Assured Guaranty Ltd. (AGO)
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Second Quarter 2021 Earnings Call

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Thank you operator. And thank you all for joining Assured Guaranty for our Second Quarter 2021 financial results conference call.

Today's presentation is made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

The presentation may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results or other items that may affect our future results.

These statements are subject to change due to new information or future events. Therefore you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you are listening to a replay of this call, or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call.

Please refer to the Investor Information section of our website for our most recent presentations and SEC filings, most current financial filings, and for the risk factors.

This presentation also includes references to non-GAAP financial measures.

We present the GAAP financial measures most directly comparable to the non-GAAP financial measures referenced in this presentation, along with a reconciliation between such GAAP and non-GAAP financial measures, in our current Financial Supplement and Equity Investor Presentation, which are on our website at AssuredGuaranty.com.

Turning to the presentation, our speakers today are Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd. and Rob Bailenson, our Chief Financial Officer. After their remarks, we will open the call to your questions.

As the webcast is not enabled for Q&A, please dial in to the call if you would like to ask a question.

I will now turn the call over to Dominic.

Dominic Frederico
President and Chief Executive Officer

Thank you, Robert, and welcome to everyone joining today's call.

Having completed one of the best first halves for direct insurance production in over 10 years, key measures of Assured Guaranty shareholder value per share stood at record high levels as of June 30, 2021, including shareholders' equity at $87.74, adjusted operating shareholders' equity at $81.81 and adjusted book value at $119.72.

During the first six months of this year, we earned $163 million of adjusted operating income, of which $120 million was earned in the second quarter.

Additionally, we produced $167 million of PVP, almost half of which came in the second quarter. In contrast to the first quarter, when record U.S. public finance production generated the lion's share of PVP, new business production in the second quarter was well diversified, with strong international production and a solid contribution from our structured finance business -- exemplifying again how our diversified strategy helps to support our new business production.

At mid-year 2021, total par volume issued in the U.S. municipal bond market was outpacing the rate of issuance at the same point last year, which was an all-time record year. Both monetary and fiscal policy are driving economic recovery, which means more money to invest for retail investors and more revenue and improved credit strength for municipalities. Additionally, many high-net-worth individual investors have been anticipating higher tax rates, which has driven up demand for tax-exempt income. As a result, municipal interest rates have again been near historic lows, with the benchmark rate on June 30th at just 1.5% for 30-year AAA municipal bonds. Credit spreads trended tighter through the first half, to levels not seen since before the Great Recession.

In these market conditions, you would not expect municipal bond insurance to reach its highest first-half penetration rate in a decade, but that's exactly what happened. Assured Guaranty led the municipal bond insurance industry to a market penetration of 8.4%. Year over year, the industry's total first-half insured par was up 34%, more than double the 15% rate of increase for total par issued in the market.

Taxable issues made up a quarter of the primary municipal bond market year-to-date, based on par amount sold. Taxable municipal bonds are currently attractive relative to corporate bonds, as they are generally providing a stronger credit for an equivalent yield. Taxable issues also attract corporate and foreign fixed-income investors who are less familiar with municipal credit and may want to know that the underlying obligations have been vetted by an experienced insurer. In the first-half, bond insurance penetration of taxable par sold reached 10%.

Assured Guaranty continued to see outstanding U.S. public finance production during the first six months of 2021, guaranteeing 58% of new issue insured par sold. The $11.1

billion we insured in the primary market was 34% higher than in the first half of 2020 and, looking back to a comparable period just before the pandemic, our new issue insured par sold was 73% more than in the first half of 2019.

In the second quarter, Assured Guaranty continued to lead the bond insurance market, with approximately 52% of primary-market insured par sold. We guaranteed 292 transactions for a total of $5.5 billion in insured par sold.

We also continued to see heightened demand for our insurance on larger transactions, where high demand typically signals interest from institutional investors. During the first half of 2021, Assured Guaranty selectively insured 21 transactions of $100 million or more in insured par, 13 of which were sold in the second quarter.

We also continued to add value on double-A credits during the second quarter, insuring $809 million of par sold on 29 transactions assigned double-A underlying ratings by at least one of the two leading rating agencies, bringing our first-half production in this category to $2.3 billion on 56 deals.

Additionally, we guaranteed $3.9 billion of taxable par sold, which was about two-thirds of the par sold with insurance in that portion of the market.

