ASSURED GUARANTY LTD
Form 10-Q
August 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2006

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

transition Period from to

Commission File No. 001-32141

ASSURED GUARANTY LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**98-0429991**
(State or other jurisdiction of incorporation)	(I.R.S. employer identification no.)

30 Woodbourne Avenue
Hamilton HM 08
Bermuda
(address of principal executive office)

(441) 299-9375
(Registrants telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

The number of registrant s Common Shares ($0.01 par value) outstanding as of August 1, 2006 was 73,230,687.

ASSURED GUARANTY LTD.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Assured Guaranty Ltd.
Consolidated Balance Sheets
(in thousands of U.S. dollars except per share and share amounts)
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Fixed maturity securities, at fair value (amortized cost: $2,067,526 in 2006 and $2,082,363 in 2005)	$ 2,069,156	$ 2,133,997
Short-term investments, at cost which approximates fair value	170,731	115,826
Total investments	**2,239,887**	**2,249,823**
Cash and cash equivalents	29,197	6,190
Accrued investment income	22,653	22,676
Deferred acquisition costs	205,307	193,442
Prepaid reinsurance premiums	12,442	12,478
Reinsurance recoverable on ceded losses	11,293	12,350
Premiums receivable	42,182	33,011
Goodwill	85,417	85,417
Unrealized gains on derivative financial instruments	52,338	53,037
Current income taxes receivable	7,644	3,005
Receivables for securities sold	9,650	984
Other assets	17,428	16,710
Total assets	**$ 2,735,438**	**$ 2,689,123**
Liabilities and shareholders equity		
Liabilities		
Unearned premium reserves	$ 601,930	$ 537,149
Reserves for losses and loss adjustment expenses	114,636	121,219
Profit commissions payable	29,616	52,993
Reinsurance balances payable	1,409	3,724
Deferred income taxes	24,328	26,629
Funds held by Company under reinsurance contracts	20,339	19,186
Unrealized losses on derivative financial instruments	6,211	12,652
Long-term debt	197,359	197,344
Liability for tax basis step-up adjustment	19,756	20,129
Payables for securities purchased	12,140	813
Other liabilities	24,936	35,772
Total liabilities	**1,052,660**	**1,027,610**
Commitments and contingencies		
Shareholders equity		
Common stock ($0.01 par value, 500,000,000 shares authorized; 73,231,065 and 74,761,577 shares issued and outstanding in 2006 and 2005)	732	748
Additional paid-in capital	855,258	881,998
Unearned stock grant compensation		(14,756)
Retained earnings	821,826	747,691
Accumulated other comprehensive income	4,962	45,832
Total shareholders equity	**1,682,778**	**1,661,513**
Total liabilities and shareholders equity	**$ 2,735,438**	**$ 2,689,123**

The accompanying notes are an integral part of these consolidated financial statements.

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Assured Guaranty Ltd.
Consolidated Statements of Operations and Comprehensive Income
(in thousands of U.S. dollars except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenues				
Gross written premiums	$ 111,484	$ 40,470	$ 166,868	$ 118,567
Ceded premiums	(1,139)	(10,314)	(5,739)	(11,942)
Net written premiums	110,345	30,156	161,129	106,625
(Increase) decrease in net unearned premium reserves	(62,161)	18,108	(64,890)	(10,271)
Net earned premiums	**48,184**	**48,264**	**96,239**	**96,354**
Net investment income	27,255	23,668	53,493	46,800
Net realized investment (losses) gains	(1,005)	1,666	(2,011)	3,457
Unrealized gains (losses) on derivative financial instruments	5,713	(12,502)	5,742	(9,430)
Other income	23	(190)	23	93
Total revenues	**80,170**	**60,906**	**153,486**	**137,274**
Expenses				
Loss and loss adjustment expenses	(6,513)	(59,133)	(6,895)	(68,529)
Profit commission expense	1,697	3,345	3,005	4,332
Acquisition costs	11,308	11,713	22,093	21,929
Other operating expenses	15,615	14,487	32,765	28,995
Interest expense	3,367	3,410	6,742	6,706
Other expense	692	2,488	1,306	2,488
Total expenses	**26,166**	**(23,690)**	**59,016**	**(4,079)**
Income before provision for income taxes	54,004	84,596	94,470	141,353
Provision for income taxes				
Current	6,165	46,385	8,808	51,468
Deferred	3,325	(28,539)	6,266	(21,213)
Total provision for income taxes	**9,490**	**17,846**	**15,074**	**30,255**
Net income	**44,514**	**66,750**	**79,396**	**111,098**
Other comprehensive (loss) income, net of taxes				
Unrealized holding (losses) gains on fixed maturity securities arising during the year	(18,038)	22,127	(42,098)	1,489
Reclassification adjustment for realized losses (gains) included in net income	779	(1,245)	1,437	(2,746)
Change in net unrealized gains on fixed maturity securities	(17,259)	20,882	(40,661)	(1,257)
Cash flow hedge	(104)	(104)	(209)	(209)
Other comprehensive (loss) income, net of taxes	**(17,363)**	**20,778**	**(40,870)**	**(1,466)**
Comprehensive income	**$ 27,151**	**$ 87,528**	**$ 38,526**	**$ 109,632**
Earnings per share:				
Basic	$ 0.60	$ 0.90	$ 1.08	$ 1.50
Diluted	$ 0.60	$ 0.90	$ 1.06	$ 1.49
Dividends per share	$ 0.035	$ 0.03	$ 0.07	$ 0.06

The accompanying notes are an integral part of these consolidated financial statements.

