ASSURED GUARANTY LTD
Form 424B1
May 17, 2004

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$200,000,000

Assured Guaranty US Holdings Inc.
7.00% Senior Notes due 2034
Fully and Unconditionally Guaranteed by
Assured Guaranty Ltd.

The notes will be issued by Assured Guaranty US Holdings Inc., or the issuer. The notes will bear interest at the rate of 7.00% per year. Interest on the notes is payable on June 1 and December 1 of each year, beginning on December 1, 2004. The notes will mature on June 1, 2034. The issuer may redeem some or all of the notes at any time at the redemption price discussed under the caption "Description of Notes and Guarantees Optional Redemption." In addition, the issuer may redeem all of the notes under the circumstances described under "Description of Notes and Guarantees Redemption for Changes in Withholding Taxes." The notes will be fully and unconditionally guaranteed by Assured Guaranty Ltd., or the guarantor, the parent corporation of the issuer.

The notes will be unsecured senior obligations of the issuer and will rank equally with all other unsecured senior indebtedness of the issuer from time to time outstanding. The guarantees will be unsecured senior obligations of the guarantor and will rank equally with all other unsecured senior indebtedness of the guarantor from time to time outstanding.

Investing in the notes involves risks. See "Risk Factors" beginning on page 13.

	Per Note		Total
Public offering price (1)	98.650%	$	197,300,000
Underwriting discount	0.875%	$	1,750,000
Proceeds, before expenses, to the issuer	97.775%	$	195,550,000

(1) Plus accrued interest from May 18, 2004, if settlement occurs after that date.

The Securities and Exchange Commission, state securities regulators, the Minister of Finance and the Registrar of Companies in Bermuda and the Bermuda Monetary Authority have not approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the notes to purchasers in book-entry form only through the facilities of The Depository Trust Company on or about May 18, 2004.

Banc of America Securities LLC **JPMorgan**
ABN AMRO Incorporated

Deutsche Bank Securities

ING Financial Markets

KeyBanc Capital Markets

The date of this prospectus is May 13, 2004.

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You should rely only on the information contained in this prospectus. We and the underwriters have not authorized any other person to provide you with different information. This prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read all of the information in this prospectus, including the combined financial statements and related notes, and the risks of investing in the notes discussed under "Risk Factors," before making an investment decision.

References in this prospectus to "Assured Guaranty," the "guarantor," "we," "us" and "our" refer to Assured Guaranty Ltd. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries. Reference in this prospectus to "Holdings" or the "issuer" are to Assured Guaranty US Holdings Inc., the issuer of the notes and a wholly owned subsidiary of Assured Guaranty. The notes are being offered by Holdings. For purposes of the offering of notes, Assured Guaranty Ltd. is not, and will not be, acting as agent for Holdings and nothing in this prospectus should be read as implying that it is, or will be, so acting. When we refer to net par in this prospectus, we mean the par value of an obligation for which we have provided credit support, net of any amounts that we have ceded or retroceded to reinsurers. Our executive offices are located at 30 Woodbourne Avenue, Hamilton HM08 Bermuda, and our telephone number is 441-296-4004.

Overview

Assured Guaranty US Holdings Inc., the issuer of the notes, is a wholly owned subsidiary of Assured Guaranty and was formed as a holding company to hold the shares of Assured Guaranty Corp. and Assured Guaranty Financial Products. Assured Guaranty is a Bermuda-based company providing credit enhancement products to the municipal finance, structured finance and mortgage markets. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. We market our products directly and through financial institutions. We serve the U.S. and international markets.

Our financial results include three operating segments:

- ***Financial guaranty direct,*** which protects the holder against an issuer's failure to pay principal and interest when due or other credit events.

- ***Financial guaranty reinsurance,*** which indemnifies another financial guarantor, the ceding company, against part or all of the loss the ceding company may sustain under financial guaranty policies it has reinsured to us.

- ***Mortgage guaranty,*** which protects mortgage lenders and investors against the default of borrowers on mortgage loans, and provides reinsurance to mortgage guaranty insurers.

Our other segment includes businesses that we have exited. The following table sets forth gross written premiums and the combined ratio for each of our segments for the year ended December 31, 2003.

	Gross Written Premiums(1)		
	Amount	Percent	Combined Ratio(2)
	($ in millions)		
Financial guaranty direct	$ 71.2	27.0%	58.0%
Financial guaranty reinsurance	168.7	63.8	73.3
Mortgage guaranty	24.4	9.2	58.7
Total operating segments	$ 264.3	100.0%	65.6%
Other	84.9		112.6
Total	$ 349.2		83.7%

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(1) Gross written premiums represents total premiums for insurance and credit derivatives written and reinsurance assumed during the period.

(2) The combined ratio is the sum of the loss ratio (the ratio calculated by dividing net losses and loss adjustment expenses by net premiums earned) and the expense ratio (the ratio calculated by dividing profit commission expense, acquisition costs and operating expenses by net premiums earned). A combined ratio under 100% generally indicates an underwriting profit; a combined ratio over 100% generally indicates an underwriting loss.

