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Moody's Portfolio Risk Model Results for Financial Guarantors

Summary Opinion

Our most recent financial guarantor portfolio risk model results are revealing an industry wide trend of declining credit quality versus one year prior. Several asset classes (sectors) are affecting results fairly significantly. Specifically, US airline Enhanced Equipment Trust Certificates (EETCs), manufactured housing loan ABS, and certain MBS deals were the leading expected loss contributors. For companies with limited EETC and manufactured housing exposure, credit risk ratios showed more limited deterioration. While most international project finance related deals are not undergoing significant rating pressure, their increasing number is adding to portfolio risk as such deals tend to be underwritten at low investment grade levels. Somewhat offsetting the negative trend is the fact that several guarantors' are receiving or will receive benefit from portfolio run off, as 2005's underwriting continues to show slower growth. For those guarantors more impacted by these model results, each is generally treading lightly or all together avoiding underwriting sectors that are causing their respective issues.

The increases in modeled tail losses are sufficiently absorbed by the guarantors' capital levels, as the direct underwriters' hard and total capital ratios slipped on average to 1.51 and 1.46 times (x) respectively, versus 1.56x and 1.49x one year prior. Several guarantors with hard and total capital ratios closer to 1.30x, however, may feel somewhat more constrained in managing exposure and capital over the coming year.

Our latest model runs incorporate ratings as of June 30, 2005 on deals that were in the guarantors' portfolios on December 31, 2004. The model results do not account for recent hurricane activity, as most of the affected credits have not been downgraded[1]. Over fifty publicly[2] rated Katrina-related municipal credits, many of which the guarantors are exposed to, have been placed on review for downgrade. These results do, however, reflect much of the rating pressure generated by airline EETC exposures, most of which are already rated in the Ca-B range[3]. Moody's maintains stable outlooks on all of the guarantors, even considering the anticipated additional pressure that Katrina and EETCs may place on insured portfolios.

1. *For analysis of each guarantor's relative sensitivity to Hurricane Katrina, please see Moody's Special Comment, "The Effect of Hurricane Katrina on Guarantors' Capital Positions Appears Manageable", September 2005.*
2. *This figure does not include many non-publicly rated, but often smaller, municipal credits. Energy and corporate insurance related credits to which the guarantors have limited exposure were also impacted. For analysis of the municipal credits, please see Moody's Special Comment "Hurricane Katrina - Credit Implications for State, Local, and Enterprise Credits In The Southeast U.S.", September 2005.*
3. *For analysis of each guarantor's exposure to EETCs, please see Moody's Special Comment, "Financial Guarantor Exposure to US Airline EETCs", March 2005.*

Current Model Results Comparison

Table 1 below summarizes our risk ratios for the guarantors' insured portfolios.

Table 1

Portfolio Risk Ratios

Ratings: Jun 30, following year Portfolio: Dec 31 Capital: Dec 31			Credit Risk Ratio (bps) (lower is better)		Tail Risk Ratio (bps) (lower is better)		Dispersion Ratio (x) (lower is better)		Hard Capital Ratio (x) (higher is better)		Total Capital Ratio (x) (higher is better)	
Primary Companies	***IFSR*[4]**	***Tail*[5]**	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***
MBIA	Aaa	Aaa	50	40	140	125	2.82	3.16	1.35	1.50	1.30	1.46
Ambac	Aaa	Aaa	45	40	141	131	3.10	3.30	1.51	1.45	1.47	1.43
FSA	Aaa	Aaa	21	22	68	75	3.31	3.41	1.85	1.72	1.78	1.62
FGIC	Aaa	Aaa	20	16	84	67	4.18	4.15	1.56	1.92	1.46	1.78
XL[6]	Aaa	Aaa	44	39	154	168	3.53	4.28	1.45	1.50	1.42	1.28
Assured Guaranty	Aa1	Aaa	39	36	119	120	3.09	3.37	1.80	1.32	1.82	1.25
CIFG	Aaa	Aaa	27	24	141	157	5.16	6.67	2.56	3.31	2.28	2.69
Group Weighted Average			**38**	**33**	**119**	**111**	**3.12**	**3.36**	**1.51**	**1.56**	**1.46**	**1.49**
Reinsurers & Hybrids	***IFSR*[4]**	***Tail*[5]**	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***	***2004***	***2003***
Assured Guaranty Re	Aa2	Aa	36	40	123	166	3.40	4.17	2.18	7.79	1.93	6.69
Channel Re	Aaa	Aaa	39	35	148	147	3.82	4.21	1.48	1.52	1.33	1.41
Radian Asset[7]	Aa3	Aa	74	73	193	219	2.61	2.99	1.93	1.60	1.84	1.50
RAM Re	Aa3	Aa	51	50	155	163	3.01	3.55	1.39	1.44	1.50	1.56
BluePoint Re	Aa3	Aa	22	--	175	--	8.09	--	6.00	--	4.79	--
Group Weighted Average[8]			**53**	**57**	**160**	**189**	**3.03**	**3.31**	**1.95**	**2.06**	**1.84**	**1.92**

