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CREDIT OPINION
30 March 2022

Update

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RATINGS

Assured Guaranty Municipal Corp.

Domicile	NEW YORK, New York, United States
Long Term Rating	A1
Type	Insurance Financial Strength
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Assured Guaranty Municipal Corp.

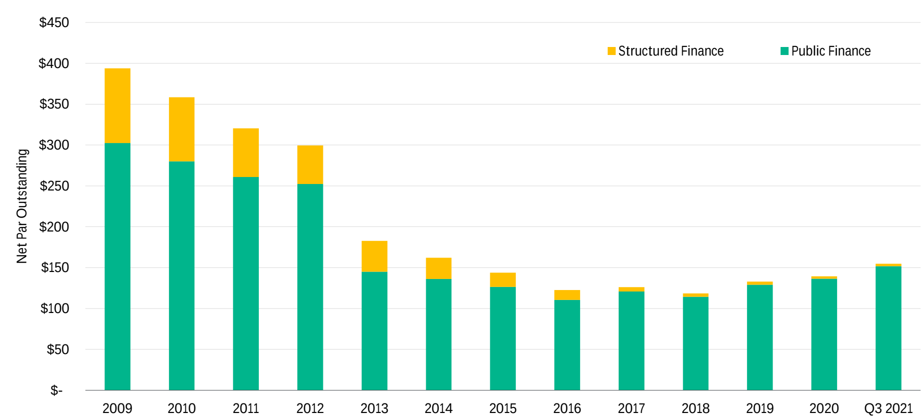
Reduced Puerto Rico uncertainty leads to upgrade

Summary

Our credit view of Assured Guaranty Municipal Corp. (AGM – Insurance Financial Strength (IFS) rating A1) reflects its strong capital profile, conservative underwriting of US municipal and international infrastructure finance risks and leading market position in the financial guaranty insurance sector. These strengths are tempered by the confidence-sensitive nature of the financial guaranty insurance business as well as a number of large single risk exposures relative to capital. AGM is the flagship guarantor within the Assured Guaranty group of companies, producing the majority of group's new business. AGM's ability to organically generate significant capital through premium and investment earnings make its credit profile resilient to a broad range of stress scenarios.

On March 15, 2022, AGM settled its exposure to certain Puerto Rico insured bonds, including the Commonwealth of Puerto Rico's general obligation bonds and bonds issued by Puerto Rico Public Buildings Authority (PBA). The execution of the restructuring reduced AGM's Puerto Rico exposure by $576 million, to approximately $1.2 billion. An additional $614 million of exposure to Puerto Rico Highways and Transportation Authority (PRHTA) is expected to be restructured later this year.

Exhibit 1
AGM's net par outstanding is growing after years of declines (USD Bil.)



Source: Company reports

Credit strengths

» Market leader in the financial guaranty insurance sector

» Well-diversified insured portfolio with public finance focus

» Strong capital adequacy

» Demand for financial guaranty insurance is trending higher

» Strong embedded earnings from sizable unearned premium reserves and installment premiums

Credit challenges

» Confidence sensitive business magnifies headline risks

» Some large single risk concentrations

Outlook

On March 18, 2022, Moody's upgraded AGM's IFS rating to A1 from A2 with a stable outlook. The upgrade reflects its improved credit profile following the resolution of the company's exposure to the general obligation bonds issued by the Commonwealth of Puerto Rico and limited expected volatility among its remaining Puerto Rico exposures. Additionally, demand for financial guaranty insurance continues to trend favorably, both in the United States and in Europe, which supports the continued alignment of interests between Assured Guaranty's shareholders and its policyholders and creditors.

Recent developments - Puerto Rico exposures

GO and PBA Bond settlement executed; PRHTA next in line

» On March 15, 2022, AGM settled its exposure to certain Puerto Rico insured bonds, including the Commonwealth of Puerto Rico's general obligation bonds and bonds issued by Puerto Rico Public Buildings Authority (PBA). AGM paid claims on its insurance obligations and received cash, new GO bonds and contingent value instruments in accordance with the terms of the settlement agreement applicable to each bond issue.

» On May 6, 2021, AGM and Assured Guaranty Corp. (AGC – IFS rating A2) entered into a plan support agreement with Puerto Rico's Oversight Board and various other parties to settle various claims against Puerto Rico and restructure the debt of Puerto Rico Highways and Transportation Authority (PRHTA). The confirmation of the plan by the Title III Court is expected to occur sometime later this year.