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Assured Guaranty Ltd.
Consolidated Statements of Shareholders Equity
For Six Months Ended June 30, 2006
(in thousands of U.S. dollars except per share amounts)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Unearned Stock Grant Compensation	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders Equity
Balance, December 31, 2005	**$ 748**	**$ 881,998**	**$ (14,756)**	**$ 747,691**	**$ 45,832**	**$ 1,661,513**
Net income				79,396		79,396
Dividends ($0.07 per share)				(5,261)		(5,261)
Common stock repurchases	(7)	(17,183)				(17,190)
Shares cancelled to pay withholding taxes	(1)	(2,752)				(2,753)
Option exercises		443				443
Cash flow hedge, net of tax of $(113)					(209)	(209)
Unrealized loss on fixed maturity securities, net of tax of $(8,322)					(40,661)	(40,661)
Reclassification due to adoption of FAS 123R	(10)	(14,746)	14,756			
Share-based compensation and other	2	7,498				7,500
Balance, June 30, 2006	**$ 732**	**$ 855,258**	**$**	**$ 821,826**	**$ 4,962**	**$ 1,682,778**

The accompanying notes are an integral part of these consolidated financial statements.

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Assured Guaranty Ltd.
Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)
(Unaudited)

	Six Months Ended June 30,	
	2006	**2005**
Operating activities		
Net income	$ 79,396	$ 111,098
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Non-cash interest and operating expenses	7,825	3,349
Net amortization of premium on fixed maturity securities	2,916	3,460
Provision (benefit) for deferred income taxes	6,266	(21,213)
Net realized investment losses (gains)	2,011	(3,457)
Change in unrealized (gains) losses on derivative financial instruments	(5,742)	9,430
Change in deferred acquisition costs	(11,865)	(1,840)
Change in accrued investment income	23	476
Change in premiums receivable	(9,171)	12,312
Change in prepaid reinsurance premiums	36	1,401
Change in unearned premium reserves	64,781	8,880
Change in loss recovery receivable		(63,676)
Change in reserves for losses and loss adjustment expenses, net	(7,841)	(15,532)
Change in profit commissions payable	(23,377)	(16,250)
Change in funds held by Company under reinsurance contracts	1,153	3,003
Change in current income taxes	(4,639)	32,971
Tax benefit from employee stock options		4,059
Other	(10,410)	2,095
Net cash flows provided by operating activities	**91,362**	**70,566**
Investing activities		
Fixed maturity securities:		
Purchases	(434,471)	(513,987)
Sales	432,861	388,644
Maturities	14,295	13,000
(Purchases) sales of short-term investments, net	(55,019)	54,731
Net cash flows used in investing activities	**(42,334)**	**(57,612)**
Financing activities		
Repurchases of common stock	(17,190)	(19,014)
Dividends paid	(5,253)	(4,521)
Share activity under option and incentive plans	(2,310)	(1,276)
Repayment of notes assumed during formation transactions	(2,000)	
Net cash flows used in financing activities	**(26,753)**	**(24,811)**
Effect of exchange rate changes	732	(373)
Increase (decrease) in cash and cash equivalents	23,007	(12,230)
Cash and cash equivalents at beginning of period	6,190	16,978
Cash and cash equivalents at end of period	**$ 29,197**	**$ 4,748**
Supplementary cash flow information		

Cash paid during the period for:		
Income taxes	$ 13,440	$ 14,609
Interest	$ 7,081	$ 7,000

The accompanying notes are an integral part of these consolidated financial statements.

Assured Guaranty Ltd.
Notes to Consolidated Financial Statements
June 30, 2006
(Unaudited)

1. Business and Organization

Assured Guaranty Ltd. (the Company) is a Bermuda-based holding company which provides, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guarantees or other types of support, including credit derivatives, that improve the credit of underlying debt obligations. Assured Guaranty Ltd. applies its credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of its customers. Under a reinsurance agreement, the reinsurer, in consideration of a premium paid to it, agrees to indemnify another insurer, called the ceding company, for part or all of the liability of the ceding company under one or more insurance policies that the ceding company has issued. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying asset. Assured Guaranty Ltd. markets its products directly to and through financial institutions, serving the U.S. and international markets. Assured Guaranty Ltd. s financial results include four principal business segments: financial guaranty direct, financial guaranty reinsurance, mortgage guaranty and other. These segments are further discussed in Note 10.

Financial guaranty insurance provides an unconditional and irrevocable guaranty that protects the holder of a financial obligation against non-payment of principal and interest when due. Financial guaranty insurance may be issued to the holders of the insured obligations at the time of issuance of those obligations, or may be issued in the secondary market to holders of public bonds and structured securities. A loss event occurs upon existing or anticipated credit deterioration, while a payment under a policy occurs when the insured obligation defaults. This requires the Company to pay the required principal and interest when due in accordance with the underlying contract. The principal types of obligations covered by the Company s financial guaranty direct and financial guaranty assumed reinsurance businesses are structured finance obligations and public finance obligations. Because both businesses involve similar risks, the Company analyzes and monitors its financial guaranty direct portfolio and financial guaranty assumed reinsurance portfolio on a coordinated basis.

Mortgage guaranty insurance is a specialized class of credit insurance that provides protection to mortgage lending institutions against the default of borrowers on mortgage loans that, at the time of the advance, had a loan to value in excess of a specified ratio. Reinsurance in the mortgage guaranty insurance industry is used to increase the insurance capacity of the ceding company, to assist the ceding company in meeting applicable regulatory and rating agency requirements, to augment the financial strength of the ceding company, and to manage the ceding company s risk profile. The Company provides mortgage guaranty protection on an excess of loss basis.

The Company has participated in several lines of business that are reflected in its historical financial statements but that the Company exited in connection with it s 2004 initial public offering (IPO), including, but not limited to, equity layer credit protection, trade credit reinsurance and title reinsurance. These lines of business make up the Company s other segment.

