

Casualty Actuarial Society Reinsurance Meeting

CREDIT RISK REINSURANCE

Presented by
John Gaines, FCAS, MAAA
Chief Underwriting Officer

jgaines@ugcorp.com
336.333.0276

ANTITRUST NOTICE

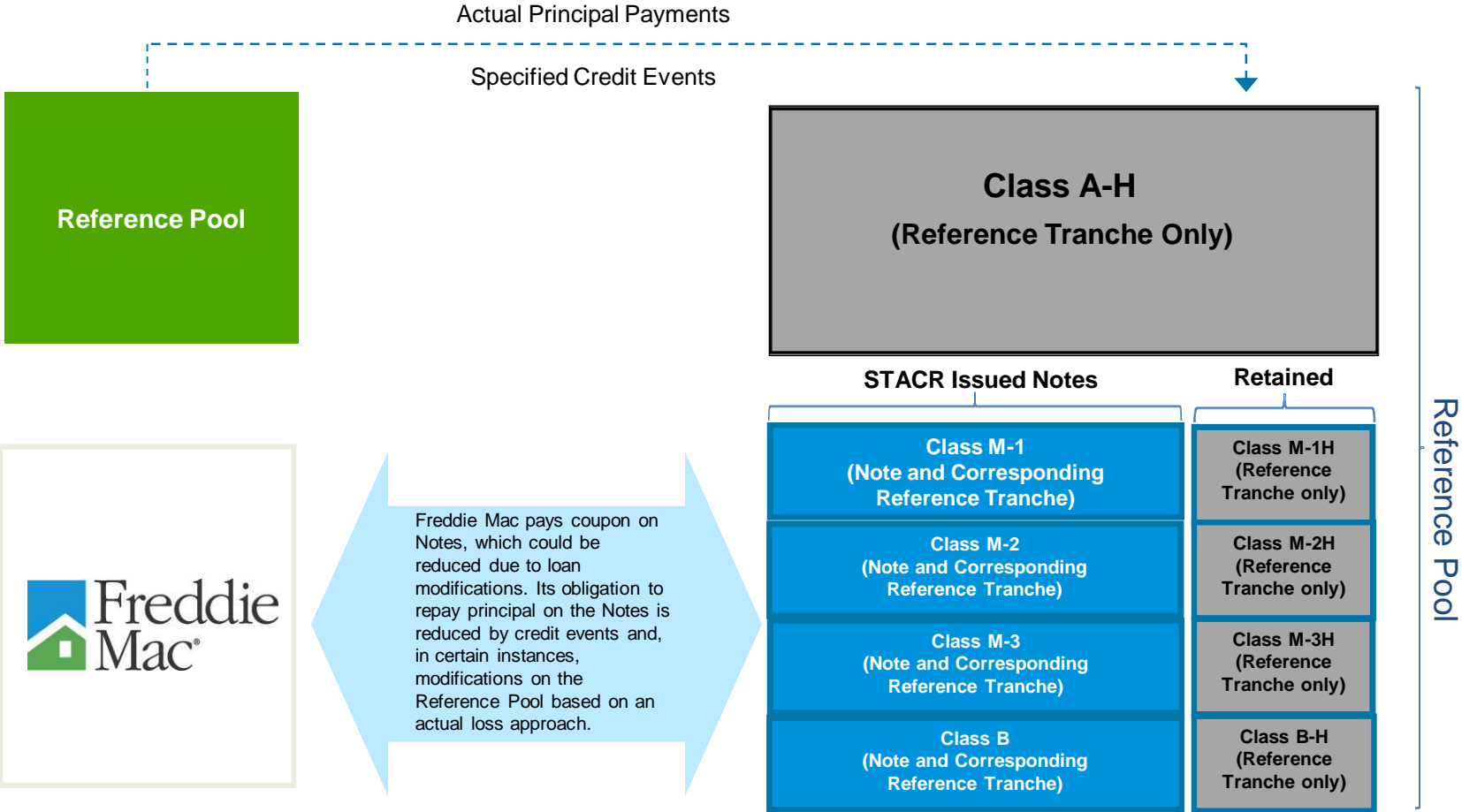
- The Casualty Actuarial Society is committed to adhering strictly to the letter and spirit of the antitrust laws. Seminars conducted under the auspices of the CAS are designed solely to provide a forum for the expression of various points of view on topics described in the programs or agendas for such meetings.
- Under no circumstances shall CAS seminars be used as a means for competing companies or firms to reach any understanding—expressed or implied—that restricts competition or in any way impairs the ability of members to exercise independent business judgment regarding matters affecting competition.
- It is the responsibility of all seminar participants to be aware of antitrust regulations, to prevent any written or verbal discussions that appear to violate these laws, and to adhere in every respect to the CAS antitrust compliance policy.

MORTGAGE GUARANTY REINSURANCE REQUIREMENT

- No mortgage guaranty insurance company may retain more than 25% coverage on an insured loan.
 - Original requirement did not allow for the cession of the excess risk to be ceded to an affiliate.
 - Currently the bulk of the industry cedes the excess risk to affiliated companies.
 - It is expected that this requirement will not be retained under the NAIC's new Mortgage Guaranty Insurance Model Act.