U.S. public finance PVP totaled $29 million in the second quarter, which was exceeded by the $43 million we produced in international infrastructure finance, where we executed a variety of transactions. Among these were index-linked transactions in the U.K., including a well-received, £327 million, 18.5-year bond issue for Queen Alexandra Hospital in Portsmouth and two secondary market transactions providing protection on bonds held by institutions.

In Spain, Assured Guaranty (Europe) closed our fifth transaction in two years in the Spanish renewable industry. This €125 million, 17-year, fixed rate bond issue refinanced 18 seasoned solar plants spread across a number of provinces, and all of the facilities benefit from the Spanish Electricity Payments that subsidize a predetermined level of return. This issue was privately placed, but an application for listing has been submitted to the Frankfurt Stock Exchange

In structured finance, we produced $9 million of PVP in the second quarter, primarily from an insurance securitization and a whole business securitization. We have a nice pipeline of structured finance transactions that we consider highly likely to close.

For our insurance segment as a whole, second quarter new business production offset amortization and other reductions of the insured portfolio, resulting in growth in net par outstanding for the fifth consecutive quarter. Total net par outstanding increased by $0.5 billion from March 31st to June 30th. Continuing to increase the par amount of our insured portfolio supports our predictable base of future earnings.

As I noted on the last call, the below investment grade portion of our insured portfolio is down to 3% of insured par outstanding. Additionally, more than 57% of net par exposure is classified as single-A or higher. We are very comfortable with the credit quality and diversification of our insured portfolio and believe further fiscal stimulus and improved economic conditions are likely to strengthen it further.

Our heightened surveillance activity after the COVID-19 pandemic struck has been fully reflected in our internal credit ratings and the loss projections we apply to our exposures. We have paid only relatively small first-time insurance claims we believe are due at least in part to credit stress arising specifically from COVID-19. We continue to project nearly full reimbursement of these relatively small claims.

We had no net economic loss development in public finance during the second quarter and, overall, we actually had a net economic benefit of $20 million.

Regarding our most significant below investment grade exposure, Puerto Rico and its public corporations, we view recent and continuing developments as positive for both the Commonwealth and its creditors. As I discussed on our last earnings call, we and other creditors now have consensual agreements in place with the Puerto Rico Oversight Board that covers 94% of the net par outstanding of Assured Guaranty's Puerto Rico exposures, and almost all of the rest of those exposures are current on their debt service payments.

The Oversight Board has also announced that additional creditors have signed on to certain of these agreements, including the Official Committee of Unsecured Creditors and the additional monolines. The Oversight Board has voiced optimism that some of these agreements could be finalized as early as the end of this year. Meanwhile, the island's economic condition continues to improve with increased economic activity and revenues, and it remains eligible for billions more in federal aid, on top of the funds it has already received.

Last month, S&P Global Ratings affirmed our insurance companies' AA Stable Outlook financial strength ratings and noted that, in relation to our Puerto Rico exposure, its capital adequacy analysis includes a near-term loss assumption and a view of claims beyond 2024. After performing its rigorous capital adequacy analysis of our business, S&P stated that Assured Guaranty has "excellent capital and earnings with a meaningful capital adequacy buffer" at the current AA rating. It also noted our very strong business risk and financial risk profiles, as well as our "well-defined, diverse underwriting strategy."

Turning to our asset management segment, assets under management reached $17.6 billion as of June 30th. During the first six months, we increased fee-earning AUM from 75% of total AUM to 93%. Issuance in the CLO market continued to be strong in the second quarter, reflecting robust demand for CLO securities and plentiful loan supply for collateral. During the quarter, we executed our third CLO of the year, which issued approximately 40% of its equity to four different third-party investors. We also opened additional CLO warehouses and now have 2 warehouses in the United States and 1 in Europe. AGAS's healthcare exposure performed well with continued revenue and earnings growth related to its portfolio of private investment exposures. The asset-based portfolio continues to perform well as asset credit quality has improved due to the economic reopening and fiscal stimulus.

Prospects for the rest of this year look good across both of our business segments. Economic growth has been impressive since vaccinations have allowed more public activity. However, investors will soon not forget how the virus came without warning to disrupt all aspects of life, and we believe the pandemic may prove to be a watershed event that favorably changes how the market perceives the value of financial guaranty insurance.

