Assured Guaranty Municipal Corp.

(an indirect wholly-owned subsidiary
of Assured Guaranty Ltd.)
Statutory Financial Statements
December 31, 2023 and 2022

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Index

	Page
Report of Independent Auditors	1-3
Financial Statements	
Statutory Statements of Admitted Assets, Liabilities and Surplus	4
Statutory Statements of Income	5
Statutory Statements of Changes in Surplus	6
Statutory Statements of Cash Flows	7
Notes to Statutory Financial Statements	
Note 1. Organization and Ownership	8
Note 2. Significant Accounting Policies	9
Note 3. Insurance in Force	17
Note 4. Insurance Premiums	27
Note 5. Losses and Loss Adjustment Expenses	28
Note 6. Investments	38
Note 7. Federal Income Taxes	47
Note 8. Capital, Surplus and Dividend Restrictions	52
Note 9. Reinsurance	53
Note 10. Related Party Transactions	56
Note 11. Commitments and Contingencies	62
Note 12. Committed Capital Securities and Short-Term Loan Facility	65
Note 13. Fair Values of Financial Instruments	66
Note 14. Subsequent Events	69
Summary Investment Schedule and Supplemental Investment Risks Interrogatories	70–74
Supplemental Schedule of Reinsurance Disclosures	75-76

Report of Independent Auditors

To the Board of Directors of Assured Guaranty Municipal Corp.

Opinions

We have audited the accompanying statutory financial statements of Assured Guaranty Municipal Corp. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2023 and 2022, and the related statutory statements of income, of changes in surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental Summary Investment Schedule and Supplemental Investment Risks Interrogatories and Supplemental Schedule of Reinsurance Disclosures *(collectively referred to as the "supplemental schedules")* of the Company as of December 31, 2023 and for the year then ended are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, New York
May 23, 2024

Assured Guaranty Municipal Corp.
Statutory Statements of Admitted Assets, Liabilities and Surplus
(Dollars in thousands, except share and per share amounts)

	As of December 31,	
Admitted assets	**2023**	**2022**
Cash and invested assets		
Bonds (fair value of $2,359,505 and $2,989,251)	$ 2,496,282	$ 3,163,270
Stocks, on the equity basis	794,193	879,135
Cash ($2,384 in 2023; $1,534 in 2022) and cash equivalents ($826,758 in 2023; $361,265 in 2022)	829,142	362,799
Surplus note of affiliate	300,000	300,000
Loans receivable from affiliate	162,500	162,500
Other invested assets	754,936	509,073
Receivables for securities sold	3,500	3,085
Total cash and invested assets	5,340,553	5,379,862
Premiums receivable, net of commissions payable	16,497	14,245
Accrued investment income	32,199	33,317
Current federal and foreign income taxes recoverable	29,405	55,297
Net deferred tax asset	23,775	25,797
Other assets	(3,657)	(31,018)
Total admitted assets	**$ 5,438,772**	**$ 5,477,500**
Liabilities and surplus to policyholders		
Liabilities		
Unearned premium reserves	$ 1,748,859	$ 1,734,623
Contingency reserves	875,806	855,110
Reserves (recoverables) for losses and loss adjustment expenses	5,233	(27,327)
Ceded premium balances payable	15,009	10,318
Funds held for reinsurers	273	3,555
Payable to parent, subsidiaries and affiliates	55,205	50,730
Accrued expenses and other liabilities	92,142	103,963
Total liabilities	**2,792,527**	**2,730,972**
Surplus to policyholders		
Preferred stock ($1,000 par value, 5,000.1 shares authorized; no shares issued or outstanding)	—	—
Common stock (163 shares authorized, issued and outstanding, with par value of $92,025)	15,000	15,000
Paid-in surplus	384,079	376,363
Unassigned surplus	2,247,166	2,355,165
Total surplus to policyholders	**2,646,245**	**2,746,528**
Total liabilities and surplus to policyholders	**$ 5,438,772**	**$ 5,477,500**

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

Assured Guaranty Municipal Corp.
Statutory Statements of Income
(in thousands)

	Year Ended December 31,	
	2023	2022
Premiums written:		
Direct premiums written	$ 181,050	$ 250,794
Assumed premiums written	23,715	36,049
Ceded premiums written	(69,515)	(68,247)
Net premiums written	135,250	218,596
Revenues:		
Net premiums earned	135,884	155,397
Commutation gains	9,970	962
Total underwriting revenues	145,854	156,359
Expenses:		
Loss incurred (benefit)	69,419	(63,319)
Loss adjustment expenses	18,182	60,371
Other underwriting expenses	129,953	125,633
Total underwriting expenses	217,554	122,685
Net underwriting (loss) gain	**(71,700)**	**33,674**
Investment income:		
Net investment income	302,499	149,054
Net realized capital gains (losses) (net of tax provision (benefit) of $3,643 and $(2,409))	10,527	(26,964)
Net investment gain	313,026	122,090
Other income	2,062	24,004
Income after capital gains tax and before federal income taxes	**243,388**	**179,768**
Income tax provision	(34,116)	(16,825)
Net income	**$ 209,272**	**$ 162,943**

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

Assured Guaranty Municipal Corp.
Statutory Statements of Changes in Surplus
Years Ended December 31, 2023 and 2022
(in thousands)

	Common Stock	Paid-in Surplus	Unassigned Surplus	Total Surplus to Policyholders
Balance at December 31, 2021	$ 15,000	$ 376,363	$ 2,661,655	$ 3,053,018
Change in contingency reserve	—	—	22,193	22,193
Change in non-admitted assets	—	—	7,753	7,753
Change in net unrealized capital gains	—	—	(263,852)	(263,852)
Change in net deferred income tax	—	—	(8,187)	(8,187)
Change in foreign exchange adjustment	—	—	38,560	38,560
Dividends to stockholder	—	—	(265,900)	(265,900)
Net income	—	—	162,943	162,943
Balance at December 31, 2022	15,000	376,363	2,355,165	2,746,528
Capital contribution	—	7,716	—	7,716
Change in contingency reserve	—	—	(20,696)	(20,696)
Change in non-admitted assets	—	—	(28,342)	(28,342)
Change in net unrealized capital gains	—	—	(27,804)	(27,804)
Change in net deferred income tax	—	—	31,240	31,240
Change in foreign exchange adjustment	—	—	(14,869)	(14,869)
Dividends to stockholder	—	—	(256,800)	(256,800)
Net income	—	—	209,272	209,272
Balance at December 31, 2023	$ 15,000	$ 384,079	$ 2,247,166	$ 2,646,245

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

Assured Guaranty Municipal Corp.
Statutory Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2023	**2022**
Cash from operations		
Premiums collected, net of reinsurance	$ 137,806	$ 220,980
Losses paid	(108,014)	(757,522)
Underwriting and loss adjustment expenses paid	(138,374)	(156,164)
Net investment income received	299,294	162,420
Federal income tax paid	(11,867)	(90,849)
Other income received	9,704	2,199
Net cash provided by (used for) operations	**188,549**	**(618,936)**
Cash from investments		
Proceeds from investments sold, matured, or repaid		
Bonds	845,393	856,802
Other invested assets	6,994	7,393
Total investments proceeds	852,387	864,195
Cost of investments acquired		
Bonds	(129,400)	(92,090)
Other invested assets	(188,393)	(22,338)
Total investments acquired	(317,793)	(114,428)
Net cash provided by investments	**534,594**	**749,767**
Cash from financing and miscellaneous sources		
Dividends paid to stockholder	(256,800)	(265,900)
Other cash applied	—	(1,752)
Net cash used for financing and miscellaneous sources	**(256,800)**	**(267,652)**
Net change in cash, cash equivalents and short-term investments	466,343	(136,821)
Cash, cash equivalents and short-term investments:		
Beginning of year	362,799	499,620
End of year	**$ 829,142**	**$ 362,799**
Supplemental disclosure of cash flow information for non-cash transactions:		
Bonds received as salvage	$ 31,537	$ 777,652
Accrued interest paid on bonds received as salvage	(117)	(13,135)
Capital contribution to other invested assets	(7,716)	—
Capital contribution from parent	7,716	—
Surplus note interest income received in the form of bonds	1,498	—

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

1. Organization and Ownership

Assured Guaranty Municipal Corp. ("AGM" or the "Company") is a New York domiciled insurance company organized in 1984 and licensed in 54 jurisdictions. AGM is a direct, wholly-owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("AGMH" or the "Parent"). AGMH is an indirect and wholly-owned subsidiary of Assured Guaranty Ltd. ("AGL" and, together with its subsidiaries, "Assured Guaranty"). AGL is a Bermuda based holding company that provides, through its operating subsidiaries, credit protection products to the United States ("U.S.") and non-U.S. public finance (including infrastructure) and structured finance markets. Assured Guaranty also participates in the asset management business.

AGM's principal subsidiaries and its ownership interest are listed below.

- 100% of Assured Guaranty UK Limited ("AGUK") (formerly known as Assured Guaranty (Europe) plc). AGUK is incorporated in the United Kingdom ("U.K.") and licensed as a U.K. insurance company. AGUK writes new business in the U.K. and certain other non-European Union ("EU") countries.

- 99.9999% of Assured Guaranty (Europe) SA ("AGE"). AGE is a French incorporated company that has been authorized by the French insurance and banking supervisory authority, the Autorité de Contrôle Prudentiel et de Résolution, to conduct financial guarantee business, and writes new business in the EU.

- 65% of AG Asset Strategies LLC ("AGAS"). AGAS is a Delaware limited liability company formed for the purpose of making certain investments on behalf of the Company and one of its affiliates. AGAS invests in funds managed by its asset management affiliates. See Note 6, Investments — Investment in AGAS.

Business

The Company applies its credit underwriting judgment, risk management skills and capital markets experience primarily to offer financial guaranty insurance that protects holders of debt instruments and other monetary obligations from defaults in scheduled payments. If an obligor defaults on a scheduled payment due on an obligation, including a scheduled principal or interest payment (collectively, "debt service"), the Company is required under its unconditional and irrevocable financial guaranty to pay the amount of the shortfall to the holder of the obligation. The Company markets its financial guaranty insurance directly to issuers and underwriters of public finance securities as well as to investors in such obligations. The Company guarantees obligations issued principally in the U.S. and the U.K., and also guarantees obligations issued in other countries and regions, including Western Europe.

Public finance obligations insured by the Company primarily consist of general obligation bonds supported by the taxing powers of U.S. state or municipal governmental authorities, as well as tax-supported bonds, revenue bonds and other obligations supported by covenants from state or municipal governmental authorities or other municipal obligors to impose and collect fees and charges for public services or specific infrastructure projects. The Company includes within public finance obligations those obligations backed by the cash flow from leases or other revenues from projects serving substantial public purposes, including utilities, toll roads, healthcare facilities and

government office buildings. The Company also includes within public finance obligations similar obligations issued by U.S. and non-U.S. sovereign and sub-sovereign issuers and governmental authorities.

Structured finance obligations insured by the Company are generally issued by special purpose entities and backed by pools of assets having an ascertainable cash flow or market value or other specialized financial obligations. AGM has not insured new originations of asset-backed securities since 2008, but a portion of such obligations remains outstanding, representing approximately 1.1% of the total net par outstanding.

The Company also enters into ceded reinsurance contracts in order to obtain greater business diversification and reduce the net potential loss from large risks and also to reduce rating agency capital charges. See Note 9, Reinsurance.

2. Significant Accounting Policies

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with insurance accounting practices prescribed or permitted by the New York State Department of Financial Services (“NYSDFS”). These statutory accounting practices (“SAP”) differ in certain material respects from accounting principles generally accepted in the United States of America (“GAAP”).

The NYSDFS recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under the New York Insurance Law. The National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual* has been adopted as a component of prescribed practices by the state of New York. NYSDFS has the right to permit other specific practices that deviate from prescribed practices; the Company, however, has no permitted practices.

Pursuant to New York Insurance Law, the admissible carrying value of the Company’s insurance company subsidiaries is limited to 60% of policyholders’ surplus. The carrying value of the Company’s insurance company subsidiaries was less than 60% as of December 31, 2023 or 2022, and was therefore an admitted asset. SAP do not have this requirement.