2. Basis of Presentation

The unaudited interim consolidated financial statements, which include the accounts of the Company, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the Company s financial condition, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These

unaudited interim consolidated financial statements cover the three-month period ended June 30, 2006 (Second Quarter 2006) and the three-month period ended June 30, 2005 (Second Quarter 2005), and the six-month period ended June 30, 2006 (Six Months 2006) and the six-month period ended June 30, 2005 (Six Months 2005). Operating results for the three- and six-month periods ended June 30, 2006 and 2005 are not necessarily indicative of the results that may be expected for a full year. Certain items in the prior year unaudited interim consolidated financial statements have been reclassified to conform with the current period presentation. These unaudited interim consolidated financial statements should be read in conjunction with the Company s consolidated financial statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

Certain of the Company s subsidiaries are subject to U.S. income tax. The provision for income taxes is calculated in accordance with Statement of Financial Accounting Standards (FAS) FAS No. 109, Accounting for Income Taxes . The Company s provision for income taxes for interim financial periods is not based on an estimated annual effective rate due to the variability in changes in fair value of its derivative financial instruments. A discrete calculation of the provision is calculated for each interim period.

3. Recent Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued FAS No. 155, Accounting for Certain Hybrid Financial Instruments (FAS 155) which amends FAS No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133) and FAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (FAS 140), and addresses issues raised in FAS 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. The primary objectives of FAS 155 are: (i) with respect to FAS 133, to address the accounting for beneficial interests in securitized financial assets and (ii) with respect to FAS 140, eliminate a restriction on the passive derivative instruments that a qualifying special purpose entity may hold. FAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. The Company is currently evaluating the implications of FAS 155 on its financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is assessing FIN 48 and has not determined the impact that the adoption of FIN 48 will have on its results of operations or financial position.

4. Analysis of premiums written, premiums earned and loss and loss adjustment expenses

To limit its exposure on assumed risks, at the time of the IPO, the Company entered into certain proportional and non-proportional retrocessional agreements with other insurance companies, primarily subsidiaries of ACE Limited (ACE), to cede a portion of the risk underwritten by the Company. In addition, the Company enters into reinsurance agreements with non-affiliated companies to limit its exposure to risk on an on-going basis.

In the event that any or all of the reinsurers are unable to meet their obligations, the Company would be liable for such defaulted amounts. Direct, assumed, and ceded amounts were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in thousands of U.S. dollars)			
Premiums Written				
Direct	$ 68,418	$ 20,942	$ 98,666	$ 44,697
Assumed	43,066	19,528	68,202	73,870
Ceded	(1,139)	(10,314)	(5,739)	(11,942)
Net	$ 110,345	$ 30,156	$ 161,129	$ 106,625
Premiums Earned				
Direct	$ 21,887	$ 16,806	$ 43,115	$ 38,036
Assumed	28,475	42,248	59,003	71,660
Ceded	(2,178)	(10,790)	(5,879)	(13,342)
Net	$ 48,184	$ 48,264	$ 96,239	$ 96,354
Loss and Loss Adjustment Expenses				
Direct	$ (12,644)	$ 4,703	$ (15,675)	$ 2,636
Assumed	7,250	(71,385)	10,542	(80,574)
Ceded	(1,119)	7,549	(1,762)	9,409
Net	$ (6,513)	$ (59,133)	$ (6,895)	$ (68,529)

Net written premiums for Second Quarter 2006 and Six Months 2006 were $110.3 million and $161.1 million, respectively, compared with $30.2 million and $106.6 million for Second Quarter 2005 and Six Months 2005, respectively. The increase in direct written premiums for both periods is primarily attributable to several financial guaranty transactions written during Second Quarter 2006 in the United Kingdom (UK) with upfront premiums totaling $41.0 million. Assumed written premiums increased in Second Quarter 2006 compared with Second Quarter 2005 due to more deals being written on an upfront basis during Second Quarter 2006 while Second Quarter 2005 was comprised of more installment based deals. Also contributing to the increase is a Second Quarter 2005 transaction whereby Financial Security Assurance Inc. (FSA) reassumed from Assured Guaranty Re Ltd. (AG Re) $18.4 million of healthcare related business (FSA transaction).

The decrease in assumed written premiums for Six Months 2006 compared with Six Months 2005 is primarily due to a large excess of loss reinsurance transaction of $16.3 million written during the three month period ended March 31, 2005 in our mortgage guaranty segment.

Ceded written and earned premiums have decreased in Second Quarter 2006 compared with Second Quarter 2005 and Six Months 2006 compared with Six Months 2005 due to the run-off and novation of our trade credit business, which is 100% retroceded to ACE.

Loss and loss adjustment expenses (LAE) were $(6.5) million and $(6.9) million for Second Quarter 2006 and Six Months 2006, respectively. The major component of these amounts is a $10.1 million loss recovery from third party litigation settlements recorded during Second Quarter 2006 from our equity layer credit protection business, which was exited in connection with the IPO. This recovery was partially offset by increased loss reserves of $5.4 million in our financial guaranty reinsurance segment, of which $3.8 million related to a rating downgrade of a European infrastructure transaction and $1.6 million related to the rating downgrade of various credits. In addition to these increases Six Months 2006 also contained a $2.5 million case reserve addition due to a U.S. public infrastructure transaction.

Loss and loss adjustment expenses of $(59.1) million in Second Quarter 2005 and $(68.5) million in Six Months 2005, was the result of a third party settlement agreement that was reached during Second Quarter 2005, with two parties relating to a reinsurance claim incurred in 1998 and 1999, resulting in a recovery of $63.7 million.

Also in First Quarter 2005 the Company recovered $6.8 million relating to this same reinsurance claim. In addition, during First Quarter 2005, the Company recovered $1.1 million relating to its exited equity layer credit protection business. Loss recoveries for all periods presented are shown in the statements of operations and comprehensive income in loss and loss adjusted expenses.

