Public Finance. Our public finance insured portfolio continues to experience some stress from the general economic downturn and slow economic recovery. As of December 31, 2012, our net claim liability for our healthcare and long-term care exposure was $13.2 million. More hospitals have been experiencing a decrease in patient revenues as a result of a significant decline in patient volumes, increased charity care and limited increases in commercial and government reimbursements. Many healthcare institutions are reporting that further expense reduction efforts are unrealistic and that operating losses are expected as healthcare inflation outpaces weak revenue growth. Further, long-term care facilities generally have been experiencing gradually declining occupancies, reduced debt service coverage margins and slowly eroding cash positions. If these trends continue, it could result in further credit deterioration and require increases in our net claim liability and loss reserves related to our healthcare and long-term care credits.

As of December 31, 2012, our net claim liability for general obligations and other tax supported credits was $10.0 million. The impact on municipal governments from the most recent economic downturn is becoming more evident. For example, there have been several municipal defaults and bankruptcy filings in 2012, including several bankruptcy filings by municipalities in California. We do not have general obligation exposure to any of the California municipalities that have filed for bankruptcy thus far. As of December 31, 2012, we had $183.0 million of net par exposure ($87.1 million after giving effect to the FGIC Commutation) to general obligations of California municipalities, all of which are currently rated investment grade.

We expect the negative trend in the public finance sector to continue through at least the end of 2013 and possibly into future years, due to the slow economic recovery, federal funding reductions, expected Medicare cuts and continued stress on tax-based revenue receipts (in particular where tax revenues are derived from the value of real estate, as discussed below). We expect these collective factors to continue to strain the ability of government entities to maintain balanced budgets and adequate liquidity to meet near-term financial obligations. We may continue to experience further credit deterioration and municipal defaults in our government-related insured credits, which could require increases in our net claim liability with respect to these credits.

We have seen some credit deterioration in our insured portfolio of other tax supported bond transactions, in particular, those that are payable from real estate tax revenues derived from the value of real estate in narrowly defined special districts or from special assessments for improvements on certain properties. Declining property values have reduced the assessed value of the tax base in these jurisdictions, resulting in reduced tax revenues being available to pay interest and principal on these insured bonds. We may experience further credit deterioration in these transactions, which would increase the likelihood that ultimately we would be required to make claim payments with respect to these bonds, especially those from special districts.

We have reinsured several primary financial guaranty insurers' obligations with respect to $225.3 million in net par outstanding at December 31, 2012, related to Jefferson County, Alabama sewer warrants. The FGIC Commutation commuted $195.9 million of this net par exposure. After giving effect to the FGIC Commutation, we do not expect to have a material net claim liability related to these sewer warrants.

As of December 31, 2012, $100.9 million of our Sovereign net par exposure is rated at least investment grade, while $70.9 million is rated BIG. All of our BIG exposure relates to the Stressed European Countries whose Sovereign obligations have been under particular stress due to economic uncertainty, potential debt restructuring and ratings downgrades. Due to volatile economic conditions and uncertainty, particularly in the Stressed European Countries, we believe that there is significant risk of negative ratings and net claim liability developments in our Sovereign insured credits in the Stressed European Countries over the next few quarters.

Structured Finance. The credit performance of most of the transactions in our financial guaranty structured finance portfolio generally has stabilized or improved during 2012.