognized .....		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	0	0
12. Total valuation allowance .....		0
13. Subtotal (Line 11 plus Line 12) .....	0	0
14. Deduct total nonadmitted amounts .....	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

**SCHEDULE BA – VERIFICATION**

**Other Long-Term Invested Assets**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....	8,864,891	8,871,669
2. Cost of acquired:		
2.1 Actual cost at time of acquisition .....		600,940
2.2 Additional investment made after acquisition .....		0
3. Capitalized deferred interest and other .....		0
4. Accrual of discount .....		0
5. Unrealized valuation increase (decrease) .....		0
6. Total gain (loss) on disposals .....		133,540
7. Deduct amounts received on disposals .....		543,550
8. Deduct amortization of premium and depreciation .....	5,253	197,708
9. Total foreign exchange change in book/adjusted carrying value .....		0
10. Deduct current year's other-than-temporary impairment recognized .....		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) .....	8,859,638	8,864,891
12. Deduct total nonadmitted amounts .....	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	8,859,638	8,864,891

**SCHEDULE D – VERIFICATION**

**Bonds and Stocks**

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	2,109,425,322	2,182,334,949
2. Cost of bonds and stocks acquired .....	571,123,138	821,861,366
3. Accrual of discount .....	2,296,085	2,158,086
4. Unrealized valuation increase (decrease) .....	(1,687,799)	(19,052,711)
5. Total gain (loss) on disposals .....	45,426,444	14,817,426
6. Deduct consideration for bonds and stocks disposed of .....	612,520,806	875,087,630
7. Deduct amortization of premium .....	8,096,653	10,422,706
8. Total foreign exchange change in book/adjusted carrying value .....	0	0
9. Deduct current year's other-than-temporary impairment recognized .....	953,408	7,353,598
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees .....	84,396	170,139
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9+10) .....	2,105,096,719	2,109,425,322
12. Deduct total nonadmitted amounts .....	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	2,105,096,719	2,109,425,322

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. NAIC 1 (a).....	1,327,920,626	180,431,489	139,824,003	(10,209,191)	1,309,981,645	1,327,920,626	1,358,318,920	1,309,618,007
2. NAIC 2 (a).....	526,645,932	38,332,821	58,067,965	13,695,862	523,112,384	526,645,932	520,606,650	542,427,648
3. NAIC 3 (a).....	147,074,002	3,132,766	6,190,090	1,656,281	139,914,119	147,074,002	145,672,959	66,460,293
4. NAIC 4 (a).....	65,038,497	302,250	10,175,191	(7,867,366)	65,780,745	65,038,497	47,298,190	36,816,937
5. NAIC 5 (a).....	0				0	0	0	504,000
6. NAIC 6 (a).....	0				4,546,383	0	0	0
7. Total Bonds	2,066,679,057	222,199,326	214,257,249	(2,724,414)	2,043,335,276	2,066,679,057	2,071,896,719	1,955,826,884
<b>PREFERRED STOCK</b>								
8. NAIC 1.....	0				0	0	0	0
9. NAIC 2.....	0				0	0	0	0
10. NAIC 3.....	0				0	0	0	0
11. NAIC 4.....	0				0	0	0	0
12. NAIC 5.....	0		0		0	0	0	0
13. NAIC 6.....	0				0	0	0	0
14. Total Preferred Stock.....	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	2,066,679,057	222,199,326	214,257,249	(2,724,414)	2,043,335,276	2,066,679,057	2,071,896,719	1,955,826,884

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ ..... ; NAIC 2 \$ ..... ;  
NAIC 3 \$ ..... ; NAIC 4 \$ ..... ; NAIC 5 \$ ..... ; NAIC 6 \$ .....

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**SCHEDULE DA - PART 1**

Short-Term Investments

	1 Book/adjusted Carrying value	2 Prior Year Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	<b>NONE</b>				
		XXX			

**SCHEDULE DA - VERIFICATION**

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	749,953	.0
2. Cost of short-term investments acquired .....		82,288,015
3. Accrual of discount .....	3,692	552,524
4. Unrealized valuation increase (decrease).....		.0
5. Total gain (loss) on disposals .....	.776	(9,745)
6. Deduct consideration received on disposals .....	754,420	82,080,841
7. Deduct amortization of premium.....		.0
8. Total foreign exchange change in book/adjusted carrying value.....		.0
9. Deduct current year's other-than-temporary impairment recognized.....		.0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	.0	749,953
11. Deduct total nonadmitted amounts.....		.0
12. Statement value at end of current period (Line 10 minus Line 11)	0	749,953

