FLEXGIA™

Contract Highlights - 5.0 USD

FLEX GIA™

• FlexGIA™ are adjustable rate senior secured obligations of IAC™ Insurers with high credit quality and low volatility, similar to GICs and medium-term notes

• 30 year maturity - prepayable by Issuer - 1 year interest rate reset, short duration

• an IAC™ Insurer is obligated to pay principal amount at maturity and may, at its discretion, prepay principal amount in whole or in part before maturity, together with any applicable prepayment premium

• until Principal is fully paid, interest is periodically credited at an adjustable rate and paid periodically as agreed

• Principal repayment and payment of credited and accrued interest is fully secured by eligible government obligations

• although no assurance can be given, IAC™ Issuers' objectives are to provide a cumulatively compounded return linked to an up to "BBB+" 1 year interest rate index, through credited interest and prepayment premium, with an expectation that Principal and interest thereon will be paid in full within an average life of 5 to 12 years, all as more fully described in an applicable Information Memorandum and Supplement

Summary of Terms

Maturity –
30 years (5 -12 year expected average life)

Prepayment (with applicable prepayment premium)
IAC™ Insurer may prepay, Total Return
Look Back Make Whole

Interest Rate –
Floating, Periodic Reset, linked to 1 Year
Treasury Index
Caps: Periodic & Lifetime
Floors: Periodic & Lifetime

Security –
Principal, Credited and Accrued Interest fully secured by qualified government obligations
Held by government approved custodians
Periodically certified by independent accountants
Held subject to special Act of Parliament (IGF Act)

Credit Rating –
Guaranteed Investment Agreement series have been rated in the highest rating category by several international rating agencies

IAC Insurer™

IAC™ Insurer (Investors Guaranty Assurance -type)

- a statutory reserve life assurance company
- organised under Bermuda law, as an IAC™ Insurer

IAC™ Insurer is subject to the *Investors Guaranty Fund, Ltd. (Policyholder Reserves) Act, 1991* and various contractual terms of the FlexGIA™ which require it to

- maintain with government approved custodians
- sufficient cash, cash equivalents and eligible government obligations to fully repay Principal and pay credited and accrued interest on all FlexGIA™ and all other policy obligations of the IAC Insurer™.

Terms of each FlexGIA™ are governed by the FlexGIA™ contract (defined as a "Policy" under the IGF Act), which includes by reference provisions of applicable statutory Reserve resolutions.

Similar to high quality, floating rate debt obligation, guaranteed investment contract, medium-term note

PROCEEDS AND OBJECTIVES

Use of Proceeds

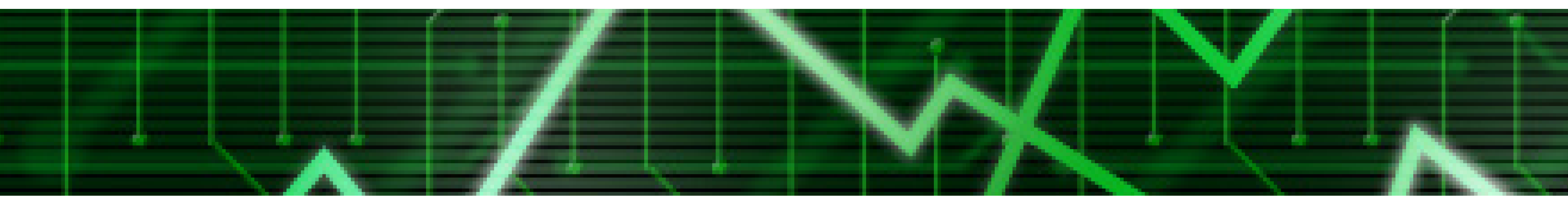
Funds from issuance of FlexGIA™ are used to support the IAC™ Insurer's risk underwriting and investment funding activities in a manner designed to provide interest crediting rates and returns at higher than similar short duration government debt obligations.