Definition of Terms

Credit Risk Ratio	Formula:	Expected Losses / Adjusted Net Par Outstanding
	Concept:	Expected present value of losses imbedded in the insured portfolio relative to net par outstanding, adjusted for the benefit received from reinsurance (i.e., the average expected loss rate on the portfolio). This ratio indicates a portfolio's average credit quality, which depends upon its distribution across sectors, rating categories and tenors.
Tail Risk Ratio	Formula:	**99.9** Percentile Losses / Adjusted Net Par Outstanding
	Concept:	The maximum amount of (present value) credit losses with **99.9%** probability(confidence) relative to net par outstanding, adjusted for the benefit received from reinsurance. Measures a portfolio's stress-level losses relative to par, which depends upon its average credit quality, risk concentrations and correlations among credits.
Dispersion Ratio	Formula:	**99.9** Percentile Losses / Expected Losses
	Concept:	The maximum amount of (present value) credit losses with 99.9% probability relative to the expected losses embedded in the insured portfolio. Measures the impact of large single risks & risk concentrations on portfolio risk for a given expected loss level.
Hard Capital Ratio	Formula:	Hard Capital / **99.9** Percentile Losses
	Concept:	Hard capital relative to the maximum, present value of credit losses with **99.9%** probability. Measures the ability of a guarantor to meet stress-level losses with hard capital (i.e., qualified statutory capital, unearned premium reserves, & 85% of PV installment premiums, loss and loss adjustment reserves, net a capital charge for non-financial guaranty activities and investment portfolio quality.) *Note: The 99.9% loss level is used as the benchmark for Aaa-rated guarantors. For Aa-rated guarantors, a 99.5% confidence interval is applied.*
Total Capital Ratio	Formula:	Total Capital / **99.99** Percentile Losses
	Concept:	Total capital relative to the maximum amount of credit losses (present value) with **99.99%** probability. Measures the ability of a guarantor to meet stress-level losses at a higher probability with total capital (i.e., hard capital plus the discounted value of soft capital facilities.) *Note: The 99.99% loss level is used as the benchmark for Aaa-rated guarantors. For Aa-rated guarantors, a 99.9% confidence interval is applied.*

4. Insurance Financial Strength Rating (IFSR) of the company.

5. "Tail" indicates the points on the loss distribution where hard and total capital ratios were measured. For Aa, the points are the 99.5% and 99.9% probabilities for hard and total capital ratios respectively; for Aaa, the points are the 99.9% and 99.99% probabilities.

6. XL's results represent the modeled losses and capital levels of XL Capital Assurance Inc. (XLCA) and reinsurance affiliate XL Financial Assurance Ltd. (XLFA) combined.

7. Radian Asset's results include the effects of Conseco manufactured housing ABS that were excluded in our August 2004 annual review of the company.

8. Group weighted average for reinsurers and hybrids uses Channel Re's loss levels measured at the 99.5% and 99.9% points for consistency with the peer group.

The Model in the Context of an Overall Assessment

Moody's portfolio risk model is an important element of our comprehensive rating assessments of the financial guarantors. The model estimates a loss distribution that could be experienced by a guarantor based on the default probability, tenor, par exposure, and average loss severity of each obligor's securities to which the guarantor is exposed. When evaluating the ratio of capital levels to estimated stress-level losses, we obtain insight into a guarantor's risk-adjusted capital adequacy[9]. The model incorporates the impact of diversification, seller/servicer concentrations, and correlations among assets within CDOs and emerging market economies. Macroeconomic stresses are explicitly accounted for using multiplication factors that are applied to the default probabilities that Moody's derives from our corporate default studies.