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the NYSDFS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the Company’s Statutory Statements of Admitted Assets, Liabilities and Surplus and the reported amounts of revenues and expenses in the Statutory Statements of Income and Statutory Statements of Changes in Surplus. Such estimates and assumptions include, but are not limited to, losses and loss adjustment expenses (“LAE”), the determination of other-than-temporary impairment (“OTTI”), taxes, premium revenue recognition and fair value of financial instruments. Actual results may differ from those estimates.

The Company’s significant accounting policies are outlined as follows:

Insurance Contracts

Revenue Recognition

Premiums charged in connection with the issuance of the Company's guarantees are received either upfront at contract inception and/or in installments over the life of the covered risk and are recorded as premiums written when due. Upfront premiums are earned based on the proportion of principal and interest due during the period. Installment premiums are earned on a monthly pro-rata basis over the installment period. In addition, when an insured issue is retired early, is called by the issuer or is, in substance, paid in advance through a refunding, the remaining unearned premium is earned at that time.

Unearned premium reserves, net of ceded unearned premium reserves, represent the unearned portion of upfront and installment premiums written. Unearned premium reserves denominated in foreign currency are revalued at the spot rate as of the balance sheet date and the unrealized gain or loss is recognized in surplus.

In connection with certain of its insured transactions, the Company may collect consent, termination, waiver and other fees. These fees are earned when services are rendered and the fees are due.

Reserves for Losses and LAE

Reserves for losses and LAE are determined from individual case estimates based on probability weighted cash flows. Such liabilities are based on assumptions and estimates and the ultimate liability may differ from the amount provided. The assumptions for making such estimates and for establishing the resulting liabilities are periodically reviewed and any adjustments are reflected in the period determined.

Financial guaranty case reserves are established when there is significant credit deterioration on specific insured obligations, and the obligations are either in default or are determined to have a 50% or more likelihood of default, not necessarily upon non-payment of principal or interest by an insured. Financial guaranty case reserves were discounted at a rate approximating the pre-tax book yield on the Company's investment portfolio of 4.0% in 2023 and 3.0% in 2022. Expected recoveries of claim payments are reported net in reserves for losses and LAE and loss (benefit) incurred.

Expenses Associated with Acquiring New Insurance Business

Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

Ceding Commission Income

Ceding commission income that offsets the acquisition cost of business ceded is recorded as a reduction to other underwriting expenses. For ceding commissions that the Company receives that exceed the acquisition cost of business ceded, the Company establishes a liability that is amortized over the term of the reinsurance agreement in proportion to the amount of coverage provided under the reinsurance contract.

Contingency Reserves

The Company is required to establish contingency reserves, which may be net of reinsurance so long as the applicable reinsurance agreement requires the reinsurer to maintain contingency reserves in an amount equal to the Company's deduction from its own net contingency reserves due to such reinsurance. The reserve amount is established by a charge to surplus equal to the greater of 50% of premiums written for each category of insured obligation or a designated percent of principal guaranteed for that category. These amounts are provided each quarter as either $1/60^{th}$ or $1/80^{th}$ of the total required for each category, less permitted reductions.

For the purpose of calculating contributions to its contingency reserves, the Company categorizes each of its policies into 10 categories of guaranties as set forth in Article 69 of the New York Insurance Code ("Article 69") based on the type of obligation insured by the policy. One of those categories includes a lower percentage for investment grade asset-backed securities backed by "collateral," which is defined in Article 69 as (i) cash, (ii) the cash flow from certain United States government, foreign government and other prescribed obligations, (iii) the market value of certain investment grade securities, and (iv) the face amount of a letter of credit meeting certain specific requirements relating to its terms and conditions, duration, expiration and issuer, provided that, in the case of (i), (ii), (iii) or (iv), such collateral is deposited with AGM, held in trust for the benefit of AGM by a trustee or custodian acceptable to the NYSDFS or, subject to certain specified requirements, held in trust for the benefit of the holders of the AGM-insured obligations. If collateral were instead defined more broadly to include all collateral backing asset-backed securities, certain additional investment grade asset-backed securities would qualify for the lower percentage, and the Company's contingency reserves would decrease by approximately $65 million as of December 31, 2023.

Once the reserve is calculated, as described above, it is incrementally recognized in the financial statements over a prescribed time period based on the type of business. The reserve provisions are released each quarter in the same amounts as they were set up once the 60- or 80-quarter provision period has been reached. Reduction in the contingency reserves may also be recognized under certain stipulated conditions, subject to the approval or non-objection of the NYSDFS, such as when losses incurred exceed a specified percentage of earned premium in a period or when the reserves are instead proven to be excessive in relation to outstanding obligations.

With respect to the regular, quarterly contributions to contingency reserves required by the applicable New York laws and regulations, such laws and regulations permit the discontinuation of such quarterly contributions to a company's contingency reserves when such company's aggregate contingency reserves for a particular line of business (i.e., municipal or non-municipal) exceed the sum of the company's outstanding principal for each specified category of obligations within the particular line of business multiplied by the specified contingency reserve factor for each such category. In accordance with such laws and regulations, and with the approval of the NYSDFS, AGM ceased making quarterly contributions to its contingency reserves for non-municipal business beginning in the fourth quarter of 2014. Such cessations are expected to continue for as long as AGM satisfies the foregoing condition for its applicable line of business.

Pursuant to approval from the NYSDFS, AGM currently does not cede any outstanding contingency reserves to Assured Guaranty Re Ltd. ("AG Re"), but, instead, maintains as part of its own net contingency reserves such reserves that it otherwise could cede to AG Re based on AG Re's assumed share of its outstanding business.

From time to time, the Company has obtained approval from the NYSDFS to release contingency reserves based on losses or because the accumulated contingency reserves are deemed excessive in relation to the insurer's outstanding insured obligations.

Investments, Cash and Cash Equivalents

Cash equivalents and short-term investments, with the exception of money market mutual funds, are stated at amortized cost and have maturities within one year of purchase date. Money market mutual funds are accounted for at fair value, which approximates amortized cost.

Investments in long-term bonds with an NAIC designation of 1 or 2 are stated at cost, adjusted for amortization of premium, accretion of discount and OTTI ("amortized cost"). Amortization and accretion are calculated using the constant yield method. Bonds and loan-backed securities with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.

For bonds and loan-backed securities purchased at a price below par value, discounts are accreted over the remaining term of the security. For bonds that have call dates and loan-backed securities purchased at a price above par value, premiums are amortized on a yield-to-worst basis. For bonds purchased at a premium that do not have call features, such premiums are amortized over the remaining term of the security.

In circumstances where the Company has purchased its own insured obligations that had expected losses, and in cases where issuers of insured obligations elected or the Company and an issuer mutually agreed as part of a negotiation to deliver the underlying collateral, insured obligation or a new fixed income security to the Company, loss reserves are reduced and the asset received is prospectively accounted for under the applicable guidance for that instrument. Insured obligations with expected losses that were purchased by the Company are referred to as loss mitigation securities and, upon acquisition, are recorded in the investment portfolio at fair value excluding the value of the Company's insurance. In subsequent periods, loss mitigation securities are recorded based upon their NAIC designation, as described above, excluding the value of the Company's insurance. The Company does not reduce its par and debt service outstanding related to loss mitigation securities under SAP.

When calculating the accretion of any discount or amortization of any premium in a given period, changes in the estimated cash flows from the original purchase assumptions are accounted for using the prospective method for loss mitigation securities and for securities with OTTI. For all other securities, changes in the estimated cash flows from the original purchase assumptions are accounted for using the retrospective method.

Net realized capital gains and losses on the sale of investments are determined on the basis of the specific identification method and are included in the Statutory Statement of Income. Realized gains from economic transfers of investments to certain related parties are deferred and not recognized until an arms-length transaction with an independent third party gives rise to the appropriate recognition of a gain.

Net investment income includes interest received and change in accrued interest on investments (including loans to affiliates), dividends from equity investments, interest on surplus notes recognized upon regulatory approval and the amortization of premiums and accretion of discounts

using the constant yield method. Accrued investment income that is deemed uncollectible is charged against net investment income in the period such determination is made, while accrued investment income greater than 90 days past due is non-admitted and charged directly to surplus. Net investment income is reduced by investment management expenses.

If management intends to sell the security or if management believes it is more likely than not such securities will be required to be sold prior to recovery of the carrying value, the entire amount of the unrealized loss (i.e., difference between fair value and amortized cost) is recognized as a realized loss.

The Company has a formal review process for securities for which the fair value is less than amortized cost to determine whether such a decline in fair value is other-than-temporary. Factors considered when assessing impairment include:

- a decline in the market value of a security by 20% or more below amortized cost for a continuous period of at least six months;
- a decline in the market value of a security for a continuous period of 12 months;
- recent credit downgrades of the applicable security or the issuer by rating agencies;
- the financial condition of the applicable issuer;
- whether loss of investment principal is anticipated;
- whether scheduled interest payments are past due; and
- whether the Company has the ability and intent to hold the security for a sufficient period of time to allow for anticipated recoveries in amortized cost.

Based on this assessment, for bonds other than loan-backed and structured securities, if the Company believes that either (a) the investment's fair value will not recover to an amount equal to its amortized cost or (b) the Company does not have the ability and intent to hold the investment to maturity or for a sufficient period to allow its fair value to recover to an amount at least equal to its amortized cost, the Company will determine the decline to be other-than-temporary. In this case, the Company will write down the carrying value of the investment to its fair value and record a realized loss in the Statutory Statement of Income.

For loan-backed and structured securities, the Company assesses the ability to recover the amortized cost by comparing the net present value of projected future cash flows with the amortized cost of the security. The net present value is calculated by discounting the Company's estimate of projected future cash flows at the effective interest rate implicit in the loan-backed or structured security. For loan-backed and structured securities where the Company has no intent to sell or it is more likely than not such securities will not be sold prior to recovery and the net present value is less than the amortized cost, an OTTI is recorded for the difference between the amortized cost and the higher of (1) fair value or (2) net present value of cash flows.

The assessment of a decline in value includes management's current assessment of the factors noted above. If that assessment changes in the future, the Company may ultimately record a loss after having originally concluded that the decline in value was temporary.

The Company's investments in its foreign subsidiaries, AGUK and AGE, are recorded as common stocks and reported at the foreign subsidiaries' audited GAAP equity adjusted to a statutory basis of accounting as provided for in paragraph 9 of Statement of Statutory Accounting Principles ("SSAP") No. 97. Changes in unrealized gains and losses are reflected directly in unassigned surplus.

The Company has an investment in surplus notes issued by AGC and a promissory note issued by its indirect parent, Assured Guaranty US Holdings Inc. ("AGUS") (see Note 10, Related Party Transactions), which is carried at face value. Each payment of principal and interest on the surplus notes is recorded only upon the approval of AGC's regulator.

Other invested assets primarily include the Company's investments in limited liability companies, such as AGAS, and limited partnership interests, which are all carried based on the GAAP equity of the entities. The changes in unrealized gains and losses in these other invested assets are reflected directly in unassigned surplus.

Non-Admitted Assets

The following assets are the primary components of non-admitted assets charged directly to surplus in accordance with SAP: net deferred tax asset, furniture and equipment and prepaid expenses.

Income Taxes

The income tax provision consists of an amount for taxes currently payable/receivable. The Company was taxed at the U.S. marginal corporate income tax rate of 21%. Deferred income tax assets and liabilities are established, subject to the limitations discussed below, for the temporary differences between the financial statement carrying amounts and tax basis of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

The Company elected to account for tax associated with Global Intangible Low-Taxed Income as a current-period expense when incurred.

The amount of deferred tax assets ("DTA") that may be admitted is generally limited to the lesser of those assets the Company expects to realize within three years of the balance sheet date or fifteen percent of the Company's adjusted surplus, provided the following ratio is greater than 115%:

- The numerator is equal to surplus to policyholders less those DTA the Company expects to realize within three years plus contingency reserves ("ExDTA Surplus").

- The denominator is equal to the required amount of minimum aggregate capital required to be maintained under the applicable NAIC model law or state variation thereof based on the risk characteristics and the amount of insurance in force ("Aggregate Risk Capital").

The realization period and surplus percentage are subject to change based on the amount of adjusted surplus. The change in net deferred income tax is recognized as a separate component of changes in the unassigned surplus.

Litigation

The Company establishes accruals for litigation and regulatory matters to the extent it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated. Additionally, it discloses such amounts if material to the financial position of the Company. For litigation and regulatory matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it would be disclosed. The Company reviews relevant information with respect to its litigation and regulatory matters on a quarterly basis and updates its accruals, disclosures, and estimates of reasonably possible loss based on such reviews.

