

# What is the Demand for Bond Insurance?



September 14, 2009

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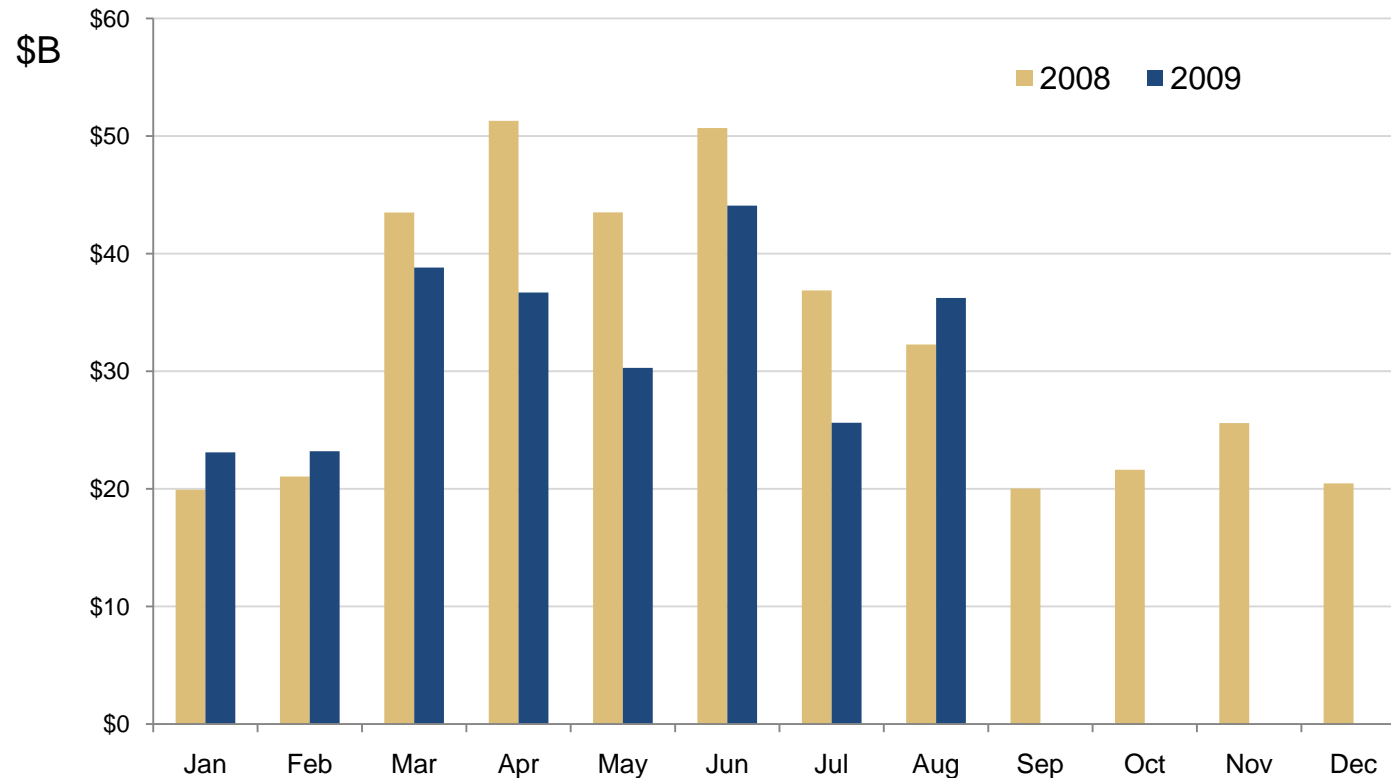
# Safe Harbor Disclosure

