

# Managing the Monoline Meltdown: Restructuring the Financial Guarantee Industry

OCTOBER 6, 2010

Winston & Strawn presented an eLunch titled “Managing the Monoline Meltdown: Restructuring the Financial Guarantee Industry” on Wednesday, October 6, 2010 at 12:15 p.m. (Central).

Municipal bond insurance, historically an extremely safe and profitable business, has been one of the hardest hit by the global economic downturn. Since the 2008 subprime crisis, virtually every participant in the industry has been forced to significantly restructure their business.

The financial guarantee (also known as “monoline”) industry presents unique legal issues that add a layer of complexity to restructuring – most standard corporate restructuring techniques, including Chapter 11, do not apply here.

Samuel Kohn and Lawrence Larose, attorneys with substantial restructuring and monoline experience, led an interactive discussion of the latest financial challenges facing the industry and best practices that have emerged from restructuring efforts currently underway. Discussion included an emphasis on the unique corporate structure of monoline insurers, the effect of state regulations and oversight by state agencies, the role of rating agencies in the success of the companies, and the spillover effect from the subprime mortgage crisis.

Specifically, the discussion analyzed and compared the restructuring efforts, all of which are ongoing, for:

- MBIA, Inc.: The world’s largest monoline insurer which voluntarily restructured its business with the approval of the New York State Insurance Department. This transformation effort focused on separating the insurer’s public finance business from its structured finance business and creating a new insurance company to exclusively insure the U.S. public finance market.
- Ambac Financial Group Inc.: The oldest and second second-largest monoline insurer in the United States is currently involved in a court-ordered restructuring with a plan proposed by the Wisconsin Commissioner of Insurance. The plan created a segregated account, for structured finance and “troubled” public finance policies, administered by the state regulator. In addition, the Ambac holding company is currently facing its own restructuring challenges, including a possible Chapter 11 filing.
- Syncora Holdings Ltd. and Financial Guaranty Insurance Company: Both of these major bond insurers were forced into a remediation plan after running afoul of section 1310 of the New York Insurance Law, which requires a

mandated minimum surplus. These remediation plans involve a series of transactions to reduce exposure and increase surplus.

The eLunch also focused on the respective challenges, by investor counter-parties and policy holders, to the various restructuring plans.

A webinar is a complimentary, interactive seminar where participants watch and listen to a presentation given by Winston & Strawn attorneys over the Internet.

*Clients and friends of the firm are invited to attend seminars and events. We reserve the right to limit attendance at any firm event.*

NOTE: CLE credit is not available for listening to our pre-recorded eLunch or webinar briefings.

2 Min Read

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## Related Capabilities

Transactions