Variances between SAP and GAAP

SAP differ in certain significant respects from GAAP. The principal differences between SAP and GAAP for the Company are as follows:

	SAP	**GAAP**
Premiums receivable, net of commissions payable, and ceded premium balances payable	Includes only those amounts currently due under the insurance contract.	Includes the present value of the contractual or expected premiums to be collected or paid over the period of the contract. Excludes premiums for insured credit derivatives.
Installment premiums	Earned on a pro-rata basis over the installment period.	Earned in proportion to the insurance protection provided. Excludes premiums for insured credit derivatives.
Upfront premiums	Earned upon expiration of risk.	Earned in proportion to the insurance protection provided. Excludes premiums for insured credit derivatives.
Refundings	Premium recognition is accelerated when transactions are economically defeased.	Premium recognition is accelerated when transactions are legally defeased.
Foreign-denominated unearned premium reserves	Remeasured at balance sheet date exchange rates.	Measured at historical exchange rates.
Reserves for losses	Case reserves are established when there is significant credit deterioration on specific insured obligations, and the obligations are either in default or are determined to have a 50% or more likelihood of default, with probability weighted estimates that are discounted at a rate approximating the pre-tax book yield on the Company's investment portfolio and recorded without consideration of the unearned premium reserve.	Expected losses reflect a probability weighted estimate of all possible outcomes, discounted at a risk free rate at the end of each reporting period, and are recorded only to the extent and for the amount that they exceed unearned premium reserve.
Acquisition costs	Charged to expense as incurred.	Expensed over the period that the related premiums are earned.

Ceding commission income	Earned immediately except for amounts in excess of acquisition cost, which are deferred and recognized in proportion to coverage provided under the reinsurance agreement.	Capitalized, similar to acquisition costs, and earned over the life of the reinsurance agreement.
Insured credit derivatives	Accounted for as insurance contracts as described above.	Accounted for as derivative contracts and measured at fair value.
Policies of Variable Interest Entities ("VIEs")	Accounted for as insurance contracts as described above.	Where the Company is considered the primary beneficiary, the policy is eliminated and the VIE is consolidated.
Contingency reserves	Established according to applicable insurance laws.	There is no requirement to establish contingency reserves.
Bonds	Reported at values prescribed by the NAIC, which is either amortized cost or the lower of amortized cost or fair value.	Classified as available-for-sale or trading securities and carried at fair value.
Investment impairments	Recognized as OTTI and written down to fair value or the present value of cash flows with a realized loss recognized through income.	The portion of impairment related to credit losses is recorded as an allowance for credit losses with an offset to realized losses, and any portion unrelated to credit losses is recognized through accumulated other comprehensive income. The GAAP allowance for credit losses can be reversed for subsequent increases in expected cash flows.
Investment in subsidiaries	Carried on the balance sheet on the equity basis, to the extent admissible.	Consolidated with the parent.
Surplus note interest income	Accrued only upon regulatory approval.	Accrued over period to which it applies.
Non-admitted assets	Certain assets are designated as non-admitted assets and charged directly to statutory surplus.	There are no requirements to reflect any assets as non-admitted assets.
Committed capital securities	Not recognized until put options are exercised.	Accounted for as derivative contracts and measured at fair value.
DTA	The amount of DTA that may be admitted is subject to an adjusted surplus threshold and is generally limited to the lesser of those assets the Company expects to realize within three years of the balance sheet date or fifteen percent of the Company's adjusted surplus.	There is no non-admitted asset determination, rather a valuation allowance is recorded to reduce DTA to an amount that is more likely than not to be realized.

The GAAP consolidated shareholder's equity attributable to AGM was $3,906 million and $3,815 million as of December 31, 2023 and 2022, respectively. The GAAP consolidated net income attributable to AGM was $232 million and $85 million for the years ended December 31, 2023 and 2022, respectively.

3. Insurance in Force

Significant Risk Management Activities

The Portfolio Risk Management Committee of the Company's indirect parent, AGL, is responsible for enterprise risk management for Assured Guaranty's insurance business and focuses on measuring and managing credit, market and liquidity risk for Assured Guaranty's insurance business. This committee establishes Assured Guaranty-wide credit policy for Assured Guaranty's direct and assumed insured business. It implements specific underwriting procedures and limits for Assured Guaranty and allocates underwriting capacity among AGL's insurance subsidiaries, including the Company. All transactions in new asset classes or new jurisdictions, or outside AGL's Board-approved risk appetite statement or risk limits, must be approved by this committee.

The Company's risk management committee conducts an in-depth review of the Company's insured portfolio, focusing on varying portions of the portfolio at each meeting. It reviews and may revise internal ratings assigned to the insured transactions and reviews sector reports, monthly product line surveillance reports and compliance reports.

All transactions in the insured portfolio are assigned internal credit ratings by the relevant underwriting committee at inception, and such credit ratings are updated by the relevant risk management or surveillance committee based on changes in transaction credit quality. As part of the surveillance process, the Company monitors trends and changes in transaction credit quality, and recommends such remedial actions as may be necessary or appropriate. The Company also develops strategies to enforce its contractual rights and remedies and to mitigate its losses, engage in negotiation discussions with transaction participants and, when necessary, manage the Company's litigation proceedings.

Surveillance Categories

The Company segregates its insured portfolio into investment grade and below-investment-grade ("BIG") surveillance categories to facilitate the appropriate allocation of resources to monitoring and loss mitigation efforts and to aid in establishing the appropriate cycle for periodic review of each exposure. BIG exposures include all exposures with internal credit ratings below BBB-.

The Company's internal credit ratings are based on internal assessments of the likelihood of default and loss severity in the event of default. Internal credit ratings are expressed on a ratings scale similar to that used by the rating agencies and generally reflect an approach similar to that employed by the rating agencies, except that the Company's internal credit ratings focus on future performance rather than lifetime performance.

The Company monitors its insured portfolio and refreshes its internal credit ratings on individual exposures in quarterly, semi-annual or annual cycles based on the Company's view of the exposure's credit quality, loss potential, volatility and sector. Ratings on exposures in sectors identified as under the most stress or with the most potential volatility are reviewed every quarter, although the Company may also review a rating in response to developments impacting a credit when a ratings review is not scheduled.

Exposures identified as BIG are subjected to further review to determine the probability of a loss. Surveillance personnel then assign each BIG transaction to one of the three BIG surveillance

categories described below based upon whether a future loss is expected and whether a claim has been paid. For surveillance purposes, the Company calculates present value using a discount rate of 4.0% (which is the rate based on the approximate pre-tax book yield of the Company's investment portfolio that is also used for calculating the loss reserves for financial statement purposes).

More extensive monitoring and intervention are employed for all BIG surveillance categories, with internal credit ratings reviewed quarterly. For purposes of determining the appropriate surveillance category, the Company expects "future losses" on a transaction when the Company believes there is at least a 50% chance that, on a present value basis, it will in the future pay claims on that transaction that will not be fully reimbursed. The three BIG surveillance categories are:

BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected.

BIG Category 2: Below-investment-grade transactions for which future losses are expected but for which no claims (other than liquidity claims which are claims that the Company expects to be reimbursed within one year) have yet been paid.

BIG Category 3: Below-investment-grade transactions for which future losses are expected and on which claims (other than liquidity claims) have been paid.

Components of Outstanding Exposure

The Company's policies insure the scheduled payments of principal and interest on public finance and structured finance obligations. The gross amount of debt service was $342.5 billion at December 31, 2023 and $309.6 billion at December 31, 2022. The net amount of debt service was $254.3 billion at December 31, 2023 and $236.3 billion at December 31, 2022.

The Company seeks to limit its exposure to losses from writing financial guaranties by underwriting obligations that are investment grade at inception, diversifying its portfolio and maintaining rigorous collateral requirements on structured finance obligations, as well as through reinsurance. The calculation of debt service requires the use of estimates, which the Company updates periodically, including estimates and assumptions for the expected remaining term of insured obligations supported by homogeneous pools of assets, updated interest rates for floating and variable rate insured obligations, behavior of consumer price indices for obligations with consumer price index inflators, foreign exchange rates and other assumptions based on the characteristics of each insured obligation. Debt service is a measure of the estimated maximum potential exposure to insured obligations before considering the Company's various legal rights to the underlying collateral and other remedies available to it under its financial guaranty contract.

Actual debt service or the terms to maturity may differ from estimated debt service due to refundings, terminations, negotiated restructurings, prepayments, changes in interest rates on variable rate insured obligations, consumer price index behavior differing from that projected, changes in foreign exchange rates on non-U.S. dollar denominated insured obligations and other factors.

Contractual Terms to Maturity of Par Outstanding of Insured Obligations

Terms to Maturity	At December 31, 2023					
	Gross Par Outstanding		Ceded Par Outstanding		Net Par Outstanding	
	Public Finance	Structured Finance	Public Finance	Structured Finance	Public Finance	Structured Finance
	(in millions)					
0 to 5 years	$ 15,777	$ 303	$ 3,953	$ 15	$ 11,824	$ 288
5 to 10 years	27,668	309	7,021	13	20,647	296
10 to 15 years	35,512	1,172	10,163	38	25,349	1,134
15 to 20 years	38,057	—	9,974	—	28,083	—
20 years and above	93,777	6	23,802	—	69,975	6
Total	$ 210,791	$ 1,790	$ 54,913	$ 66	$ 155,878	$ 1,724

The gross, ceded and net par outstanding of insured obligations in the public finance insured portfolio includes the following amounts by type of issue and the structured finance insured portfolio includes the following amounts by type of collateral in the table below.

Summary of Insured Portfolio

Types of Issues	At December 31,					
	Gross Par Outstanding		Ceded Par Outstanding		Net Par Outstanding	
	2023	2022	2023	2022	2023	2022
Public Finance	*(in millions)*					
U.S.:						
General obligation	$ 70,073	$ 66,244	$ 19,835	$ 17,694	$ 50,238	48,550
Tax backed	30,552	30,996	8,453	8,266	22,099	22,730
Municipal utilities	28,077	24,673	7,462	5,920	20,615	18,753
Transportation	19,212	16,619	4,885	3,885	14,327	12,734
Healthcare	12,474	11,094	2,760	2,180	9,714	8,914
Higher education	6,970	6,778	1,948	1,854	5,022	4,924
Infrastructure finance	4,249	4,126	917	890	3,332	3,236
Housing	1,053	854	258	169	795	685
Other public finance	347	366	104	111	243	255
Total public finance-U.S.	173,007	161,750	46,622	40,969	126,385	120,781
Public finance-non-U.S.	37,784	29,599	8,291	5,471	29,493	24,128
Total public finance	210,791	191,349	54,913	46,440	155,878	144,909
Structured Finance						
U.S.:						
Residential mortgages	$ 1,680	$ 1,835	$ 65	$ 74	$ 1,615	$ 1,761
Consumer receivables	20	26	1	1	19	25
Total structured finance-	1,700	1,861	66	75	1,634	1,786
Structured finance-non-U.S.	90	100	—	—	90	100
Total structured finance	1,790	1,961	66	75	1,724	1,886
Total insured portfolio	$ 212,581	$ 193,310	$ 54,979	$ 46,515	$157,602	$146,795

The following table sets forth the net financial guaranty par outstanding by internal rating:

	December 31, 2023		December 31, 2022	
Ratings(1)	**Net Par Outstanding**	**% of Net Par Outstanding**	**Net Par Outstanding**	**% of Net Par Outstanding**
	(dollars in millions)			
AAA	$ 1,132	0.8 %	$ 1,225	0.9 %
AA	15,169	9.6	13,470	9.2
A	76,984	48.8	71,119	48.4
BBB	61,054	38.7	57,448	39.1
BIG	3,263	2.1	3,533	2.4
Total net par outstanding	$ 157,602	100.0 %	$ 146,795	100.0 %

(1) Represents the Company's internal rating. The Company's ratings scale is similar to that used by the rating agencies discussed in Note 1.

In its structured finance business, the Company considered geographic concentration as a factor in underwriting insurance covering securitizations of pools of such assets as residential mortgages or consumer receivables. However, after the initial issuance of an insurance policy relating to such securitizations, the geographic concentration of the underlying assets may not remain fixed over the life of the policy. In addition, in writing insurance for other types of structured finance obligations, such as securities primarily backed by government or corporate debt, geographic concentration is not deemed by the Company to be significant, given other more relevant measures of diversification, such as issuer or industry diversification.