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- Forward-looking statements are being made in this presentation. Actual results could differ materially from these statements.
- For example, Assured's forward looking statements, including any calculations of adjusted book value, PVP, net present value of estimated future installment premiums in force, total estimated net future premium earnings, and statements regarding capital losses, pricing, ratings, expenses and new business production could be affected by many events.
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  - downgrades of transactions we insure;
  - our inability to execute our business strategy;
  - reduction in the amount of reinsurance facultative cessions or portfolio opportunities available to us;
  - contract cancellations;
  - developments in the world's financial capital markets that adversely affect our loss experience, the demand for our products, our access to capital, our unrealized (losses) gains on derivative financial instruments or our investment returns;
  - more severe or frequent losses associated with our insurance products, or changes in our assumptions used to estimate loss reserves and realized (losses) gains on derivative financial instruments;
  - changes in regulation or tax laws applicable to us, our subsidiaries or customers;
  - governmental actions;
  - natural catastrophes;
  - the Company's dependence on customers;
  - decreased demand for our insurance or reinsurance products or increased competition in our markets;
  - loss of key personnel;
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  - other risks and uncertainties that have not been identified at this time; and
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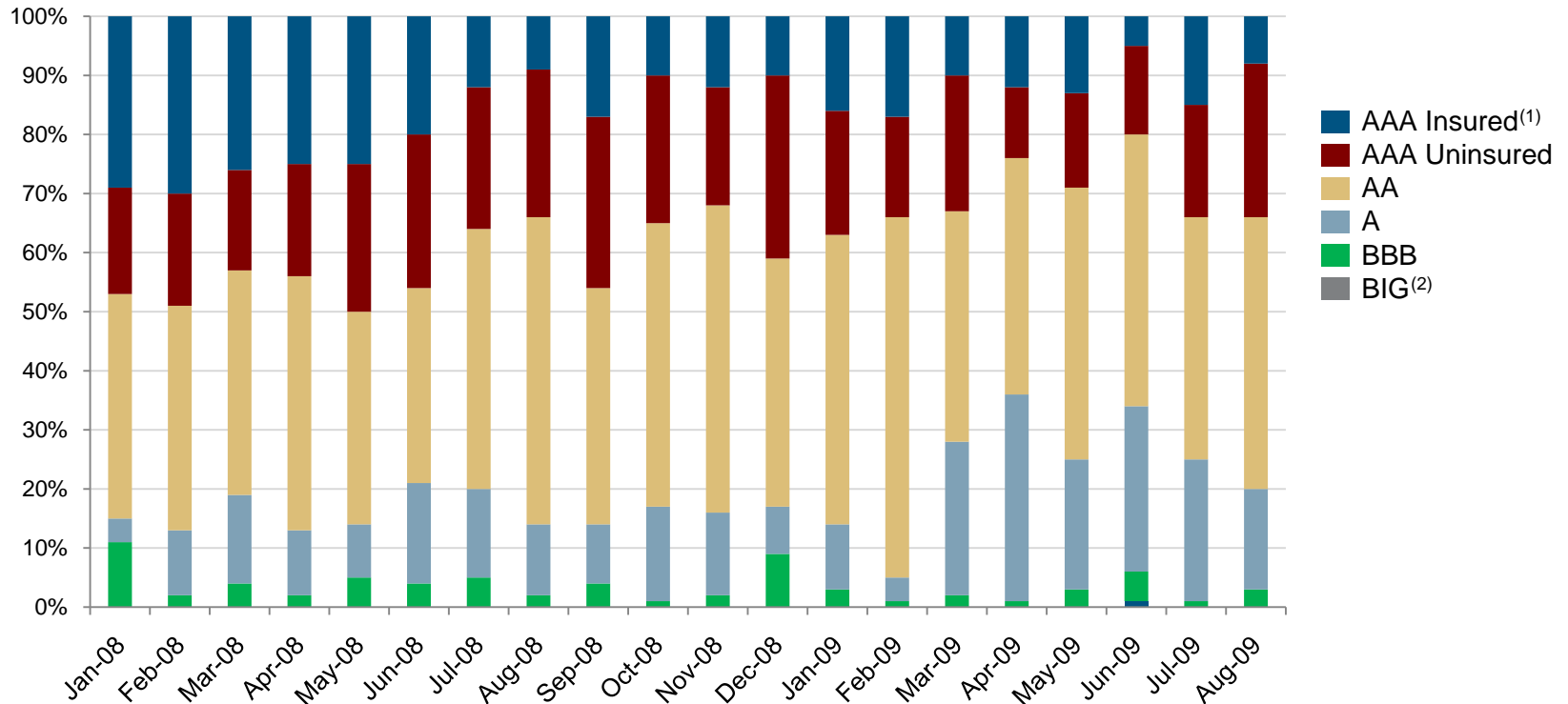
# U.S. Municipal New-Issue Volume 2009 versus 2008 by Month



- Total volume for eight months 2009 was \$258.0 billion versus \$299.1 billion for eight months 2008.
- Excluding Build America Bonds (BAB bonds), issues in the first eight months of 2009 totaled \$229.3 billion.