Factors that could lead to an upgrade

» Continued demonstration of very strong risk-adjusted capital adequacy

» Increased demand for financial guaranty insurance at attractive pricing levels (15%+ US municipal market insured penetration and/or Assured Guaranty consolidated annual present value of premiums written in excess of $600 million)

» Continued reductions in below investment grade insured exposures relative to capital.

Factors that could lead to a downgrade

» The extraction of meaningful amounts of capital without an associated reduction of risk

» Assured's new business production falls to unsustainable levels (e.g. less than 25% market share or less than $100 million in annual premiums).

» Significant diversification into higher risk businesses

Key Indicators

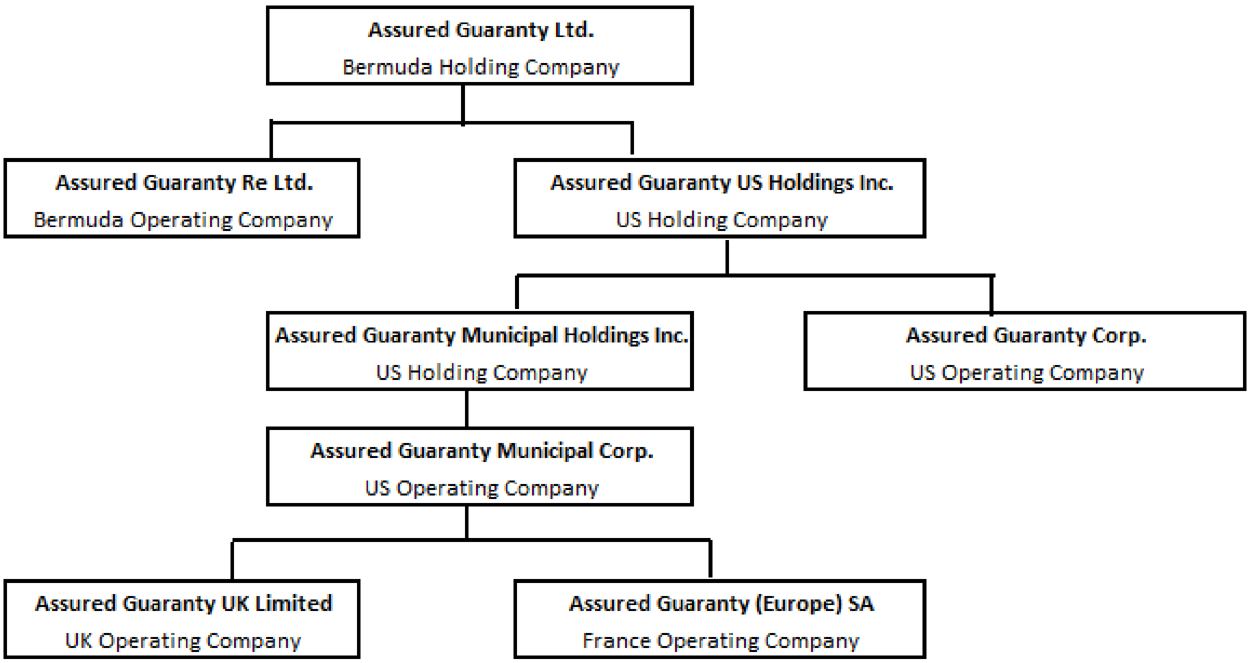
Exhibit 2
Assured Guaranty Municipal Corp.