The Company seeks to maintain a diversified portfolio of insured public finance obligations designed to spread its risk across a number of geographic areas. The following table sets forth those states in which municipalities located therein issued an aggregate of 2% or more of the Company's net par amount outstanding of insured public finance securities:

Public Finance Insured Portfolio by Location of Exposure

	December 31, 2023		
	Net Par Amount Outstanding	**% of Total Net Par Amount Outstanding**	**Ceded Par Amount Outstanding**
	(dollars in millions)		
Domestic obligations			
California	$ 22,849	14.7 %	$ 8,318
Texas	14,637	9.4	6,043
New York	12,658	8.1	4,458
Pennsylvania	12,066	7.7	4,341
Illinois	8,611	5.5	3,342
New Jersey	6,061	3.9	2,394
Florida	5,769	3.7	2,173
Michigan	3,884	2.5	1,558
Louisiana	3,315	2.1	1,318
All other U.S. locations	36,535	23.5	12,677
Subtotal	126,385	81.1	46,622
International obligations	29,493	18.9	8,291
Total	$ 155,878	100.0 %	$ 54,913

Exposure to Puerto Rico

The Company had insured exposure to obligations of various authorities and public corporations of the Commonwealth of Puerto Rico ("Puerto Rico" or the "Commonwealth") aggregating $584 million net par outstanding as of December 31, 2023, and $737 million as of December 31, 2022. Approximately $570 million of the Company's insured exposure to Puerto Rico is rated below investment grade ("BIG"), while the remainder was rated AA because it relates to second-to-pay policies on obligations insured by AGC. As of December 31, 2023, the only remaining outstanding insured Puerto Rico exposure subject to a default was the Puerto Rico Electric Power Authority ("PREPA").

PREPA

As of December 31, 2023, the Company had $377 million insured net par outstanding of PREPA obligations. The Company believes that the PREPA bonds are secured by a lien on the revenues of the electric system.

The default of PREPA's obligations has been the subject of restructuring negotiations, mediation and litigation since 2014. On April 8, 2022, Judge Laura Taylor Swain of the Federal District Court of Puerto Rico issued an order appointing as members of a PREPA mediation team U.S. Bankruptcy Judges Shelley Chapman (lead mediator), Robert Drain and Brendan Shannon. Judge Swain also entered a separate order establishing the terms and conditions of mediation, including that the mediation would terminate on June 1, 2022. Judge Swain has since extended the term of such mediation several times, most recently on May 1, 2024, extending the term to July 31, 2024. The FOMB, which was established under PROMESA filed an initial plan of adjustment and disclosure statement for PREPA with the Federal District Court of Puerto Rico on December 16, 2022.

On March 22, 2023, the Federal District Court of Puerto Rico held that the PREPA bondholders had perfected liens only in revenues that had been deposited in the sinking fund established under the PREPA trust agreement and related funds over which the bond trustee had control but did not have a lien in future revenues until deposited in those funds. The Federal District Court of Puerto Rico also held, however, that PREPA bondholders do have recourse under the PREPA trust agreement in the form of an unsecured net revenue claim. At that time, the Federal District Court of Puerto Rico declined to value the unsecured net revenue claim or the method for its determination. The ultimate value of the claim, according to the Federal District Court of Puerto Rico should be determined through a claim estimation proceeding.

On June 6-8, 2023, the Federal District Court of Puerto Rico held a claim estimation proceeding and, on June 26, 2023, issued an opinion and order estimating the unsecured net revenue claim to be $2.4 billion as of July 3, 2017. This estimate included a determination that PREPA's discounted cash flows, using FOMB's base-case incremental net revenues over a 100-year collection period and a discount rate of 7% would be $3.0 billion, and should be reduced by an additional 20% for collection risk. PREPA bondholders had sought an unsecured net revenue claim of approximately $8.5 billion.

On November 17, 2023, the Federal District Court of Puerto Rico approved the supplemental disclosure statement ("Supplemental Disclosure Statement") supporting the PREPA plan of adjustment filed by FOMB (as amended or modified from time to time). On February 16, 2024,

FOMB filed with the Federal District Court of Puerto Rico its most recent plan of adjustment for PREPA, the Modified Fourth Amended Title III Plan of Adjustment (“FOMB PREPA Plan”). The Supplemental Disclosure Statement and the FOMB PREPA Plan are based on the last revised PREPA fiscal plan certified by the FOMB on June 23, 2023 (“2023 PREPA Fiscal Plan”).

On November 17, 2023, the Federal District Court of Puerto Rico approved the supplemental disclosure statement (“Supplemental Disclosure Statement”) supporting the PREPA plan of adjustment filed by the FOMB (as amended or modified from time to time). On February 16, 2024, FOMB filed with the Federal District Court of Puerto Rico its most recent plan of adjustment for PREPA, the Modified Fourth Amended Title III Plan of Adjustment (“FOMB PREPA Plan”). The Supplemental Disclosure Statement and the FOMB PREPA Plan are based on the last revised PREPA fiscal plan certified by the FOMB on June 23, 2023 (“2023 PREPA Fiscal Plan”).

On November 28, 2023, the Federal District Court of Puerto Rico finally adjudicated all claims and counterclaims in the PREPA lien challenge adversary proceeding. On November 30, 2023, the Company filed a notice of appeal with the United States Court of Appeals for the First Circuit (“First Circuit”) for portions of the March 22, 2023 decision, including the lien scope ruling and the need for a claim estimation proceeding, as well as the June 26, 2023 claim estimation ruling. On January 29, 2024, the First Circuit heard oral arguments for the Company’s appeals.

The FOMB PREPA Plan would split bondholders into two groups: one that would settle litigation regarding whether creditor repayment is limited to existing accounts, and another group that would continue litigating whether bondholders are secured by PREPA’s current and future revenue collections. The FOMB PREPA Plan also would further split settling bondholders into two sub-groups: one consisting of certain original settling bondholders that would receive an enhanced recovery (compared to non-settling bondholders) plus other supporting creditor payments, while the second settling sub-group would receive only the enhanced recovery. The FOMB asserts that, other than for pension claims, PREPA’s debt capacity is $2.5 billion, of which approximately $1.4 billion is allocated to settling creditors. The remaining $1.1 billion is allocated to (i) non-settling bondholders, and (ii) general unsecured creditors. The most recent revised FOMB PREPA Plan provides for reduced payments to bondholders since lower projected PREPA revenues are included in the 2023 PREPA Fiscal Plan than had been previously anticipated. The FOMB PREPA Plan estimates that non-settling bondholders will receive a recovery of 12.5% of their allowed unsecured net revenue claim. The Company is opposed to the FOMB PREPA Plan and has joined with a group of non-settling bondholders that continue to litigate the lien scope and claim estimation rulings.

The confirmation hearing for the FOMB PREPA Plan occurred in March 2024. At the end of the hearing, Judge Swain stated that she was taking the confirmation of the FOMB PREPA Plan under advisement and gave no indication of timing for an opinion or order. On April 29, 2024, the Company and other non-settling bondholders filed a motion to reopen the record of the confirmation hearing for the FOMB PREPA Plan to include newly discovered updated forecasts of electricity usage. On May 15, 2024, Judge Swain denied the motion to reopen the record.

Resolved Puerto Rico Exposures

In 2022, as a result of the resolution of the Company’s exposure to insured Puerto Rico credits experiencing payment default other than PREPA ("2022 Puerto Rico Resolutions"), the Company received cash, new general obligation bonds ("New GO Bonds"), new bonds backed by toll revenues ("Toll Bonds", and together with New GO Bonds, "New Recovery Bonds") and

contingent value instruments ("CVIs"). The CVIs are intended to provide creditors with additional recoveries tied to the outperformance of the Puerto Rico 5.5% Sales and Use Tax receipts against May 2020 certified fiscal plan projections, subject to annual and lifetime caps. Cash, New Recovery Bonds and CVIs received pursuant to the 2022 Puerto Rico Resolutions are collectively referred to as Plan Consideration. Plan Consideration is reported in either cash, investments or salvage recoverable as described below.

- Investments and cash. Plan Consideration received in respect of bondholders whose principal of bonds insured by the Company were accelerated and became due and payable under the 2022 Puerto Rico Resolutions are reported in Cash and Investments.

- CVIs. The CVIs are reported as a component of salvage recoverable.

Any gains or losses on sales of New Recovery Bonds in the investment portfolio are reported as realized gains and losses on investments rather than loss and loss adjustment expense (“LAE”). Any changes in value of CVIs will be reported as losses incurred rather than realized gains and losses on investments.

As of March 31, 2024, all but $82 million in CVIs (at fair value) had been sold or redeemed.

PRHTA

As of December 31, 2023, the Company had $123 million of insured net par outstanding of legacy PRHTA bonds: $14 million insured net par outstanding of PRHTA (transportation revenue) bonds and $109 million insured net par outstanding of PRHTA (highway revenue) bonds. This net par outstanding primarily represents the Company’s exposure in respect of legacy insured PRHTA bondholders who elected to receive custody receipts that represent an interest in the legacy insurance policy plus Plan Consideration, as described below. The remaining amounts owed for insured PRHTA bonds are payable in full by the Company under its financial guaranty policies and are no longer dependent on the credit of PRHTA.

In the fourth quarter of 2023, all of the Toll Bonds in trusts established as part of the 2022 Puerto Rico Resolutions (“Puerto Rico Trusts”) were called resulting in gross cash proceeds of $107 million. Such cash proceeds comprise the vast majority of the assets in the Puerto Rico Trusts as of December 31, 2023. In January 2024, such proceeds were used to pay down a portion of the liabilities of the Puerto Rico Trusts. The remaining amounts owed for the insured Puerto Rico Trusts are payable in full by the Company under its financial guaranty policies and are no longer dependent on the credit of PRHTA. The trusts are not on the Company’s balance sheets.

Certain insured bondholders elected to receive custody receipts representing an interest in custodial trusts that hold the legacy insurance policy plus Plan Consideration. The Company’s insurance policy continues to guarantee principal and interest coming due on the legacy insured bonds in accordance with the terms of such insurance policy on the originally scheduled legacy bond interest and principal payment dates.

Non-Defaulting Puerto Rico Exposures

As of March 31, 2024, and December 31, 2023, the Company had $84 million of remaining non-defaulting Puerto Rico net par outstanding related to the Municipal Finance Agency ("MFA"). The

MFA exposures are secured by a lien on local tax revenues and remain current on debt service payments.

The following tables show the Company's insured exposure to general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations.

Puerto Rico
Gross Par and Gross Debt Service Outstanding

	Gross Par Outstanding		Gross Debt Service Outstanding	
	As of December 31,		As of December 31,	
	2023	2022	2023	2022
	(in millions)			
Exposure to Puerto Rico	$ 752	$ 946	$ 946	$ 1,205

Puerto Rico
Net Par Outstanding

	As of December 31,	
	2023	2022
	(in millions)	
Defaulted Puerto Rico Exposures		
PREPA	$ 377	$ 446
Total Defaulted	377	446
Resolved Puerto Rico Exposures (1)		
PRHTA (Transportation revenue)	$ —	$ 7
PRHTA (Transportation revenue) (Second-to-pay policies on affiliate exposure)	14	42
PRHTA (Transportation revenue) total	14	49
PRHTA (Highway revenue)	109	140
PBA (Second-to-pay policies on affiliate exposure)	—	1
Total Resolved	123	190
Other Puerto Rico Exposures (2)		
MFA	84	101
Total Other	84	101
Total net exposure to Puerto Rico	**$ 584**	**$ 737**

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(1) Resolved pursuant to the 2022 Puerto Rico Resolutions. In January 2024, $91 million of the remaining PRHTA net par was paid down. All of the Toll Bonds received from the PRHTA under the 2022 Puerto Rico Resolutions for the insured PRHTA bonds have been sold or redeemed; therefore, the remaining amounts owed for such insured PRHTA bonds are payable in full by AGM or AGC under their financial guaranty policy and are no longer dependent on the credit of PRHTA.

(2) All debt service on this insured exposure has been paid to date without any insurance claim being made on the Company.

The following table shows the scheduled amortization of the insured general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations rated BIG by the Company. The Company guarantees payments of interest and principal when those amounts are scheduled to be paid and cannot be required to pay on an accelerated basis, although in certain

circumstances it may elect to do so. In the event that obligors default on their obligations, the Company would only be required to pay the shortfall between the debt service due in any given period and the amount paid by the obligors.