Schedule DB - Part A - Verification

**NONE**

Schedule DB - Part B - Verification

**NONE**

Schedule DB - Part C - Section 1

**NONE**

Schedule DB - Part C - Section 2

**NONE**

Schedule DB - Verification

**NONE**

**SCHEDULE E – PART 2 – VERIFICATION**

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	30,717,253	90,438,008
2. Cost of cash equivalents acquired .....	559,247,485	789,662,699
3. Accrual of discount .....		125,543
4. Unrealized valuation increase (decrease) .....		0
5. Total gain (loss) on disposals.....		527
6. Deduct consideration received on disposals .....	519,506,546	849,509,524
7. Deduct amortization of premium .....		0
8. Total foreign exchange change in book/adjusted carrying value .....		0
9. Deduct current year's other than temporary impairment recognized .....		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) .....	70,458,192	30,717,253
11. Deduct total nonadmitted amounts .....		0
12. Statement value at end of current period (Line 10 minus Line 11)	70,458,192	30,717,253

Schedule A - Part 2

**NONE**

Schedule A - Part 3

**NONE**

Schedule B - Part 2

**NONE**

Schedule B - Part 3

**NONE**

Schedule BA - Part 2

**NONE**

Schedule BA - Part 3

**NONE**

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation and Administrative Symbol/Market Indicator <sup>(a)</sup>
<b>Bonds - U.S. Governments</b>									
38379E-WG-3	GNR 14117B GB - CMO/RMBS		08/29/2019	GOLDMAN	XXX	3,577,530	3,223,000	940	1
<b>0599999 - Bonds - U.S. Governments</b>						3,577,530	3,223,000	940	XXX
<b>Bonds - All Other Governments</b>									
71654Q-CW-0	PETROLEOS MEXICANOS	C	09/12/2019	JP Morgan	XXX	1,788,192	1,790,000	0	2FE
<b>1099999 - Bonds - All Other Governments</b>						1,788,192	1,790,000	0	XXX
<b>Bonds - U.S. Special Revenue</b>									
3132DV-3M-5	FH SD8004 - RMBS		09/01/2019	Bank of America Merrill Lynch	XXX	16,096,676	15,953,345	5,318	1
3132DV-4D-4	FH SD8020 - RMBS		09/01/2019	VARIOUS	XXX	17,674,673	17,802,107	6,181	1
3132DV-4E-2	FH SD8021 - RMBS		08/01/2019	Nomura	XXX	17,872,031	18,000,000	6,250	1
3136AY-XG-3	FNR 1794B DY - CMO/RMBS		08/29/2019	Citi Bank	XXX	3,064,909	2,936,000	734	1
3140HV-BD-5	FN BL3635 - CMBS/RMBS		09/30/2019	VARIOUS	XXX	8,700,639	8,056,547	9,708	1
3140HV-DZ-4	FN BL3719 - CMBS/RMBS		09/30/2019	Bank of America Merrill Lynch	XXX	5,341,271	4,993,483	832	1
3140JQ-QG-1	FN BN7654 - RMBS		08/01/2019	Nomura	XXX	18,405,735	18,537,525	6,437	1
31418D-ES-7	FN MA3744 - RMBS		09/01/2019	Bank of America Merrill Lynch	XXX	17,091,184	16,938,998	5,646	1
31418D-FF-4	FN MA3765 - RMBS		08/01/2019	Nomura	XXX	17,872,031	18,000,000	6,250	1
31418D-FQ-0	FN MA3774 - RMBS		07/31/2019	BZW SECS	XXX	17,158,711	17,000,000	5,667	1
71781L-AM-1	PHILADELPHIA PA AUTH FOR INDL DEV PENSIO		07/22/2019	BZW SECS	XXX	6,272,502	5,035,000	87,924	1FE
<b>3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions</b>						145,550,363	143,253,005	140,947	XXX