Our businesses have a history of strong income generation, producing cumulative net income of $444.1 million since January 1, 2000. As of December 31, 2003, we had cash and invested assets of $2.2 billion, total assets of $2.9 billion and shareholder's equity of $1.4 billion ($1.3 billion on a pro forma basis after giving effect to the transactions described under "Formation Transactions"). Our invested assets as of December 31, 2003 consisted entirely of cash and fixed maturity securities with an average rating of AA+. Our past performance may not be indicative of future results.

Assured Guaranty Corp., our principal U.S. insurance subsidiary, maintains financial strength ratings of "AAA" (Extremely Strong) from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P"), the highest of its 21 ratings categories, and "Aa1" (Excellent) from Moody's Investors Service, Inc. ("Moody's"), the second highest of its 21 ratings categories. Our principal Bermuda insurance subsidiary maintains financial strength ratings of "AA" (Very Strong) from S&P, its third highest ratings category, "Aa2" (Excellent) from Moody's, its third highest ratings category, and "AA" (Very Strong) from Fitch, Inc. ("Fitch"), the third highest of its 24 ratings categories. A financial strength rating is an opinion with respect to an insurer's ability to pay under its insurance policies and contracts and is not a recommendation to buy, hold or sell any security issued by an insurer, including the notes.

We have approximately 110 employees in offices located in the United States, Bermuda and the United Kingdom.

Business Fundamentals

We believe the credit enhancement markets offer attractive growth opportunities and financial returns over the long term. In recent years, new issuance volumes in the municipal and structured finance sectors have been increasing. From 1997 to 2002, insured U.S. asset-backed finance volume increased at a compound annual growth rate of 16%, and insured U.S. municipal finance volume increased at a compound annual growth rate of 10%. Asset-backed finance is a commonly-used technique in which debt instruments are issued that are backed by loans or accounts receivable (other than mortgage loans) originated by banks, credit card companies or other providers of credit. While growth rates may fluctuate from year to year, we believe demand for financial guaranty insurance and reinsurance will continue to be strong as a result of: (1) continuing demand for asset securitization, or the process of aggregating similar instruments, such as loans or mortgages, into a negotiable security, in the United States, (2) continued development of new structured products and expansion into new asset classes, (3) continued high level of issuances of U.S. municipal finance obligations and (4) increasing privatization initiatives and growing use of asset securitization in Europe. We cannot assure you that these circumstances will persist or that demand for financial guaranty insurance or reinsurance will continue to be strong.

We believe our business offers attractive and recurring revenues as a result of the stable nature of our earned premiums (that portion of written premiums that applies to the expired portion of the policy term and is therefore recognized as revenue under generally accepted accounting principles), the significant contribution of net investment income and the low frequency of loss associated with our businesses. A significant portion of our premiums are received up front and recognized as earned premiums over the life of the contract. As of December 31, 2003, we had $625.4 million of unearned premiums (that portion of written premiums that is allocable to the unexpired portion of the policy term) recorded on our balance sheet. The remainder of our premiums are received on an installment basis and earned over each installment period. As of December 31, 2003, our estimate of the net present value of future premiums, discounted at 6% per year, expected to be earned under existing installment contracts was $309.8 million. In addition, our invested assets, which were $2.2 billion at December 31, 2003, generate recurring investment income.

Competitive Strengths

We believe that our competitive strengths enable us to capitalize on the opportunities in the credit enhancement markets. These strengths include:

Underwriting discipline and financial structuring expertise. We have a disciplined approach to underwriting that emphasizes profitability over market share. We have substantial experience in developing innovative credit enhancement solutions to satisfy the diverse risk and financial management demands of our customers.

Established market relationships. Over the past 15 years we have developed strong relationships with key participants in our markets, including issuers, investors, financial guarantors and financial institutions. We seek to distinguish ourselves from our competitors by providing innovative credit enhancement solutions and superior execution and client service.

Experienced management and underwriting team. Our senior management has an average of more than 16 years of experience in the insurance, credit or financial guaranty markets. We also have a team of 15 senior underwriters with an average of approximately 12 years of financial guaranty or similar credit experience.

Multiple locations and licenses. We have operations in Bermuda, the United States and the United Kingdom. We have a range of licenses that allows us to participate in many sectors of the credit enhancement market.

Corporate Strategy

Our objective is to build long-term shareholder value by achieving strong profitability through disciplined underwriting, proactive risk management and the growth of our business. Our goal is to improve our return on average equity (excluding the impact of realized gains and losses on investments and unrealized gains and losses on derivative financial instruments) to approximately 11% in 2004. In addition, our medium-term goal is to generate returns consistent with those of the leading performers in the financial guaranty industry. The major elements of our strategy are:

Expand our direct financial guaranty business. We intend to expand our direct financial guaranty business beyond our historical focus on credit derivatives by substantially increasing the amount of traditional financial guaranty insurance we write in U.S. and international markets. We believe the market for financial guaranty insurance will grow as the issuance of municipal and structured finance obligations continues to be strong, as capital providers continue to seek to reduce risk exposures and as the market for credit enhancement products develops further. We intend to write business in a manner consistent with achieving our goal of obtaining a "Aaa" rating from Moody's to match our "AAA" rating from S&P.