The IAC™ Insurer responds to requests to purchase FlexGIA™ series, and uses proceeds, after the payment of issuance costs and other permitted expenses, to increase its surplus, invested in eligible government obligations portfolios, immediately available funds, and other statutory investments to increase its interest rate setting capacity.

Objectives

Although no assurance can be given, the IAC™ Insurer's objective for this senior secured obligation is to provide:

- A high credit quality, adjustable rate, short duration, obligation
- a "stable value" instrument, i.e. valuation at Principal plus accrued interest through its life
- an average life of 5 to 12 years
- a cumulatively compounded return linked to a an up to "BBB+" 1 year interest rate index, through credited interest and prepayment premium



Investment Merits

FlexGIA™ feature short duration, high credit quality, low volatility and attractive spreads over comparable debt alternatives.

The IAC™ Insurer observes that FlexGIA™ have a number of prospective investment merits which distinguish them from obligations with which they might be compared, including:

(i) anticipated yield enhancement - the IAC™ Insurer expects to generally set the interest crediting rate in excess of yields on similar duration government obligations;

(ii) cumulative Prepayment Premiums - unlike traditional prepayment provisions, FlexGIA™ is designed to increase interest payments, and thus returns, upon prepayment;

(iii) attractive stable valuation characteristics – economic value is designed to be maintained at or above Principal plus accrued interest by periodically resetting interest crediting rates, applicable prepayment premium, and lifetime and periodic interest rate caps and floors;

(iv) lower volatility – volatility is mitigated with through adjustable coupon rates, while prepayment premiums enhance positive convexity;

(v) lower issuer risk - fully secured by government obligations, held in IAC™ Insurer's statutory Reserves by government approved custodians in a "bankruptcy proof" legal structure without re-hypothecation and with minimised system risk;

(vi) anticipated short duration accounting treatment;

(vii) reduced capital ratio requirements for various holders; and

(viii) investment grade debt class allocation.

Credit and Rating Setting

Credit -

FlexGIA™ was designed to eliminate credit default concerns.

Repayment of Principal and payment of interest are fully supported by government obligations of IAC™ Insurer. These instruments are i) held by government approved custodians within its statutorily mandated reserve structure, ii) fully charged as security for repayment creating a "first prefected security interest", and iii) confirmed by independent accountants as sufficient to cover all Policy payment liabilities of IAC™ Insurer, including Principal and interest on FlexGIA™. In the unlikely event of systemic default in payment, payee has immediate access to immediately available funds and/or government obligations as applicable.

Traditionally, a credit rating looks to the form of an instrument, the promises its issuer makes and perceived ability of its issuer to timely pay financial obligations it has undertaken in the instrument, i.e. repayment of Principal and payment of interest, fully on its respective due date(s).

Rate Setting –

The interest crediting rate is reset once each period within a series of market interest rate responsive caps and floors, subject to a lifetime cap and floor.

The rate setting mechanism seeks to maintain each period's interest crediting rate within market responsive yield bands, promotes prepayment (a benefit for the holder) and enables IAC™ Insurers to issue floating rate debt in a manner legally compliant with the IGF Act.

Unlike fixed rate high quality long dated debt, the indicative economic value of which increases or decreases in response to changes in interest rates, FlexGIA™ is designed as a short duration instrument which responds to a short-term market based interest rate benchmark. These types of instruments generally have little change in indicative economic value from one period to the next, in essence, a "stable value" asset.

Questions & Answers

Who is the Issuer?

FlexGIA™ are issued by an IAC™ Insurer which has been licensed as a life|assurance company ("Investors Guaranty Assurance Type") and is subject to the IGF Act. IAC™ Principals have been active in developing advanced credit, security and guaranty structures since the 1985 formation in Bermuda of Investors Guaranty Fund, Ltd. ("IGF"), one of the earliest financial guaranty insurance companies. Obligations insured and issued by IAC™ Insurers have been rated in the highest rating category by several international rating agencies.

