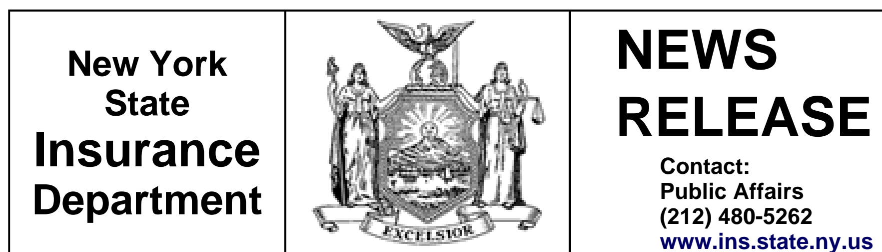

Eric R. Dinallo Superintendent of Insurance 25 Beaver Street New York, N.Y. 10004

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DINALLO ANNOUNCES APPROVAL OF AGREEMENTS TO COMMUTE TROUBLED CREDIT DEFAULT SWAPS AND REINSURE MUNICIPAL BONDS AT CIFG

The New York State Insurance Department has approved transactions of CIFG Holding, Ltd. ("CIFG") that commute approximately $12 billion in troubled credit default swaps and reinsure $13 billion of municipal bonds Superintendent Eric Dinallo announced.

"We expect that the municipal bonds currently insured by CIFG will go from junk to the highest investment grade. This will result because the bonds will be reinsured by and are intended to be novated to Assured Guaranty Corp., meaning that Assured will replace CIFG as the insurer. In addition, the commutation of almost all troubled credit default swaps will leave CIFG as a solvent bond insurer in a position to pay claims on its remaining policies. We believe this produced the best possible result for all policyholders," Dinallo said.

Last year, the Department agreed to temporarily forebear placing CIFG in rehabilitation despite the filing of statutory financial statements indicating the company was insolvent to provide time for achieving both reinsurance of the municipal book and commutation. Since then, the Department has worked very actively with CIFG, Assured Guaranty Corp., and CIFG's counterparties to produce these agreements.

"I would like to thank the Bermuda Monetary Authority and ACAM for their role in this international cooperative effort," Dinallo said.

The commutation represents approximately 98 percent of its credit default swap counterparties and insured bondholders on the company's insured ABS CDO exposures and certain specified CRE CDO exposures.

About 90% of CIFG's municipal bonds will be reinsured by – and are intended to be novated to – Assured Guaranty Corp., which is currently rated triple-A by two rating agencies and double-A by a third. The Department expects the bonds will have that rating rather than CIFG's current rating of B/B3. This should provide a substantial benefit to the owners of these municipal bonds.

"Adding stability to the bond insurance industry in the midst of the current credit crisis is good for Wall Street, which is so important to New York's economic health, and also for cities and towns throughout New York and the nation that rely on bond insurance to reduce the cost of borrowing to meet their infrastructure needs. That's why New York, which is the primary regulator for most of the bond insurers, has been working so hard on this project," Dinallo said.

"When the Department announced its three-part plan for the industry in January 2008, we promised to actively monitor the major bond insurance companies and to work with those companies and others to help stabilize the market, continue protecting policyholders, assist in the continued availability of bond insurance and seek private sector solutions.

"Eleven billion dollars in new capital has come from the private sector, including a new entrant to the market. We will continue to work to ensure municipalities can benefit from a healthy, competitive bond insurance market to help lower the cost to taxpayers of building bridges, schools, roads, sewers and other necessities of modern life."

The Department's three-part plan:

1. Attract more capital and increase capacity to protect policyholders and ensure continued availability of bond insurance, especially for municipal issuers.

2. Resolve the status of distressed bond insurers, including preparing for receivership should that prove necessary. The Department is engaged with insurers, banks, financial advisors, credit rating agencies, other regulators and government officials, and other stakeholders in examining and developing measures to help stabilize the market.

3. Develop stronger regulation for bond insurance. Since it is clearly time to develop new rules for the road, the Department is preparing and intends to release soon written guidance that addresses how bond insurers should conduct their business activities.

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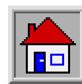

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