Source: Thomson Financial.

# U.S. Municipal New Issues by S&P Ratings



- Since March, the issuance of BAB bonds has increased issuance in the Single-A category, and lesser-known and smaller issuers have had limited market access.
- BAB bonds accounted for 38% of S&P-rated issuance in the Single-A and lower rating categories since March.

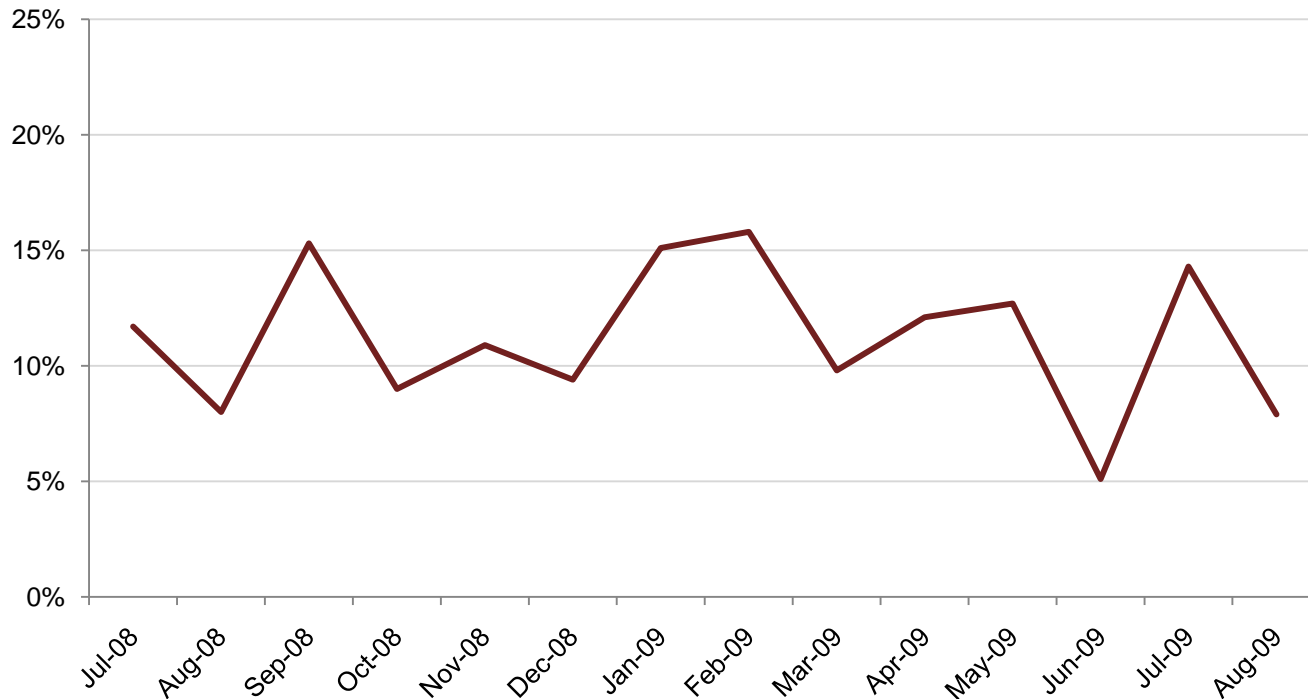
(1) Based on available rating information. (2) Below investment grade.

Source: Thomson Financial.