Expand our financial guaranty reinsurance business. Our commitment to the financial guaranty reinsurance market, readiness to execute transactions and financial strength afford us a significant opportunity to profitably gain market share. We intend to utilize the benefits of our Bermuda license to improve our returns in this business.

Transition our mortgage guaranty business. We intend to write investment grade mortgage guaranty insurance and reinsurance that is consistent with our ratings objectives. Our industry experience and licenses enable us to provide mortgage credit enhancement in the form of either financial guaranty insurance or mortgage guaranty insurance to meet the specific needs of mortgage lenders and investors.

Expand our position in international markets. We intend to capitalize on significant growth opportunities in international markets. Our initial focus for international expansion is privatization finance initiatives ("PFI") in the United Kingdom, the largest market for financial guaranty insurance outside the United States, and public/private partnerships ("PPP") in the rest of Europe.

Maintain our commitment to financial strength. We recognize the importance of our excellent financial strength ratings and intend to write business in a manner consistent with achieving our goal of obtaining a "Aaa" rating from Moody's to match our "AAA" rating from S&P. We will maintain our financial strength through disciplined risk selection, prudent operating and financial leverage and a conservative investment posture.

Manage our capital efficiently. We will monitor rating agency capital adequacy requirements to appropriately deploy capital to optimize the execution of our business plan and our return on capital.

Risks Relating to Our Company

As part of your evaluation of us, you should take into account the risks we face in our business. These risks include:

Possibility of Ratings Downgrade. The ratings assigned to our insurance subsidiaries are subject to periodic review and may be downgraded by one or more of the rating agencies as a result of changes in the views of the rating agencies or adverse developments in our or our subsidiaries' financial conditions or results of operations. Any such downgrade could have an adverse effect on the affected subsidiary's results of operations or financial condition.

New Business Strategy. Because our new strategy emphasizes financial guaranty insurance and reinsurance and deemphasizes certain other lines of business in which we have historically operated, we cannot assure you that we will be able to successfully implement this strategy. Recent employee layoffs and resignations may adversely affect our ability to implement our new strategy. Any failure to implement all or any part of our strategy could have a material adverse effect on our results of operations.

Dependence on Customers. We have derived a substantial portion of our revenues from financial guaranty reinsurance premiums. For the years ended December 31, 2003, 2002 and 2001, 45%, 21% and 31%, respectively, of our gross written premiums were provided by four ceding companies. A significant reduction in the amount of reinsurance ceded by one or more of our principal ceding companies could have a material adverse effect upon our results of operations.

Business Subject to General Economic and Capital Markets Factors. Our business, and the risks associated with our business, depend in large measure on general economic conditions and capital markets activity. Prevailing interest rate levels also affect demand for financial guaranty insurance.

Adequacy of Loss Reserves. We establish liabilities, or loss reserves, to reflect the estimated cost of claims incurred that we will ultimately be required to pay in respect of insurance and reinsurance we have written. If our loss reserves at any time are determined to be inadequate, we will be required to increase loss reserves at the time of such determination. This could cause a material increase in our liabilities and a reduction in our profitability, or possibly an operating loss and reduction of capital.

Competition. We face significant competition in our business, and our revenues and profitability could decline as a result of competition. Four companies accounted for the vast majority of the gross written premiums for the entire financial guaranty industry in 2003. We also face competition from other forms of credit enhancement. There are also a relatively limited number of financial guaranty reinsurance companies and mortgage guaranty companies.

Taxation. We manage our business so that we and our non-U.S. subsidiaries (other than Assured Guaranty Re Overseas Ltd.) will not be subject to U.S. income tax. However, we cannot be certain that the U.S. Internal Revenue Service will not contend successfully that we or any of our foreign subsidiaries is/are engaged in a trade or business in the United States and thus subject to additional taxation in the United States.

For more information about these and other risks, see "Risk Factors" beginning on page 13. You should carefully consider these risk factors together with all of the other information included in this prospectus before making an investment decision.

Corporate Structure

Assured Guaranty was incorporated in Bermuda in August 2003 as a subsidiary of ACE Limited, our former parent ("ACE"), for the sole purpose of becoming a holding company for ACE's subsidiaries conducting its financial and mortgage guaranty businesses, which we refer to as the transferred businesses, in connection with our initial public offering, or IPO. Certain of the transferred businesses were originally conducted by subsidiaries of Capital Re Corporation ("Capital Re"), which was acquired by ACE in December 1999.