Amortization Schedule of Puerto Rico BIG Net Par Outstanding and Net Debt Service Outstanding As of December 31, 2023

	Scheduled BIG Net Par Amortization	Scheduled BIG Net Debt Service Amortization
	(in millions)	
2024 (January 1 - March 31)	$ —	$ 12
2024 (April 1 - June 30)	—	2
2024 (July 1 - September 30)	79	91
2024 (October 1 - December 31)	—	2
Subtotal 2024	79	107
2025	66	88
2026	84	104
2027	70	87
2028	39	52
2029-2033	160	201
2034-2036	72	79
Total	$ 570	$ 718

Other Selected U.S. Public Finance Transactions

On February 25, 2015, a plan of adjustment resolving the bankruptcy filing of the City of Stockton, California under chapter 9 of the Bankruptcy Code became effective. As of December 31, 2023, the Company's net par outstanding subject to the plan consisted of $50 million of pension obligation bonds. As part of the plan of adjustment, the City will repay claims paid on the pension obligation bonds from certain fixed payments and certain variable payments contingent on the City's revenue growth.

Ratings Impact on Financial Guaranty Business

The financial strength and financial enhancement ratings assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), Moody's Ratings ("Moody's"), and Kroll Bond Rating Agency, LLC to the Company represent such rating agencies' opinions of the insurer's financial strength and ability to meet ongoing obligations to policyholders and cedants in accordance with the terms of the financial guaranties it has issued or the reinsurance agreements it has executed. Issuers, investors, underwriters, ceding companies and others consider the Company's financial strength or financial enhancement ratings an important factor when deciding whether or not to utilize a financial guaranty or purchase reinsurance from the Company. A downgrade by a rating agency of the financial strength or financial enhancement ratings of the Company could impair the Company's financial condition, results of operation, capital, liquidity, business prospects and/or share price. The ratings assigned by the rating agencies to the Company are subject to review and may be lowered by a rating agency at any time and without notice to the Company.

The rating agencies have changed their methodologies and criteria from time to time. Factors influencing the rating agencies are beyond management's control and not always known to the Company. In the event of an actual or perceived deterioration in creditworthiness of large risks in the Company's insurance portfolio, or other large increases in liabilities (including those related to legal proceedings), or a change in a rating agency's capital model or rating methodology, a rating agency may require the Company to increase the amount of capital it holds to maintain its financial strength and financial enhancement ratings under the rating agencies' capital adequacy models, or a rating agency may identify an issue that additional capital would not address. The amount of any capital required may be substantial, and may not be available to the Company on favorable terms and conditions or at all, especially if it were known that additional capital was necessary to preserve the Company's financial strength or financial enhancement ratings. The failure to raise any additional required capital, or successfully address another issue or issues raised by a rating agency, could result in a downgrade of the ratings of the Company and thus have an adverse impact on its business, results of operations and financial condition.

The Company periodically assesses the value of each rating assigned, and may as a result of such assessment request that a rating agency add or drop a rating. Rating agencies may choose not to honor the Company's request, and continue to rate the Company.

The Company's financial strength and financial enhancement ratings are an important competitive factor in the financial guaranty insurance and reinsurance markets. If the financial strength or financial enhancement ratings of the Company were reduced below current levels, the Company expects the number of transactions that would benefit from the Company's insurance would be reduced; consequently, a downgrade by rating agencies could harm the Company's new insurance business production.

A downgrade may have a negative impact on the Company in respect of transactions that they have insured or that they have assumed through reinsurance. See Note 9, Reinsurance. In addition, beneficiaries of financial guaranties issued by the Company may have the right to cancel the credit protection provided by them, which would result in the loss of future premium earnings and the reversal of any fair value gains recorded by the Company.

4. Insurance Premiums

Premium Summary

The components of net premiums written and earned, including premiums assumed from and ceded to other insurers and reinsurers, are set forth in the following table:

	Years Ended December 31,			
	2023		2022	
(in thousands)	Written	Earned	Written	Earned
Direct	$ 181,050	$ 148,837	$ 250,794	$ 178,896
Assumed	23,715	26,463	36,049	28,889
Ceded	(69,515)	(39,416)	(68,247)	(52,388)
Total	$ 135,250	$ 135,884	$ 218,596	$ 155,397

The gross unearned premium reserves on an undiscounted basis for the entire book of business that would have been reported had all installment premiums been received at inception would have been $3,409 million as of December 31, 2023.

The schedule of gross premiums (undiscounted) expected to be collected under all installment contracts is as follows:

Period	(in thousands)
1st Quarter 2024	$ 17,012
2nd Quarter 2024	17,240
3rd Quarter 2024	17,811
4th Quarter 2024	11,039
2025	61,145
2026	59,836
2027	59,090
2028	53,887
2029 – 2033	237,890
2034 – 2038	190,257
2039 – 2043	142,297
2044 and thereafter	312,357
TOTAL	$ 1,179,861

Roll forward of the expected gross future premiums (undiscounted), (in thousands):

Expected future premiums – beginning of year – 2023	$ 938,979
Less: premium payments received for existing installment contracts	39,915
Add: expected premium payments for new installment contracts	245,372
Add: adjustments to the expected future premium payments	35,425
Expected future premiums – end of year – 2023	$ 1,179,861

The net unearned premium reserves on non-installment contracts that was recognized as earned premium on an accelerated basis was $24.7 million and $51.8 million for the years ended December 31, 2023 and 2022, respectively. Such accelerations are recognized when an insured issue is retired early, is called by the issuer, or is in substance paid in advance through a refunding accomplished by placing U.S. Government securities in escrow.

Schedule of expected gross future earned premium revenue on non-installment contracts as of December 31, 2023:

Period	(in thousands)
1st Quarter 2024	$ 17,636
2nd Quarter 2024	17,769
3rd Quarter 2024	28,114
4th Quarter 2024	23,301
2025	86,586
2026	92,904
2027	84,751
2028	78,653
2029 – 2033	439,892
2034 – 2038	388,323
2039 – 2043	297,916
2044 and thereafter	573,096
TOTAL	$ 2,128,941

5. Losses and LAE

The following table provides a reconciliation of the beginning and ending reserve balances for reserves for losses and LAE, net of reinsurance recoverable, for 2023 and 2022:

	2023	2022
	(in thousands)	
Balance at January 1 (net of ceded balances of $(27,349) and $(76,343))	$ (27,327)	$ 11,290
Losses and loss adjustment expenses incurred (benefit) related to:		
Current year	—	831
Prior years	87,601	(3,779)
Losses and loss adjustment expenses recovered (paid) related to:		
Current year	—	(114)
Prior years	(55,041)	(35,471)
Foreign exchange rate fluctuations	—	(84)
Balance at December 31 (net of ceded balances of $(27,464) and $(27,349))	$ 5,233	$ (27,327)

The amount of discount taken was approximately $(7.6) million and $16.5 million at December 31, 2023 and 2022, respectively.

Net Reserve Summary [(1)]

(in thousands)	December 31, 2023	December 31, 2022
Public finance	$ 17,977	$ (40,329)
Structured finance—RMBS	(14,948)	9,753
Structured finance—other	2,204	3,249
Total	$ 5,233	$ (27,327)

(1) Amounts in a negative position represent deals in a net recoverable position.

The aggregate amount of U.S. subprime related net losses paid were $1.1 million in 2023 and the net losses recovered were $1.7 million in 2022. The aggregate amount of U.S. subprime net losses incurred (benefits) were $($9.8) million in 2023 and $(49.9) million in 2022. The aggregate amount of net loss reserves on U.S. subprime business were $41.1 million and $52.0 million as of December 31, 2023 and 2022, respectively. IBNR reserves are not required for financial guaranty insurance.

Reserves (recoverables) for losses and LAE at December 31, 2023 and 2022 net of anticipated salvage and subrogation, on an undiscounted basis, were $(2.4) million and $(10.8) million, respectively.

Selected U.S. Public Finance Transactions

The Company insured general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations aggregating $584.4 million net par outstanding as of December 31, 2023, $569.8 million of which was BIG. For additional information regarding the Company's Puerto Rico exposure, see "Exposure to Puerto Rico" in Note 3, Insurance in Force.

The Company had loss and LAE reserves (recoverables) across its troubled U.S. public finance exposures as of December 31, 2023, including those mentioned above, of $18.0 million compared to $(40.3) million as of December 31, 2022. The Company's loss and LAE reserves incorporate management's probability weighted estimates of possible scenarios. Each quarter, the Company may revise its scenarios and update its assumptions, including the probability weightings of its scenarios based on public information as well as nonpublic information obtained through its surveillance and loss mitigation activities. Management assesses the possible implications of such information on each insured obligation, considering the unique characteristics of each transaction.

The increase in reserves was primarily attributable to certain healthcare exposures.

U.S. RMBS Loss Projections

The Company projects losses on its insured U.S. RMBS on a transaction-by-transaction basis by projecting the performance of the underlying pool of mortgages over time and then applying the structural features (e.g., payment priorities and tranching) of the RMBS and any expected representation and warranty ("R&W") recoveries/payables to the projected performance of the collateral over time.

The further behind mortgage borrowers fall in making payments, the more likely it is that they will default. The rate at which borrowers from a particular delinquency category (number of monthly

payments behind) eventually default is referred to as the "liquidation rate." The Company derives its liquidation rate assumptions from observed roll rates, which are the rates at which loans progress from one delinquency category to the next and eventually to default and liquidation. The Company applies liquidation rates to the mortgage loan collateral in each delinquency category and makes certain timing assumptions to project near-term mortgage collateral defaults from loans that are currently delinquent.

Mortgage borrowers that are not behind on payments and have not fallen two or more payments behind in the last two years (generally considered performing borrowers) have demonstrated an ability and willingness to pay through challenging economic periods, and as a result are viewed as less likely to default than delinquent borrowers or those that have experienced delinquency recently. Performing borrowers that eventually default will also need to progress through delinquency categories before any defaults occur. The Company projects how many of the currently performing loans will default and when they will default, by first converting the projected near term defaults of delinquent borrowers derived from liquidation rates into a vector of conditional default rates ("CDR"), then projecting how the CDR will develop over time. Loans that are defaulted pursuant to the CDR after the near-term liquidation of currently delinquent loans represent defaults of currently performing loans and projected re-performing loans. The CDR is the outstanding principal amount of defaulted loans liquidated in the current month divided by the remaining outstanding amount of the whole pool of loans ("collateral pool balance"). The collateral pool balance decreases over time as a result of scheduled principal payments, partial and whole principal prepayments, and defaults.

In order to derive collateral pool losses from the collateral pool defaults it has projected, the Company applies a loss severity. The loss severity is the amount of loss the transaction experiences on a defaulted loan after the application of net proceeds from the disposal of the underlying property. The Company projects loss severities by sector and vintage based on its experience to date. The Company continues to update its evaluation of these loss severities as new information becomes available.

The Company projects the overall future cash flow from a collateral pool by adjusting the payment stream from the principal and interest contractually due on the underlying mortgages for the collateral losses it projects as described above; assumed voluntary prepayments; and servicer advances. The Company then applies an individual model of the structure of the transaction to the projected future cash flow from that transaction's collateral pool to project the Company's future claims and claim reimbursements for that individual transaction. Finally, the projected claims and reimbursements are discounted using a rate of 4.0% at the end of 2023 and 3.0% at the end of 2022, the approximate pre-tax book yield on the Company's investment portfolio. The Company runs several sets of assumptions regarding mortgage collateral performance, or scenarios, and probability weights them.

Each period the Company reviews the assumptions it uses to make RMBS loss projections with consideration of updates on the performance of its insured transactions (including early stage delinquencies, late stage delinquencies and loss severity) as well as the residential property market and economy in general. To the extent it observes changes, it makes a judgment as to whether those changes are normal fluctuations or part of a more prolonged trend. In 2023, there was a loss and LAE benefit of $7 million for first lien U.S. RMBS and a loss and LAE benefit of $46 million for second lien U.S. RMBS. The assumptions that the Company uses to project RMBS losses are shown in the sections below.

