Assured Guaranty Ltd. (AGO)
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Fourth Quarter 2024 Earnings Call

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Thank you, operator. And thank you all for joining Assured Guaranty for our Fourth Quarter and year end 2024 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., Rob Bailenson, our Chief Operating Officer, and Ben Rosenblum, 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.

Assured Guaranty produced many significant achievements in 2024, our 40th year in business and our 20th year as a publicly traded company.

- We earned adjusted operating income per share of $7.10 and created significant future earnings from strong financial guaranty originations.
- Once again, we reached record year-end highs for adjusted book value per share, at $170.12, adjusted operating shareholders' equity per share, at $114.75, and shareholders' equity per share, at $108.80. We continued to build value for both Assured Guaranty's shareholders and policyholders.
- AGO's stock common share price rose 20% for the year to $90.01.
- And, in our capital management program, we repurchased 11% of the common shares that were outstanding at December 31, 2023, while meeting our 2024 target of repurchasing $500 million of our shares, further managing our excess capital.
- In new business production, PVP across our three financial guaranty businesses topped $400 million for the second year in a row.
- U.S. public finance originated $270 million in PVP, its highest annual total in four years, and both non-U.S. public finance and global structured finance saw strong production and built solid pipelines for 2025 and beyond.
- We insured the winner of the Bond Buyer's overall 2024 Deal of the Year, and the Healthcare Financing, Northeast Regional, and Innovative Financing category winners. Rob will tell you more about our participation in these exceptional transactions when he reviews our production results in a few moments.
- We expanded our geographic reach and pursued further opportunities in Australia, New Zealand and Asia by opening an office in Australia, and one in Singapore.
- We made further inroads in continental Europe and continue to view it as an area of opportunity.
- As we mentioned on several previous earnings calls, we completed the consolidation of our two primary insurance subsidiaries into one by merging Assured Guaranty Municipal into Assured Guaranty Inc., thereby creating a more efficient capital structure, and a larger insurer with a more highly diversified insured portfolio, larger capital base, and greater claims-paying resources. This was one of several strategic moves we have made in recent years that better position us for growth, profitability, and corporate efficiencies.

- The inception-to-date return on our alternative investments, including funds managed by Sound Point and AHP, was approximately 13% through year-end.
- Regarding our one remaining unresolved Puerto Rico exposure, PREPA, the Title III Court has ordered the parties to continue mediation and extended the time for them to resolve their differences. Additionally, the First Circuit has confirmed that bondholders are secured by an unavoidable security interest in PREPA's past, current and future net revenues, and twice denied rehearing petitions by the FOMB asking the court to reconsider such ruling. We remain committed to a fair and consensual resolution for all PREPA stakeholders and are determined to enforce our rights as a secured creditor.

We are well positioned for success in 2025, and the U.S. municipal bond market has started the year with a very strong new issue volume. Some analysts project that 2025 volume will rival, or even exceed, the annual record volume of 2024.

In another important achievement, and another example of Assured defending our legal rights, in early February 2025 we successfully concluded litigation with Lehman Brothers International (Europe) and will recognize a pre-tax gain of approximately $103 million in the first quarter of 2025. Ben will discuss this further in a few minutes.

During our 40-year history, we have proven, over-and-over, the value and reliability of our guaranty and the resilience of our business model, even through some extraordinarily difficult global economic environments, and geopolitical events.

We believe we have untapped business opportunities around the world, as well as the financial strength and talented people to successfully pursue these opportunities over the coming years and decades.

I will now turn the call over to Rob to provide more details about our production results.

Robert Bailenson
Chief Operating Officer

Thank you, Dominic.

Business production across our three main business lines, U.S. public finance, non-U.S. public finance, and global structured finance, continued to perform well in 2024.

As Dominic mentioned, PVP across our three financial guaranty businesses topped $400 million for the second year in a row and was appreciably higher than the $375 million in 2022.

In U.S. public finance, we had a very strong year, reaching $270 million in PVP. Results were primarily driven by continued recognition of the value of our guaranty across the credit spectrum, and the use of our insurance on some very large infrastructure transactions, combined with a record year in overall municipal par issued, which exceeded $500 billion for the first time.

Bond insurance continued to be in strong demand in 2024, with the industry's annual penetration rate at 8.3% of par issued. This was the fourth consecutive year when industry par penetration reached 8% or higher.