Reinsurance recoverable on ceded losses and LAE as of June 30, 2006 and December 31, 2005 were $11.3 million and $12.4 million, respectively and are all related to our other segment. Of these amounts, $11.1 million and $12.3 million, respectively, relate to reinsurance agreements with ACE.

The following summarizes the Company s gross written premiums by significant client:

	Three Months Ended June 30,		Six Months Ended June 30,	
Gross Written Premiums by Client	**2006**	**2005**	**2006**	**2005**
		($ in millions)		
Financial Security Assurance Inc.(1)	$ 18.2	$ 10.4	$ 25.7	$ 32.6
Ambac Assurance Corporation	10.5	9.7	14.8	20.4
Financial Guaranty Insurance Company	9.5	3.3	12.9	5.6
MBIA Insurance Corporation	2.3	4.2	5.8	8.9

(1) Second Quarter 2005 and Six Months 2005 excludes $18.4 million of reassumption premiums related to the Company s healthcare business.

Agreement with Financial Security Assurance Inc.

During Second Quarter 2005, Assured Guaranty Corp. (AGC) and AG Re, two of the Company s subsidiaries, entered into a reinsurance agreement with FSA pursuant to which substantially all of FSA s financial guaranty risks previously ceded to AGC (the Ceded Business) was assumed by AG Re. This agreement was effective as of January 1, 2005. In connection with the transaction, AGC transferred liabilities of $169.0 million, consisting primarily of unearned premium reserves. All profit and loss related items associated with this transfer were eliminated in consolidation, with the exception of profit commission expense, certain other operating expenses, and provision for income taxes. Since this transaction transferred unearned premium reserve from AGC, a U.S. tax paying entity, to AG Re, a non-U.S. tax paying entity, the Company released a deferred tax liability related to differences between the book and tax carrying amounts of unearned premium reserves which resulted in a tax benefit. The total impact of all these items increased net income $1.9 million for both Second Quarter 2005 and Six Months 2005. FSA has released AGC from all liabilities with respect to the Ceded Business. AG Re has assumed substantially all of AGC s liabilities with respect to the Ceded Business. FSA may receive a profit commission on the Ceded Business based on its future performance.

FSA has also reassumed from AG Re approximately $12.0 million of unearned premium reserves, net of ceding commissions, of healthcare related business with an approximate par value of $820.0 million.

5. Commitments and Contingencies

Lawsuits arise in the ordinary course of the Company s business. It is the opinion of the Company s management, based upon the information available, that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the Company s financial position, results of operations or liquidity, although an adverse resolution of a number of these items could have a material adverse effect on the Company s results of operations or liquidity in a particular quarter or fiscal year.

In the ordinary course of their respective businesses, certain of the Company s subsidiaries assert claims in legal proceedings against third parties to recover losses paid in prior periods. The amounts, if any, the Company will recover in these proceedings are uncertain, although recoveries in any one or more of these proceedings during any quarter or fiscal year could be material to the Company s results of operations in that particular quarter or fiscal year.

In April 2005, AGC received a Notice of Order to Preserve (Order) from the Office of the Commissioner of Insurance, State of Georgia (Commissioner). The Order was directed to ACE Limited, and all affiliates and requires the preservation of documents and other items related to finite insurance and a broad group of other insurance and reinsurance agreements. Also in April 2005, AGC, and numerous other insurers, received a subpoena from the Commissioner related to the initial phase of the Commissioner s investigation into finite-risk transactions. The subpoena requests information on AGC s assumed and ceded reinsurance contracts in force during 2004. AGC provided the required information in response to the subpoena in January of 2006 and has not been contacted further by the Commissioner.

During Second Quarter 2006, the Company s wholly owned subsidiary, Assured Guaranty Re Overseas Ltd. (AGRO), and a number of other parties, completed various settlements with defendants in the *In re: National Century Financial Enterprises Inc. Investment Litigation* now pending in the United States District Court for the Southern District of Ohio - Eastern District. AGRO received approximately $10.1 million (pre-tax) in Second Quarter 2006, from the settlements. AGRO originally paid claims in 2003 of approximately $41.7 million (pre-tax) related to National Century Financial Enterprises Inc. To date, including the settlements described above, the Company has recovered $16.6 million (pre-tax). This is a partial settlement of the litigation, and the litigation will continue against other parties.

The Company is party to reinsurance agreements with all of the major monoline primary financial guaranty insurance companies. The Company s facultative and treaty agreements are generally subject to termination (i) upon written notice (ranging from 90 to 120 days) prior to the specified deadline for renewal, (ii) at the option of the primary insurer if the Company fails to maintain certain financial, regulatory and rating agency criteria which are equivalent to or more stringent than those the Company is otherwise required to maintain for its own compliance with state mandated insurance laws and to maintain a specified financial strength rating for the particular insurance subsidiary or (iii) upon certain changes of control of the Company. Upon termination under the conditions set forth in (ii) and (iii) above, the Company may be required (under some of its reinsurance agreements) to return to the primary insurer all statutory unearned premiums, less ceding commissions, attributable to reinsurance ceded pursuant to such agreements after which the Company would be released from liability with respect to the ceded business. Upon the occurrence of the conditions set forth in (ii) above, whether or not an agreement is terminated, the Company may be required to obtain a letter of credit or alternative form of security to collateralize its obligation to perform under such agreement or it may be obligated to increase the level of ceding commission paid.

6. Long-Term Debt and Credit Facilities

The Company s unaudited interim consolidated financial statements include long-term debt, used to fund the Company s insurance operations, and related interest expense, as described below.