Moody's rating metrics call for a financial guarantor to maintain hard and total capital ratios (the capital ratios) above 1.0x loss coverage, measured at a confidence interval that is consistent with its rating level (as outlined in Table 1.) Moody's generally expects a guarantor to maintain a cushion of at least 1.3x coverage to absorb potential worst case losses while still leaving the guarantor with financial resources consistent with its rating, and therefore somewhat insulating the rating from event risk. All of the companies are currently meeting this important hurdle.

While a capital ratio between 1.0x and 1.3x does not present an immediate threat to the rating of a guarantor, it leaves the firm exposed to subsequent capital stresses and, consequently, is not seen as a sustainable capital position over an extended period of time. This means that if actual credit events caused a guarantor's capital ratios to fall below 1.3x coverage, we would expect management to take corrective action to adjust their capital position within six months in order to avoid stress on their rating. Failure to do so would likely have negative rating consequences.

The portfolio risk model is subject to model risk, particularly with regard to loss severity assumptions and newly developed asset classes or structures that may rely on limited history and data. With this point in mind, it is important to note that we consider many additional factors beyond the model in our analysis of the financial guarantors. Companies may differ with respect to risk mitigation, investment portfolio quality, liquidity, operating risk, management and corporate governance quality, the quality, growth, and stability of earnings, access to capital, and financial and operating leverage. As a result, the measures of capital adequacy required for a specific insurance financial strength rating depend on more than the amount of potential credit losses determined by the portfolio risk model.

Evaluating Drivers to Year over Year Changes

Several other broad observations should be kept in mind when interpreting model results. For one, model results are generally most impacted by the deals with high expected losses[10]. Insured securities with the combination of the largest par, lowest ratings, and worst average loss severities will have the largest expected losses. So, as we study what is driving changes from year to year, we usually begin by focusing on the deals that contain the greatest expected loss. Recognizing which deals (or sectors) are contributing to the top quintile of expected loss contributors best reveals what is driving changes in the credit quality and tail risk ratios. Increases in the tail risk ratio are often the result of increases in portfolio lumpiness, large single risks, high loss severity exposures, and the impact of correlations within asset classes. Portfolio diversification and granularity tend to mitigate such impacts.

Secondly, the correlation between the trends in the overall credit market and the trends in the insured portfolios are not always positive. For example, over the past 18 months, both public finance and structured market ratings have generally improved as the economy further shook off the credit downturns of 2001 and 2002. While last year we generally observed consistency between the model results and the overall market, this year's model results show evidence of weakening that clearly offset the more positive story in the broader market. Credit deterioration within one or two higher-risk sectors (such as manufactured housing loans) may be all that is required to offset a wide swath of upgrades among smaller deals, especially if those deals are lower-risk public finance related.

Thirdly, capital coverage ratios may change not only because of the weakening or improving of credit ratings within the insured portfolio, but also due to factors unrelated to credit. For example, the payment of a substantial dividend, or slower premium growth due to weaker pricing conditions could also impact a guarantor's hard and total capital ratios.

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9. For mechanics on how Moody's financial guarantor model works, please see Moody's Special Comment, "Moody's Portfolio Risk Model for Financial Guarantors" dated July 2000.

10. Expected loss is the product of a deal's par, its default probability (which is reflected in the Moody's assigned rating) and the expected average severity of the loss for that deal class. Average loss severities are determined by Moody's analysts covering that particular asset class or security type. Note that calculating a deal's expected loss (and the portfolio expected loss) does not require running the simulation model. Also note that expected loss is completely independent of our assumptions on correlation factors within asset classes and macroeconomic factors.

Incorporating Existing Defaults

The question may arise, particularly in light of concerns regarding recent hurricane activity and airline EETC credits: How does the model handle defaulted securities? A loss on a defaulted (or near defaulted) security is included in the model using the higher of the following two severity assumptions: Our average loss severity assumption or an actual severity percentage. The latter would be used for deals where a workout has been announced and a loss severity has crystallized. Loss reserves, whether they be case-based or unallocated, are also included in hard and total capital amounts, and thus are included in the model results.

Also note that the model is a point-in-time estimate of the present value of losses that are expected to happen in the future, based on the statistical meaning of the rating inputs used in our model. Using present values of estimated losses is consistent with the way that the guarantors record loss and loss adjustment expenses, which is also done on a present value basis. The full explanation of hard capital, which includes loss and loss adjustment expense reserves, is included in Table 1.