Assured Guaranty achieved a 14-year high for annual new issue insured par sold, insuring more than $24 billion during 2024, the most since 2010. Assured Guaranty insured 58% of the total insured par issued in 2024 as we continued our leadership position in the industry. We insured nearly 800 new issue transactions for the year.

We finished the year with an excellent fourth quarter, capturing a 61% share of par insured in the primary municipal bond market. Total insured municipal par sold reached 10% penetration of the municipal bond market during the fourth quarter. For Assured Guaranty, fourth-quarter primary market insured par increased by 37% year-over-year, to $7.4 billion.

During the year, Assured Guaranty wrapped par amounts of $100 million or more on each of 48 municipal transactions. This tied our 2021 all-time high in this category and included six deals with more than $500 million of AG-insured par, as we helped launch several of the market's largest and most high-profile transactions. We believe this indicates that institutional investors increasingly place greater value on our guaranty.

Among our larger transactions in 2024, three were honored at the Bond Buyer's Deal of the Year ceremony. These included:

- the Overall 2024 Deal of the Year, the Brightline Florida Passenger Rail Project issue, where we insured $1.1 billion of par; this transaction also won in the Innovative Financing category;

- the Northeast Regional Deal of the Year was awarded to the JFK International Airport New Terminal One project, where we insured a total of $1.6 billion ($800 million in June 2024 and $800 million in December 2023);

- and the Health Care Financing winner, issued by the Westchester Medical Center Health Network serving Westchester County, New York, where we insured $259 million of par.

These transactions were noteworthy for their underlying credit profiles, par amounts, and use of insurance to expand and diversify the bond buyer base and to enhance the overall liquidity of the transaction.

Also in 2024, we saw an increase in the use of our insurance among AA credits (defined as those credits rated in the double-A category by S&P and/or Moody's on an uninsured basis). Year-over-year, we insured 27% more of these policies, for 38% more par, reflecting a total of 103 policies, and approximately $4.4 billion of insured par.

Non-U.S. public finance contributed $67 million of PVP in 2024, a very solid result. In 2024, non-U.S. public finance PVP included secondary market guaranties of several U.K. regulated utilities and airport transactions, as well as the annual renewal of certain liquidity guarantees.

Our strong 2024 production results also included $65 million of PVP generated by our global structured finance business. The transactions were primarily in insurance securitizations, bank balance sheet relief, subscription finance, and the guaranty of a diversified real estate portfolio. As part of our new business growth strategy, in Australia, for example, we insured a transaction in 2024 for a bank, which provided protection on an approximately $600 million core lending portfolio. We continue to pursue both public finance and structured finance opportunities in Australia.

All three of our major financial guaranty businesses are providing solid contributions to our bottom line, and we continue to look for opportunities by expanding our geographic reach and exploring new product opportunities. In addition to building our business further in our U.S. and U.K. markets, we are pursuing opportunities in Australia, New Zealand, Continental Europe and Asia.

I will now turn the call over to Ben to discuss our detailed financial results.

Benjamin Rosenblum
Chief Financial Officer

Thank you, Dominic and Rob, and good morning.

I am pleased to report fourth quarter 2024 adjusted operating income of $66 million, or $1.27 per share. By comparison, in the fourth quarter of 2023, we reported adjusted operating income of $338 million, or $5.75 per share, which included $208 million in non-recurring benefits related to tax law changes in Bermuda and New York State.

The Insurance segment contributed $98 million of adjusted operating income in the fourth quarter of 2024, compared with $339 million in the same period of last year.

- The most notable item driving the quarter-over-quarter variance is the prior year benefit related to Bermuda tax law changes of $189 million.
- In addition, the fourth quarter of 2023 included an after-tax fair-value gain of $25 million on Puerto Rico Contingent Value Instruments, or CVIs, that we received in 2022 as part of the resolution of most of our Puerto Rico exposures. Comparable amounts in the fourth quarter of 2024 were negligible. Since 2022, we have been

strategically reducing our CVI position, and as of December 31, 2024, we held only 21% of the original notional amount that we received, or $123 million on a fair value basis.

- Lastly, loss expense increased - from $7 million in the fourth quarter of 2023 to $31 million this quarter - mainly due to:
  - lower expected recoveries on certain long-dated U.S. public finance transactions, and;
  - increased losses on certain insured healthcare transactions.