Some of the current sources of economic uncertainty are the spread of the delta variant, extreme weather events and potentially volatile political polarization. We have the financial strength, insured portfolio diversification, underwriting and surveillance capabilities, and risk management discipline to safeguard our ability to protect investors and to create value for shareholders. In an uncertain world, many investors will demand the extra security of our financial guarantee.

On a final note, we've continued our capital management program and made some beneficial changes to our capital structure. To give you details on those changes and other performance data, I will now turn the call over to Rob.

Robert Bailenson
Chief Financial Officer

Thank you, Dominic, and good morning to everyone on the call.

Picking up from Dominic's last point, I am pleased to report we had a very successful debt issuance in May, raising $500 million in the form of 10-year notes at an attractive rate of 3.15%. In July, we used $200 million of those proceeds to redeem AGMH debt, including $100 million of notes due in 2101 at 6 7/8%, and $100 million of notes due in 2102 at 6.25%.

The addition of $300 million in debt (after taking into consideration the July redemptions) resulted in incremental annual debt service of only $2.6 million. The remaining proceeds will be used in the pursuit of our key business strategies, including share repurchases.

Demonstrating the success to date of the share repurchase program, I am happy to report that our book value metrics reached record highs on a per-share basis, and that our adjusted operating income per share increased to $1.59 in the second quarter of 2021, from $1.36 in the second quarter of 2020. Total adjusted operating income was $120 million in the second quarter of 2021, compared with $119 million in the second quarter of 2020.

Turning to our core business results, the Insurance segment generated adjusted operating income of $152 million in the second quarter of 2021 compared with $154 million in the second quarter of 2020. Strong investment results from our alternative investment strategies, combined with the lower loss expense on Puerto Rico, substantially offset the decline in premium accelerations due to refundings, and a prior year commutation gain that did not recur in 2021.

Total income from the Insurance segment investment portfolio, which includes net investment income from its fixed-maturity portfolio and equity in earnings from alternative investments such as the AssuredIM Funds, increased by $11 million or 10%.

Our fixed-maturity and short-term investments account for the largest portion of the portfolio, generating net investment income of $71 million in the second quarter of 2021, compared with $82 million in the second quarter of 2020. The decrease in net investment income was primarily due to lower average balances, which declined primarily due to dividends paid by the insurance subsidiaries that were then used for AGL share repurchases, and lower reinvestment yields on short-term investments.

Since the establishment of AssuredIM, the insurance subsidiaries have invested $366 million in AssuredIM Funds, which now have a net asset value of $433 million. Equity in earnings of AssuredIM Funds generated a gain of $37 million in the second quarter of 2021, compared with $26 million in the second quarter of 2020. The healthcare and CLO funds were the largest components of these gains. Our various other third-party-managed alternative investments generated gains of $11 million in the second quarter of 2021.

As a reminder, equity in earnings of investees is a function of mark-to-market movements attributable to the AssuredIM funds and other alternative investments. It is more volatile than the net investment income on the fixed maturity portfolio and will fluctuate from period to period.

As we shift fixed-maturity assets into these alternative investments, net investment income from fixed-maturity securities may decline. However, over the long term, we expect the enhanced returns on the alternative investment portfolio to be over 10%, which exceeds the expected returns on the fixed-maturity portfolio.

Another driver of the quarter-over-quarter variance is the decline in loss expense, which was a benefit of $12 million in the second quarter of 2021, compared with a loss of $39 million in the second quarter of 2020.

The driver of loss expense is net economic loss development, which was a benefit of $20 million in second quarter 2021 and mainly consists of a $28 million benefit in U.S. RMBS exposures, which benefited from higher excess spread, improved recoveries on charged-off loans and improved performance on certain transactions. The economic development attributable to changes in discount rates for all transactions was a loss of $15 million for the second quarter of 2021. In the prior year, second quarter economic development was primarily attributable to Puerto Rico exposures.

In terms of premiums, scheduled net earned premiums were consistent relative to second quarter 2020, as new business production substantially offset the decline in earnings on structured finance transactions. Accelerations due to refundings and terminations were down to $15 million in second quarter 2021, compared with $32 million in the second quarter of 2020, driving the overall decline in net earned premiums from $125 million in the second quarter of 2020, to $106 million in the second quarter of 2021.