Hurricane Katrina and EETCs

The guarantors have approximately $13 billion in exposure to areas affected by Hurricane Katrina. Furthermore, they also have about $8 billion in gross exposure to airline EETCs, the vast majority of which is insured by MBIA and Ambac. It is still too early to tell whether the recent Chapter 11 filings of Delta and Northwest will lead to aircraft liquidation. Generally, these credits are already weighing very heavily on the guarantors' portfolios and are fully reflected in the model results. Moody's believes that the ultimate impact of Katrina will likely be absorbed without leading to any rating pressure; however, until the recovery effort advances substantially further, there is obviously good reason to follow the situation carefully. The amount of reinsured business affected by the hurricane was relatively low; therefore, the hurricane is not anticipated to have any significant impact on reinsurer ratios.

Primary Financial Guarantors

The 2005 model results reflected generally weaker credit quality and capital ratios relative to the prior year. In addition to the aforementioned affects of EETCs, manufactured housing and MBS, contributions to overall losses from health care transactions, which tend to be among the riskiest sectors that the guarantors underwrite, were not considered to be significantly greater or worse than in previous years. Private finance initiative and project finance deals were also notable contributors to weaker portfolio results. These credits tend to be fairly large, carry low-investment-grade ratings, and have high loss severity assumptions.

Each of the company's model results are briefly discussed below. Moody's annual reviews of each guarantor, which for 2005 are forthcoming, will cover in greater detail the changes in the portfolios and underwriting trends over the past 12-18 months.

MBIA: The credit risk ratio for MBIA increased to 50 bps, up from 40 bps one year prior. The magnitude of the jump is explained by 1) MBIA's exposure to manufactured housing loans, specifically certain GreenPoint Mortgage transactions, 2) significant exposure to Eurotunnel, and 3) the weakness in the airline EETC market. Several CDO, healthcare and MBS transactions also contributed to the weakening of MBIA's credit risk ratio, but not materially more so than in previous years.

For MBIA, new production volume in 2004 did not build sufficient capital resources to completely offset the impact of the weakening credit profile of the aforementioned sectors. The hard and total capital ratios were also impacted by the company's decision to pay a $375 million special dividend from MBIA Insurance Corporation to the holding company at the end of 2004 in addition to the regular quarterly dividends paid during the year. In summary, MBIA's hard and total capital ratios declined from prior year levels to 1.35x and 1.30x respectively. It is estimated that the capital resources of MBIA have improved since, due to the absence of additional dividends to the holding company and modest growth in insurance in force. Additionally, the holding company has maintained some unallocated financial resources despite significant stock buybacks and the absence of dividends from the operating company.

Ambac: The credit risk ratio for Ambac, which increased to 45 bps, up from 40 bps, reflected general industry trends. Expected losses rose at a much faster rate than net par outstanding due to rating pressure among airline EETCs, home equity ABS, manufactured housing and subprime MBS transactions. The ATA Airways EETC transaction, and to a lesser degree, the Conseco manufactured housing deals, caused significant jumps in expected losses.

Overall however, Ambac's capital ratios improved. Hard and total capital ratios of 1.51x and 1.47x increased over the prior year and reflect good cushion above the 1.30x threshold. Growth in new business premiums (adjusted gross premiums written[11]), which were up 13.5% in 2004, offset the increases in tail losses that were affected by the transactions indicated above.

11. Adjusted gross premiums, which reflect both upfront and installment payments, is referred to as Credit Enhancement Production (CEP) by Ambac and Adjusted Direct Premiums by MBIA.

FSA: The credit risk ratio for FSA held steady in the low 20's between this year and our prior model run. FSA's results reflect a smaller international book of business and a higher percentage of highly rated CDOs than its larger competitors, MBIA and Ambac. Furthermore, unlike MBIA and Ambac, FSA has virtually no EETC exposure and limited manufactured housing exposure, which also helps explain its lower credit quality and tail risk ratios. CDO credit health in 2004 and 2005 generally reflected an improving corporate credit picture. FSA was an active MBS underwriter in 2004, although the effects of negative housing market trends were not enough to hurt the tail risk ratio, which improved to 68 bps, down from 75 bps one year prior.