Loss expense is based on both the amount of economic development in a reporting period and the amortization of the deferred premium revenue. In the fourth quarter of 2024, economic loss development was $17 million - primarily attributable to certain healthcare and U.K. regulated utility exposures.

Turning to net earned premiums and credit derivative revenues, in the fourth quarter of 2024, we reported an increase to $107 million, from $86 million in the fourth quarter of 2023. This was attributable to both:

- an increase in accelerations due to refundings, and
- an increase in scheduled net earned premiums.

Our deferred premium revenue remains strong at $3.9 billion as a result of new business production.

In addition to the Insurance segment, our participation in the asset management business is an important strategic initiative in terms of diversifying our stream of earnings. Sound Point has been working steadily towards maximizing the synergies with the AssuredIM business we contributed to them in July of 2023.

In the Corporate division, adjusted operating loss was $34 million in the fourth quarter of 2024, compared with $16 million in the prior year, which included a $19 million benefit related to New York State tax law changes.

In terms of our investment results, the Company's portfolio of increasingly diverse assets continues to perform well with a stable stream of interest income from the fixed-maturity portfolio, complemented by income from alternative investments.

- On a consolidated basis, net investment income from our available for sale fixed-maturity and short-term investments was $93 million in the fourth quarter of 2024, compared with $95 million in the fourth quarter of 2023. The available-for-sale fixed-maturity and short-term investment portfolio primarily consists of these three types of investments.
  - The largest component mainly consists of investment-grade long-term debt securities and short-term investments. Income from this portfolio is relatively predictable but may vary based on short-term interest rates. Net investment

income from these securities was $71 million in the fourth quarter of 2024, which is in line with the $70 million of income in the fourth quarter of 2023.

- We also have another portfolio consisting of loss mitigation securities, which are bonds that we insured and later purchased at a discount to mitigate losses, and other securities including those we acquired in the resolution of previously troubled insured exposures, such as the 2022 Puerto Rico resolution. In recent years, we have not been actively purchasing loss mitigation securities and have sold most of our Puerto Rico securities. We expect this portfolio to continue to amortize down. Net investment income on these investments was $11 million in the fourth quarter of 2024, compared with $24 million in the fourth quarter of 2023.

- Lastly, in the fourth quarter of 2024, approximately $263 million in CLO equity tranches that we previously held in a consolidated Sound Point fund were transferred to the available-for-sale fixed-maturity security portfolio. Net investment income on CLO securities was $11 million in the fourth quarter of 2024. The Company considers these Sound Point-managed CLO equity tranches to be a component of the alternative investment strategy.

- Our partnership with Sound Point continues to promote our alternative investment strategy with the goal of increasing the Company's overall investment returns. In addition to the income from CLO equity tranches in the fixed-maturity portfolio, earnings from our alternative investments were $24 million in the fourth quarter of 2024, compared with $22 million in the fourth quarter of 2023. On an inception-to-date basis, alternative investments have generated an annualized internal rate of return of approximately 13%.

On a full year basis, 2024 adjusted operating income was:

- $389 million or $7.10 per share, compared with $648 million or $10.78 per share in 2023.
- Our prior year results included a $175 million after-tax gain associated with the Sound Point and AHP transactions, and the $208 million in tax benefits I mentioned earlier.
- Offsetting these large non-recurring benefits in 2023, were lower loss expense and increased net earned premiums in 2024.

Our full year tax rate on adjusted operating income was 19.2%. The effective tax rate is a function of taxable income across jurisdictions, and varies from period to period.

This strong result in 2024 reflects the cumulative effect of our long-standing strategic initiatives across all aspects of the business:

- First, we continued to write new business across all markets in accordance with our strategy to grow our deferred earnings, and we continued to work with troubled issuers to resolve underperforming exposures.

- We have also successfully diversified earnings through our Asset Management segment, and
- Improved investment results via our alternative investment strategy where the annualized returns have consistently exceeded returns on the fixed-maturity portfolio.
- And lastly, we have continued to return value to shareholders through our successful capital management strategies.
    - In 2024, we paid $68 million in dividends, and the Board of Directors recently approved a 10% increase to our quarterly dividend per share from $.31 to $.34.
    - We also merged our U.S. subsidiaries and paid $400 million in “special dividends” from those subsidiaries to the holding companies, which was an important step in order to meet our share repurchase goal for the year.

