FLEX GIA™

Issue as Debt Not a Preferred Equity

The IAC Insurer™ is required under the terms of the IGF Act to be a wholly-owned subsidiary of Investors Guaranty Fund, Ltd ("IGF") or its parent. This requirement involves the ownership of all common voting equity. The IAC Insurer™ may however issue preferred transactional equity to increase its capital and surplus, in addition to non-recourse debt identified to specific pools of assets or Policies. These instruments are designed to fund the risk exposure the IAC Insurer™ assumes in the issuance of its insurance policies, including FlexGIA™.

» **FlexGIA™ may be viewed as Debt of the IAC Insurer™, Not a Preferred Security** – Not only is the FlexGIA™ a senior secured obligation of the IAC Insurer,™ but it has the benefits of falling under the provisions of the security structure mandated by law to protect policyholders, which was designed to provide the highest degree of safety, security, and assurance of timely payment. Each FlexGIA™ is a long-dated floating rate senior secured obligation, subject to a periodic reset of the interest rate within a market based set of periodic and lifetime caps and floors.

» **FlexGIA™ Do Not Share in Profits** – Holders of FlexGIA™ do not share in profits generated from the IAC Insurer™'s management of risk and assets. These profits inure to the benefit of preferred transactional equity, including IGF and its parent.

» **FlexGIA™ Holder Default Rights** – In the event of a default, the FlexGIA™ holder is empowered to cause the applicable Government approved custodian to distribute cash and/or government securities to the holder as applicable. The IAC Insurer™ cannot pay less than the full amount of principal and interest on FlexGIA™ and there are no provisions to defer payment. "AAA" connotes timely payment of principal and interest.

» **Flex GIA™ Is Not Non-Recourse Debt** – The FlexGIA™ is not tied to a pool of assets from which its repayment of principal and return is dependent, as in the case of a non-recourse obligation linked to a pool of assets. Unlike the payment of a dividend on preferred equity, which may be at the discretion of the board of directors, the interest rate setting provisions of the FlexGIA™ require the IAC Insurer™ to establish the annual interest crediting rates at or above market yields on the 1 Year Treasury, subject to applicable caps and floors. In the event the IAC Insurer™'s discretionary excess interest reserves are not sufficient or there is insufficient liquidity to fund the establishment of the next year's interest within the applicable market band, then the IAC Insurer™ must look to its capital and surplus, then if necessary call on its financial guaranty reinsurance treaty with its parent. Such an unlikely event would result in a direct loss to IGF's interest stabilisation reserves, as well as its parent, surplus, retained earnings from various sources and a potential reduction of dividends to its shareholders. These attributes are hallmarks of senior secured debt – NOT PREFERRED EQUITY.

» **Bermuda Government Classification of Debt** – The Minister of Finance of Bermuda under the Companies Act of 1981 specifically acknowledged and certified FlexGIA™ series as debt of the IAC Insurer™.

» **Well Defined Capital Structure** – Under the IGF Act, the FlexGIA™ in form, substance and by law, is not preferred equity and does not fall under that specific section of the capital structure of the IAC Insurer™.