What benefit does the IGF Act provide?

Subject to *Investors Guaranty Fund, Ltd. (Policyholder Reserves) Act, 1991 ("IGF Act")*, the IAC™ Insurer maintains an extraordinary ratio of hypothecated statutory surplus in eligible government obligations, held by government approved custodians, which are actively managed and matched to currency, country risk and timing of payments. In aggregate, these assets must be, by law, always sufficient to assure IAC™ Insurer's ability to pay the maximum of all of its policy payment liabilities, including Principal and interest on applicable FlexGIA™ series. While these assets secure and enable IAC™ Issuer's ability to pay its obligations in amount and form as required by law, <u>the statutory framework is not a "defeasance"</u>.

When did the issuance of FLEX GIA™ commence?

Issuance of these adjustable rate, floating rate senior secured obligations commenced in 1999 and have been continuously rated "AAA".

Is the FLEX GIA™ Debt of the IAC™ Insurer?

Each FlexGIA™ is a long-dated floating rate senior secured obligation, subject to periodic reset of the interest rate within a market responsive set of periodic and lifetime interest rate caps and floors, and repayment of Principal and interest on a timely basis. The full benefits of *Investors Guaranty Fund, Ltd. (Policyholder Reserves) Act, 1991,* apply to FlexGIA™ as a "Policy" obligation of IAC™ Insurer, to protect policyholders and provide a high degree of safety, security and assurance of timely payment. In addition, a parent company guaranty supports establishment of periodic interest crediting rate. For certain purposes, the Government of Bermuda has specifically acknowledged this senior secured obligation as a debt obligation of IAC™ Issuer.

Questions & Answers (cont)

Is the FLEX GIA™ Non-Recourse Debt?

No. Unlike a non-recourse obligation linked to a pool of assets, the repayment of which is solely reliant on the assets in the pool, FlexGIA™ is a debt obligation of an insurance company, secured by its eligible government obligations which, by law, must be sufficient to fully pay Principal and credited interest. IAC™ Insurer's interest rate setting obligations are further supported by its statutory surplus and a limited parent company guarantee.

Is the FLEX GIA™ a "Preferred Equity Security"?

No. FlexGIA™ in form, substance and by law, is not a preferred equity and does not fall under nor is it accounted for under the equity capital structure of the IAC™ Insurer. While IAC™ Insurer may be obligated to increase interest crediting rates when its underwriting and investment activities increase its interest rate setting capacity, holders of FlexGIA™ do not share in profits generated from IAC™ Insurer's risk and investment activities.

Is an IAC™ Insurer a "Principal Protected Trust"?

No. Neither the IAC™ Insurer, other IAC™ Insurers nor their parent, are principal protected trusts, nor are any portion of their statutory reserves, nor do they assert that they or their reserves are in any manner deemed to be trusts, under the principles of British common trust law, Bermuda law, or the laws of any other country, as generally applied. They have no grantor, trustee, nor trust corpus. They do not maintain a beneficial interest for any party, in their assets. The IGF Act clearly states that the assets of IAC™ Insurers are their assets – no party has any beneficial right to these assets.

FLEX GIA™ Holder Default Rights – In the unlikely event of a payment default, A FlexGIA™ Holder is empowered to cause IAC™ Insurer's applicable government approved custodian(s) to distribute available funds and/or government obligations to Holder as applicable. Subject to the IGF Act, IAC™ Insurer is not legally permitted to pay less than the full amount of Principal and interest on FlexGIA™ and there are no provisions to defer payment.

Prepayment – IAC™ Insurer may prepay Principal and interest upon applicable notice, along with any required prepayment premium. Reductions in interest rates and increased investment returns are two primary motivators for prepayment by the IAC™ Insurer. A FlexGIA™ holder may request a negotiated commutation.

Confidentiality – The IGF Act limits disclosure of transactional information and imposes statutory fines on IAC™ Insurer management and others, in a manner designed to protect client and transactional confidentiality.