Following our IPO, ACE beneficially owns 26,000,000 of our common shares, or approximately 35% of our outstanding common shares (18,650,000 common shares, or 25% of our outstanding common shares if the underwriters' option to purchase additional common shares as part of the IPO is exercised in full). We have a number of continuing agreements with ACE, including reinsurance agreements pursuant to which we have ceded or will cede to ACE certain risks and services agreements pursuant to which ACE will provide us with various administrative services. All of these agreements and arrangements are more fully described under "Relationship with ACE."

Each of our operating subsidiaries conducted business under names including "ACE," "AGR" and/or "Capital Re." As part of the formation transactions described under "Formation Transactions," we have changed, or are in the process of changing, the names of each of these subsidiaries to the respective names set forth below (or derivations of these names).

The following organization chart illustrates the corporate relationships among us and our principal subsidiaries (all ownership interests are 100% except where noted):

The Offering

Issuer	Assured Guaranty US Holdings Inc.
Guarantor	Assured Guaranty Ltd.
Securities Offered	$200,000,000 aggregate principal amount of 7.00% Senior Notes due 2034
Maturity Date	June 1, 2034
Interest	The issuer will pay interest on the notes semi-annually on June 1 and December 1 of each year, beginning December 1, 2004. The notes will bear interest at the rate of 7.00% per year.
Ranking	The notes will be unsecured senior obligations of the issuer and will rank equally with all other unsecured senior indebtedness of the issuer from time to time outstanding. The guarantees of the guarantor will be unsecured senior obligations of the guarantor and will rank equally with all other unsecured senior indebtedness of the guarantor from time to time outstanding. The notes will be structurally subordinated to all obligations of the issuer's subsidiaries from time to time outstanding, including claims with respect to trade payables. The guarantees will be structurally subordinated to all obligations of the guarantors' subsidiaries from time to time outstanding, including claims with respect to trade payables. As of March 31, 2004, the issuer's subsidiaries had $0 of indebtedness outstanding and the guarantor's subsidiaries had $202 million of indebtedness outstanding (after giving effect to the transactions described under "Formation Transactions").
Covenants	The indenture governing the notes contains covenants that, among other things, limit the ability of the guarantor and its subsidiaries to (1) incur indebtedness secured by the capital stock of designated subsidiaries, (2) dispose of the capital stock of designated subsidiaries or (3) engage in mergers, consolidations, amalgamations and sales of all or substantially all of their assets. See "Description of Notes and Guarantees Covenants."
Optional Redemption	The issuer may, at its option, redeem some or all of the notes at any time, at the "make-whole" price described in this prospectus, plus accrued and unpaid interest to the redemption date. See "Description of Notes and Guarantees Optional Redemption." In addition, the issuer may redeem all of the notes under the circumstances described under "Description of Notes and Guarantees Redemption for Changes in Withholding Taxes."
Use of Proceeds	To repay indebtedness owed to a subsidiary of ACE incurred in connection with the formation transactions described under "Formation Transactions."

No Public Market	The notes will be a new issue of securities and will not be listed on any securities exchange or included in any automated quotation system. The underwriters have advised us that they intend to make a market for the notes, but they are not obligated to do so and may discontinue their market-making activities at any time without notice.
Additional Notes	The issuer may, without notice to or the consent of the then existing holders of the notes, issue additional notes ranking equally and ratably with the notes in all respects except for the issue price, issue date and the payment of interest accruing prior to the issue date of the additional notes or the first payment of interest following the issue date of the additional notes. The additional notes will be consolidated and form a single series with the notes offered hereby and will have the same terms as to status, redemption or otherwise as the notes offered hereby.

Recent Developments

Results for the Quarter ended March 31, 2004

On May 11, 2004, we reported our results for the three-months ended March 31, 2004. We reported net income of $46.9 million for the first quarter ended March 31, 2004, an increase of 48% compared with net income of $31.8 million for the first quarter of 2003.

Gross Written Premiums by Segment

	Three Months Ended March 31,	
	2004	2003
	(in millions)	
Financial guaranty direct	$ 25.6	$ 14.0
Financial guaranty reinsurance	52.4	29.8
Mortgage guaranty	14.0	8.1
Sub-total	$ 92.0	$ 51.9
Other	(93.6)	60.9
Total	$ (1.5)	$ 112.7

Gross premiums written were a negative $1.5 million in the quarter. Gross premiums written in our other segment (which represents our exited lines of business) were reduced by $97.8 million in the quarter due to the accounting for the unwinding of equity layer credit protection products. Partially offsetting this premium reduction was the recognition of $10.4 million of gross premiums written in the financial guaranty direct segment due to the closing out of transactions in which we no longer participate; excluding this amount, gross premiums written in the financial guaranty direct segment grew 9%.