This program continues to be one of our most accretive strategies. In 2024, we repurchased 6.2 million shares for $502 million, at an average price of $81.28 cents per share.

- This represents 11% of the shares that were outstanding as of December 31, 2023.
- Since the beginning of our share repurchase program in 2013, and through December 31, 2024, we have returned $5.4 billion to shareholders under the program and retired over 150 million shares, ending the year with 50.5 million shares outstanding.
- As of today, our remaining authorization is approximately $276 million, and our holding company cash and investment balances are approximately $352 million, of which $53 million resides in AGL.

Share repurchases, along with adjusted operating income and new business production, collectively contributed to new records for adjusted operating shareholders’ equity per share of over $114, and adjusted book value per share of over $170.

While adjusted operating income varies from period-to-period, the consistent quarterly increases in these book value metrics reflect how the successful execution of all our key strategic initiatives build shareholder value over the long term.

Looking forward to the first quarter of 2025, I want to highlight the successful conclusion of a long-disputed claim brought against us by Lehman Brothers International (Europe), or LBIE, in 2011. Following the exhaustion of LBIE’s appeals, we will be recognizing a pretax gain of $103 million in the first quarter of 2025, which represents the full satisfaction of the judgment in our favor, and includes reimbursement of attorneys’ fees and expenses, along with the accrued interest.

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

QUESTION AND ANSWER SESSION

Operator
We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Marissa Lobo with UBS.

Marissa Lobo, *UBS*
I was hoping you could review the recent developments on Thames Water and what near-term developments are you looking for to look at your reserve provisioning. And also, any developments on Southern Water as well?

Benjamin Rosenblum
Sure. So let's start with Thames Water, and we can take it from there. So obviously, let's start with our – the U.K. water sector is an essential service, obviously. And those water utilities are monopolies in their service areas. So that – it's a good fact to start. The U.K. government has stated that they really don't plan to nationalize the water utilities. And frankly, they don't really seem to have the room in their budget to do so. And they would like to see additional investments. So I think the macroeconomic background for the U.K. water sector looks pretty good. When you drill down to Thames specifically, our debt is at the senior operating level. So again, it's an area that we feel pretty good about, they made progress in their recent – in the final regulatory determination recently. So again, an improvement in their underlying financials, and they have stated along with some of the other U.K. water utilities that they're going to go through the competition and market authority and appeal that.

And obviously, the past is never predictive of the future, but historically, there's been success when companies have appealed that. So we do feel pretty bullish about that going forward. And frankly, obviously, our reserving means that we have to look at all possible scenarios. So when we look at the scenarios, we do feel really good about this. We think that these – they will come out really well. But obviously, we do have some pessimistic scenarios that result in a loss. We are looking forward to see how the competition market authority plays out and how this plays out, frankly, in the public markets, and we are there to help support any restructuring that needs to be done, but we do feel we're going to get out of here with no loss.

Dominic Frederico
So I'd emphasize we're at the operating company level and not at the holdco level. Number two, rates are adequate to pay debt service but not to provide for additional CapEx – additional capital improvement. So it's a capital issue, not an operating issue. Three, they're going to appeal the rate that was granted to them and the appeal process has been fairly successful for the water companies in terms of succeeding in the appeal process. And they're not that far off between the requested rate and with the current rate or the challenge rate could be. So when you look at it all the factors included, it looks like a pretty good situation for us.

Marissa Lobo
Got it. Thanks for that. And the time line to the CMA process?

Benjamin Rosenblum
That takes a while. I would say that probably best guess would be end of 2025, maybe beginning of 2026.

Dominic Frederico
Remember, in Thames, they did sign the liquidity agreement so now they've been able to take away the short-term issue of them running out of cash or having invested in a cash position even with the capital expenditures. So that really puts a lot of relief into the system as well.

Ameeta Marissa Lobo Nelson
Got it. And could you discuss if the California wildfires had any impact on your exposure?

Dominic Frederico
So we're going through the portfolio more times than I can count, and we don't see really any exposure to the California wildfires. The municipalities we have are kind of in good position. No one's missed the debt service, no one plans on missing a debt service payment. So at the end of the day, it's a tragedy without question, but it doesn't seem to have any effect on the municipal performance.

Ameeta Marissa Lobo Nelson
Okay. And finally, just looking at the level of non-U.S. structured finance par written this quarter, $2.1 billion came in well ahead of our expectations. Could you give us more color on the geographies that drove it and expected returns for these new exposures?