First Lien U.S. RMBS Loss Projections: Alt-A, Prime, Option ARM, and Subprime

The majority of projected losses in first lien U.S. RMBS transactions are expected to come from non-performing mortgage loans (those that are or have recently been two or more payments behind, have been modified, are in foreclosure, or have been foreclosed upon). Changes in the amount of non-performing loans from the amount projected in the previous period are one of the primary drivers of loss projections in this portfolio. In order to determine the number of defaults resulting from these delinquent and foreclosed loans, the Company applies a liquidation rate assumption to loans in each of various non-performing categories. The Company arrived at its liquidation rates based on data purchased from a third-party provider and assumptions about how delays in the foreclosure process and loan modifications may ultimately affect the rate at which loans are liquidated. Each quarter the Company reviews recent data and (if necessary) adjusts its liquidation rates based on its observations. The following table shows liquidation assumptions for various non-performing and re-performing categories.

First Lien U.S. RMBS Liquidation Rates

	As of December 31, 2023	As of December 31, 2022
	Range	Range
Current but recently delinquent	20%	20%
30 - 59 Days Delinquent	30% - 35%	30% - 35%
60 - 89 Days Delinquent	40% - 45%	40% - 45%
90+ Days Delinquent	45% - 60%	45% - 60%
Bankruptcy	40% - 50%	40% - 50%
Foreclosure	55% - 65%	55% - 65%
Real Estate Owned	100%	100%

While the Company uses the liquidation rates above to project defaults of non-performing loans (including current loans that were recently modified or delinquent), it projects defaults on presently current loans by applying a CDR curve. The start of that CDR curve is based on the defaults the Company projects will emerge from currently nonperforming, recently nonperforming and modified loans. The total amount of expected defaults from the non-performing loans is translated into a constant CDR (i.e., the "CDR plateau"), which, if applied for each of the next 36 months, results in the projection of the defaults that are expected to emerge from the various delinquency categories. The CDR thus calculated individually on the delinquent collateral pool for each RMBS is then used as the starting point for the CDR curve used to project defaults of the presently performing loans.

In the most heavily weighted scenario (the "base scenario"), after the 36-month CDR plateau period, each transaction's CDR is projected to improve over 12 months to a final CDR of 5% of the plateau CDR. In the base scenario, the Company assumes the final CDR will be reached 1 year after the 36-month CDR plateau period. Under the Company's methodology, defaults projected to occur in the first 36 months represent defaults that can be attributed to loans that were recently modified or delinquent, or that are currently delinquent or in foreclosure, while the defaults projected to occur using the projected CDR trend after the first 36-month period represent defaults attributable to borrowers that are currently performing or are projected to re-perform.

Another important driver of loss projections is loss severity, which is the amount of loss the transaction incurs on a loan after the application of net proceeds from the disposal of the underlying property. The Company assumes in the base scenario that recent (still historically elevated) loss severities will improve after loans with accumulated delinquencies and foreclosure cost are

liquidated. The Company is assuming in the base scenario that the recent levels generally will continue for another 18 months. The Company determines its initial loss severity based on actual recent experience. Each quarter the Company reviews available data and (if necessary) adjusts its severities based on its observations. The Company then assumes that loss severities begin returning to levels consistent with underwriting assumptions beginning after the initial 18-month period, declining to 40% in the base scenario over 2.5 years.

The following table shows the range as well as the average, weighted by outstanding net insured par, for key assumptions used in the calculation of loss reserves for individual transactions for vintage 2004 - 2008 first lien U.S. RMBS.

Key Assumptions in Base Case Loss Reserve Estimates
First Lien U.S. RMBS

	As of December 31, 2023		As of December 31, 2022	
	Range	Weighted Average	Range	Weighted Average
Alt A and Prime:				
CDR Plateau	2.7% - 9.0%	4.1%	2.5% - 11.5%	5.4%
Final CDR	0.1% - 0.4%	0.2%	0.1% - 0.6%	0.3%
Initial loss severity	50%		50%	
Option ARM:				
CDR Plateau	2.4% - 5.1%	3.4%	2.3% - 5.4%	4.0%
Final CDR	0.1% - 0.3%	0.2%	0.1% - 0.3%	0.2%
Initial loss severity	50%		50%	
Subprime:				
CDR Plateau	3.3% - 6.1%	4.6%	4.1% - 7.7%	5.9%
Final CDR	0.2% - 0.3%	0.2%	0.2% - 0.4%	0.3%
Initial loss severity	50%		50%	

The rate at which the principal amount of loans is voluntarily prepaid may impact both the amount of losses projected (since that amount is a function of the CDR, the loss severity and the loan balance over time) as well as the amount of excess spread (the amount by which the interest paid by the borrowers on the underlying loan exceeds the amount of interest owed on the insured obligations). The assumption for the voluntary conditional prepayment rate ("CPR") follows a pattern similar to that of the CDR. The current level of voluntary prepayments is assumed to continue for the plateau period before gradually increasing over 12 months to the final CPR, which is assumed to be 15% in the base scenario. For transactions where the initial CPR is higher than the final CPR, the initial CPR is held constant, and the final CPR is not used. These CPR assumptions are the same as those the Company used for December 31, 2022.

The Company incorporates a recovery assumption into its reserving model to reflect observed trends in recoveries of deferred principal balances of modified first lien loans that had been previously written off. For transactions where the Company has detailed loan information, the Company assumes, in the base case scenario, that 20% of the deferred loan balances will eventually be recovered upon sale of the collateral or refinancing of the loans. In the first quarter of 2023, in light of volatility in interest rates, the mortgage market and home prices, the Company began incorporating a 10% recovery of deferred principal balances in the most stressful scenario and a 50% recovery in the least stressful scenario. Additionally, in the third quarter of 2023, due to home prices reaching all time highs, the Company increased its scenario based recovery assumptions such that the weighted average recovery percentage increased from 20% to approximately 30%. The effect of these updated assumptions on expected losses was a benefit of $4 million.

In estimating loss reserves, the Company modeled and probability weighted sensitivities for first lien U.S. RMBS transactions by varying its assumptions of how fast a recovery is expected to occur. One of the variables used to model sensitivities was how quickly the CDR returned to its modeled equilibrium, which was defined as 5% of the CDR plateau. The Company also stressed CPR and the speed of recovery of loss severity rates. The Company probability weighted a total of five scenarios as of December 31, 2023, and December 31, 2022.

Total loss and LAE reserves on all first lien U.S. RMBS were $16 million and $21 million as of December 31, 2023, and December 31, 2022, respectively. The decrease was attributable to higher recoveries for deferred principal balances and improved performance on certain transactions.

Certain transactions benefit from excess spread when they are supported by large portions of fixed rate assets (either originally fixed or modified to be fixed) but have insured floating rate debt linked to the Secured Overnight Finance Rate ("SOFR"). An increase in projected SOFR decreases excess spread, while lower SOFR projections result in higher excess spread.

The Company used a similar approach to establish its scenarios as of December 31, 2023, as it used as of December 31, 2022, increasing and decreasing the periods of stress from those used in the base scenario, except as described above with regards to the increase in deferred principal recoveries. In the Company's most stressful scenario where 10% of deferred principal balances are assumed to be recovered, loss severities were assumed to rise and then recover over nine years and the initial ramp-down of the CDR was assumed to occur over 16 months, expected loss to be paid would increase from current projections by approximately $19 million for all first lien U.S. RMBS transactions. In the Company's least stressful scenario where 50% of deferred principal balances are assumed to be recovered, the CDR plateau was six months shorter (30 months, effectively assuming that liquidation rates would improve) and the CDR recovery was more pronounced (including an initial ramp-down of the CDR over eight months), expected loss to be paid would decrease from current projections by approximately $15 million for all first lien U.S. RMBS transactions.

Second Lien U.S. RMBS Loss Projections

Second lien U.S. RMBS transactions include both home equity lines of credit ("HELOC") and closed end second lien mortgages. The Company believes the primary variable affecting its loss reserves in second lien RMBS transactions is the amount and timing of future losses or recoveries in the collateral pool supporting the transactions (including recoveries from previously charged-off loans). Loss reserves are also a function of the structure of the transaction, the prepayment speeds of the collateral, the interest rate environment, and assumptions about loss severity.

The Company estimates the amount of loans that will default over the next several years by first calculating expected liquidation rates for delinquent loans, and applying liquidation rates to currently delinquent loans in order to arrive at an expected dollar amount of defaults from currently delinquent collateral (plateau period defaults).

Similar to the methodology applied to first lien U.S. RMBS transactions, the Company then calculates a CDR that will cause the targeted amount of liquidations to occur during the plateau period.

HELOC loans generally permitted the borrower to pay only interest for an initial period (often ten years) and, after that period, require the borrower to make both the monthly interest payment and a monthly principal payment. This causes the borrower's total monthly payment to increase, sometimes substantially, at the end of the initial interest-only period. A substantial number of loans in the Company's insured transactions had been modified to extend the interest-only period to 15 years. The majority of the modified loans had reset to fully amortizing by the end of 2022, and most of the remaining loans will reset over the next several years.

The Company has observed lower than expected default rates and longer liquidation timelines due to significant home price appreciation and special servicing activity which now favors modifications and foreclosure actions rather than charge-offs at 180 days delinquent. In the third quarter of 2022, the Company extended the time over which a portion of the delinquent loans default from six months to 36 months in the base scenario (conforming to the methodology used for first lien U.S. RMBS transactions). After the plateau period, as with first lien U.S. RMBS transactions, the CDR trends down over one year to 5% of the plateau CDR. These changes in the shape of the CDR curve result in a longer period of stress defaults (48 months in the base scenario), but at lower default levels leading to lower overall levels of expected losses.

HELOC loans generally permitted the borrower to pay only interest for an initial period (often ten years) and, after that period, require the borrower to make both the monthly interest payment and a monthly principal payment. This causes the borrower's total monthly payment to increase, sometimes substantially, at the end of the initial interest-only period. A substantial number of loans in the Company's insured transactions had been modified to extend the interest-only period to 15 years. Approximately 80% of the modified loans had reset to fully amortizing by the end of 2022, and most of the remaining loans will reset over the next several years.

Recently, the Company has observed the performance of the modified loans that have finally reset to full amortization (which represent the majority of extended loans), and noted low levels of delinquency, even with substantial increases in monthly payments. This observed performance lowers the level of uncertainty regarding this modified cohort as the remainder continue to reset.

When a second lien loan defaults, there is generally a low recovery. The Company assumed, as of December 31, 2023, and December 31, 2022, that it will generally recover 2% of future defaulting collateral at the time of charge-off, with additional amounts of post charge-off recoveries projected to come in over time. A second lien on the borrower's home may be retained in the Company's second lien transactions after the loan is charged off and the loss applied to the transaction, particularly in cases where the holder of the first lien has not foreclosed. If the second lien is retained and the value of the home increases, the servicer may be able to use the second lien to increase recoveries, either by arranging for the borrower to resume payments or by realizing value upon the sale of the underlying real estate. The Company evaluates its assumptions quarterly based on actual recoveries of charged-off loans observed from period to period and reasonable expectations of future recoveries. In instances where the Company is able to obtain information on the lien status of charged-off loans, it assumes there will be a certain level of future recoveries of the balance of the charged-off loans where the second lien is still intact. The Company's base scenario recovery assumption for charged-off loans is 40% (up from 30% in December 21, 2022), as shown in the table below, based on observed trends and reasonable expectations of future recoveries. Such recoveries are assumed to be received evenly over the next five years. In the first quarter of 2023, in light of volatility in interest rates, the mortgage market and home prices, as with the first lien deferred principal balances detailed earlier, the Company also expanded the range of

potential recoveries as a percentage of charged off loan balances. In the third quarter of 2023, this range was further expanded to represent a potential for greater future recoveries due to home prices reaching new record highs. The assumptions as of December 31, 2023 ranged from a 10% recovery of charged-off loan balances in the most stressful scenario and an 80% recovery in the least stressful scenario. The effect of these updated assumptions on loss reserves was a benefit of $21 million.

The rate at which the principal amount of loans is prepaid may impact both the amount of losses projected as well as the amount of excess spread. In the base scenario, an average CPR (based on experience of the past year) is assumed to continue until the end of the plateau before gradually increasing to the final CPR over the same period the CDR decreases. The final CPR is assumed to be 15% for second lien U.S. RMBS transactions (in the base scenario), which is lower than the historical average but reflects the Company's continued uncertainty about the projected performance of the borrowers in these transactions. For transactions where the initial CPR is higher than the final CPR, the initial CPR is held constant and the final CPR is not used. This pattern is consistent with how the Company modeled the CPR as of December 31, 2022. To the extent that prepayments differ from projected levels, the Company's projected excess spread and losses could materially change.

