

Press Release

Kroll Bond Rating Agency Assigns AA+ (Stable Outlook) Rating to Assured Guaranty's Municipal Assurance Corp. (MAC)

NEW YORK, NY (July 21, 2013) – Kroll Bond Rating Agency (KBRA) has assigned a AA+, Stable Outlook, insurer financial strength rating to Municipal Assurance Corp. (MAC). The rating reflects Assured Guaranty's intention to establish a municipal only guarantor which intends to write bond insurance for the lower risk categories within the U.S. Public Finance market. The AA+ rating on MAC reflects Assured Guaranty's conservatively defined business strategy, seasoned management team and staff, established infrastructure for credit underwriting and risk management and best practice enterprise risk management process. In addition, MAC is expected to benefit from revenues stemming from a ceded portfolio of business from Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC), thus providing MAC with an earnings stream as it works to develop its own new book of business.

As discussed in KBRA's Financial Guaranty Rating Methodology, published June 19, 2013, KBRA typically performs a quantitative analysis of the insured portfolio risk by applying a Monte Carlo simulation model that produces a distribution of loss outcomes for that portfolio. KBRA views this as the most appropriate approach for modeling the large, diverse portfolios typical of the financial guaranty industry. KBRA's financial model tests the ability of the guarantor's claims-paying resources to pay both operating expenses and policy claims in run-off. Operating expenses are adjusted for a particular assumed corporate distress scenario. The guarantor's financial resources must be able to pay all claims at the subject rating level on a timely basis, in full, to satisfy the loss modeling test at the applicable rating level.

KBRA ran MAC's ceded portfolio through the KBRA Monte Carlo loss simulation model and produced expected claims due in each year and found that, at the highest stress levels, MAC can cover modeled claims and expenses. As further contemplated in KBRA's Financial Guaranty Rating Methodology, KBRA also applied a stress test to the MAC portfolio by adjusting default probabilities of selected exposures in the existing portfolio and re-running the Monte Carlo simulation model. Beyond the review of specific exposures, KBRA also adjusted the internal ratings for certain exposures currently rated BBB- , given the proximity to non-investment grade and the increased default probability this represents. KBRA

incorporated the adjusted ratings into the Monte Carlo simulation model stress scenario and produced expected claims due in each year and found that at the highest stress levels, MAC can cover modeled claims and expenses.

“Kroll Bond Ratings’ AA+ rating on MAC reflects in part on Assured Guaranty’s seasoned management team, best practice enterprise risk management and established infrastructure” said Jim Nadler, President and COO of Kroll Bond Rating Agency. “As a new entrant to the bond insurance market, Kroll’s in-depth analysis, transparency and experience will benefit all market participants going forward”, added Nadler.

Related Publications:

[Financial Guaranty Methodology, June 19, 2013](#)

Analytical Contacts:

Karen Daly, Senior Managing Director
kdaly@krollbondratings.com, 646-731-2347

Alessandra D'Imperio, Senior Director
adimperio@krollbondratings.com, 646-731-2383

Kate Hackett, Managing Director
khackett@krollbondratings.com, 646-731-2304

Andy Clarke, Director
aclarke@krollbondratings.com, 646-731-2380

Brittni Smith, Analyst
bsmith@krollbondratings.com, 646-731-2352

About Kroll Bond Rating Agency

KBRA was established in 2010 by Jules Kroll to restore trust in credit ratings by creating new standards for assessing risk and by offering accurate, clear and transparent ratings. KBRA is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (NRSRO). In addition, KBRA is recognized by the National Association of Insurance Commissioners (NAIC) as a Credit Rating Provider (CRP).