Assured Guaranty Municipal Corp. [1][2]	2020	2019	2018	2017	2016
As Reported (US Dollar Millions)					
Gross Par Written	22,382	21,789	12,018	16,538	15,737
Present Value Premiums (PVP)	365	372	248	258	184
Net Income (Loss) Attributable to Common Shareholders	373	327	253	395	274
Net Par Outstanding (NPO)	139,371	132,819	118,505	126,052	122,650
Regulatory Capital	3,804	3,677	3,567	3,362	3,557
Claim Paying Resources	6,625	6,396	6,452	6,143	5,889
Moody's Adjusted Ratios					
% Of Industry Gross Par Written	55.5%	58.0%	32.6%	56.4%	51.1%
Portfolio Leverage of Regulatory Capital	36.6x	36.1x	33.2x	37.5x	34.5x
Portfolio Leverage of Claims Paying Resources	21.0x	20.8x	18.4x	20.5x	20.8x
% Par Reinsured	30.5%	32.9%	37.8%	40.0%	45.8%
Risk adjusted capital coverage at A3 level	1.48x	1.51x	1.48x	1.29x	1.33x
Underwriting margin (1 yr.)	55.7%	56.8%	38.1%	-6.2%	32.1%
Return on Average Capital (1 yr.)	8.3%	7.7%	6.5%	11.0%	7.3%
Sharpe Ratio of ROC (5 yr.)	470.0%	418.1%	347.4%	-	-
Adjusted Financial Leverage[3]	16.7%	17.0%	16.8%	16.8%	17.8%
Total Leverage[3]	16.7%	17.0%	16.8%	16.8%	17.8%
Earnings Coverage[3]	5.7x	6.0x	6.9x	10.9x	10.7x

[1] Information based on US GAAP financial statements as of the fiscal year ended 31 December.
[2] Certain items may have been relabeled and/or reclassified for global consistency.
[3] Information based on US GAAP financial statements of Assured Guaranty Ltd. as of the fiscal year ended 31 December.
Source: Company reports, Moody's Investors Service

Profile

Exhibit 3
Assured Guaranty Ltd.: Simplified organizational chart



Source: Company reports, Moody's Investors Service

AGM is a direct writer of financial guaranty insurance on US municipal and international infrastructure financings. AGM is one of the main insurance operating companies of its ultimate parent, Assured Guaranty Ltd. (AGL – Baa1 stable), and a wholly-owned subsidiary of Assured Guaranty Municipal Holdings Inc. (AGM Holdings - junior sub debt Baa2(hyb) stable). AGM Holdings was acquired by Assured Guaranty US Holdings Inc. (AGUS - Baa1 stable), a direct subsidiary of AGL, on July 1, 2009, with Dexia, AGM's former owner, retaining the ownership and risks of the Financial Products business, which is in run-off. Affiliated companies include Assured Guaranty Corp. (AGC – A2 stable), which writes insurance on public finance and structured finance transactions and Assured Guaranty Re Ltd. (AG Re – not rated), a Bermuda-domiciled financial guaranty reinsurer.

The rating differentiation among AGL's operating companies is based primarily on Moody's view of the respective firm's strategic role within the AGL group of companies as well as the composition and risk of individual insured portfolios relative to capital resources available.

In October 2019, AGUS, a subsidiary of AGL and the indirect and direct parent of AGM and AGC, respectively, acquired all of the outstanding equity interests of BlueMountain Capital Management, LLC (BlueMountain), and its associated entities, an alternative asset manager. In September 2020, BlueMountain was re-branded as Assured Investment Management. At Q4 2021, the firm had approximately $17.5 billion of assets under management.

In April 2021, Municipal Assurance Corp. (MAC), Assured's US municipal-only guarantor, completed its merger with and into AGM, with AGM as the surviving company. As a result, all insurance policies issued by MAC have become insurance obligations of AGM.

Detailed credit considerations

Moody's rates AGM A1 for insurance financial strength, which is in line with the adjusted rating indicated by Moody's insurance financial strength scorecard.

Insurance financial strength rating

The key factors currently influencing the ratings and outlook are:

Market environment and product strategy: Market leading position with insurance utilization ticking higher

Moody's assessment of this factor balances the Assured Guaranty group's market leading position in the financial guaranty insurance sector against the still low (albeit improving) financial guaranty insurance utilization and smaller target market for insuring US public finance issuance since the 2008-2009 financial crisis (now primarily mid-to-low investment grade municipal bonds).

According to Bond Buyer data, the insured penetration rate of the US public finance market during 2021 was 7.8% (2020: 7.1%), the highest level since 2009. Increasing interest rates will likely stimulate demand for financial guaranty insurance in 2022. AGM benefits from its position as the most active player in the financial guaranty insurance sector, which is growing again after a long period of relative stagnation. The firm's European platform has also been more active in recent years as demand for wraps on international infrastructure transactions increases. AGM's single-A score for this rating factor is in-line with the A score on an unadjusted basis.

