



INVESTORS SERVICE

## **Rating Action: Moody's Ratings upgrades Assured Guaranty Corp.'s IFS rating to A1; affirms Assured Guaranty Municipal Corp.'s A1 IFS rating; outlook stable**

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**30 April 2024**

New York, April 30, 2024

Moody's Ratings (Moody's) has upgraded the insurance financial strength (IFS) rating of Assured Guaranty Corp. (AGC) to A1 from A2. In the same rating action, Moody's also affirmed the A1 IFS ratings of Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty UK Limited (AGUK), as well as the debt ratings of Assured Guaranty US Holdings, Inc. (AGUS - backed senior unsecured debt at Baa1), the Baa2 (hyb) junior subordinated debt rating of Assured Guaranty Municipal Holdings Inc. (AGMH) and the Baa1 long-term issuer rating of Assured Guaranty Ltd. (Assured Guaranty). The outlook for the ratings of Assured Guaranty and its subsidiaries remains stable. A complete list of rating actions is included towards the end of this press release.

These rating actions also have implications for the various transactions wrapped by AGC as discussed later in this press release.

### **RATINGS RATIONALE**

The upgrade of AGC's IFS rating to A1 reflects the company's strong risk-adjusted capital adequacy, the significant improvement in the credit quality of its insured portfolio over the past several years and an increased strategic role within the Assured Guaranty group of companies as evidenced by higher new business production. As a result of these factors, Moody's has aligned the IFS rating of AGC with the A1 IFS rating of AGM. Going forward, the IFS ratings of the two companies are expected to be closely linked.

AGM's A1 IFS rating reflects its strong capital profile, conservative underwriting of US municipal and international infrastructure finance risks and leading market position in the financial guaranty insurance sector. These strengths are tempered by the confidence-sensitive nature of the financial guaranty insurance business as well as a number of large single risk exposures relative to capital. AGM is the flagship guarantor within the Assured Guaranty group of companies, producing the majority of group's new business. AGM's ability to organically generate significant capital through premium and investment earnings make its credit profile resilient to a broad range of stress scenarios.

AGC's A1 IFS rating reflects AGC's very strong capital adequacy profile and the improved credit quality of its insured portfolio due to the amortization of below investment grade exposures over the past several years, including the resolution of a large majority of the firm's Puerto Rico exposures. During 2023, AGC wrote or assumed nearly \$11 billion of gross par exposure, which bolsters the company's flow of embedded earnings associated with its unearned premium base. These strengths are tempered by the confidence-sensitive nature of the financial guaranty insurance business and its smaller scale and higher exposure to structured finance risks relative to AGM.

The A1 IFS rating of AGUK reflects a combination of formal and implicit support from its parent, AGM. Formal support from AGM includes a net worth maintenance agreement and quota share and

excess of loss reinsurance arrangements. AGUK is the platform from which Assured Guaranty writes its financial guaranty business in the United Kingdom and certain other non-EU countries.

The Baa1 senior unsecured debt rating of AGUS represents a three notch spread between the senior debt rating and AGM's A1 IFS rating, which is consistent with Moody's typical notching practices for U.S. insurance holding company structures. Assured Guaranty's Baa1 long-term issuer rating is aligned with the senior debt rating of AGUS. Assured Guaranty fully and unconditionally guarantees the senior debt of AGUS and guarantees on a junior subordinated basis the junior subordinated debt of AGMH and AGUS.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade of Assured Guaranty's ratings include: 1) Continued demonstration of very strong risk-adjusted capital adequacy; 2) an increase in demand for financial guaranty insurance (15%+ US municipal market insured penetration and/or annual present value of premiums written in excess of \$600 million) at attractive pricing levels; and 3) continued reductions in below investment grade insured exposures relative to capital.

Conversely, the factors that could lead to a downgrade of Assured Guaranty's ratings include: 1) the extraction of meaningful amounts of capital without an associated reduction of risk; 2) Assured Guaranty's new business production falls to unsustainable levels (less than 25% insured market share or less than \$100 million in annual premiums); and 3) significant deterioration in the credit quality of insured portfolios.

#### LIST OF AFFECTED RATINGS

Issuer: Assured Guaranty Ltd.

Affirmation:

..LT issuer rating, affirmed Baa1

Outlook action:

..Outlook remains Stable

Issuer: Assured Guaranty US Holdings, Inc.

Affirmations:

..Backed senior unsecured, affirmed Baa1

..Backed junior subordinate, affirmed Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Assured Guaranty Corp.

Upgrade:

..Insurance financial strength, upgraded to A1 from A2

Outlook action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust I

Upgrade:

..Backed preferred stock non-cumulative, upgraded to Baa1 (hyb) from Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust II

Upgrade:

..Backed preferred stock non-cumulative, upgraded to Baa1 (hyb) from Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust III

Upgrade:

..Backed preferred stock non-cumulative, upgraded to Baa1 (hyb) from Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust IV

Upgrade:

..Backed preferred stock non-cumulative, upgraded to Baa1 (hyb) from Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Assured Guaranty Municipal Holdings Inc.

Affirmation:

..Junior subordinate, affirmed Baa2 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Assured Guaranty Municipal Corp.

Affirmation:

..Insurance financial strength, affirmed A1

Outlook action:

..Outlook remains Stable

Issuer: Assured Guaranty UK Limited

Affirmation:

..Insurance financial strength, affirmed A1

Outlook action:

..Outlook remains Stable

Issuer: Sutton Capital Trust I

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Sutton Capital Trust II

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Sutton Capital Trust III

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook action:

..Outlook remains Stable

Issuer: Sutton Capital Trust IV

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook action:

..Outlook remains Stable

#### TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's methodology "Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology" (July 2022).

Assured Guaranty Ltd. is a Bermuda-based holding company. Through its subsidiaries, Assured Guaranty provides financial guaranty insurance to the US and international public finance and structured finance markets. As of December 31, 2023, Assured Guaranty had consolidated net par

outstanding of approximately \$249 billion, qualified statutory capital of \$6.1 billion, and total claims paying resources of \$10.7 billion.

The principal methodology used in these ratings was Financial Guarantors published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416491>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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