FSA's hard and total capital ratios also increased to 1.85x and 1.78x respectively, up from 1.72x and 1.62x one year prior. These improvements are explained by the growth in hard capital, which was a fairly solid 11% during 2004, and the improving credit trends in the broad market. Forthcoming changes to how the portfolio risk model incorporates layered loss reinsurance will likely reduce the benefits of such transactions to FSA.

FGIC: 2004 was the first year that FGIC began executing its new strategy to expand into structured securities in earnest. The company grew its non-public finance book most significantly in mortgage related transactions, a meaningful portion of which were rated Baa or comprised of sub-prime loans. This increases the company's credit risk ratio, which rose to 20 bps from 16 bps, although FGIC's credit risk ratio remains amongst the strongest in the industry, reflecting its historical focus on underwriting municipal sectors.

As anticipated, FGIC's hard and total capital ratios significantly declined year over year from 1.92x and 1.78x to 1.56x and 1.46x, respectively, as a result of its deliberate focus on increasing the volume of non-municipal transactions, primarily mortgage backed securities, in its insured portfolio. However, despite the increase in volume, 90% of the net par written was in segments it had historically participated, resulting in the dispersion ratio slightly worsening to 4.18x from 4.15x a year earlier. We expect the rate of change in FGIC's capital ratio to decline and its dispersion ratio to improve as the firm continues to focus on expanding into non-muni segments other than residential mortgage backed securities.

XL[12]: XL's growth during 2004 benefited from high issuance volumes seen in the mortgage related markets. The credit risk ratio increased modestly to 44 bps, up from 39 bps one year prior. Deals contributing to XL's expected loss were mostly mortgage related transactions, but also included its only airline EETC transaction, and several European project finance deals rated in the Baa range.

The capital ratios of XL are now modeled to include the effect of a significant support agreement between XLFA and its parent, XL Insurance (Bermuda) Ltd (XLI). The agreement is an excess of loss policy that attaches at any single loss amount above 10% of XLFA's policy holders' surplus. There is an aggregate limit on the policy of up to $500 million over its life. Thus far, the policy has never been utilized; however, XL does reinsure exposures directly to XLI and is presently relying on that coverage for an insured project finance deal where claims are anticipated. No other intra-company agreements are explicitly modeled. Overall, XL has adequate coverage levels of 1.45x and 1.42x for its current results. The support of XLI is not shown in the prior year results. The jump in XL's total capital ratio this year, up to 1.50x from 1.28x in 2004, reflects $200 million in soft capital that the company put in place in December 2004.

CIFG: Now in its third year of operation, CIFG's model results reflect good credit quality and capital levels that can absorb additional growth in par. Dispersion ratios above 5 times are common for development stage companies as the company is still ramping up its business. The company's most significant expected loss exposures were in mortgage related transactions.

AGC[13]: Assured Guaranty Corporation's (AGC's) results reflect good credit risk ratios and strong capital adequacy. The company's hard and total capital ratios, at 1.80x and 1.82x are strong, and reflect further room for deploying capital. The improvements in last year's hard and total capital of 1.32x and 1.25x reflect reallocations of nearly $25 billion in exposure that was in conjunction with the company's strategic repositioning as an independent monoline. AGC reinsured some higher risk business with its reinsurance affiliate AGR, and in the second quarter of 2005 novated approximately $19 billion in exposure back to FSA, effective January 1, 2005, the bulk of which was then reinsured by AGR with FSA retaining about $830 million in healthcare exposure. In addition to the reduction in the healthcare exposure the improvement in the firm's dispersion ratio to 3.09x from 3.37x also reflect the company's efforts in establishing a primary guaranty platform and insuring a wider range of transactions. New business writings were predominantly in structured securities, where the company underwrote $15 billion in par exposure, versus $10 billion during the prior year. Mortgage related securities comprised about half of the business.

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12. XL's model results include XLCA and XLFA on a combined basis.

13. We have measured AGC using the Aaa capital ratio standard (99.9% and 99.99%) because the company's primary competition is Aaa rated companies. Currently AGC is rated Aa1/stable.

Reinsurers and Hybrid Companies

The reinsurers' portfolio risk model results reflect trends that are not meaningfully different from the primaries.

AGR: Assured Guaranty Re, like its affiliate AGC, had several non-credit related events impact its results. AGR's portfolio, as modeled by Moody's, grew nearly four fold from the prior year, making year-over-year comparisons difficult. The reallocation of capital and exposure between affiliates should allow AGC to underwrite more direct business, while still leaving AGR with enough capital to add reinsurance exposure.