In estimating loss reserves, the Company modeled and probability weighted five scenarios, each with a different CDR curve applicable to the period preceding the return to the long-term steady state CDR. The Company believes that the level of the elevated CDR and the length of time it will persist and the ultimate prepayment rate are the primary drivers of the amount of losses the collateral will likely suffer.

The following table shows the range as well as the average, weighted by net par outstanding, for key assumptions used in the calculation of loss reserves for individual transactions for vintage 2004 - 2008 HELOCs.

Key Assumptions in Base Scenario Loss Reserve Estimates
HELOCs

	As of December 31, 2023		As of December 31, 2022	
	Range	Weighted Average	Range	Weighted Average
CDR Plateau	0.8% - 2.8%	2.5%	0.4% - 4.4%	3.4%
Final CDR trended down to	0.0% - 0.1%	0.1%	0.0% - 0.2%	0.2%
Liquidation rates:				
Current but recently delinquent	20%		20%	
30 - 59 Days Delinquent	30		30	
60 - 89 Days Delinquent	40		40	
90+ Days Delinquent	60		60	
Bankruptcy	55		55	
Foreclosure	55		55	
Real Estate Owned	100		100	
Loss severity on future defaults	98%		98%	
Projected future recoveries on previously charged-off loans	40%		30%	

The Company continues to evaluate the assumptions affecting its modeling results. The Company believes the most important driver of its projected second lien RMBS losses is the performance of its HELOC transactions. Total net loss and LAE reserve for all second lien U.S. RMBS was a

recoverable position of $31 million as of December 31, 2023, and a recoverable position of $11 million as of December 31, 2022. After giving effect to recoveries received of $26 million in 2023, the benefit was primarily attributable to higher recoveries for charged-off loans and improved performance in certain transactions partially offset by lower excess spread stemming from an increase in forward rates.

The Company modeled scenarios with a longer period of elevated defaults and others with a shorter period of elevated defaults. In the Company's most stressful scenario, assuming 10% recoveries on charged-off loans, increasing the CDR plateau to 42 months and increasing the ramp-down by four months to 16 months (for a total stress period of 58 months) would eliminate the expected recovery and create a loss reserve position, with a combined adverse effect of $63 million for HELOC transactions. On the other hand, in the Company's least stressful scenario, assuming 80% recoveries on charged-off loans, reducing the CDR plateau to 30 months and decreasing the length of the CDR ramp-down to eight months (for a total stress period of 38 months), and lowering the ultimate prepayment rate to 10% would increase the expected recovery by approximately $85 million for HELOC transactions.

Toxic Waste Cleanup, Asbestos and Environmental Exposure

The Company has not written any policies which have been identified as having the potential for the existence of a liability due to toxic waste cleanup, asbestos or environmental losses.

Claim Liability

The Company used a rate of 4.0% in 2023 and a rate of 3.0% in 2022 to discount the claim liability.

Significant components of the change in the claim liability for the period are as follows:

(in thousands)	Year Ended December 31, 2023
Accretion of discount	$ (1,001)
Changes of timing, performance and assumptions	88,602
New reserves for defaults of insured contracts	—
Recoveries (payments) on prior year reserves	(55,040)
TOTAL	$ 32,561

The Company incurred loss adjustment expenses of $23.6 million in 2023 on its direct portfolio. The reserve for unpaid loss adjustment expenses on the direct portfolio was $15.8 million at December 31, 2023.

Schedule of BIG insured financial obligations as of December 31, 2023 and 2022:

	Surveillance Categories			
2023	**BIG 1**	**BIG 2**	**BIG 3**	**Total**
	(dollars in thousands)			
Number of risks	62	4	37	103
Remaining weighted-average period (in years)	10.6	16.9	6.9	10.4
Gross insured contractual payments outstanding:				
Par	$ 1,361,506	$ 870,693	$ 1,727,614	$ 3,959,813
Interest	616,469	851,225	646,705	2,114,399
Total	$ 1,977,975	$ 1,721,918	$ 2,374,319	$ 6,074,212
Gross claim liability	$ 1,032	$ 149,683	$ 1,121,715	$ 1,272,430
Less: gross potential recoveries - subrogation	312,455	69,449	949,545	1,331,449
Less: ceded claim liability (recovery)	(40,547)	12,113	(28,222)	(56,656)
Less: discount, net	(42,798)	12,212	22,990	(7,596)
Net liability reported in the balance sheet	$ (228,078)	$ 55,909	$ 177,402	$ 5,233
Net unearned premium revenue	$ 32,014	$ 46,224	$ 6,240	$ 84,478
Reinsurance recoverables	$ (2,591)	$ 4	$ (6,901)	$ (9,488)

	Surveillance Categories			
2022	**BIG 1**	**BIG 2**	**BIG 3**	**Total**
	(dollars in thousands)			
Number of risks	69	2	38	109
Remaining weighted-average period (in years)	12.8	8.1	6.8	10.1
Gross insured contractual payments outstanding:				
Par	$ 2,279,753	$ 50,452	$ 1,943,515	$ 4,273,720
Interest	1,558,551	29,960	669,211	2,257,722
Total	$ 3,838,304	$ 80,412	$ 2,612,726	$ 6,531,442
Gross claim liability	$ 1,184	$ 80,270	$ 1,453,346	$ 1,534,800
Less: gross potential recoveries - subrogation	226,754	69,258	1,283,061	1,579,073
Less: ceded claim liability (recovery)	(20,142)	764	(14,055)	(33,433)
Less: discount, net	(30,072)	3,139	43,420	16,487
Net liability reported in the balance sheet	$ (175,356)	$ 7,109	$ 140,920	$ (27,327)
Net unearned premium revenue	$ 80,456	$ 1,211	$ 7,684	$ 89,351
Reinsurance recoverables	$ (59,894)	$ —	$ 22,301	$ (37,593)

6. Investments

As of December 31, 2023, the majority of the investment portfolio is managed by three outside managers. The Company has established detailed guidelines regarding credit quality, exposure to a particular sector and exposure to a particular obligor within a sector. The externally managed portfolio must maintain a minimum average rating of A+/A1/A+ by S&P, Moody's or Fitch Ratings Inc., respectively.

The sources of investment income are shown below.

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Bonds	$ 122,081	$ 119,835
Common stock	—	—
Short-term investments, cash and cash equivalents	33,824	6,693
Interest received on surplus notes	10,500	10,500
Interest received on promissory note	5,688	5,688
Dividends	127,160	—
Other	6,279	10,320
Investment expenses	(3,033)	(3,982)
Net investment income	$ 302,499	$ 149,054

The following summarizes the Company's bond and short-term investment portfolio at December 31, 2023 and 2022:

(in thousands) 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Governments	$ 38,750	$ 121	$ (5,386)	$ 33,485
U.S. State, Territories and Possessions (Direct and Guaranteed)	83,704	323	(1,455)	82,572
U. S. Political subdivisions of States, Territories and Possessions (Direct and Guaranteed)	206,430	582	(11,406)	195,606
U.S. Special Revenue & Special Assessment Obligations and all Governments and Their Political Subdivisions	1,092,986	4,809	(27,203)	1,070,592
Industrial and miscellaneous	1,074,412	7,677	(104,839)	977,250
Total	$ 2,496,282	$ 13,512	$ (150,289)	$ 2,359,505

(in thousands) 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Governments	$ 48,965	$ 133	$ (5,997)	$ 43,101
U.S. State, Territories and Possessions (Direct and Guaranteed)	128,774	287	(2,414)	126,647
U. S. Political subdivisions of States, Territories and Possessions (Direct and Guaranteed)	241,472	407	(14,505)	227,374
U.S. Special Revenue & Special Assessment Obligations and all Governments and Their Political Subdivisions	1,523,456	9,896	(40,064)	1,493,288
Industrial and miscellaneous	1,220,603	6,251	(128,013)	1,098,841
Total	$ 3,163,270	$ 16,974	$ (190,993)	$ 2,989,251

At December 31, 2023 and 2022, the Company held loss mitigation securities with a carrying value of $203 million and $223 million, respectively, in its investment portfolio.

The following table summarizes, for all securities in an unrealized loss position as of December 31, 2023 and 2022, the aggregate fair value and unrealized loss by length of time the amounts have continuously been in an unrealized loss position.

(dollars in thousands)	Less than 12 Months		12 Months or more		Total	
2023	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Governments	$ 494	$ (10)	$ 30,645	$ (5,376)	$ 31,139	$ (5,386)
U.S. State, Territories and Possessions (Direct and Guaranteed)	6,309	(31)	31,427	(1,424)	37,736	(1,455)
U.S. Political subdivisions of States, Territories and Possessions (Direct and Guaranteed)	75,867	(236)	60,213	(11,170)	136,080	(11,406)
U.S. Special Revenue & Special Assessment Obligations and all Governments and Their Political Subdivisions	311,814	(1,368)	318,136	(25,835)	629,950	(27,203)
Industrial and miscellaneous	17,951	(224)	836,086	(104,615)	854,037	(104,839)
Total	$ 412,435	$ (1,869)	$ 1,276,507	$ (148,420)	$ 1,688,942	$ (150,289)
Number of securities (1)		136		507		642

(dollars in thousands)	Less than 12 Months		12 Months or more		Total	
2022	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
U.S. Governments	$ 21,976	$ (805)	$ 18,298	$ (5,192)	$ 40,274	$ (5,997)
U.S. State, Territories and Possessions (Direct and Guaranteed)	50,209	(1,541)	3,843	(873)	54,052	(2,414)
U.S. Political subdivisions of States, Territories and Possessions (Direct and Guaranteed)	110,738	(5,517)	21,518	(8,988)	132,256	(14,505)
U.S. Special Revenue & Special Assessment Obligations and all Governments and Their Political Subdivisions	622,425	(22,375)	57,971	(17,689)	680,396	(40,064)
Industrial and miscellaneous	608,627	(35,021)	447,579	(92,992)	1,056,206	(128,013)
Total	$ 1,413,975	$ (65,259)	$ 549,209	$ (125,734)	$ 1,963,184	$ (190,993)
Number of securities (1)		572		186		754

(1) The number of securities does not add across because lots consisting of the same securities have been purchased at different times and appear in both categories above (i.e., less than 12 months and 12 months or more). If a security appears in both categories, it is counted only once in the total column.

At December 31, 2023, there were 507 securities that were in an unrealized loss position for a continuous twelve-month period or longer. 225 securities had unrealized losses in which the book value exceeded market value by more than 5%.

Management has determined that the gross unrealized losses on fixed-income securities at December 31, 2023 were not credit related. The Company intends to hold these securities for a sufficient period of time to allow for anticipated recoveries of their carrying value. Changes in interest rates affect the fair value of the Company’s fixed maturity portfolio. As interest rates fall, the fair value of fixed-maturity securities generally increases and as interest rates rise, the fair value of fixed maturity securities generally decreases. The Company’s portfolio of fixed-maturity securities primarily consists of high quality liquid instruments.

The amortized cost and estimated fair value of bonds at December 31, 2023 and 2022, by contractual maturity, are shown below. Actual maturities could differ from contractual maturities because borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Distribution of Bonds by Contractual Maturity

	At December 31,			
	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)			
Due in one year or less	$ 82,473	$ 81,896	$ 109,745	$ 109,663
Due after one year through five years	210,223	205,987	337,290	328,697
Due after five years through ten years	732,494	718,675	751,496	728,984
Due after ten years	1,471,092	1,352,947	1,964,739	1,821,907
Total	$ 2,496,282	$ 2,359,505	$ 3,163,270	$ 2,989,251

Proceeds from the sales of long-term bonds were $409.2 million in 2023. In 2022, proceeds from the sales of long-term bonds were $445.4 million.

Gross gains on long-term bonds of $19.3 million and $6.9 million and gross losses on long-term bonds of $1.9 million and $18.4 million were realized on those disposals in 2023 and 2022, respectively.

Additionally, in conjunction with the merger of Municipal Assurance Corp. (“MAC”) with and into AGM in 2021, gains of $12.1 million were deferred related to the transfer of securities, the balance of which was $8.6 million as of December 31, 2023. In 2023, $2.9 million of deferred gains were recognized.