Senior Notes

On May 18, 2004, Assured Guaranty US Holdings Inc., a subsidiary of the Company, issued $200.0 million of 7.0% Senior Notes due 2034 for net proceeds of $197.3 million. The proceeds of the offering were used to repay substantially all of a $200.0 million promissory note issued to a subsidiary of ACE in April 2004 as part of the IPO related formation transactions. The coupon on the Senior Notes is 7.0%, however, the effective rate will be approximately 6.4%, taking into account the effect of a cash flow hedge executed by the Company in March 2004. The Company recorded interest expense of $3.3 million, including $0.2 million of amortized gain on the cash flow hedge, for both Second Quarter 2006 and Second Quarter 2005. The Company recorded interest expense of $6.7 million, including $0.3 million of amortized gain on the cash flow hedge, for both Six Months 2006 and Six Months 2005. These Senior Notes are fully and unconditionally guaranteed by Assured Guaranty Ltd.

Credit Facilities

$300.0 million Credit Facility

On April 15, 2005, Assured Guaranty Ltd. and certain of its subsidiaries entered into a $300.0 million three-year unsecured revolving credit facility (the $300.0 million credit facility) with a syndicate of banks, for which ABN AMRO Incorporated and Bank of America, N.A. acted as lead arrangers and KeyBank National Association (KeyBank) acted as syndication agent. Under the $300.0 million credit facility, each of AGC, Assured Guaranty (UK) Ltd. (AG (UK)), a subsidiary of AGC organized under the laws of the United Kingdom, Assured Guaranty Ltd., AG Re and AGRO are entitled to request the banks to make loans to such borrower or to request that letters of credit be issued for the account of such borrower. Two letters of credit have been issued, both on behalf of AGRO, with an aggregate stated amount of approximately $20.7 million.

If drawn, the proceeds of the loans and letters of credit are to be used for working capital and other general corporate purposes of the borrowers and to support reinsurance transactions.

At the closing of the $300.0 million credit facility, (i) AGC guaranteed the obligations of AG (UK) under such facility, (ii) Assured Guaranty Ltd. guaranteed the obligations of AG Re and AGRO under such facility and agreed that, if the Company Consolidated Assets (as defined in the related credit agreement) of AGC and its subsidiaries were to fall below $1.2 billion, it would, within 15 days, guarantee the obligations of AGC and AG (UK) under such facility and (iii) Assured Guaranty Overseas US Holdings Inc., as a Material Non-AGC Subsidiary (as defined in the related credit agreement), guaranteed the obligations of Assured Guaranty Ltd., AG Re and AGRO under such facility. Subsequently, AG Re and AGRO, as Material Non-AGC Subsidiaries, both guaranteed the obligations of the other and of Assured Guaranty Ltd. under such facility.

The $300.0 million credit facility s financial covenants require that Assured Guaranty Ltd. (a) maintain a minimum net worth of $1.2 billion, (b) maintain an interest coverage ratio of at least 2.5:1, and (c) maintain a maximum debt-to-capital ratio of 30%. In addition, the $300.0 million credit facility requires that AGC: (x) maintain qualified statutory capital of at least 80% of its statutory capital as of the fiscal quarter prior to the closing date of the facility and (y) maintain a ratio of aggregate net par outstanding to qualified statutory capital of not more than 150:1. Furthermore, the $300.0 million credit facility contains restrictions on Assured Guaranty Ltd. and its subsidiaries, including, among other things, in respect of their ability to incur debt, permit liens, become liable in respect of guaranties, make loans or investments, pay dividends or make distributions, dissolve or become party to a merger, consolidation or acquisition, dispose of assets or enter into affiliate transactions. Most of these restrictions are subject to certain minimum thresholds and exceptions. A default by one borrower will give rise to a right of the lenders to terminate the facility and accelerate all amounts then outstanding. As of June 30, 2006 and December 31, 2005, Assured Guaranty was in compliance with all of those financial covenants.

As of June 30, 2006 and December 31, 2005, no amounts were outstanding under this facility nor have there been any borrowings under this facility.

Non-Recourse Credit Facility

AGC is also party to a non-recourse credit facility with a syndicate of banks which provides up to $175.0 million specifically designed to provide rating agency-qualified capital to further support AGC s claims paying resources. The facility expires in December 2010. As of June 30, 2006 and December 31, 2005, no amounts were outstanding under this facility nor have there been any borrowings under this facility.

The Company s failure to comply with certain covenants under the Company s credit facilities could, subject to grace periods in the case of certain covenants, result in an event of default. This could require the Company to repay any outstanding borrowings in an accelerated manner.

Committed Capital Securities

On April 8, 2005, AGC entered into four separate agreements with four different unaffiliated custodial trusts pursuant to which AGC may, at its option, cause each of the custodial trusts to purchase up to $50.0 million of

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perpetual preferred stock of AGC. The custodial trusts were created as a vehicle for providing capital support to AGC by allowing AGC to obtain immediate access to new capital at its sole discretion at any time through the exercise of the put option. If the put options were exercised, AGC would receive $200.0 million in return for the issuance of its own perpetual preferred stock, the proceeds of which may be used for any purpose including the payment of claims. The put options were not exercised as of June 30, 2006. Initially, all of the committed capital securities (the CCS Securities) were issued to a special purpose pass-through trust (the Pass-Through Trust). The Pass-Through Trust is a newly created statutory trust organized under the Delaware Statutory Trust Act formed for the purposes of (i) issuing $200,000,000 of Pass-Through Trust Securities to qualified institutional buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended, (ii) investing the proceeds from the sale of the Pass-Through Trust Securities in, and holding, the CCS Securities issued by the Custodial Trusts and (iii) entering into related agreements. Neither the Pass-Through Trust nor the Custodial Trusts are consolidated in Assured Guaranty Ltd. s financial statements.