Dominic Frederico
The geography is still dominated pretty much by the U.K. However, because of our geographic expansion, we're seeing opportunities now and we've actually recorded transactions at that Continental Europe as well as Australia. We're looking all around in Asia and in the Far East for other opportunities.

Robert Bailenson
Yes. We're seeing a lot of opportunity in Australia. A lot of the non-U.S. global structured finance is going to be in Australia as we see going forward. We did a very large transaction for a core loan portfolio for an Australian bank on an excess position that's in the non-U.S. structured finance sector, and we feel really – we're very excited about it. And just to give you a little color on that structured finance business that we're shifting to is more shorter dated, we'll earn more quickly. So when you're looking at PVP totals, we have other – this business is more repeatable. And so you'll have this as rolling into the next years as opposed to these large life insurance capital relief transactions, which have to be constantly renegotiated. So you'll see a more repeatable performance in Structured Finance.

Dominic Frederico
And much like our public finance has a steady stream of flow of business, we're trying to create flow business in the other areas of the company as well. And the fund finance represents a flow business for us in the structured area. And as Rob said, you can't record PVP on the same basis you would on the municipal side based on an expected life of the program, you can only record it on the years you've got actual contracted agreement, but these things tend to – not automatically, but renew annually. So you're understating PVP, but you're building up a stronger earnings portfolio and a quick earnings profile.

Operator
Our next question comes from Jordan Hymowitz.

Jordan Hymowitz, *Philadelphia Financial*
The only thing that makes me happier than following you guys for 19 years at this point is seeing the Eagles win the Super Bowl twice in my lifetime. I have a couple of questions. First of all, you see the average premium written was 1.26, and that's up from 1.23. And I believe it was below 1.2 a year or so ago. So hypothetically, if everything would be put on at this rate, what would your return on equity be? I mean it would be like 11%, 12%. Is that reasonable?

Dominic Frederico
On the business written, yes.

Robert Bailenson
Yes.

Dominic Frederico
The ROE or the return on the business is really based on mix, right?

Robert Bailenson
Yes. Dominic is saying the return on the ROE is based on mix of business. I just want to give you some numbers, Jordan. So looking at ROE, public finance is generally in the 8% to 10% range. Structured finance is going to be somewhere between 12% and 18% on and international infrastructure is somewhere between 15% and 20%. So that mix of business changes, that's where the ROE is going to be coming from that mix.

Jordan Hymowitz
So what used to be an 8% to 10% business 4 years ago because it was all domestic is now with the current mix probably a low-double-digit mix on average. Fair?

Robert Bailenson
Yes. As you shift – yes, as you shift into more structured finance and international infrastructure, that's correct. But remember, public finance is always going to be a significant portion of your business mix.

Jordan Hymowitz
So looking at a different way, if it was say 11%, 12% versus 8% to 9%, 5 years ago and another way of saying is once you right size the capital, you could be earning $10 plus per share.

Benjamin Rosenblum
Yes, probably in that range. But again, you have to – I think you got to separate two things. You got to separate out the amount of business being written and the amount of business being earned, right? So it does take a while for the business to come in, and the ROE what I'd say is, I think if we rightsized our capital, we'd probably be a low-double-digit return company, right? So that would make sense. And then you got to look at how much business you're writing to achieve that low-double-digit return to know exactly what your dollars per share earnings is going to come out of that.

Dominic Frederico
Remember, when we are writing business in today's current market, which means the current day's current interest rates and today's current credit spread. Those things do change. So there's favorable markets in some cases and less favorable markets in other cases, and therefore, you got to remember, it's only 1-years' contribution. Our earned premium is made up of 20 years of contribution of different rates, different returns, et cetera, so the mix of business. But you're looking at the current market yields of today's business, which doesn't mean necessarily it's the same market you're going to see through the rest of 2025.

Robert Bailenson
It's also important to note that in public finance, we're still capturing like on average like 70% -- 60% to 70% of that spread savings. So you're still seeing there significant value. And the other lines of business, structural finance and international infrastructure, are less sensitive to changes in credit spreads.

Jordan Hymowitz
I understand all that, but I remember in 2019 and '20 arguing with people that you could make $7 a share and people said that will take forever and now you're there. And I'm just looking what the next leg up is since we plan to be here for a long time.