Radian: Radian Asset Assurance, which writes both direct and reinsurance business under one commonly rated entity, had several events impact its insured book in 2005 that were not directly related to drift in the credit quality of the insured portfolio. The ratings downgrade of Radian Reinsurance to Aa3 in May 2004, which was subsequently merged into Radian Asset Assurance (rated Aa3 IFSR) created a triggering event that permitted MBIA and Ambac to pull back significant portions of their ceded exposures. MBIA pulled back 100% of the business that it had ceded to Radian, while Ambac pulled back about one-half of its ceded business. These events led to an under-utilization of capital, increasing Radian's hard and total capital ratios to 1.93x and 1.84x from 1.60x and 1.50x, respectively. The company's focus on lower-rated credits has a measurable impact on its model results. This is especially evident in the credit risk ratio, which continues to be the industry high at 74 bps. The Conseco manufactured housing ABS was the most significant contributor to Radian's high expected losses.

RAM Re: RAM Re grew its insured book substantially in 2004. The company's portfolio, which is closely aligned to that of the largest two primaries, is experiencing similar increases in risk that they are experiencing, specifically in EETC, manufactured housing and to a lesser degree, project finance exposures. Unlike last year's model results, which benefited from a capital infusion, this year's capital ratios reflect exposure growth that out paced capital growth. Still, changes to the company's credit risk and capital ratios were not as severe as was felt by other companies within the industry.

Channel Re: As a reinsurer with a single customer, Channel Re's portfolio will commonly be impacted by the some of the same factors that are driving MBIA's results. Since some of the weakest credits in MBIA's book have not been ceded to the company, such as manufactured housing and Eurotunnel exposures, Channel Re's model results did not experience the same deterioration as MBIA.

BluePoint Re: BluePoint Re is the newest company to be rated by Moody's, having started its operations in late 2004 with a $3.7 billion "jump-start" book from FSA, and a $300 million investment by Wachovia Corp. The majority of the FSA-ceded book is municipal exposure, reflecting a low credit risk ratio of 22 bps. Capital ratios are expectedly high as the company remains in its infancy.

Outlook for the Guarantors' Insured Portfolio and Model Ratios

The industry continues to experience modest growth, in spite of weaker underwriting conditions and generally tight credit spreads in corporate and structured markets. The guarantors successfully weathered the impact of an economic recession, but new challenges continue to surface. Increased competition could put pressure on individual company's underwriting growth, portfolio credit quality and profitability. Katrina may still turn out to be a watershed event for the guarantors, as the relatively default free municipal bond space is now requiring liquidity claims and the ultimate restoration of the revenue base in New Orleans may be diminished.

The low interest rate environment is bolstering opportunities for underwriting and improving hard capital positions in one regard, but it is also weakening the credit profiles of several guarantors as certain of these new exposures are weighing down capital coverage ratios. This is particularly applicable to mortgage related sectors, where the threat of a housing downturn may continue to pressure mortgage loans. European project deals, which the guarantors are increasingly pursuing, are beginning to place greater weight on the insured books, mostly due to their consistently low investment grade ratings, larger size and our conservative (higher) severity assumptions. The airline problems are clearly not abating any time soon, with two more major US airline bankruptcies just announced in response to recent spikes in fuel prices. We expect that EETCs, even just small exposures, are going to continue to cause credit pressures. Recent hurricane activity may still place billions more in municipal securities on review for downgrade.

In summary, the capital positions of many of the companies have deteriorated somewhat, but are still strong enough to absorb current estimates of stress-level losses. Furthermore, all of the guarantors have strong incentives to maintain healthy capital positions over time. If current ratios were to deteriorate significantly, the guarantors could take a number of actions to enhance their capital positions such as pursuing slower growth, suspending stock buybacks, increasing their use of reinsurance, and possibly accessing the capital markets.

Related Research

Special Comments:

The Effect of Hurricane Katrina on Guarantors' Capital Positions Appears Manageable, September 2005 (94273)

Hurricane Katrina - Credit Implications for State, Local, and Enterprise Credits In The Southeast U.S., September 2005 (94210)

Financial Guarantor Exposure to US Airline EETCs, March 2005 (91790)

Moody's Portfolio Risk Model for Financial Guarantors, July 2000 (58299)

Industry Outlook:

Moody's Financial Guaranty Industry Outlook, July 2005 (93125)

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