During Second Quarter 2006 and Six Months 2006, AGC incurred $0.7 million and $1.3 million, respectively, of put option premiums which are an on-going expense. During both Second Quarter 2005 and Six Months 2005, AGC incurred $2.5 million which consists of $2.0 million of investment banking fees associated with the committed capital securities and put option premiums which are an on-going expense. These expenses are presented in the Company s unaudited interim consolidated statements of operations and comprehensive income under other expense.

7. Share-Based Compensation

Effective January 1, 2006, the Company adopted FAS No. 123 (revised), Share-Based Payment (FAS 123R), which replaces FAS No. 123, Accounting for Stock-Based Compensation (FAS 123) and supersedes Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees (APB 25). FAS 123R requires all share-based compensation transactions with employees, including grants of employee stock options, to be recognized as compensation expense over the requisite service period based on their relative fair values.

Prior to the adoption of FAS 123R, the Company followed the guidance of APB 25 and did not record share-based compensation expense related to employee stock options in the statement of operations, since for all grants the exercise price was equal to the market value of the common stock on the grant date.

The Company elected to use the modified prospective transition method for implementing FAS 123R. Under this transition method, compensation expense includes: (a) compensation expense for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and (b) compensation expense for all share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R. Because we elected to use the modified prospective transition method, results for prior periods have not been restated and new awards are valued and accounted for prospectively upon adoption.

Beginning January 1, 2006, upon adoption of FAS 123R, the Company recorded share-based compensation for the cost of stock options, restricted stock and the Company sponsored employee stock purchase plan. As a result of adopting FAS 123R on January 1, 2006, the Company s Second Quarter 2006 income before income taxes and net income are $1.5 million and $1.1 million lower, respectively, and for Six Months 2006 are $3.2 million and $2.5 million lower, respectively, than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for Second Quarter 2006 and Six Months 2006 are $0.01 and $0.03 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25.

Share-based compensation expense in Second Quarter 2006 and Six Months 2006 was $3.1 million ($2.5 million after tax) and $6.3 million ($5.2 million after tax), respectively. The effect on basic and diluted earnings per share for Second Quarter 2006 and Six Months 2006 was $0.03 and $0.07, respectively. Included in Second Quarter 2006 and Six Months 2006 expense was $0.5 million and $1.2 million, respectively, for stock award grants to retirement-eligible employees. FAS 123R requires these awards to be expensed over the period through the date the employee first becomes eligible to retire and is no longer required to provide service to earn part or all of the award, regardless of the employees intent of retirement. The amount of share-based compensation capitalized in Second

Quarter 2006 and Six Months 2006 as deferred acquisition costs (DAC) was $0.7 million and $1.2 million, respectively. Share-based compensation expense in Second Quarter 2005 and Six Months 2005 was $1.7 million ($1.4 million after tax) and $3.0 million ($2.7 million after tax), respectively.

The following table presents pre-DAC and pre-tax, share-based compensation cost by share-based type:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands of U.S. dollars)	**2006**	**2005**	**2006**	**2005**
Share-Based Employee Cost				
Restricted Stock				
Recurring amortization	$ 1,957	$ 1,382	$ 3,764	$ 2,561
Accelerated amortization for retirement eligible employees	364		807	
Subtotal	2,321	1,382	4,571	2,561
Stock Options				
Recurring amortization	909		1,953	
Accelerated amortization for retirement eligible employees	150		355	
Subtotal	1,059		2,308	
ESPP	32		64	
Total Share-Based Employee Cost	**3,412**	**1,382**	**6,943**	**2,561**
Share-Based Directors Cost				
Restricted Stock	72	120	139	150
Restricted Stock Units	229	149	413	307
Total Share-Based Directors Cost	**301**	**269**	**552**	**457**
Total Share-Based Cost	**$ 3,713**	**$ 1,651**	**7,495**	**$ 3,018**

For Second Quarter 2005 and Six Months 2005, had the compensation expense been determined in accordance with the fair value method recommended in FAS 123, the Company s net income and net income per share would have been adjusted to the pro forma amounts indicated below:

(in thousands of U.S. dollars, except per share amounts)	**Three Months Ended June 30, 2005**	**Six Months Ended June 30, 2005**
Net income as reported	$ 66,750	$ 111,098
Add: Stock-based compensation expense included in reported net income, net of income tax	1,445	2,653
Deduct: Compensation expense, in accordance with FAS 123, net of income tax	2,394	4,701
Pro forma net income	$ 65,801	$ 109,050
Basic Earnings Per Share:		
As reported	$ 0.90	$ 1.50
Pro forma	$ 0.89	$ 1.47
Diluted Earnings Per Share:		
As reported	$ 0.90	$ 1.49
Pro forma	$ 0.89	$ 1.46

Assured Guaranty Ltd. Share-Based Compensation Plans

As of April 27, 2004, the Company adopted the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan (the Incentive Plan). The Incentive Plan authorizes the grant of incentive stock options, non-qualified stock options, stock appreciation rights, and full value awards that are based on the Company s common shares. The number of common shares that may be delivered under the Incentive Plan may not exceed 7,500,000. As of June 30, 2006, 2,682,432 common shares were available for grant under the Incentive Plan. In January 2005, the Company implemented the Stock Purchase Plan (Stock Purchase Plan) in accordance with Internal Revenue Code

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Section 423. The Company reserved for issuance and purchases under the Stock Purchase Plan 100,000 shares of its common stock. As of June 30, 2006, 80,512 common shares were available for grant under the Stock Purchase Plan. The Incentive Plan and the Stock Purchase Plan are described more fully in the Company s 2005 Annual Report on Form 10-K.

