

ASSURED GUARANTY LTD
Form 10-Q
November 07, 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 September 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

(State or other jurisdiction of incorporation)

98-0429991

(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.

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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 November 1, 2006 was 73,147,882.

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)

	September 30, 2006	December 31, 2005
Assets		
Fixed maturity securities, at fair value (amortized cost: \$2,163,089 in 2006 and \$2,082,363 in 2005)	\$ 2,210,011	\$ 2,133,997
Short-term investments, at cost which approximates fair value	169,430	115,826
Total investments	2,379,441	2,249,823
Cash and cash equivalents	15,656	6,190
Accrued investment income	22,569	22,676
Deferred acquisition costs	210,184	193,442
Prepaid reinsurance premiums	8,956	12,478
Reinsurance recoverable on ceded losses	9,397	12,350
Premiums receivable	33,280	33,011
Goodwill	85,417	85,417
Unrealized gains on derivative financial instruments	51,135	53,037
Current income taxes receivable	6,853	3,005
Other assets	21,961	17,694
Total assets	\$ 2,844,849	\$ 2,689,123
Liabilities and shareholders equity		
Liabilities		
Unearned premium reserves	\$ 619,737	\$ 537,149
Reserves for losses and loss adjustment expenses	116,914	121,219
Profit commissions payable	30,979	52,993
Reinsurance balances payable	2,069	3,724
Deferred income taxes	44,855	26,629
Funds held by Company under reinsurance contracts	20,338	19,186
Unrealized losses on derivative financial instruments	6,599	12,652
Long-term debt	197,367	197,344
Liability for tax basis step-up adjustment	15,177	20,129
Other liabilities	33,923	36,585
Total liabilities	1,087,958	1,027,610
Commitments and contingencies		
Shareholders equity		
Common stock (\$0.01 par value, 500,000,000 shares authorized; 73,144,785 and 74,761,577 shares issued and outstanding in 2006 and 2005)	731	748
Additional paid-in capital	856,243	881,998
Unearned stock grant compensation		(14,756)
Retained earnings	857,121	747,691
Accumulated other comprehensive income	42,796	45,832
Total shareholders equity	1,756,891	1,661,513
Total liabilities and shareholders equity	\$ 2,844,849	\$ 2,689,123

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues				
Gross written premiums	\$ 73,634	\$ 75,567	\$ 240,502	\$ 194,134
Ceded premiums	(560)	(22,337)	(6,299)	(34,279)
Net written premiums	73,074	53,230	234,203	159,855
(Increase) decrease in net unearned premium reserves	(21,127)	1,315	(86,017)	(8,956)
Net earned premiums				