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>									
013817-AW-1	ALCOA INC		07/17/2019	MARKETAXESS	XXX	549,572	520,000	7,995	3FE
023135-BJ-4	AMAZON.COM INC		07/30/2019	Bank of America Merrill Lynch	XXX	734,598	650,000	11,627	1FE
037833-DG-2	APPLE INC		07/30/2019	MORGAN SECURITIES-FIXED INC	XXX	1,470,252	1,400,000	11,375	1FE
095796-AA-6	BLUE RACER MIDSTREAM LLC		07/30/2019	GOLDMAN	XXX	302,250	300,000	3,879	4FE
120111-BM-0	STANDARD INDUSTRIES INC (DELAWARE)		08/07/2019	VARIOUS	XXX	1,273,409	1,241,000	13,857	3FE
136375-CV-2	CANADIAN NATIONAL RAILWAY CO	C	08/26/2019	FREIMARK BLAIR & COMPANY, INC/	XXX	4,835,963	3,750,000	17,615	1FE
14311X-AA-0	CGMS 181 A1 - CDO		08/06/2019	SOCIETE GENERALE	XXX	8,297,753	8,347,000	12,998	1FE
25470D-BG-3	DISCOVERY COMMUNICATIONS LLC		07/30/2019	GOLDMAN	XXX	1,072,050	1,000,000	10,306	2FE
26078J-AF-7	DOWDUPONT INC		07/11/2019	GOLDMAN	XXX	5,807,495	4,830,000	43,623	2FE
337738-AU-2	FISERV INC		07/31/2019	GOLDMAN	XXX	3,935,810	3,825,000	14,131	2FE
345397-ZU-0	FORD MOTOR CREDIT COMPANY LLC		09/20/2019	BNP Paribas	XXX	638,771	640,000	3,156	2FE
35137L-AB-1	FOX CORP		07/30/2019	FREIMARK BLAIR & COMPANY, INC/	XXX	6,892,617	6,500,000	4,366	2FE
53079E-BJ-2	LIBERTY MUTUAL GROUP INC		09/27/2019	CORPORATE ACTION	XXX	4,575,000	4,575,000	0	2FE
57636Q-AG-9	MASTERCARD INC		07/30/2019	USBANC	XXX	932,778	900,000	5,163	1FE
65342Q-AK-8	NEXTERA ENERGY OPERATING PARTNERS LP		08/06/2019	VARIOUS	XXX	258,368	256,000	637	3FE
654106-AE-3	NIKE INC		07/30/2019	GOLDMAN	XXX	3,079,397	2,850,000	27,609	1FE
674599-CW-3	OCCIDENTAL PETROLEUM CORP		08/06/2019	Citi Bank	XXX	9,927,078	9,940,000	0	2FE
674599-DL-6	OCCIDENTAL PETROLEUM CORP		09/18/2019	CORPORATE ACTION	XXX	235,791	180,000	0	2FE
82620K-AM-5	SIEMENS FINANCIERINGSMAATSCHAPPIJ NV	C	07/30/2019	Jefferies & Co., Inc	XXX	1,289,007	1,350,000	16,830	1FE
858912-AF-5	STERICYCLE INC		07/25/2019	Bank of America Merrill Lynch	XXX	348,085	333,000	2,237	3FE
87305Q-CM-1	TTX CO		08/22/2019	VARIOUS	XXX	5,834,169	5,000,000	31,092	1FE
87938W-AX-1	TELEFONICA EMISIONES SAU	C	07/30/2019	Bank of America Merrill Lynch	XXX	2,000,016	1,700,000	39,100	2FE
88947E-AQ-3	TOLL BROTHERS FINANCE CORP		07/01/2019	JP Morgan	XXX	703,333	650,000	17,063	3FE
92826C-AD-4	VISA INC		07/30/2019	TDBank	XXX	2,972,371	2,845,000	11,700	1FE
931142-EC-3	WALMART INC		07/30/2019	GOLDMAN	XXX	772,200	675,000	2,430	1FE
94974B-GK-0	WELLS FARGO & CO		07/31/2019	MORGAN SECURITIES-FIXED INC	XXX	1,085,110	1,000,000	9,858	1FE
961214-EG-4	WESTPAC BANKING CORP	C	07/16/2019	JP Morgan	XXX	1,460,000	1,460,000	0	2FE
<b>3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)</b>						71,283,241	66,717,000	318,646	XXX
<b>8399997 - Subtotals - Bonds - Part 3</b>						222,199,326	214,983,005	460,533	XXX
<b>8399999 - Subtotals - Bonds</b>						222,199,326	214,983,005	460,533	XXX
<b>9999999 Totals</b>						222,199,326	XXX	460,533	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0

