Select Issues Arising for Monolines in the Current Environment

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Monolines

- Typically organized as state-regulated property and casualty companies.

- Traditionally insured bonds issued by public, governmental and quasi-governmental entities.
Monolines and the Current Environment

- Monolines are excluded from the U.S. Bankruptcy Code.

- Consequently, any reorganization, receivership or insolvency occurs pursuant to a state regime.

- Regime design may or may not present uncertainty regarding claims handling and processing.
Municipal Bonds vs. Structured Financial Products

- Premiums
- Term
- Loss Experience
- Timing of Claims
- Accounting
Reported Monoline Reorganization Plans

◆ So-called “Good Bank / Bad Bank” Strategies.

◆ Separation of Municipal Bond business from Structured Finance business.

◆ Equal treatment of policy holders.
Derivatives Considerations

- Financial Guarantee
- ISDA CDS Definitions
  - Reference Entities
  - Successor Provisions
The Road Ahead
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