Portfolio characteristics and capital adequacy: Strong capital position; Limited further volatility expected on Puerto Rico exposures

AGM's double-A score for this rating factor, both on an adjusted and unadjusted basis, reflects the company's strong capital position relative to its predominately low-risk, public finance focused portfolio, offset somewhat by risks posed by a number of large single risks. We also believe AGM will efficiently size its capital base to the available market opportunities, which could lead to the extraction of capital over time.

At Q4 2021, AGM reported total claims paying resources of $6.7 billion, and qualified statutory capital of $3.9 billion. Moody's expects the firm's coverage of the A3-level capital charge, which has been in the low Aa range, to increase significantly once all of its Puerto Rico exposures are extinguished.

At Q3 2021, AGM reported approximately $4.0 billion of below investment grade (BIG) exposures, representing approximately 2.6% of NPO and 103% of qualified statutory capital (QSC) plus loss reserves.

As of Q4 2021, pro forma for the March 2022 settlement of Puerto Rico GO and PBA exposures, AGM had approximately $1.2 billion of total net par exposure to Puerto Rico issuers, which represented approximately 31% of its QSC plus loss reserves at Q3 2021. We believe that AGM is effectively fully reserved for its remaining Puerto Rico exposures, and expect any potential change in loss reserve assumptions to have a limited impact on the company's overall credit profile.

Profitability: Core earnings power is good; Net par outstanding is growing again after long decline

We view AGM's core earnings power to be strong, due to its significant embedded earnings base and large investment portfolio. New business production has improved, but remains low relative to the firm's capital base. For the nine months ended September 30, 2021, AGM produced approximately $209 million of PVP from new business (9M2020: $246 million). The company's amortization profile reached a point of stabilization in 2018 and the firm's NPO has steadily grown at a moderate pace since then.

During 2021, AGM reported statutory net income of approximately $352 million (2020: $398 million), reflecting lower net investment income.

Overall, the firm's profitability results in an A score for this rating factor, both on an adjusted and unadjusted basis.

Financial flexibility: Good access to capital and moderate financial leverage; Capital extraction likely to continue

AGL has good access to the capital markets as demonstrated through AGUS's issuances of $500 million of 10-year 3.15% senior notes in May 2021 and $400 million of 30-year 3.60% senior notes in August 2021. At Q4 2021, AGL's adjusted financial leverage was approximately 21.8%, up from 16.7% at year-end 2020, reflecting higher debt outstanding and lower shareholders' equity. Assured's leverage and coverage metrics remain consistent with expectations at the current rating level.

Given the discount of AGL's stock price to the company's reported operating book value (57% of book value at Q4 2021), the company has been active in repurchasing shares over the past several years. During 2021, Assured repurchased $496 million of common stock (2020: $446 million). We expect AGL to continue to take substantial dividends from its operating subsidiaries to fund shareholder dividends and stock buybacks (roughly in line with operating earnings).

Assured Guaranty's subsidiaries are expected to play a key role in providing funds for Assured Guaranty's strategic growth of its asset management business, which represents another avenue to deploy excess capital. Overall, the company's financial flexibility results in an A score for this rating factor, both on an adjusted and unadjusted basis.

Liquidity analysis

At Q4 2021, the principal amount of debt outstanding at AGUS and AGMH was $1.6 billion and $300 million, respectively. $154 million of AGMH's outstanding debt has been purchased by AGUS. The closest maturity date is in 2024, when $330 million of senior notes issued by AGUS mature.

AGMH's liquidity is provided by its ability to upstream dividends from AGM. AGM's unrestricted dividend capacity during 2022 is approximately $305 million. Upstreamed funds not utilized to service AGMH's debt may be further upstreamed to AGUS.

AGL relies on dividends from AGUS and AG Re to provide funds for holding company expenses and common share dividends and buybacks. AGL is a tax resident of the United Kingdom. As one of the consequences, the double tax treaty between the US and the UK exempts the firm from the 30% US tax withholding requirements with respect to dividends upstreamed to AGL from AGUS that had previously been applicable to AGL as a Bermuda tax resident.

During 2021, dividends paid to AGL were originally sourced from: AGM ($291 million), AGC ($94 million) and AG Re ($150 million).

At Q4 2021, the various holding companies held cash and investments of approximately $459 million.

