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S&P Places Radian Asset Assurance on CreditWatch Negative Following Assured Guaranty Deal.

Standard & Poor's Ratings Services said today that it placed its ratings on Radian Asset Assurance Inc. (Radian Asset), including its 'B+' long-term counterparty and financial strength ratings, on CreditWatch Positive. We are also affirming our 'AA' financial strength and enhancement ratings on Assured Guaranty Municipal Corp., Assured Guaranty Corp. (AGC), Assured Guaranty Re Ltd., and Municipal Assurance Corp. (collectively, Assured).

Assured will purchase Radian Asset through AGC for \$810 million in cash. As of Sept. 30, 2014, Radian Asset had statutory capital of \$1.3 billion (\$1 billion of surplus and \$287 million of contingency reserves), remaining unearned premium reserves of \$176 million, and present value of installment premiums of \$66 million. Assured's purchase of Radian Asset will have an immaterial effect on Assured's capital adequacy. We expect the company to maintain on a pro-forma basis more than \$1.3 billion capital cushion at the current rating level following the close of the acquisition.

As of Sept. 30, 2014, Radian Asset's insured par totaled approximately \$19 billion, comprised of \$11 billion in public-finance transactions and \$8 billion of structured-finance transactions (\$6.1 billion of corporate collateralized debt obligation exposures will mature by 2017). The proposed purchase does not materially increase the theoretical losses of Assured's insured portfolio or materially reduce the pro-forma capital position upon the transaction close.

The stable outlook on Assured reflects its strong competitive profile and very strong capital adequacy even with the proposed acquisition.

We could lower our rating on Assured below the 'AA' category if the current interest-yield and credit-spread compression environment persists beyond the next 12 months and Assured's public finance risk-adjusted pricing ratio remains at or less than 4%. We could also lower the rating if the company exhibits significant volatility from earnings or capital adequacy. Based on our view of the new-issue U.S. public finance and financial guarantee markets, we do not believe the business or financial risk profiles of the company will change dramatically and therefore do not expect to raise the ratings.

The complete list of ratings affected by this action will be available in the coming days. When available, the list can be found on Standard & Poor's public Web site at www.standardandpoors.com. Our analysis of these ratings actions is ongoing; we will post any additional rating changes at the same location.

The CreditWatch Positive on Radian Asset is based on our expectation that the company's insured obligations will become obligations of AGC. We also expect that upon close of the transaction, Radian Asset will be folded into AGC and dissolved. We would maintain the rating on Radian Asset at the current level if the transaction fails to occur.

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