

ASSURED GUARANTY LTD  
Form 10-Q  
August 08, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the Quarterly Period Ended June 30, 2006

OR

**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  NO

Edgar Filing: ASSURED GUARANTY LTD - Form 10-Q

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

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

---

ASSURED GUARANTY LTD.

INDEX TO FORM 10-Q

	<b>Page</b>
<b>PART 1. FINANCIAL INFORMATION</b>	
<u>Item 1.</u>	
	<u>Financial Statements:</u>
	<u>Consolidated Balance Sheets as of June 30, 2006 (unaudited) and December 31, 2005</u>
	3
	<u>Consolidated Statements of Operations and Comprehensive Income (unaudited) for the Three and Six Months Ended June 30, 2006 and 2005</u>
	4
	<u>Consolidated Statements of Shareholders' Equity (unaudited) for Six Months Ended June 30, 2006</u>
	5
	<u>Consolidated Statements of Cash Flows (unaudited) for Six Months Ended June 30, 2006 and 2005</u>
	6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>
	7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	29
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	62
<u>Item 4.</u>	<u>Controls and Procedures</u>
	62
<b>PART II. OTHER INFORMATION</b>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
	63
<u>Item 1A.</u>	<u>Risk Factors</u>
	63
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	64
<u>Item 6.</u>	<u>Exhibits</u>
	64

## 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
<b>Assets</b>		
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
<b>Total investments</b>	<b>2,239,887</b>	<b>2,249,823</b>
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
<b>Total assets</b>	<b>\$ 2,735,438</b>	<b>\$ 2,689,123</b>
<b>Liabilities and shareholders equity</b>		
<b>Liabilities</b>		
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
<b>Total liabilities</b>	<b>1,052,660</b>	<b>1,027,610</b>
<b>Shareholders equity</b>		
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
<b>Total shareholders equity</b>	<b>1,682,778</b>	<b>1,661,513</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 2,735,438</b>	<b>\$ 2,689,123</b>

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				Six Months Ended			
	June 30,				June 30,			
	2006		2005		2006		2005	
<b>Revenues</b>								
Gross written premiums	\$	111,484	\$	40,470	\$	166,868	\$	118,567
Ceded premiums	(1,139	)	(10,314	)	(5,739	)	(11,942	)