E04

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation and Administrative Symbol/Market Indicator <sup>(a)</sup>
<b>Bonds - U.S. Governments</b>																					
912810-RB-6	UNITED STATES TREASURY		08/07/2019	GOLDMAN	.XXX	8,553,809	7,500,000	8,486,523	8,421,879	0	(17,291)	0	(17,291)	0	8,404,589	0	149,220	149,220	157,617	05/15/2043	1
912810-R0-3	UNITED STATES TREASURY		07/31/2019	CITADEL	.XXX	29,886,034	29,995,000	26,177,656	26,200,041	0	52,122	0	52,122	0	26,252,163	0	3,633,871	3,633,871	720,874	02/15/2046	1
912810-SC-3	UNITED STATES TREASURY		07/31/2019	FEDERAL RESERVE BANK OF BOSTON	.XXX	17,765,417	15,825,000	15,812,588	15,812,941	0	147	0	147	0	15,813,088	0	1,952,329	1,952,329	352,085	05/15/2048	1
912810-SF-6	UNITED STATES TREASURY		07/31/2019	RBC	.XXX	10,160,497	9,345,000	9,151,894	0	0	1,707	0	1,707	0	9,153,601	0	1,006,896	1,006,896	129,333	02/15/2049	1
912828-V3-1	UNITED STATES TREASURY		08/19/2019	JPMORGAN CHASE BANK	.XXX	998,398	1,000,000	985,078	986,021	0	8,561	0	8,561	0	994,582	0	3,817	3,817	15,132	01/15/2020	1
912828-WW-6	UNITED STATES TREASURY		07/31/2019	Maturity @ 100.00	.XXX	1,375,000	1,375,000	1,364,096	1,367,361	0	7,639	0	7,639	0	1,375,000	0	0	0	22,344	07/31/2019	1
<b>0599999 - Bonds - U.S. Governments</b>																					
						68,739,155	65,040,000	61,977,836	52,788,243	0	52,886	0	52,886	0	61,993,023	0	6,746,132	6,746,132	1,397,385	XXX	XXX
<b>Bonds - U.S. Political Subdivisions of States, Territories and Possessions</b>																					
215457-BZ-4	COOK CNTY ILL HIGH SCH DIST NO 201 J STE		07/31/2019	SAMUEL A RAMIREZ & COMPANY INC.	.XXX	4,113,562	3,555,000	3,586,580	3,586,023	0	(454)	0	(454)	0	3,585,569	0	527,993	527,993	115,305	12/01/2041	1FE
<b>2499999 - Bonds - U.S. Political Subdivisions of States, Territories and Possessions</b>																					
						4,113,562	3,555,000	3,586,580	3,586,023	0	(454)	0	(454)	0	3,585,569	0	527,993	527,993	115,305	XXX	XXX
<b>Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions</b>																					
3128K8-NN-2	FH A47597 - RMBS		09/01/2019	Paydown	.XXX	7,502	7,502	7,206	7,136	0	365	0	365	0	7,502	0	0	0	258	11/01/2035	1
3128M8-IJ8-5	FH G06607 - RMBS		09/01/2019	Paydown	.XXX	322,477	322,477	336,054	336,194	0	(13,716)	0	(13,716)	0	322,477	0	0	0	9,455	06/01/2041	1
3128MJ-S6-8	FH G08540 - RMBS		09/01/2019	Paydown	.XXX	120,772	120,772	116,557	116,576	0	4,196	0	4,196	0	120,772	0	0	0	2,408	08/01/2043	1
3128MJ-SY-7	FH G08534 - RMBS		09/01/2019	Paydown	.XXX	108,249	108,249	104,463	104,480	0	3,770	0	3,770	0	108,249	0	0	0	2,175	06/01/2043	1
31297U-AZ-3	FH A38124 - RMBS		09/01/2019	Paydown	.XXX	27,575	27,575	27,458	27,421	0	154	0	154	0	27,575	0	0	0	1,006	09/01/2035	1