My second question is interest rates have fallen a lot in the past month, and there's a $6 difference between stated book and operating book, which I believe is all AOCI. So won't a fair amount of that AOCI be reversed plus you'll get the $2 from Lehman this quarter? So could the gap between adjusted book or operating book, I'm sorry, and stated book be much closer this quarter if the quarter ended today?

Benjamin Rosenblum
First of all, interest rates are going to bounce around quite a bit. So a lot of this is unrealized gains and losses that come through on securities that we have. So it's not

really tangible. I mean you can move it up and down. It doesn't really matter. Obviously, you're right about the Lehman Brothers to get $100 million in, and that's – we're just under 50 million shares outstanding right now. So that is $2 a share. So you would pick up the…it's pretax, right. You'd pick up $2 per share for doing that.

Operator
Our next question comes from Tommy McJoynt with KBW.

Thomas McJoynt, *KBW*
Tough to follow up some good Eagles banter, but a couple of questions have been on various specific credits, we had the U.K. water, the California wildfires. I'll ask about another one. With the Department of Government Efficiency, really going after and perhaps disrupting the D.C. market. Can you talk about your exposure there, whether it's any public works projects or municipalities around there that might be impacted?

Dominic Frederico
Yes. I can't think of any significant exposure we have in the D.C. market that would subject to any potential issue relative to the government programs currently going on. When you look at the portfolio pretty clearly, we have a toll road maybe, but that's about usage. So I'm not concerned about that. And we probably have the airport as well.

Benjamin Rosenblum
I think Dominic's broadly saying we don't have a ton of exposure we're concerned about. We – obviously, there's some tangential exposure that's maybe there, but we're not sitting here really spending a lot of time at this point worrying about that right now.

Thomas McJoynt
Okay. Got it. And you also called out the healthcare side. Can you remind me what's going on with like healthcare facilities in terms of like why some are seeing the financial troubles. I guess I think about some of the voluntary care procedures coming back that, that would help the healthcare facilities. Can you remind me what's going on there?

Dominic Frederico
So, healthcare remember is an operating risk, not really a financial risk. And you take the operating risk for a number of years. As we knew through COVID, there was a lot of pressure on all healthcare facilities in terms of loss of revenue that seemed to recover substantially once all the COVID restrictions were lifted, and they started to get back healthy, then the government through a ton of money at it as well. That also made it a little bit better. They've been facing high labor costs, which really put some pressure on them. But once again, these are operating risk type of things that get managed pretty expertly. We bring in consultants, we get involved in detail with any troubled credit and our experience has been exceptional in the healthcare area. But like anything else, when we downgrade a credit, we got to take it through the reserve model. We have to do our possible scenario analysis and then allocate probabilities. And you wind up booking some losses that you never really realize.

Thomas McJoynt
Got it. And then just last question, just on somewhat around the PREPA side of things. I guess my question is really focused on the political side. I mean the U.S. has seen a change in the White House. Puerto Rico saw a change in leadership. In your view, has this changed political landscape, been helpful to what might ultimately be necessary to get the backing to push PREPA toward a resolution? Or should we not read too much into the change in the political landscape.

Dominic Frederico
Well, it could. But at the end of the day, they've got a lot on their plate that they're trying to address. So I'm not expecting Puerto Rico to be one of their high priorities. They could put some pressure on the FOMB, which would be very helpful for us. But as we said, we're more than happy to play the litigation game. LBIE is a great example. That was a claim that they, I think, owed us back in the day. We claimed $26 million that turned into $103 million. So if you want to play the long game, we're happy to play the long game. We've had our rights in terms of the revenue stream affirmed by the court. They challenged it twice, they lost twice. So someday, they're going to have to come to the table and pay the bill. And however long it takes, could the government help? Absolutely. Are we trying to get some help? Sure we are. That's the nature of how we look at the business.

We feel good about the new administration. We think the government is going to try to get involved, make PREPA a credit that can actually go into the market at some point in time. So therefore, that should help our cause as well. And as I said, the courts have backed us up 100%, the appeals court, not the local court of course, has backed us up 100%. So we're very comfortable with our legal rights, and we're going to continue to pursue them as we did in LBIE and let the chips fall where they may.

Operator
This concludes the question-and-answer session. I would now like to turn the conference back over to our host, Robert Tucker, for 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
This concludes today's conference call. Thank you all for attending. You may now disconnect your lines. Have a great day.