In the Asset Management segment, we have continued to make great progress in advancing our strategic goals. This quarter:

- We increased fee-earning CLO AUM through the issuance of $400 million in new CLOs, and the sale of CLO equity from legacy funds, which reduced the amount of rebated fees. Since the end of 2019, we have sold substantially all of the CLO equity in legacy funds, which helped to increase fee-earning CLO AUM from $3.4 billion at the end of 2019 to $14 billion as of June 30, 2021. As of June 30, 2021, 96% of CLO AUM is now fee-earning compared to 83% as of last quarter.

- We also continued to liquidate assets in the wind-down funds and now have $1.2 billion in AUM which represents a 79% decline since the BlueMountain acquisition.

- In addition, using AssuredIM's investment management expertise, we have expanded investment strategies in the insurance segment and, to date, we have recorded strong mark-to-market results on the funds established by AssuredIM.

The Asset Management segment adjusted operating loss was $2 million in the second quarter of 2021, compared to $9 million in the second quarter of 2020. Asset management revenues increased 62% in the second quarter of 2021, compared with second quarter 2020 due mainly to the increase in fee-earning AUM as well as the recovery of deferred CLO fees. The COVID-19 pandemic and downgrades in loan markets had triggered over-collateralization provisions in CLOs in the second and third quarters of 2020, resulting in the deferral of CLO management fees. However, as of June 30, 2021, there were no CLOs triggering over-collateralization provisions and therefore no CLO fees are being deferred.

The increase in management fees from CLOs and opportunity and liquid strategies, more than offset the decline in fees from our wind-down funds as our core strategies continue to increase our top-line.

The Corporate division mainly consists of interest expense on the U.S. holding companies' debt, as well as corporate expenses and Board of Directors' fees. The loss for the Corporate division of $34 million in second quarter 2021 was higher than the loss of $26 million in the second quarter of 2020 – mainly due to higher interest expense from the new debt issuance and higher state and local taxes. In the third quarter, the redemption of AGMH debt will result in the acceleration of the unamortized discount of $66 million (or $52 million after tax), that will be recorded as a loss on extinguishment of debt. This loss represents the difference between the amount paid to redeem the debt and the carrying value of the debt, which includes the unamortized fair value adjustments that were recorded upon acquisition of AGMH in 2009. Prior to the redemption, this discount was being accreted into interest expense over the next 80 years, which represented the remaining contractual life of the debt.

The overall effective tax rate on adjusted operating income fluctuates from period to period based on the proportion of income in different tax jurisdictions. In second quarter 2021, the effective tax rate was 18.7%, compared with 14.2% in second quarter 2020.

As an update to our recent share repurchase activity, in second quarter 2021, we repurchased 1.9 million shares for $88 million, at an average price of $46.63 per share. Subsequent to the quarter close, we have continued the program and repurchased an additional 1.2 million shares for $58 million. Since the beginning of our repurchase program in January 2013, we have returned $3.9 billion to shareholders under this program, resulting in a 65% reduction in total shares outstanding.

The cumulative effect of these repurchases was a benefit of approximately $32 in adjusted operating shareholders' equity per share, and over $55 in adjusted book value per share, and helped drive these metrics to new record highs of over $81 in adjusted operating shareholders' equity per share, and over $119 in adjusted book value per share.

From a liquidity standpoint, the holding companies currently have cash and investments of approximately $356 million, of which $70 million resides in AGL. These funds are available for liquidity needs, or for use in the pursuit of our strategic initiatives to either expand our business or repurchase shares to manage our capital. Finally, earlier this week, consistent with our long-standing capital management goals, our Board of Directors approved an additional $350 million in share repurchase authorization. In total, as of today, we have $379 million in remaining share repurchase authorization.

I'll now turn the call over to the operator to give you the instructions for the Q&A period. Thank you.

QUESTION & ANSWER SESSION

Operator
[Operator Instructions] Our first question comes from Christopher Testa from Royce Investment Partners.

Christopher Testa, *Royce & Associates*
Just wanted to touch a bit on the asset management side. So CLOs, it's great to hear that you're not tripping any junior OC test, that's great news. My question is, how are you looking to compete on gathering more CLO assets and attracting investors given the fierce competition among a lot of Tier 1 collateral managers? Do you think you're going to be able to gain market share? And if so, how do you expect to do that?