3132DV-3M-5	FH SD8004 - RMBS		09/01/2019	Paydown	.XXX	74,010	74,010	74,675	74,010	0	(665)	0	(665)	0	74,010	0	0	0	185	08/01/2049	1
3132DV-4D-4	FH SD8020 - RMBS		09/01/2019	Paydown	.XXX	68,928	68,928	68,434	68,434	0	493	0	493	0	68,928	0	0	0	144	08/01/2049	1
3132DV-4E-2	FH SD8021 - RMBS		09/01/2019	Paydown	.XXX	48,345	48,345	48,002	48,002	0	344	0	344	0	48,345	0	0	0	101	09/01/2049	1
3132HN-UT-4	FH Q12394 - RMBS		09/01/2019	Paydown	.XXX	231,777	231,777	219,917	220,374	0	11,404	0	11,404	0	231,777	0	0	0	4,633	11/01/2042	1
3138LG-YY-6	FN AM4326 - CMBS/RMBS		09/01/2019	Paydown	.XXX	49,064	49,064	49,731	49,581	0	(517)	0	(517)	0	49,064	0	0	0	1,016	01/01/2027	1
3138NY-DD-4	FN AR1899 - RMBS		09/01/2019	Paydown	.XXX	126,301	126,301	125,416	125,412	0	889	0	889	0	126,301	0	0	0	3,177	01/01/2043	1
3138WP-GY-4	FN AT2014 - RMBS		09/01/2019	Paydown	.XXX	26,660	26,660	25,736	25,740	0	920	0	920	0	26,660	0	0	0	531	04/01/2043	1
3140JQ-06-1	FN BN7654 - RMBS		09/01/2019	Paydown	.XXX	30,991	30,991	30,770	30,770	0	220	0	220	0	30,991	0	0	0	65	07/01/2049	1
31410C-0T-2	FN 885266 - RMBS		09/01/2019	Paydown	.XXX	378	378	382	379	0	(1)	0	(1)	0	378	0	0	0	15	05/01/2036	1
31418D-ES-7	FN MA3744 - RMBS		09/01/2019	Paydown	.XXX	88,312	88,312	89,105	89,105	0	(793)	0	(793)	0	88,312	0	0	0	221	08/01/2049	1
31418D-FF-4	FN MA3765 - RMBS		09/01/2019	Paydown	.XXX	38,402	38,402	38,129	38,129	0	273	0	273	0	38,402	0	0	0	80	09/01/2049	1
31418D-FQ-0	FN MA3774 - RMBS		09/01/2019	Paydown	.XXX	54,795	54,795	55,306	55,306	0	(512)	0	(512)	0	54,795	0	0	0	137	09/01/2049	1
452252-FH-7	ILLINOIS ST TOLL HWY AUTH TOLL HIGHWAY R		07/22/2019	BOFA SECURITIES INC	.XXX	7,999,380	6,000,000	7,813,980	7,524,355	0	(56,756)	0	(56,756)	0	7,467,599	0	531,781	531,781	394,745	01/01/2034	1FE
913366-EP-1	UNIV CALIF REGTS MED CTR POOLED REV		07/31/2019	Bank of America Merrill Lynch	.XXX	11,184,023	7,725,000	9,605,729	9,511,720	0	(15,957)	0	(15,957)	0	9,495,762	0	1,688,261	1,688,261	361,109	05/15/2048	1FE
914440-LJ-9	UNIVERSITY MASS BLDG AUTH PROJ REV		07/31/2019	Jefferies & Co., Inc	.XXX	9,175,032	7,200,000	9,768,024	9,590,385	0	(44,226)	0	(44,226)	0	9,546,159	0	(371,127)	(371,127)	295,390	11/01/2040	1FE
<b>3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions</b>																					
						29,782,973	22,349,538	28,605,076	27,639,752	0	(110,115)	0	(110,115)	0	27,934,058	0	1,848,915	1,848,915	1,076,850	XXX	XXX
<b>Bonds - Industrial and Miscellaneous (Unaffiliated)</b>																					
00108W-AJ-9	AEP TEXAS INC		07/31/2019	Bank of America Merrill Lynch	.XXX	1,241,921	1,125,000	1,123,470	0	0	7	0	7	0	1,123,477	0	118,445	118,445	11,802	05/01/2049	1FE