# U.S. Municipal Insurance Penetration (Monthly)

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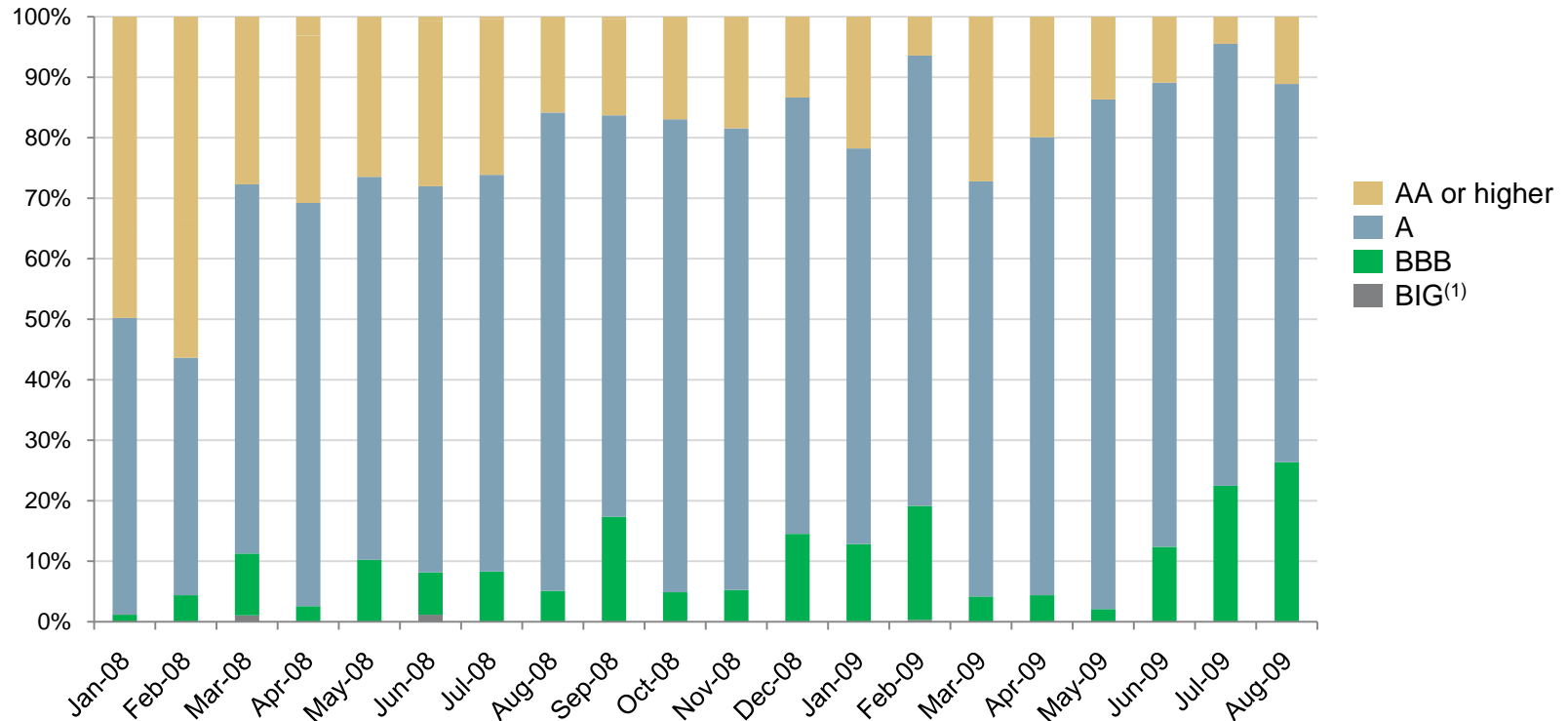
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- Assured/FSA insured \$28 billion of new issues in the first eight months of 2009, representing approximately 11% of new issuance.
- Almost all of the 2009 insured volume has been originated by Assured/FSA.
- In 2006, for comparison, the single-company penetration rates of Ambac and MBIA were each approximately 11%.

Source: Thomson Financial.

# Assured/FSA Monthly U.S. Municipal Originations by Credit Quality



- Of the \$28 billion of Assured/FSA insured municipal bonds issued in the first eight months of 2009, approximately 70% are G.O.'s or tax-backed.
- On average, Single-A G.O. credits have saved 20-30 basis points in interest costs through insurance this year.

Ratings are internal ratings of Assured/FSA at origination. The Assured and FSA scales are comparable to those of the nationally recognized rating agencies.  
 (1) Below investment grade.