Dominic Frederico
I think as a top 20 CLO manager, we have the network relationships and investor appeal that allows us those opportunities. And as you can see the activity in the current year kind of supports that major player in that market standing. We think we have good, experienced people that have great market recognition, and it's worked very, very well. And we continue to think that we'll continue to run one of the leading CLO businesses in the marketplace.

Christopher Testa
Got it. Okay. And I know you guys had mentioned getting more investment income doing less in fixed income and more into alternatives. Are the alternative pieces of the CLO equity that you're managing or are they more along the lines of maybe double-A or maybe single A debt within those structures?

Dominic Frederico
Well, it really is a diversified portfolio of assets that are being managed by AssuredIM for Assured Guaranty's operating companies. So you're right, some of it is CLO equity. In the early days of the CLO crisis, we did take certain tranches of CLOs as just investments, specifically, some managed by us, some managed by third parties that performed very, very well. And the remaining investments represent support of our existing strategies in health care and structured finance. So it's spread across the board, no one dominates it, but where we are in CLOs today is in the CLO equity side.

Christopher Testa
Got it. And last one...

Robert Bailenson
Just to be clear, those are also the equity layers of the CLOs that we manage.

Christopher Testa
Got it. Okay. Yes. So those are strictly when you're buying equity, those are all Assured Investment Management equity.

Robert Bailenson
Yes.

Dominic Frederico
Yes, the portion of the equity to be earned by Assured Investment Management.

Christopher Testa
Okay. And then have you guys had to -- I know you haven't made as many fee rebates as you did with the legacy investments. Are you anticipating having to do fee rebates that lower the traditional 50 bps of par in order to attract more AUM? Or are you going to kind of hold steady there?

Dominic Frederico
So on the legacy side, it's just a liquidation strategy through harvest period at this point in time. We don't charge management fees on those as we now are in absolute harvesting. So there is no management fee, therefore there is no rebate. Obviously, we look to continue to grow the asset management business, and part of the reason for the acquisition was to allow Assured to put its capital next to third-party capital to generate more management fees. And that's kind of the strategy. That's the goal, and that's kind of how we're heading.

Christopher Testa
Got it. Great. And last one for me, and I'll hop back in the queue. Dominic, you had mentioned that something that's driving muni demand, and I agree with you is that the fear of higher federal taxes obviously allows munis to sort of shield that. However, there has also been an issue with Biden and the rest of his cohorts in Congress getting through the tax increases. Has that sort of abated at all in terms of investors not being as concerned? Or are you still seeing the same strong muni demand from investors that were initially concerned about that?

Dominic Frederico
I guess the best surrogate you can look at is the flow of funds in the mutual funds -- I mean, the number today is just incredible. I think we're going to set a record for the year in terms of fund flows into tax exempt mutual funds. But the funny thing is you bring up an interesting point or a contradiction in the market. So as much money that's coming in in anticipation of a tax increase, we're also seeing in the search for yield, more investors interested in municipal taxable issues just to get yield. So you got the two kind of forces out there that seem to be in opposite direction, yet it seems to be driving significant demand in the market, which we then believe will help our penetration rate and the use of insurance going forward.

Operator
The next question comes from Tommy McJoynt from KBW.

Tommy McJoynt, *Keefe, Bruyette, & Woods (KBW)*
So good to see the $500 million successful issuance. So thinking about that net $300 million of proceeds that you still have, are you evaluating any targets for it in terms of like acquisitions or anything? Or is the plan really to use a lot of that to fund buybacks?

Dominic Frederico
Well, as we say, we continue to look at all the alternatives that are out there in the market for the investment of our money. Obviously, today, the capital management or the repurchasing of shares still represents the most accretive transaction we can do. So obviously, we pay a lot of attention to that. If we saw something that really piqued our interest and we thought would add true value long term to the company, obviously, we'd look at that. But remember, on those sides of -- further, what I'll say, acquisitions are typically not very capital intensive. So at the end of the day, I think our strategy still sticks

with capital management as a preeminent thing that we should be looking at and trying to execute on behalf of the company and its shareholders.

Tommy McJoynt
Okay. And so there's no restrictions on using the full $300 million for buybacks?

Robert Bailenson
No, no restriction.