00130H-BT-1	AES CORP		09/25/2019	Call @ 101.62	.XXX	94,511	93,000	94,144	0	0	(167)	0	(167)	0	93,977	0	534	534	2,498	05/15/2023	3FE
001546-AT-7	AK STEEL CORP		09/01/2019	VARIOUS	.XXX	1,483,679	1,475,000	1,569,621	1,818,813	49,442	(15,521)	0	33,921	0	1,524,652	0	(40,973)	(40,973)	94,341	07/15/2023	4FE
009280-AK-7	AIRCASLE LTD		07/14/2019	VARIOUS	.XXX	750,631	740,000	797,300	753,726	0	(7,934)	0	(7,934)	0	745,793	0	(5,793)	(5,793)	39,280	12/01/2019	2FE
032511-BP-1	ANADARKO PETROLEUM CORP		09/18/2019	CORPORATE ACTION	.XXX	235,971	180,000	180,135	180,130	0	(1)	0	(1)	0	180,128	0	55,843	55,843	11,880	03/15/2046	2FE
03674P-AL-7	ANTERO RESOURCES LLC		09/17/2019	MARKETAXESS	.XXX	486,990	500,000	397,402	444,482	0	12,606	0	12,606	0	457,088	0	29,902	29,902	23,740	11/01/2021	3FE
03674X-AC-0	ANTERO RESOURCES CORP		09/30/2019	VARIOUS	.XXX	284,488	315,000	318,906	0	0	(1,334)	0	(1,334)	0	317,572	0	(33,084)	(33,084)	13,287	12/01/2022	3FE
037833-AK-6	APPLE INC		07/31/2019	USBANC	.XXX	1,466,426	1,453,000	1,396,939	1,399,832	0	6,732	0	6,732	0	1,406,564	0	59,862	59,862	26,057	05/03/2023	1FE
060516-EE-5	BANK OF AMERICA CORP		08/26/2019	FUNB FUNDS II	.XXX	3,678,430	3,500,000	3,761,100	3,689,527	0	(60,773)	0	(60,773)	0	3,628,753	0	49,677	49,677	235,898	01/05/2021	1FE
064159-HB-5	BANK OF NOVA SCOTIA		07/31/2019	FUNB FUNDS II	.XXX	5,423,601	5,035,000	5,034,597	5,034,773	0	17	0	17	0	5,034,789	0	388,812	388,812	142,239	12/16/2025	2FE
14149Y-AW-8	CARDINAL HEALTH INC		09/01/2019	VARIOUS	.XXX	7,111,430	7,275,000	6,304,224	6,304,224	0	13,161	0	13,161	0	6,317,385	0	794,044	794,044	316,205	03/15/2043	2FE
14916R-AD-6	CATHOLIC HEALTH INITIATIVES		08/13/2019	SAMUEL A RAMIREZ & COMPANY INC	.XXX	6,961,565	6,500,000	5,541,718	5,576,487	0	12,993	0	12,993	0	5,589,480	0	1,372,085	1,372,085	223,058	11/01/2042	2FE
17858P-AA-9	CITY OF HOPE CLEAR CHANNEL WORLDWIDE		07/31/2019	Raymond James	.XXX	8,074,469	6,145,000	6,907,346	6,863,337	0	(8,968)	0	(8,968)	0	6,854,369	0	1,220,099	1,220,099	246,672	11/15/2043	1FE
184510-AL-2	HOLDINGS INC		09/04/2019	Call @ 102.17	.XXX	1,144,270	1,120,000	1,084,496	1,095,472	1,127	3,631	0	3,631	0	1,100,229	0	44,041	44,041	58,442	11/15/2022	4FE
200339-DX-4	COMERICA BANK		07/31/2019	KeyBanc Capital Markets	.XXX	1,678,461	1,579,000	1,552,858	1,553,824	0	2,235	0	2,235	0	1,556,059	0	122,402	122,402	64,037	07/27/2025	1FE
212015-AH-4	CONTINENTAL RESOURCES INC		09/12/2019	Call @ 100.83	.XXX	228,874	225,000	208,006	214,374	0	1,802	0	1,802	0	216,175	0	10,699	10,699	6,850	09/15/2022	2FE
247367-BH-7	DELTA AIR LINES INC - ABS		09/01/2019	Paydown	.XXX	46,922	46,923														