Net Premiums Earned by Segment

	Three Months Ended March 31,	
	2004	2003
	(in millions)	
Financial guaranty direct	$ 40.7	$ 14.7
Financial guaranty reinsurance	20.4	16.9
Mortgage guaranty	8.4	9.6
Sub-total	$ 69.5	$ 41.2
Other	17.2	22.4
Total	86.7	63.6
Municipal refunding premiums	2.9	3.3
Sub-total	$ 83.8	$ 60.3

Net premiums earned were $86.7 million in the first quarter of 2004, up 36% compared with $63.6 million in the first quarter of 2003. Financial guaranty direct net premiums earned included $24.2 million associated with the closing out of transactions types that we do not expect to underwrite in the future. Financial guaranty reinsurance net premiums earned were $20.4 million, up 21% from $16.9 million in the first quarter of 2003. Included in this amount were $2.9 million of municipal bond refunding premiums, compared with $3.3 million in the first quarter of 2003. Mortgage guaranty net premiums earned were $8.4 million, compared with $9.6 million in the first quarter of 2003, reflecting the run-off of our quota share mortgage guaranty reinsurance business.

Investment income in the quarter was $24.4 million, up modestly compared with $24.1 million in the first quarter of 2003. The average portfolio yield was 4.8%, compared with 5.3% in the prior year on an investment portfolio of $2.2 billion at March 31, 2004. The portfolio's average credit quality remained at AA+/Aa2. As a result of IPO-related transactions in the other segment, we expect a $163 million reduction in the investment portfolio in the second quarter.

Combined Ratio

	Three Months Ended March 31,	
	2004	**2003**
Loss ratio	27.3%	36.5%
Expense ratio	35.9	41.6
Combined ratio	63.2%	78.1%

Loss and loss adjustment expenses in the quarter were $23.7 million, or 27% of net premiums earned ("loss ratio"), compared with $23.2 million or a 36.5% loss ratio in the first quarter of 2003. Both loss ratios are significantly affected by the other segment and the closing out of transactions in the financial guaranty direct segment in preparation for our IPO.

Our profit commission expense, acquisition costs and other operating expenses were $31.2 million in the quarter and 35.9% as a percent of net premiums earned ("expense ratio"), as compared to $26.4 million or a 41.6% expense ratio in the first quarter of 2003. The increase in expenses reflects the addition of IPO-related and holding company expenses as well as $1.5 million of severance expenses in the quarter.

Our shareholder's equity as of March 31, 2004 was $1,510 million. On a pro forma basis giving effect to the formation transactions described under "Formation Transactions" and the transactions described under "Supplemental Pro Forma Condensed Combined Financial Information (Unaudited)" our shareholder's equity as of March 31, 2004 was $1,385 million.

Resignation of Senior Officer

On March 31, 2004, Joseph W. Swain III, who until December 2003 had been the chief executive officer of ACE's financial guaranty business and was thereafter the President-Reinsurance of Assured Guaranty US Holdings Inc., resigned. In his resignation, Mr. Swain cited differences with management over our new business strategy and our ability to execute this strategy as a result of his concerns about the relevant experience of certain members of management, staffing levels and corporate culture. Management believes these concerns are unfounded. We have promoted Robbin Conner, a senior executive of Assured Guaranty Corp., to replace Mr. Swain as the head of our financial guaranty reinsurance business. Please see "Management" for a discussion of Mr. Conner's business experience.

Summary Combined Financial Information of Assured Guaranty

The following table sets forth summary combined financial and other information of Assured Guaranty. The summary combined statement of operations data for each of the years ended December 31, 2003, 2002 and 2001 and the summary combined balance sheet data as of December 31, 2003 and 2002 are derived from our audited combined financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and appear elsewhere in this prospectus. The summary combined balance sheet data as of December 31, 2001 are derived from our audited combined financial statements, which have been prepared in accordance with GAAP.

These historical results are not necessarily indicative of results to be expected for any future period. You should read the following summary combined financial information together with the other information contained in this prospectus, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the combined financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,		
	2003	2002	2001
	($ in millons)		
Statement of operations data:			
Gross written premiums	$ 349.2	$ 417.2	$ 442.9
Net written premiums[1]	491.5	352.5	206.6
Net earned premiums	$ 310.9	$ 247.4	$ 293.5
Net investment income	96.3	97.2	99.5
Net realized investment gains	5.5	7.9	13.1
Unrealized gains (losses) on derivative financial instruments	98.4	(54.2)	(16.3)
Other income	1.2	3.6	2.9
Total revenues	512.3	302.0	392.9
Loss and loss adjustment expenses	144.6	120.3	177.5
Profit commission expense	9.8	8.5	9.0
Acquisition costs	64.9	48.4	51.1
Operating expenses	41.0	31.0	29.8
Goodwill amortization			3.8
Interest expense	5.7	10.6	11.5
Total expenses	266.1	218.8	282.8
Income before income taxes	246.2	83.2	110.1
Provision (benefit) for income taxes	31.7	10.6	22.2
Net income before cumulative effect of new accounting standard	214.5	72.6	87.9
Cumulative effect of new accounting standard, net of taxes			(24.1)
Net income	$ 214.5	$ 72.6	$ 63.8
Balance sheet data (end of period):			
Investments and cash	$ 2,222.1	$ 2,061.9	$ 1,710.8