Tommy McJoynt
Okay. Great. And then going back to the acquisition side. When we think about previous acquisitions or reinsurance deals that you've done on some of the runoff books of business out there in the insurance sector. What's like the main valuation metrics that you guys look at? Is it most appropriate to look at potential purchase price at some multiple of GAAP book value or statutory capital or net par or earnings power? What do you kind of think about when you think about how much you pay for some of those assets out there?

Dominic Frederico
It's all based on return on capital, return on the amount invested. And you point out a good point that we use reinsurance in a lot of cases that actually allows us to really identify what portions of the portfolio that we like, which ones we think we can attractively price and therefore absorb into our risk portfolio and of course, the risk that we're willing to accept. When you look at wholesale acquisitions, you really got to get comfortable with the entire portfolio, and if you think of what's out there today in terms of targets, those portfolios have shrunk pretty dramatically. Obviously, we look at them all the time. And I think for us, reinsurance is as good of an option of a transaction that gets most of the benefits of an acquisition without some of the baggage that comes along with it.

Tommy McJoynt
Okay. That makes sense. And I guess when you get comfortable around the reserve adequacy of potential targets, what's that process like?

Dominic Frederico
Individually, re-underwrite every transaction. I mean I think we can say that the company has demonstrated its credit capabilities and its credit analysis and its' surveillance capabilities. So we take every credit through our process to make sure we're comfortable with what the credit is, if there is a reserve, how adequate the reserve is? What's the premium on the books, what's the discount rate relative to the capital that would allow us to allocate additional premium to the transaction to make sure we hit our return hurdle. So it still gets back to that return on capital.

Tommy McJoynt
Okay. And then just last one. What was the impact of the change in discount rate assumption on the loss in LAE regarding the Puerto Rico exposures and their potential recoveries?

Robert Bailenson
We don't disclose what the discount is just for Puerto Rico. I mean I said in my commentary what the total effect of discount rates were, which for everything was $15 million for the second quarter.

Operator
The next question comes from Michael Temple, Private Investor.

Michael Temple, *Private Investor*
A couple of quick questions. As you highlighted the penetration rate of insured product in first quarter, first half and how it's ticking up. So I think you said an 8.4% penetration rate. Can you remind us, again, this may be apples and oranges, but can you remind us of what the industry high mark penetration was in, say, the last decade, again, understanding that dynamics have probably changed dramatically from...

Dominic Frederico
Let me dust off my old analysis. So in the old days, the market of insurers insured about 50% of all issues, but that included AAAs, AAs across the entire spectrum. Obviously, as we look at the market today, I still like that 50% rate. However, it's applied to a different universe. So today, we think because of the AA rating of the insurance industry for financial guarantee and our underwriting criteria or appetite relative to certain large exposures, certain lower-rated issuers, we think the insurable market today compared to that market of the past is only 50%. So we think today, based on ratings, credit appetite, risk tolerance, we can only insure what we use to 50% of what we use to insure. But I think on that 50% under a normalized interest rate environment, we can still get to a 50% penetration.

And if you look at our statistics, A-rated issues, not par, we insure over 50% of the industry insurers typically over 50% of A-rated issuance. So I think you can get to 50% of the 50% insurable market or a 25% overall penetration rate if you had normalized interest rates. As we all know, we do not live in an environment of a normalized interest rate. And when we will ever return there, is anybody's best guess, mine's horrible. So I've been wrong every year. So I'm not going to make another one. But you can't keep a U.S. 10-year Treasury at 1.25 or 1.5 whatever it is today. I mean, ultimately, without getting to a normalized position, I think the upside in our penetration, therefore our premium, is very dramatic. Because remember, we also get paid on debt service, which is 5x interest rate. So an interest rate increase not only generates potential opportunity for higher penetration, but it will result in a greater premium calculation for the company as well.

Michael Temple
Very good. Thank you for that. Switching gears to Puerto Rico. Could you just remind us again of the major legal milestones that lie ahead as we work towards, I guess, a 2022 resolution to the entire mishmash. I'm aware of the November court case, but are there other….confirmation case, but are there other legal milestones that we should be aware of as we move through the second half of the year here?

Dominic Frederico
Yes. You're calling it a mishmash being kind to be honest, but at the end of the day...

Michael Temple
So right now, well we are in waking hours, so yes, watching my language.