STATEMENT AS OF SEPTEMBER 30, 2019 OF THE FINANCIAL GUARANTY INSURANCE COMPANY

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identification	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/(Decrease)	Current Year's (Amortization)/Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Stated Contractual Maturity Date	NAIC Designation and Administrative Symbol/Market Indicator <sup>(a)</sup>
36256U-AD-0	GMALT 191 A3 - ABS		08/07/2019	DBC-FI	.XXX	1,792,678	1,770,000	1,769,722	0	0	78	0	78	0	1,769,801	0	22,878	22,878	24,468	12/20/2021	1FE
42824C-AG-4	HEWLETT PACKARD ENTERPRISE		07/16/2019	BZW SECS	.XXX	2,023,180	2,000,000	2,024,240	2,016,433	0	(5,135)	0	(5,135)	0	2,011,298	0	11,882	11,882	54,600	10/15/2020	2FE
45685E-AJ-5	VOYA FINANCIAL INC.		08/01/2019	VARIOUS	.XXX	7,640,561	6,150,000	6,641,237	6,641,237	0	(5,918)	0	(5,918)	0	6,635,320	0	1,005,241	1,005,241	368,600	07/15/2043	2FE
46590Y-AM-6	JPMIT 175 A1A - CMO/RMBS		09/01/2019	Paydown	.XXX	708,213	708,213	706,442	0	0	1,771	0	1,771	0	708,213	0	0	0	7,324	10/26/2048	1FM
49456B-AF-8	KINDER MORGAN INC.		08/07/2019	GOLDMAN	.XXX	4,737,128	4,400,000	4,594,788	4,563,872	0	(14,412)	0	(14,412)	0	4,549,459	0	187,669	187,669	129,812	06/01/2025	2FE
49456B-AH-4	KINDER MORGAN INC.		09/01/2019	VARIOUS	.XXX	1,538,947	1,321,000	1,409,150	1,406,872	0	(983)	0	(983)	0	1,405,889	0	133,058	133,058	50,303	06/01/2045	2FE
50200R-AA-1	LHMC FINCO SARL	C	08/02/2019	Call @ 103.00	.XXX	66,950	65,000	66,829	0	0	(124)	0	(124)	0	66,705	0	245	245	2,619	12/20/2023	4FE
50540R-AR-3	LABORATORY CORPORATION OF AMERICA HOLDING		08/07/2019	MARKETAXESS	.XXX	5,505,555	5,500,000	5,458,585	5,471,787	0	15,578	0	15,578	0	5,487,366	0	18,190	18,190	147,182	02/01/2020	2FE
51769R-AA-2	LAS VEGAS MONORAIL CO.		08/01/2019	Maturity @ 100.00	.XXX	130,014	130,014	0	0	0	0	0	0	0	0	0	130,014	130,014	5,260	07/15/2019	.62
51769R-AB-0	LAS VEGAS MONORAIL CO.		08/05/2019	Call @ 100.00	.XXX	37,175	37,175	0	0	0	0	0	0	0	0	0	37,175	37,175	784	07/15/2055	.62
530715-AJ-0	LIBERTY MEDIA CORPORATION		08/01/2019	VARIOUS	.XXX	320,938	316,000	308,100	308,100	0	281	0	281	0	308,381	0	12,557	12,557	25,326	02/01/2030	3FE
53079E-AZ-7	LIBERTY MUTUAL GROUP INC.		09/27/2019	CORPORATE ACTION	.XXX	6,479,710	4,575,000	5,299,314	5,259,415	0	(11,145)	0	(11,145)	0	5,248,270	0	1,231,439	1,231,439	269,290	05/01/2042	2FE
581557-BC-8	MCKESSON CORP.		08/01/2019	VARIOUS	.XXX	5,922,100	5,500,000	5,718,515	5,715,068	0	(2,754)	0	(2,754)	0	5,712,315	0	209,785	209,785	235,740	03/15/2044	2FE
59166E-AB-1	MST 191 A1A - CMO/RMBS		09/01/2019	Paydown	.XXX	75,553	75,553	76,925	0	0	(1,372)	0	(1,372)	0	75,553	0	0	0	970	04/25/2058	1FE
67054L-AC-1	SFR GROUP SA	C	07/01/2019	Call @ 100.00	.XXX	0	0	0	0	0	0	0	0	0	0	0	(8,844)	(8,844)	3,681	05/15/2024	4FE
675553-AA-9	OCHSNER CLINIC FOUNDATION		07/31/2019	GOLDMAN	.XXX	9,943,577	7,550,000	7,550,000	7,550,000	0	0	0	0	0	7,550,000	0	2,393,577	2,393,577	317,840	05/15/2045	1FE
70457L-AA-2	PEABODY SECURITIES FINANCE CORP.		08/29/2019	GOLDMAN	.XXX	2,026,406	1,965,000	1,985,638	1,265,850	48,834	(3,861)	0	44,973	0	1,980,465	0	45,941	45,941	108,075	03/31/2022	3FE
744448-OM-1	PUBLIC SERVICE CO OF COLORADO		07/31/2019	MORGAN SECURITIES-FIXED INC.	.XXX	3,926,088	3,971,000	3,929,702	3,931,760	0	497	0	497	0	3,932,257	0	(6,169)	(6,169)	88,890	06/15/2046	1FE
748767-AF-7	QUINTILES TRANSNATIONAL CORP.		08/28/2019	Call @ 102.44	.XXX	676,091	660,000	675,675	0	0	(2,608)	0	(2,608)	0	673,067	0	3,024	3,024	25,293	05/15/2023	3FE
750236-AU-5	RADIAN GROUP INC.		07/17/2019	Citi Bank	.XXX	591,674	573,000	573,288	519,281	53,959	(21)	0	53,938	0	573,219	0	18,455	18,455	20,628	10/01/2024	3FE
756109-AT-1	REALTY INCOME CORP.		07/31/2019	Citi Bank	.XXX	1,833,184	1,571,000	1,570,497	1,570,512	0	5	0	5	0	1,570,517	0	262,667	262,667	64,326	03/15/2047	1FE