Stock Options

Nonqualified or incentive stock options may be granted to employees and directors of the Company. Stock options are generally granted once a year with exercise prices equal to the closing price on the date of grant. To date, the Company has only issued nonqualified stock options. All stock options granted to employees vest in equal annual installments over a three-year period and expire 10 years from the date of grant. None of our options have a performance or market condition. The following table summarizes stock option activity for the six months ended June 30, 2006:

Options	**Options for Common Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term (years)**	**Aggregate Intrinsic Value (1) (in thousands)**
Outstanding at December 31, 2005	2,457,302	$ 18.05		
Granted	785,967	$ 25.49		
Exercised	(24,774)	$ 17.91		
Forfeited	(52,996)	$ 19.99		
Outstanding at June 30, 2006	3,165,499	$ 19.86	8.2	17,442
Vested and exercisable at June 30, 2006	1,348,481	$ 17.95	7.5	$ 9,999

(1) The aggregate intrinsic value was calculated based on the positive difference between the closing price of the Company s common stock on June 30, 2006 (i.e. $25.37) and the weighted average exercise price of the underlying options.

The Company recorded $1.1 million ($0.8 million after tax) and $2.3 million ($1.8 million after tax) in share-based compensation related to stock options during Second Quarter 2006 and Six Months 2006, respectively. As of June 30, 2006 the total unrecognized compensation expense related to outstanding non-vested stock options was $5.2 million, which will be adjusted in the future for the difference between estimated and actual forfeitures. The Company expects to recognize that expense over the weighted-average remaining service period of 1.6 years.

The weighted-average grant-date fair value of options granted were $6.86 and $5.08 for Second Quarter 2006 and Second Quarter 2005, respectively. The weighted-average grant-date fair value of options granted were $6.71 and $4.53 for Six Months 2006 and Six Months 2005, respectively. The fair value of options issued is estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 2006 and 2005:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2006	**2005**	**2006**	**2005**
Dividend yield	0.6%	0.6%	0.5%	0.7%
Expected volatility	20.12%	20.92%	20.44%	20.82%
Risk free interest rate	5.1%	4.2%	4.6%	4.1%
Expected life	5 years	5 years	5 years	5 years
Forfeiture rate	6.0%	6.0%	6.0%	6.0%

These assumptions were based on the following:

- The expected dividend yield is based on the current expected annual dividend and company share price on the grant date,
- Expected volatility is estimated at the date of grant based on the historical share price volatility, calculated on a daily basis,

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- The risk-free interest rate is the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term to the granted stock options,

- The expected life is based on the average expected term of our guideline companies, which are defined as similar entities, since the Company has insufficient expected life data,

- The forfeiture rate is based on the rate used by our guideline companies, since the Company has insufficient forfeiture data. Estimated forfeitures will be reassessed at each balance sheet date and may change based on new facts and circumstances.

For options granted before January 1, 2006, the Company amortizes the fair value on an accelerated basis. For options granted on or after January 1, 2006, the Company amortizes the fair value on a straight-line basis. All options are amortized over the requisite service periods of the awards, which are generally the vesting periods, with the exception of retirement-eligible employees. For retirement-eligible employees options are amortized over the period through the date the employee first becomes eligible to retire and is no longer required to provide service to earn part or all of the award. The Company may elect to use different assumptions under the Black-Scholes option valuation model in the future, which could materially affect the Company s net income or earnings per share.

The total intrinsic value of options exercised during Six Months 2006 was $0.2 million. During Six Months 2006, $0.4 million was received from the exercise of stock options and an immaterial related tax benefit was recorded.

Restricted Stock Awards

The Company has granted restricted stock awards to employees and directors of the Company. Restricted stock awards generally vest in equal annual installments over a four-year period. Restricted stock awards are amortized over the requisite service periods of the awards, which are generally the vesting periods, with the exception of retirement-eligible employees, discussed above. Prior to the adoption of FAS 123R, the Company presented restricted stock issuances on the balance sheet in common stock and additional paid-in capital with an offset in unearned stock grant compensation as a separate component of shareholders equity. In accordance with the provisions of FAS 123R, on January 1, 2006, the Company reclassified the balance in unearned stock grant compensation to common stock and additional paid-in capital in shareholders equity. The following table summarizes restricted stock award activity for the six months ended June 30, 2006:

Nonvested Shares		Number of Shares		Weighted Average Grant-Date Fair Value		
Nonvested at December 31, 2005		1,021,124		$	18.12	
Granted		454,333		$	25.49	
Vested		(268,638	)	$	18.00	
Forfeited		(30,336	)	$	19.54	
Nonvested at June 30, 2006		1,176,483		$	20.96	

The Company recorded $2.4 million ($1.9 million after tax) and $4.7 million ($3.7 million after tax) in share-based compensation, related to restricted stock awards, during Second Quarter 2006 and Six Months 2006, respectively. Restricted stock awards are expensed on a straight-line basis over the vesting period. As of June 30, 2006 the total unrecognized compensation cost related to outstanding nonvested restricted stock awards was $20.8 million, which the Company expects to recognize over the weighted-average remaining service period of 2.4 years.

Restricted Stock Units

The Company has granted restricted stock units to directors of the Company. Restricted stock units vest over a one-year period.

The following table summarizes restricted stock unit activity (excluding dividend equivalents) for the six months ended June 30, 2006:

Nonvested Stock Units	Number of Stock Units		Weighted Average Grant-Date Fair Value	
Nonvested at December 31, 2005	36,301		$	20.25
Granted	34,030		$	24.39
Vested	(28,773	)	$	19.29
Forfeited			$	
Nonvested at June 30, 2006	41,558		$	24.30

The Company recorded $0.2 million ($0.2 million after tax) and $0.4 million ($0.4 million after tax) in share-based compensation during Second Quarter 2006 and Six Months 2006, respectively. The compensation for restricted stock units is expensed on a straight-line basis over the vesting period. As of June 30, 2006, the total unrecognized compensation cost related to outstanding nonvested restricted stock units was $0.7 million, which the Company expects to recognize over the weighted-average remaining service period of 0.7 years.