	Year Ended December 31,		
Prepaid reinsurance premiums	11.0	179.5	171.5
Total assets	2,857.9	2,719.9	2,322.1
Unearned premium reserve	625.4	613.3	500.3
Reserve for losses and loss adjustment expenses	522.6	458.8	401.1
Long-term debt	75.0	75.0	150.0
Total liabilities	1,420.2	1,462.6	1,260.4
Accumulated other comprehensive income	81.2	89.0	43.3
Shareholder's equity	1,437.6	1,257.2	1,061.6
Pro forma information:(2)			
Debt	$ 200.0		
Shareholder's equity	1,311.6		
Book value per share(3)	17.27		

	Year Ended December 31,		
	2003	2002	2001
	($ in millons)		
GAAP financial information:			
Loss and loss adjustment expense ratio(4)	46.5%	48.6%	60.5%
Expense ratio(5)	37.2	35.5	30.6
Combined ratio	83.7%	84.1%	91.1%
Statutory financial information (end of period):			
Contingency reserve(6)	$ 410.5	$ 315.5	$ 228.9
Policyholders' surplus	980.5	835.4	833.2
Additional financial guaranty information (end of period):			
Net in-force business (principal and interest)	$ 130,047	$ 124,082	$ 117,909
Net in-force business (principal only)	87,524	80,394	75,249
Present value of gross premiums written(7)	238.8	215.5	195.0
Net present value of installment premiums in-force(8)	309.8	260.2	159.7

(1) Net written premiums exceeded gross written premiums for the year ended December 31, 2003 due to $154.8 million of return premium from two terminated ceded reinsurance contracts.

(2) The pro forma information reflects adjustments to give effect to the transactions described under "Formation Transactions" and "Pro Forma Combined Financial Information."

(3) Based on 75,937,417 shares outstanding.

(4) The loss and loss adjustment expense ratio is calculated by dividing loss and loss adjustment expenses by net earned premiums.

(5) The expense ratio is calculated by dividing the sum of profit commission expense, acquisition costs and operating expenses by net earned premiums.

(6) Under statutory accounting principles, financial guaranty and mortgage guaranty insurers are required to establish contingency reserves based on a specified percentage of premiums. A contingency reserve is an additional liability reserve established to protect policyholders against the effects of adverse economic developments or cycles or other unforeseen circumstances.

(7) Represents gross premiums related to financial guaranty contracts written in the current period, including the full amount of upfront premiums received and the present value of all installment premiums, discounted at 6% per year. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Segment Results of Operations" for a reconciliation to gross written premiums.

(8) Represents the present value of installment premiums on all in-force financial guaranty business, net of reinsurance ceded and ceding commissions, discounted at 6% per year.

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RISK FACTORS

An investment in the notes involves a number of risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in the notes. The risks and uncertainties described below are not the only ones we face. However, these are the risks our management believes are material. Additional risks not presently known to us or that we currently deem immaterial may also impair our business or results of operations. Any of the risks described below could result in a significant or material adverse effect on our results of operations or financial condition and consequently our ability to make payments in respect of the notes and the guarantees. You could lose all or part of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus. See "Forward-Looking Statements."

Risks Related to Our Company

A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries could adversely affect our business and prospects and, consequently, our results of operations and financial condition.

Financial strength ratings have become an increasingly important factor in establishing the competitive position of insurance and reinsurance companies. The objective of these ratings is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to its policyholders. Ratings reflect the rating agencies' opinions of our financial strength, and are neither evaluations directed to investors in the notes nor recommendations to buy, sell or hold the notes. As of the date of this prospectus, Assured Guaranty Corp. has been assigned a "AAA" (Extremely Strong) rating from S&P, the highest of the 21 ratings categories used by S&P, and a "Aa1" (Excellent) rating from Moody's, the second highest of the 21 ratings categories used by Moody's. All of our other insurance company subsidiaries have been assigned "AA" (Very Strong) ratings from S&P, the third highest ratings category used by S&P, "Aa2" (Excellent) ratings from Moody's, the third highest ratings category used by Moody's, and "AA" (Very Strong) ratings from Fitch, the third highest of the 24 ratings categories used by Fitch. A financial strength rating is an opinion with respect to an insurer's ability to pay under its insurance policies and contracts in accordance with their terms. The opinion is not specific to any particular policy or contract. Financial strength ratings do not refer to an insurer's ability to meet non-insurance obligations and are not a recommendation to purchase or discontinue any policy or contract issued by an insurer or to buy, hold, or sell any security issued by an insurer, including the notes. Assured Guaranty Corp.'s S&P ratings outlook is "Negative." While an S&P outlook is not necessarily a precursor to a ratings change, a "Negative" outlook means a rating may be lowered.

In addition, AGRI and AGRO carry financial enhancement ratings from S&P of "AA" (Very Strong).