FREDDIE MAC – STACR STRUCTURE (ACTUAL LOSS)

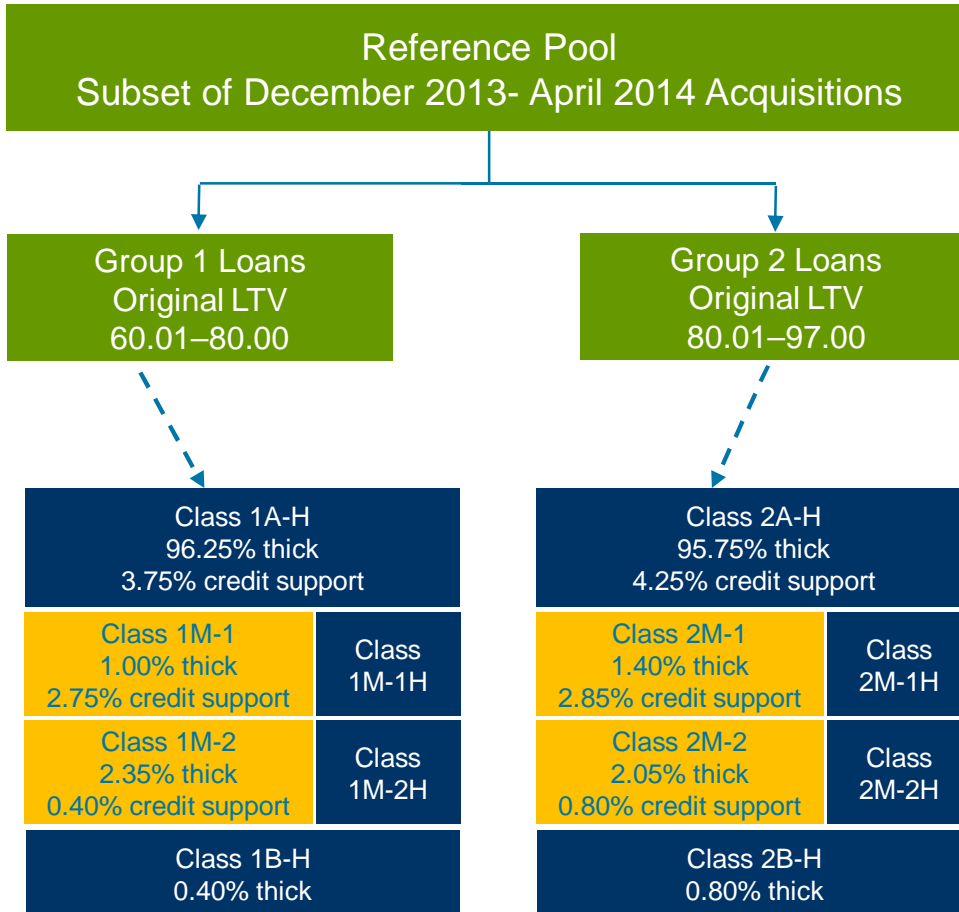
STACR 2015-DNA1 Structure Illustration



*Freddie Mac may sell a portion of its retained vertical slice but will **always** maintain ownership of at least 5% of the M tranches and 50% of the B tranches. Note that the amount of the retained vertical slice varies between the M tranches and B tranche.

FANNIE MAE – CAS STRUCTURE (FIXED SEVERITY)

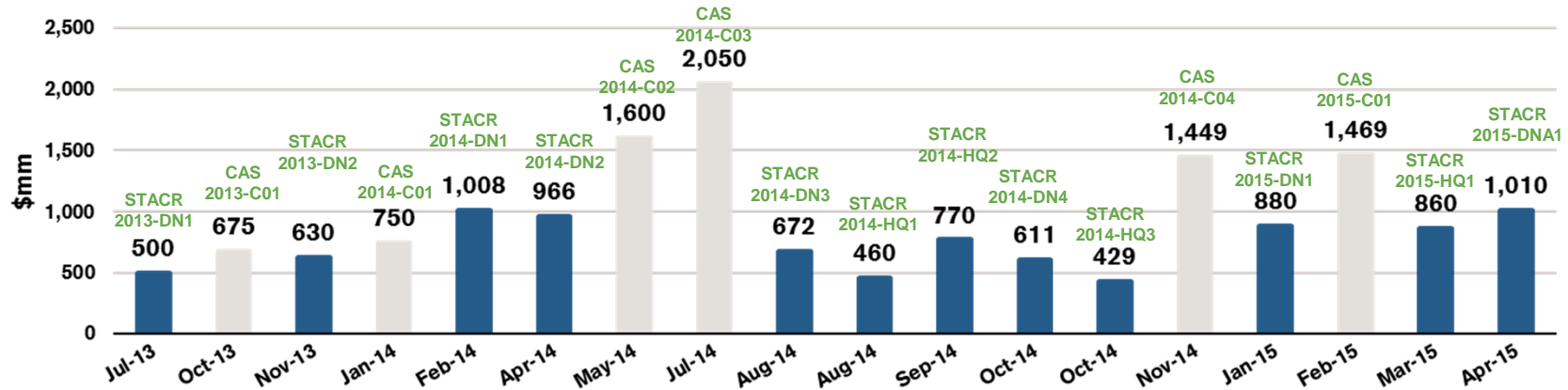
CAS 2015-C02 Structure Illustration



- The Reference Pool is subdivided into two loan groups by original LTV:
 - **Group 1:** 60.01–80.00% original LTV ratios.
 - **Group 2:** 80.01–97.00% original LTV ratios.
- Each loan group will serve as a reference for a separate set of securities.
- Each group will have identical note structures, but with different severity schedules and attachment and detachment points.
- Issued Notes:
 - Class 1M-1 and 2M-1 will be rated (investment grade).
 - Class 1M-2 and 2M-2 will be unrated.
- All other tranches will be reference tranches only and will not be issued.
- Notes will be par-priced uncapped LIBOR floaters.
- The target credit enhancement for Group 1 and Group 2 is 4.25% and 4.75%, respectively.

CREDIT RISK TRANSFER MARKET OVERVIEW

Sold – Over \$13B in Securities



Reference Pool Size

