

PRODUCT NAME OR GEOGRAPHY

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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