The ratings assigned by S&P, Moody's and Fitch to our insurance subsidiaries are subject to periodic review and may be downgraded by one or more of the rating agencies as a result of changes in the views of the rating agencies or adverse developments in our or our subsidiaries' financial conditions or results of operations due to underwriting or investment losses or other factors. We are in ongoing discussions with S&P and Moody's regarding our ratings, including the impact on our ratings of the formation transactions described under "Formation Transactions", the IPO and our new business strategy. As a result, the ratings assigned to our insurance subsidiaries by either or both of S&P and Moody's may change at any time. In the case of AGRO and Assured Guaranty Mortgage, their ratings are dependent upon contractual support provided by AGRI.

If the ratings of any of our insurance subsidiaries were reduced below current levels by any of the rating agencies, it could have an adverse effect on the affected subsidiary's competitive position and its prospects for future business opportunities. A downgrade may also reduce the value of the reinsurance we offer, which may no longer be of sufficient economic value for our customers to continue to cede to our subsidiaries at economically viable rates.

With respect to a significant portion of our in-force financial guaranty reinsurance business, in the event of certain downgrades, the ceding company has the right to recapture business ceded to the affected subsidiary and assets representing substantially all of the statutory unearned premium and loss reserves (if any) associated with that business, with a corresponding negative impact to earnings, which could be significant. Alternatively, the ceding company can increase the commissions it charges us for cessions. Any such increase may be retroactive to the date of the cession, requiring the affected subsidiary to refund a portion of related premium previously earned, with a corresponding negative impact to earnings, which could be significant. In the event of a downgrade of any of our subsidiaries that write or insure exposures relating to contracts that allow for the use of derivative instruments to transfer credit risk, or credit derivatives, a downgrade below negotiated levels may allow a counterparty to terminate its agreements, resulting in the possible payment of a settlement amount. A downgrade also will increase the possibility that we may have to pledge collateral for the benefit of a counterparty.

A downgrade may also negatively impact the affected company's ability to write new business or negotiate favorable terms on new business.

Our success depends on our ability to successfully execute our new business strategy.

Our strategy is to focus on two core businesses: (1) financial and mortgage guaranty insurance and (2) financial guaranty reinsurance.

The fact that Assured Guaranty Corp., through which we write financial guaranty insurance, carries a triple-A rating from S&P but not from Moody's places it at a competitive disadvantage against companies rated triple-A by both S&P and Moody's. The absence of a triple-A rating from Moody's may adversely affect the desirability of our financial guaranty insurance, and in fact may preclude us from successfully marketing our financial guaranty insurance in certain markets. Furthermore, while we have a substantial in-force book of financial guaranty direct business, the majority of that exposure was written in the credit derivatives market rather than in the more traditional third-party financial guaranty insurance market. We may not be able to successfully expand relationships with issuers, servicers and other parties that are necessary to generate business in the traditional financial guaranty insurance market. Finally, Assured Guaranty Corp. presently is licensed in 45 states and the District of Columbia, and is seeking licenses in those U.S. jurisdictions where it is not presently licensed. Assured Guaranty Corp. may not be able to obtain those licenses, or may face delays in obtaining those licenses.

We are combining our mortgage guaranty business and our financial guaranty business. We intend to write mortgage guaranty insurance that is rated investment grade. We may not be able to source mortgage guaranty insurance business of this type in sufficient amounts or at adequate premium rates.

We intend to write more of our financial guaranty reinsurance through AGRI, which is rated in the double-A category by both S&P and Moody's, and less of this business through Assured Guaranty Corp., which is rated AAA/Aa1. The absence of a triple-A rating from S&P or Moody's places AGRI at a competitive disadvantage against companies rated triple-A by S&P or Moody's.

Because our strategy includes focusing on new lines of business in which we and our senior management have less experience, we cannot assure you that we will be able to successfully implement this strategy. In addition, recent employee layoffs and resignations have resulted in the loss of some experienced employees and reduced staff levels generally, which could adversely affect our ability to successfully implement our new strategy. Any failure to implement all or any part of our strategy could have a material adverse effect on our results of operations.

We are dependent on a small number of ceding companies to provide us with a substantial part of our reinsurance business.

Historically, we have derived a substantial portion of our revenues from financial guaranty reinsurance premiums. Ambac Assurance Corporation ("Ambac"), Financial Guaranty Insurance Company ("FGIC"), Financial Security Assurance Inc. ("FSA") and MBIA Insurance Corporation ("MBIA") in the aggregate accounted for 45%, 21% and 31% of our gross written premiums for the years ended December 31, 2003, 2002 and 2001. For the year ended December 31, 2003, 25% and 11% of our gross written premiums were ceded by FSA and MBIA, respectively. For the year ended December 31, 2002, 11% of our gross written premiums was paid by Dresdner Bank and in 2001, FSA and Credit Suisse provided 13% and 10%, respectively, of our gross written premiums. Gross written premiums from Dresdner Bank and Credit Suisse were paid with respect to equity layer credit protection, a business that we have exited.