76882A-AB-6	RIVERS PITTSBURGH BORROWER LP		08/15/2019	Call @ 101.53	.XXX	766,559	755,000	774,091	732,350	36,364	(5,122)	0	31,242	0	763,592	0	2,967	2,967	46,244	08/15/2021	4FE
78469X-AD-9	SPX FLOW INC.		07/08/2019	FUNB FUNDS II	.XXX	698,475	670,000	675,025	0	0	(263)	0	(263)	0	674,762	0	23,713	23,713	15,180	08/15/2024	4FE
80874Y-AW-0	SCIENTIFIC GAMES CORP.		07/15/2019	Citi Bank	.XXX	913,662	900,000	907,575	803,250	103,472	(459)	0	103,013	0	906,263	0	7,399	7,399	34,000	10/15/2025	4FE
829259-AR-1	SINCLAIR TELEVISION GROUP INC.		07/17/2019	BANC OF AMERICA SECURITIES LLC	.XXX	2,706,000	2,640,000	2,677,278	0	0	(1,815)	0	(1,815)	0	2,675,463	0	30,537	30,537	69,300	08/01/2024	4FE
829259-AW-0	SINCLAIR TELEVISION GROUP INC.		07/16/2019	RBC	.XXX	393,680	400,000	402,331	353,000	48,903	(105)	0	48,798	0	401,798	0	(8,118)	(8,118)	18,963	02/15/2027	4FE
837004-CB-4	SOUTH CAROLINA ELECTRIC & GAS CO.		07/31/2019	PIERPONT SECURITIES LLC	.XXX	5,292,553	4,025,000	5,306,237	5,211,815	0	(25,193)	0	(25,193)	0	5,186,622	0	105,931	105,931	255,012	01/15/2038	1FE
853254-AZ-3	STANDARD CHARTERED PLC.	C	07/31/2019	DBC-FI	.XXX	3,604,605	3,467,000	3,568,167	3,553,131	0	(6,097)	0	(6,097)	0	3,547,033	0	57,572	57,572	113,111	04/12/2026	1FE
89172Y-AA-8	TPMT 163 A1 - CMO/RMBS		09/01/2019	Paydown	.XXX	172,356	172,356	169,556	0	0	2,801	0	2,801	0	172,356	0	0	0	1,645	04/25/2056	1FM
893800-AA-0	TRANSOCEAN GUARDIAN LTD.	C	07/15/2019	Paydown	.XXX	154,055	154,055	157,131	0	0	(3,076)	0	(3,076)	0	154,055	0	0	0	4,525	01/15/2024	4FE
893829-AA-9	TRANSOCEAN PROTEUS LTD.	C	07/01/2019	Paydown	.XXX	0	0	0	0	0	0	0	0	0	0	0	0	0	241	12/01/2024	4FE
90783V-AA-3	UNION PACIFIC RAILROAD COMPANY 2005-1 PA		08/01/2019	Paydown	.XXX	230	230	220	223	0	7	0	7	0	230	0	0	0	12	01/02/2029	1FE
912909-AN-8	UNITED STATES STEEL CORP.		07/01/2019	Citi Bank	.XXX	520,028	580,000	580,000	507,500	72,500	0	0	72,500	0	580,000	0	(59,972)	(59,972)	29,000	03/15/2026	4FE
913364-AD-7	UNITYMEDIA HESSEN GMBH &AMP CO KG	C	09/12/2019	VARIOUS	.XXX	904,978	875,000	852,184	845,145	14,225	1,528	0	15,753	0	860,898	0	14,102	14,102	80,655	01/15/2025	2FE
94973V-BK-2	ANTHEM INC.		07/31/2019	FUNB FUNDS II	.XXX	2,165,900	2,000,000	1,829,290	1,839,184	0	1,794	0	1,794	0	1,840,979	0	324,921	324,921	89,642	08/15/2044	2FE
949746-RF-0	WELLS FARGO & CO.		08/12/2019	FUNB FUNDS II	.XXX	1,108,944	850,000	1,032,393	1,026,602	0	(2,500)	0	(2,500)	0	1,024,103	0	84,841	84,841	51,490	01/15/2044	1FE
95001M-AF-7	WFCM 17C38 A5 - CMBS		08/01/2019	JP Morgan	.XXX	3,929,327	3,722,000	3,721,545	3,721,545	0	(346)	0	(346)	0	3,721,199	0	208,128	208,128	82,260	07/15/2050	1FM
95002J-AC-0	WFBMS 192 A3 - CMO/RMBS		09/01/2019	Paydown	.XXX	2,108,162	2,108,162	2,146,372	0	0	(38,210)	0	(38,210)	0	2,108,162	0	0	0	20,500	04/26/2049	1FE
3899999	Bonds - Industrial and Miscellaneous (Unaffiliated)					131,677,346	119,209,681	120,779,984	107,322,341	567,079	(142,484)	0	424,594	0	120,415,436	0	11,177,514	11,177,514	4,821,353	XXX	XXX
8399997	Subtotals - Bonds - Part 4					234,313,036	210,154,219	214,949,477	191,336,359	567,079	(200,168)	0	366,911	0	213,928,086	0	20,300,554	20,300,554	7,410,893	XXX	XXX
8399999	Subtotals - Bonds					234,313,036	210,154,219	214,949,477	191,336,359	567,079	(200,168)	0	366,911	0	213,928,086	0	20,300,554	20,300,554	7,410,893	XXX	XXX
9999999	Totals					234,313,036	210,154,219	214,949,477	191,336,359	567,079	(200,168)	0	366,911	0	213,928,086	0	20,300,554	20,300,554	7,410,893	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....0

EOS 1

Schedule DB - Part A - Section 1

**NONE**

Schedule DB - Part B - Section 1

**NONE**

Schedule DB - Part D - Section 1

**NONE**

Schedule DB - Part D - Section 2

**NONE**

Schedule DL - Part 1

**NONE**

Schedule DL - Part 2

**NONE**