Dominic Frederico
Yes, exactly. We are on a PG-rated channel. So at the end of the day, everything that's left is really legal. So it's getting the disclosures done, which we just did for the GO and Commonwealth debt, then it's to the court for certification. And I think all of them are scheduled through the end of this year for the GOs, PBAs early next year for HTA and potentially PREPA. But once again, these are target dates. They're not absolute. They're not guaranteed, therefore anything can happen and as you can appreciate, a lot of unnatural things have happened in Puerto Rico over time. But anyway -- we're still very optimistic that things are moving very well. The fact that you had these other competitors sign on to GO, PBA deals, I think it's a good sign. It gets us above the level of necessary positive signers to get the deal done. But I think it's now more of a legal process, and there is a calendar that takes us through basically midyear next year.

Operator
The next question comes from Ron Bobman from Capital Returns.

Ronald Bobman, *Capital Returns Management, LLC*
I had two sort of simple questions. Dominic, you mentioned the company's market share, I think one figure was 52%, another one was 58%, I think, depending upon sort of the time series. The balance of the insured market sort of who's making up the remaining 48% and 42%, is that spread over a couple or multiple carriers? Or is it concentrated across really just one other carrier? How distributed is the balance of the insurance market?

Dominic Frederico
It's one other carrier. It's a mutual company called Build America Mutual.

Ronald Bobman
Okay. I'm familiar with them. Okay. And Rob, when you mentioned the refi of the two debt instruments. I think I misheard, but I can't imagine it's right. The second one, I thought I heard you say that a retired debt instrument that was going to be due in 2102. I could have heard it wrong, but that just seems too far out there to be correct.

Robert Bailenson
No, that is correct. Those were the issues, they were 100-year debt. And that product doesn't even exist anymore, but was callable at par after 5 years, and we were able to take advantage of taking out high-cost debt and maintain flexibility at the holding company.

Operator
The next question comes from Geoffrey Dunn from Dowling & Partners.

Geoffrey Dunn, *Dowling & Partners*
Thank you, good morning. I had two questions. First, there was some noise in the news about Puerto Rico a few weeks ago. Basically, I think it was the Commonwealth lawyers arguing for the pensioners and saying that how do you issue new debt in these agreements without support from Puerto Rico. So what is the reality of Puerto Rico's sway here and the potential ability to derail the agreements?

Dominic Frederico
Good question, and I'm not the attorney in the room, but I'll play one just for the sake of argument. So the issue with pensions really gets to two issues, right? Number one, does the control board have the authority to basically steamroll the legislature. It seems like they think that they do. I'm not the judge, so I can't tell you whether that's true or not, but it seems like they do. So that says, okay, even though you want to see the pensioners protected, do you have the authority or capability to do that? Good question. However, against that kind of backdrop, you got to remember in bankruptcy, there's a statement in the PROMESA that says all creditors of equal standing has to be treated equally.

So to me, it's an impossible argument to say that pensioners, if every other creditor is taking an impairment don't take an impairment. I don't know how that would pass the muster of a review and especially a challenge because it's black and white. You can't – if all creditors of equal standing have to be treated fairly, how can you preserve one class that's not even secured and say they're going to get 100 cents on the dollar and yet all these other classes are going to take impairments. So although they rattle the saber and both of them are rattling the saber, I'm not so sure of who draws it or whether this is just positioning to try to reduce the amount of the discount…..Did I excite you with that great answer, Geoff?

Geoffrey Dunn
Yes. Actually, yes, I mean, it directionally helps, but who knows until it's all finalized, right? The other question I had is on the future prospect for runoff book M&A. Puerto Rico has obviously put this on hold. But let's go forward to the scenario where the settlements are all done, does Puerto Rico still present an area of challenge given the CVI components of the settlements and a certain amount of that predicated on future speculation? Or is that something you think you can get comfortable with through the underwriting, including putting no value on those instruments on something you might acquire?

Dominic Frederico
I think we can get very comfortable.

Geoffrey Dunn
Okay perfect, thank you.

Operator
There are no more questions in the queue. This concludes our question-and-answer session. I would like to turn the conference back over to Robert Tucker for any closing remarks.

Robert Tucker
Thank you, operator. I'd like to thank everyone for joining us on today's call. If you have additional questions, please feel free to give us a call. Thank you very much.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.