A significant reduction in the amount of reinsurance ceded by one or more of our principal ceding companies could have a material adverse effect upon our results of operations. A number of factors could cause such a reduction. For example, there is likely to be some reluctance among our principal ceding companies to cede business to us as a result of our intent to compete with them in the direct financial guaranty business. In addition, primary insurers may retain higher levels of risk. Also, the volume of municipal bond and structured securities new issuances, together with the levels of and changes in interest rates and investor demand, may significantly affect the new business activities of primary financial guaranty insurers and, consequently, their use of reinsurance.

Additionally, our ability to receive profitable pricing for our reinsurance depends largely on prices charged by the primary insurers for their insurance coverage and the amount of ceding commissions paid by us to these primary insurers.

General economic factors, including fluctuations in interest rates and housing prices, may adversely affect our loss experience and the demand for our products.

Our business, and the risks associated with our business, depend in large measure on general economic conditions and capital markets activity. Our loss experience could be materially adversely affected by extended national or regional economic recessions, business failures, rising unemployment rates, interest rate changes or volatility, changes in investor perceptions regarding the strength of financial guaranty providers and the policies or guaranties offered by such providers, investor concern over the credit quality of municipalities or corporations, terrorist attacks, acts of war, or combinations of such factors. These events could also materially decrease demand for financial guaranty insurance. In addition to exposure to general economic factors, we are exposed to the specific risks faced by the particular businesses, municipalities or pools of assets covered by our financial guaranty products.

Prevailing interest rate levels affect capital markets activity which in turn affects demand for financial guaranty insurance. Higher interest rates may result in declines in new issue and refunding volume which may reduce demand for our financial guaranty products. Lower interest rates generally are accompanied by narrower interest rate spreads between insured and uninsured obligations. The purchase of insurance during periods of narrower interest rate spreads generally will provide lower cost savings to the issuer than during periods of wider spreads. These lower cost savings could be accompanied by a corresponding decrease in demand for financial guaranty insurance. However, the increased level of refundings during periods of lower interest rates historically has increased the demand for insurance.

Under the standard mortgage insurance policies that we reinsure, a default on the underlying mortgage generally will give the insurer the option to pay the entire loss amount and take title to the mortgaged property or pay the coverage percentage in full satisfaction of its obligations under the policy. Due to a strong housing market in recent years, insurers have been able to take advantage of paying the entire loss amount and selling properties quickly. If housing values depreciate or fail to appreciate, the primary insurers' ability to recover amounts paid on defaulted mortgages may be reduced or delayed, which in turn may lead to increased losses under our related reinsurance contracts and have a material adverse affect on our results of operations or our financial condition in general.

If claims exceed our loss reserves, our financial results could be significantly adversely affected.

Our results of operations and financial condition depend upon our ability to assess accurately and manage the potential loss associated with the risks that we insure and reinsure. We establish loss and loss adjustment expense reserves based on estimates involving actuarial and statistical projections of our expectations of the ultimate settlement and administration costs of claims on the policies we write. We use actuarial models as well as historical insurance industry loss development patterns as estimates of future trends in claims severity, frequency and other factors to establish our estimate of loss reserves. Establishing loss reserves is an inherently uncertain process. Accordingly, actual claims and claim expenses paid may deviate, perhaps materially, from the reserve estimates reflected in our combined financial statements.

If our loss reserves at any time are determined to be inadequate, we will be required to increase loss reserves at the time of such determination. This could cause a material increase in our liabilities and a reduction in our profitability, or possibly an operating loss and reduction of capital.

Adverse selection by ceding companies may adversely affect our financial results.

A portion of our reinsurance business is written under treaties, which generally give the ceding company some ability to select the risks ceded to us as long as they are covered by the terms of the treaty. There is a risk under these treaties that the ceding companies will adversely select the risks ceded to us by ceding those exposures that have higher rating agency capital charges or that the ceding companies expect to be less profitable. We attempt to mitigate this risk in a number of ways, including requiring ceding companies to retain a minimum amount, which varies by treaty, of the ceded business. If we are unsuccessful in mitigating this risk, our financial results may be adversely affected.

Our financial guaranty products may subject us to significant risks from individual or correlated credits.

The breadth of our business exposes us to potential losses in a variety of our products as a result of a credit problem at one company ("single name" exposure). For example, we could have direct exposure to a corporate credit for which we write and/or insure a credit derivative. We could also be exposed to the same corporate credit risk if the credit's securities are contained in a portfolio of collateralized debt obligations ("CDOs") we insure, or if it is the originator or servicer of loans or other assets backing structured securities that we have insured. A CDO is a debt security backed by a pool of debt obligations. While we track our aggregate exposure to single names in our various lines of business and have established underwriting criteria to manage risk aggregations, there can be no assurance that our ultimate exposure to a single name will not exceed our underwriting guidelines, or that an event with respect to a single name will not cause a significant loss. In addition, because we insure or reinsure municipal bonds, we can have significant exposures to single municipal risks. While the risk of a complete loss, where we pay the entire principal amount of an issue of bonds and interest thereon with no recovery, is generally lower than for corporate credits as most municipal bonds are backed by tax or other revenues, there can be no assurance that a single default by a municipality would not have a material adverse effect on our results of operations or financial condition.