ESG considerations

Environmental risks

In line with our general view for the financial guaranty insurance sector, AGM has low exposure to environmental risks. While catastrophic events can cause significant disruptions to local and state government tax receipts, history has shown that insurance recoveries, Federal disaster relief funds and rebuilding efforts typically result in stronger economic activity in the months after a catastrophic event.

Financial guarantors have exposure to US municipal sectors that could be affected by environmental events (pollution, water shortages, carbon regulation, and so on). The credit impact on guarantors is mitigated, however, by manageable overall concentration and significant single-name and geographic diversification among these sectors, as well as the expected amortization of their insured portfolios over time.

Social risks

Financial guarantors have low overall exposure to social risks. Sophisticated counterparties purchase their products, mitigating customer relations issues. However, the sector's reliance on a highly trained and specialized workforce means that human capital risks can be significant, primarily in respect of recruiting and retaining key employees. Financial guarantors also have a long-term exposure to US municipal issuers that could be affected by demographic and societal trends, such as the rising unfunded pension obligations of an aging workforce. However, significant single-name and geographic diversification and the amortization of their insured portfolios over time mitigate the credit impact for guarantors.

Governance

Like all other corporate credits, the credit profile of AGM is influenced by a wide range of governance-related issues, relating to financial, managerial, ownership or other factors, all of which can be influenced by regulatory oversight and intervention. The company has strong risk management processes and internal financial controls that mitigate various governance risks. Under the oversight of the company's board of directors, the company's management team has a strong performance track record and maintains good relationships with regulators and investors. AGM's focused business model eases these governance and risk management processes and procedures. AGM also operates within a strong regulatory environment, being overseen by the New York Department of Financial Services, which has substantial experience regulating financial guaranty insurance companies.

Support and structural considerations

Moody's aligns the debt ratings of AGMH with those of AGUS. The spread between AGUS's Baa1 senior unsecured debt rating and the A1 insurance financial strength rating of AGM is three notches, which is consistent with Moody's typical notching practices for U.S. insurance holding company structures. Ultimate parent company Assured Guaranty Ltd. fully and unconditionally guarantees the senior debt of AGUS and guarantees on a junior subordinated basis the junior subordinated debt of AGUS and AGMH.

The A1 IFS rating of Assured Guaranty UK Limited (AGUK) reflects a combination of formal and implicit support from AGM. Formal support from AGM includes a net worth maintenance agreement and quota share and excess of loss reinsurance arrangements

Rating methodology and scorecard factors

Exhibit 4

Assured Guaranty Municipal Corp.

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	<B	Score	Adj Score
Business Profile									
Market Environment and Product Strategy (25%)								A	A
Industry Environment				X					
Market Position and Product Strategy			X						
Financial Profile									
Portfolio Characteristics and Capital Adequacy (40%)								Aa	Aa
- Risk-adjusted capital coverage		X							
Profitability (20%)								A	A
- Underwriting Margin (5 yr average)			35.3%						
- Return on Capital (5 yr average)			8.1%						
- Sharpe Ratio of ROC (5 yr)		470.0%							
Financial Flexibility (15%)								A	A
- Financial Policy				X					
- Ease of Access to Capital			X						
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome			X					A1	A1

[1] Information based on US GAAP financial statements as of Fiscal YE December 31. [2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Investors Service

Ratings

Exhibit 5

Category	Moody's Rating
ASSURED GUARANTY MUNICIPAL CORP.	
Rating Outlook	STA
Insurance Financial Strength	A1
ASSURED GUARANTY LTD.	
Rating Outlook	STA
ASSURED GUARANTY MUNICIPAL HOLDINGS INC.	
Rating Outlook	STA
Junior Subordinate	Baa2 (hyb)

Source: Moody's Investors Service

Moody's related publications

Sector and Issuer research:

- Assured Guaranty Ltd. and MBIA Inc.: Proposed Puerto Rico GO and revenue bond settlements clarify recovery rates for financial guarantors (June 2021)
- Assured Guaranty Ltd. and MBIA Inc.: Financial guarantors' Puerto Rico exposure update – April 2019 (April 2019)
- Financial Guarantors: Puerto Rico's COFINA debt restructuring agreement is credit positive for financial guarantors (August 2018)

Rating methodology:

- Financial Guarantors Methodology (November 2019)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

REPORT NUMBER 1324291

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