

Ambac Policyholders Information Center

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Wisconsin Insurance Commissioner Sean Dilweg Files Petition And Plans Rehabilitation For Segregated Account Of Ambac Assurance Corp.

- All Policies of Ambac Assurance Corp. to Remain in Force
- AAC Establishes Segregated Account to Hold RMBS and Certain Other Identified Policies
- Wisconsin Court Authorizes Rehabilitation of Segregated Account
- Court Authorizes Temporary Moratorium on Payments to Segregated Account Policyholders

Madison, WI—March 25—The Wisconsin Office of the Commissioner of Insurance (OCI) today filed a petition to take control of and to rehabilitate the Segregated Account of Ambac Assurance Corporation (Segregated Account). The Segregated Account was established in order to segregate certain liabilities of Ambac Assurance Corporation (AAC).

In order to provide a durable solution for all policyholders, the OCI filed the petition for rehabilitation with the Honorable William D. Johnston of the Lafayette County Circuit Court in Wisconsin. AAC is domiciled in Wisconsin. AAC's parent company, Ambac Financial Group Inc. (NYSE: ABK) is headquartered in New York and is not regulated by the OCI and isn't directly included in the OCI's plan for rehabilitation.

Commissioner Dilweg, as Rehabilitator, received court approval to impose a temporary moratorium on further claim payments to Segregated Account policyholders pending approval of a plan of rehabilitation.

Policies that are not transferred to the Segregated Account will remain in AAC. Under Wisconsin law, the Segregated Account is treated as a separate insurer from AAC for purposes of rehabilitation. As a result, the rehabilitation of the Segregated Account does not require a rehabilitation of AAC as a whole.

"I am taking action to protect policyholders, including investors in thousands of state and local municipal bond issues and other public finance securities, who rely on AAC's guaranty," said Wisconsin Insurance Commissioner Sean Dilweg. "I have a concrete plan for rehabilitation, and details will be reviewed in court over the coming weeks."

The OCI has been closely monitoring AAC's capital position and financial health since the subprime mortgage crisis began resonating through the economy more than two years ago. The economic downturn, combined with AAC's substantial investment in, and insurance of, mortgage-related exposures damaged AAC's business and financial position and reduced its claims-paying resources.

These events created a potential financial hazard to policyholders, creditors, and the public. There also has been a steady, significant increase in AAC's projected loss impairments.

"I am implementing a durable solution for all policyholders while maximizing AAC's resources, pursuant to OCI's regulatory authority," said Commissioner Dilweg. "For nearly two years, I have worked closely with AAC's board and management, and outside advisors, to address the pressing challenges facing the Company."

In connection with the filing, the Court appointed Kimberly Shaul Special Deputy Rehabilitator for the Rehabilitation of the Segregated Account. Ms. Shaul presently is the Deputy Commissioner of the Wisconsin Office of the Commissioner of Insurance, a position she has held since early 2007.

"My goal at every step along the way has been and will continue to provide a durable solution for all AAC's policyholders," said Commissioner Dilweg.

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Created by the Legislature in 1871, Wisconsin's Office of the Commissioner of Insurance (OCI) was vested with broad powers to ensure that the insurance industry responsibly and adequately met the insurance needs of Wisconsin citizens. Today, OCI's mission is to lead the way in informing and protecting the public and responding to its insurance needs. Offices are located at 125 South Webster Street, Madison, Wisconsin 53703 and can be reached at (800) 236-8517.