Employee Stock Purchase Plan

Participation in the Stock Purchase Plan is available to all eligible employees. Maximum annual purchases by participants are limited to the number of whole shares that can be purchased by an amount equal to 10 percent of the participant s compensation or, if less, shares having a value of $25,000. Participants may purchase shares at a purchase price equal to 85 percent of the lesser of the fair market value of the stock on the first day or the last day of the subscription period. The Company recorded $32,000 ($23,000 after tax) and $64,000 ($45,000 after tax) in share-based compensation during Second Quarter 2006 and Six Months 2006, respectively.

8. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2006		2005		2006		2005	
	(in thousands of U.S. dollars, except per share amounts)							
Net income as reported	$	44,514	$	66,750	$	79,396	$	111,098
Basic shares	73,633		73,813		73,695		74,134	
Effect of dilutive securities:								
Stock awards	809		281		947		362	
Diluted shares	74,442		74,094		74,642		74,496	
Basic EPS	$	0.60	$	0.90	$	1.08	$	1.50
Diluted EPS	$	0.60	$	0.90	$	1.06	$	1.49

9. Liability For Tax Basis Step-Up Adjustment

In connection with the IPO, the Company and ACE Financial Services Inc. (AFS), a subsidiary of ACE, entered into a tax allocation agreement, whereby the Company and AFS will make a Section 338 (h)(10) election that will have the effect of increasing the tax basis of certain affected subsidiaries tangible and intangible assets to fair value. Future tax benefits that the Company derives from the election will be payable to AFS when realized by the Company.

As a result of the election, the Company has adjusted its net deferred tax liability, to reflect the new tax basis of the Company s affected assets. The additional basis is expected to result in increased future income tax deductions and, accordingly, may reduce income taxes otherwise payable by the Company. Any tax benefit realized

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by the Company will be paid to AFS. Such tax benefits will generally be calculated by comparing the Company s affected subsidiaries actual taxes to the taxes that would have been owed by those subsidiaries had the increase in basis not occurred. After a 15-year period, to the extent there remains an unrealized tax benefit, the Company and AFS will negotiate a settlement of the unrealized benefit based on the expected realization at that time.

The Company initially recorded a $49.0 million reduction of its existing deferred tax liability, based on an estimate of the ultimate resolution of the Section 338(h)(10) election. Under the tax allocation agreement, the Company estimates that as of the IPO date, it will pay $20.9 million to AFS and accordingly has established this amount as a liability. The initial difference, which is attributable to the change in the tax basis of certain liabilities for which there is no associated step-up in the tax basis of its assets and no amounts due to AFS, resulted in an increase to additional paid-in capital of $28.1 million during 2004. During both Six Months 2006 and Six Months 2005 the Company paid AFS $0.4 million.

10. Segment Reporting

The Company has four principal business segments: (1) financial guaranty direct, which includes transactions whereby the Company provides an unconditional and irrevocable guaranty that indemnifies the holder of a financial obligation against non-payment of principal and interest when due, and could take the form of a credit derivative; (2) financial guaranty reinsurance, which includes agreements whereby the Company is a reinsurer and agrees to indemnify a primary insurance company against part or all of the loss which the latter may sustain under a policy it has issued; (3) mortgage guaranty, which includes mortgage guaranty insurance and reinsurance whereby the Company provides protection against the default of borrowers on mortgage loans; and (4) other, which includes several lines of business in which the Company is no longer active, including, but not limited to equity layer credit protection, trade credit reinsurance and title reinsurance.

The Company does not segregate assets and liabilities at a segment level since management reviews and controls these assets and liabilities on a consolidated basis. The Company allocates operating expenses to each segment based on a comprehensive cost study. During 2006, the Company implemented a new operating expense methodology to more closely apply expenses to the individual operating segments. This new methodology was based on a comprehensive study and is based on departmental time estimates and headcount. 2005 amounts have been restated to show this new methodology on a comparative basis. Management uses underwriting gains as the primary measure of each segment s financial performance.

The following tables summarize the components of underwriting gain (loss) for each reporting segment:

	Three Months Ended June 30, 2006				
	Financial Guaranty Direct	Financial Guaranty Reinsurance	Mortgage Guaranty	Other	Total
	(in millions of U.S. dollars)				
Gross written premiums	$ 68.4	$ 41.7	$ 1.2	$ 0.1	$ 111.5
Net written premiums	67.8	41.3	1.2		110.3
Net earned premiums	21.2	23.1	3.7		48.2
Loss and loss adjustment expenses	(2.5)	5.7	0.4	(10.1)	(6.5)
Profit commission expense		1.0	0.7		1.7
Acquisition costs	2.3	8.5	0.3		11.3
Other operating expenses	12.0	3.4	0.3		15.6
Underwriting gain	$ 9.4	$ 4.6	$ 2.0	$ 10.1	$ 26.1

	Three Months Ended June 30, 2005				
	Financial Guaranty Direct	**Financial Guaranty Reinsurance**	**Mortgage Guaranty**	**Other**	**Total**
	(in millions of U.S. dollars)				
Gross written premiums	$ 20.9	$ 8.2	$ 1.9	$ 9.5	$ 40.5
Net written premiums	20.4	8.0	1.9		30.2
Net earned premiums	16.0	27.2	5.1		48.3
Loss and loss adjustment expenses	5.0	(64.1)			(59.1)
Profit commission expense		2.3	1.0		3.3
Acquisition costs	1.6	9.5	0.6		11.7
Other operating expenses	9.5	4.7	0.3		14.5
Underwriting (loss) gain	$ (0.1)	$ 74.8	$ 3.2	$	$ 77.9

	Six Months Ended June 30, 2006				
	Financial Guaranty Direct	**Financial Guaranty Reinsurance**	**Mortgage Guaranty**	**Other**	**Total**
	(in millions of U.S. dollars)				