

CDFA – BNY Mellon Development Finance Webcast Series: Is Bond Insurance an Option Again?

The Broadcast will begin at 1:00pm (EST).

While you're waiting, check out some upcoming CDFA events...

Fundamentals of
Economic Development
Finance Course



March 14-15, 2013
Washington, DC

Intro Revolving Loan
Fund WebCourse



May 8-9, 2013
Daily: 12-5pm (EDT)

Intro Public-Private
Partnership (P3)
Finance Course



August 6-7, 2013
Washington, DC

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Development Finance
Webcast Series



Is Bond Insurance an Option Again?

Erin Tehan

**Manager, Legislative & Federal Affairs
Council of Development Finance Agencies
Columbus, OH**



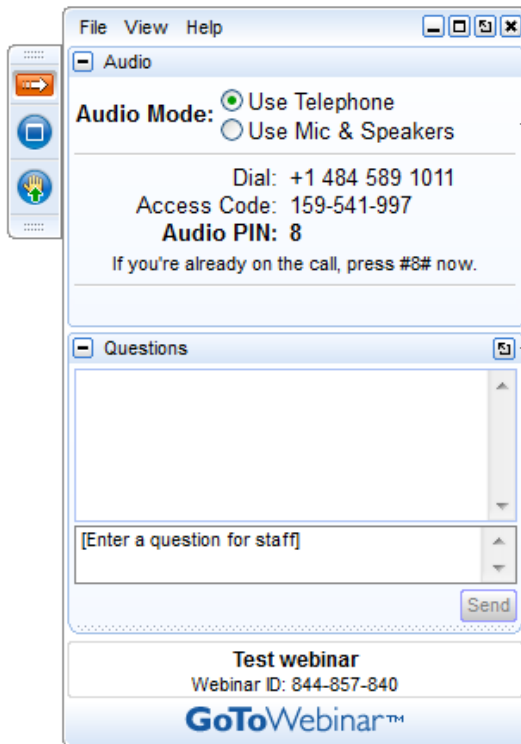
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Is Bond Insurance an Option Again?



Using your telephone will give you better audio quality.

Submit your questions to the panelists here.

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Is Bond Insurance an Option Again?

Speakers

Christine Johnson, *Moderator*
BNY Mellon

Scott Richbourg
Build America Mutual

Don Farrell
Build America Mutual

Bill Hogan
Assured Guaranty

Chris Chafizedah
Assured Guaranty



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Is Bond Insurance an Option Again?

Christine Johnson

Product Manager

BNY Mellon

San Francisco, CA



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IS BOND INSURANCE AN OPTION AGAIN?

CDFA-BNY MELLON WEBCAST

Presented by Christine Johnson

February 19, 2013



Quick Snapshot

WHY BOND INSURANCE AT ALL?

- For Investors:
 - Bond insurance were a little like credit ratings with teeth, they assured the repayment stream.
 - Bond Insurers protected investor rights in case of default.
- For Issuers:
 - Lowered real interest costs by allowing access to the yield curve of lower-risk credits.
 - Also lowered real interest costs by expanding the investor base.
- In 2005 over 57% of municipal bond issues were wrapped with bond insurance.
- In 2012 3.5% of total municipal issuance was insured.

Events – What Happened? Where are we going?

ISSUERS

- Low interest rates compressed credit spreads. This lowered the value of bond insurance.
- Compressed issuance environment squeezing lower rated credits out of the market all together.
- Default risk remained low in muni market throughout financial crisis.
- Effects above multiplied – as prevalence of bond insurance in market decreased, investors became more accepting of uninsured bonds.

INSURERS

- Credit rating agencies downgrade insurers reducing market in higher rated credits. ('A' and above)
- Overall issuing market is compressed for lower rated credits. This decreases market for bond insurers.
- Barriers to entry remain strong even as bond insurance market contracts.



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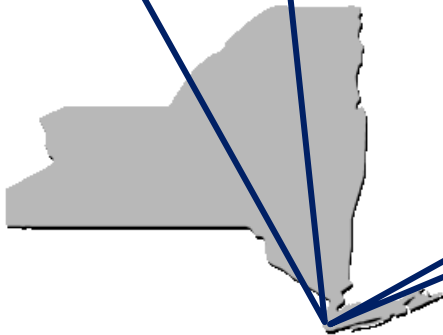
Is Bond Insurance an Option Again?

Bill Hogan

**Managing Director
Assured Guaranty
New York, NY**

Chris Chafizedah

**Managing Director
Assured Guaranty
New York, NY**



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Assured Guaranty Overview:

Bill Hogan, Senior Managing Director
Chris Chafizadeh, Managing Director



- **Introduction**
- **Background and History of Monoline Business**
- **Production in 2012**
- **Impact of Current Interest Rate Environment on Production**
- **S & P and Moody's Ratings**
- **Conclusion**

Is Bond Insurance an Option Again?

Scott Richbourg

Head of Municipal Finance
Build America Mutual
New York, NY

Don Farrell

VP & Head of Public Finance, East
Region
Build America Mutual
New York, NY



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- **Mutual insurance structure**
 - **Municipalities “own” (are members of) the mutual company**
 - **Permits strong capital without pressure for earnings growth, IPO, etc.**
 - **Low leverage: 50≈60/1 (par insured / claims paying resources)**
 - **Starts with strong capital base; capital grows transaction by transaction**
- **Municipal only—essential public purpose, fixed rate, amortizing bonds**
 - **Low single risk limits**
 - **Collateralized first lost reinsurance of 15% on each policy insured**
- **No possibility of “mission creep”**
 - **Muni only charter (in by-laws and insurance agreements)**
 - **7 person board with 3 independent directors**
- **Member Benefits**
 - **Net Interest Cost Savings (5≈10 bps of annual yield savings)**
 - **Ability to receive Member dividend payments**
 - **Reutilize the Member Surplus Contribution for the life of any refunding issue**
 - **BAM Obligor Disclosure Briefs (“ODBs”)**

Is Bond Insurance an Option Again?

Audience Questions

Advancing Development Finance Knowledge, Networks & Innovation



Save the Date

**CDFA National
Development Finance Summit**
August 6-9, 2013
Washington, DC

► **Register Today**

Early Bird Rates
available until
June 14, 2013.

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Upcoming Events at CDFA

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Next Webcast

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, March 26, 2013 @ 1:00pm Eastern

CDFA – Stern Brothers Renewable Energy Finance Webcast Series
Thursday, April, 2013 @ 1:00pm Eastern

CDFA – BNY Mellon Development Finance Webcast Series
Tuesday, April 16, 2013 @ 1:00pm Eastern

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For More Information



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