The Company recognized $4.9 million and $20.1 million of OTTI substantially all of which related to securities that were purchased for loss mitigation and other risk management for the years ended December 31, 2023 and 2022, respectively.

Following is a summary of components of net realized gains (losses) for the years ended:

Net Realized Gains and Losses

(in thousands)	2023	2022
Gross realized gains	$ 19,283	$ 6,902
Gross realized losses	(1,934)	(18,374)
OTTI:		
Intent to sell	(766)	(131)
Credit losses	(4,101)	(20,007)
Net realized gains – other	1,689	2,237
Net realized investment losses before tax	$ 14,171	$ (29,373)

The following table presents the roll forward of the credit losses of fixed maturity securities and other invested assets for which the Company has recognized OTTI as a realized loss in the Statement of Income.

Roll Forward of Credit Losses in the Investment Portfolio

	2023		2022	
(in thousands)	Fixed Maturities	Other Invested Assets	Fixed Maturities	Other Invested Assets
Balance, beginning of period	$ 101,786	$ 2,823	$ 86,904	$ 2,818
Additions for which an OTTI was not previously recognized	2,534	—	15,529	—
Additions for which an OTTI was previously recognized	937	—	645	5
Reductions for securities sold during the period	(15,794)	—	(1,292)	—
Balance, end of period	$ 89,463	$ 2,823	$ 101,786	$ 2,823

Loan-Backed and Structured Securities

Prepayment assumptions for loan backed and structured securities were obtained from publicly available sources and internal models.

The Company had no loan-backed securities with current year OTTI due to either the intent to sell the securities or the inability or lack of intent to retain for the time sufficient to recover the amortized cost basis.

The following table summarizes OTTI recorded in the current year for loan-backed and structured securities which the Company still owns at the end of the respective quarters recorded based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of the securities (in thousands):

CUSIP	Amortized Cost Before Other-Than-Temporary Impairment	Present Value of Projected Cash Flows	Other-Than-Temporary Impairment	Amortized Cost After Other-Than-Temporary Impairment (1)	Fair Value @ Time of OTTI	Date of Financial Statement Where Reported
00083B-AB-1	$ 776	$ 774	$ 2	$ 774	$ 545	03/31/2023
12668W-AD-9	5,263	5,226	37	5,226	4,813	03/31/2023
126698-AC-3	10,304	10,125	180	10,125	9,533	03/31/2023
23332U-FG-4	298	295	3	295	276	03/31/2023
576456-AA-5	21,657	21,481	175	21,481	14,537	03/31/2023
68403B-AD-7	1,978	1,966	12	1,966	1,805	03/31/2023
68403B-AE-5	1,244	1,241	3	1,241	1,122	03/31/2023
83613G-AA-7	2,941	2,927	14	2,927	2,470	03/31/2023
83613G-AC-3	7,256	7,222	35	7,222	6,228	03/31/2023
00083B-AB-1	751	748	3	748	498	6/30/2023
12668W-AD-9	5,261	5,151	110	5,151	4,461	6/30/2023
126698-AC-3	10,046	10,031	15	10,031	9,595	6/30/2023
23332U-FG-4	295	291	3	291	254	6/30/2023
65538P-AD-0	2,095	2,079	16	2,079	1,857	6/30/2023
65538P-AD-0	2,026	2,022	4	2,022	1,736	9/30/2023
83613G-AA-7	2,929	2,921	9	2,921	2,289	9/30/2023
83613G-AC-3	7,209	7,205	4	7,205	5,770	9/30/2023
00083B-AB-1	725	716	9	716	478	12/31/2023
12668W-AD-9	5,225	5,214	11	5,214	4,569	12/31/2023
126698-AC-3	9,582	9,532	51	9,532	8,682	12/31/2023
23332U-FG-4	282	264	18	264	216	12/31/2023
25157G-AG-7	1,181	1,175	6	1,175	1,095	12/31/2023
576456-AA-5	20,229	20,091	137	20,091	14,597	12/31/2023
576456-AB-3	69,581	69,514	66	69,514	50,796	12/31/2023
83613G-AA-7	2,904	2,900	4	2,900	2,281	12/31/2023
83613G-AC-3	7,164	7,153	10	7,153	5,749	12/31/2023
			$ 937			

(1) As indicated in the Investments section of Note 2, Significant Accounting Policies, if the present value of expected cash flows is lower than the fair value of the security, only the difference between the fair value and the amortized cost is recognized as a realized loss and the security is written down to its fair value.

The following summarizes gross unrealized investment losses on loan-backed and structured securities for which OTTI has not been recognized as a realized loss categorized by the length of time that securities have continuously been in an unrealized loss position.

The aggregate amount of unrealized losses (in thousands):

	Less than 12 months	12 Months or More
Residential mortgage-backed securities	$ (251)	$ (47,706)
Commercial mortgage-backed securities	—	(2,873)
Other loan backed & structured securities	(66)	(6,032)
Total	$ (317)	$ (56,611)

The aggregate related fair value of securities with unrealized losses (in thousands):

	Less than 12 months	12 Months or More
Residential mortgage-backed securities	$ 12,477	$ 128,270
Commercial mortgage-backed securities	—	54,055
Other loan backed & structured securities	10,553	325,829
Total	$ 23,030	$ 508,154

All loan-backed and structured securities in an unrealized loss position were reviewed to determine whether an OTTI should be recognized. For those securities in an unrealized loss position at December 31, 2023, the Company has not made a decision to sell any such securities and does not intend to sell such securities. The Company has evaluated its cash flow requirements and believes that its liquidity is adequate and it will not be required to sell these securities before recovery of their amortized cost basis. The Company has determined that the unrealized losses recorded were not related to credit quality.

The following table shows restricted assets (including pledged) summarized by restricted asset category (in thousands).

	Gross (Admitted & Nonadmitted) Restricted									Percentage	
	Current Year										
	1	2	3	4	5	6	7	8	9	10	11
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Acct Activity	Total Protected Cell Acct. Restricted Assets	Protected Cell Acct. Assets Support G/A Activity	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Non-admitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Non-admitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
On deposit with states	$ 6,601	$ —	$ —	$ —	$ 6,601	$ 6,618	$ (17)	$ —	$ 6,601	0.1 %	0.1 %
Collateral pledged for reinsurance	236,575	—	—	—	236,575	233,122	3,453	—	236,575	4.3 %	4.3 %
Total restricted assets	$ 243,176	$ —	$ —	$ —	$ 243,176	$ 239,740	$ 3,436	$ —	$ 243,176	4.4 %	4.5 %

Under certain agreements, the Company is required to post eligible securities as collateral. The need to post collateral under these agreements is generally based on fair value assessments in excess of contractual thresholds. The portfolio also includes securities held in trust to secure AGM's reinsurance obligations to certain of its affiliates. The fair value of the Company's pledged securities totaled $229 million as of December 31, 2023, with corresponding book/adjusted carrying value of $237 million.

The Company does not own investments that are unrated but current on principal and interest (denoted as 5GI investments) as of December 31, 2023.

The Company did not sell any securities short in 2023.

The Company had no securities with a call price above 100, which generated no prepayment penalties and acceleration fee income.

Investment in RMBS Securities with Subprime Exposure

Direct exposure through investments in subprime mortgage loans at December 31, 2023 is shown below.

(in thousands)	Actual Cost	Book Value	Fair Value	OTTI Losses Recognized
Residential mortgage-backed securities	$ 177,611	$ 179,258	$ 133,236	$ (35,642)
Total	$ 177,611	$ 179,258	$ 133,236	$ (35,642)

Investments in AGUK and AGE

A reconciliation of AGUK's and AGE's assets, liabilities and equity between the US GAAP basis of accounting and SAP as of December 31, 2023 is:

(in thousands)	Assets	Liabilities	Equity
As of December 31, 2023			
U.S. GAAP basis of accounting	$ 1,820,457	$ 1,011,038	$ 809,419
Non-admitted assets	(15,226)	—	(15,226)
Limited statutory basis of accounting	$ 1,805,231	$ 1,011,038	$ 794,193

Investment in AGAS

AGM, AGC and MAC initially capitalized AGAS with $500 million of cash ($275 million from AGM, $175 million from AGC and $50 million from MAC). On April 1, 2021, MAC merged with and into AGM, with AGM as the surviving company. Accordingly, AGM, as MAC's legal successor, acquired MAC's ownership interests in AGAS, such that, on and after the effective date of the merger, the members and owners of AGAS are AGM (65%) and AGC (35%). In 2023, AGM and AGC contributed to AGAS, in proportion to their existing ownership interests in AGAS, an additional $250 million in the aggregate (i.e., $162.5 million (65%) by AGM and $87.5 million (35%) by AGC).

Investment in Insurance SCAs

Balance Sheet Value - Admitted and Nonadmitted (Except 8bi Entities, which are U.S. insurance subsidiary, controlled and affiliated ("SCA") entities) (in thousands):

SCA Entity	Percentage of SCA Ownership	Gross Amount*	Admitted Amount*	Nonadmitted Amount
a.SSAP No. 97 8a Entities				
None		$ —	$ —	$ —
Total SSAP No. 97 8a Entities	XXX	—	—	—
b.SSAP No. 97 8b(ii) Entities				
None		—	—	—
Total SSAP No. 97 8b(ii) Entities	XXX	—	—	—
c.SSAP No. 97 8b(iii) Entities				
None		—	—	—
Total SSAP No. 97 8b(iii) Entities	XXX	—	—	—
d.SSAP No. 97 8b(iv) Entities				
Assured Guaranty UK Limited	100 %	702,773	702,773	—
Assured Guaranty (Europe) SA	99.9999 %	91,420	91,420	—
Total SSAP No. 97 8b(iv) Entities	XXX	794,193	794,193	—
e.Total SSAP No. 9 8b Entities (except 8bi entities) (b+c+d)	XXX	794,193	794,193	—
f.Aggregate Total (a+e)	XXX	$ 794,193	$ 794,193	$ —

* Represents amounts as of December 31, 2023 to be filed on NAIC Form Sub-2 by August 31, 2024.

NAIC Filing Response Information on NAIC Form Sub-2 filed in 2023 (in thousands)

SCA Entity (should be same entities as shown above.)	Type of NAIC Filing*	Date of Filing to the NAIC	NAIC Valuation Amount**	NAIC Response Received Y/N	NAIC Disallowed Entities Valuation Method, Resubmission Required Y/N	Code***
a.SSAP No. 97 8a Entities						
None			$ —			
Total SSAP No. 97 8a Entities	XXX	XXX	—	XXX	XXX	XXX
b.SSAP No. 97 8b(ii) Entities						
None			—			
Total SSAP No. 97 8b(ii) Entities	XXX	XXX	—	XXX	XXX	XXX
c.SSAP No. 97 8b(iii) Entities						
None			—			
Total SSAP No. 97 8b(iii) Entities	XXX	XXX	—	XXX	XXX	XXX
d.SSAP No. 97 8b(iv) Entities						
Assured Guaranty UK Limited	S-2	06/01/2023	787,599	Y	N	M
Assured Guaranty (Europe) SA	S-2	06/01/2023	91,535	Y	N	M
Total SSAP No. 97 8b(iv) Entities	XXX	XXX	879,134	XXX	XXX	XXX
e.Total SSAP No. 9 8b Entities (except 8bi entities) (b+c+d)	XXX	XXX	879,134	XXX	XXX	XXX
f.Aggregate Total (a+e)	XXX	XXX	$ 879,134	XXX	XXX	XXX

* S1 - Sub-1, S2 - Sub-2 or RDF - Resubmission of Disallowed Filing
** Represents amounts as of December 31, 2022
*** I - Immaterial or M - Material

The Company does not have an investment in an insurance SCA for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures (e.g., permitted or prescribed practices).

Unfunded Commitments for Investments

The Company had unfunded commitments of $116 million as of December 31, 2023, related to certain of the Company’s other invested assets.

7. Federal Income Taxes

The components of the net Deferred Tax Asset ("DTA")/Deferred Tax Liability ("DTL") at December 31 are as follows:

(in thousands)	12/31/2023			12/31/2022		
Description	(1) Ordinary	(2) Capital	(3) (Col 1+2) Total	(4) Ordinary	(5) Capital	(6) (Col 4+5) Total
(a) Gross deferred tax assets	$ 121,781	$ 8,399	$ 130,180	$ 122,611	$ 3,438	$ 126,049
(b) Statutory valuation allowance Adj	—	—	—	5,160	—	5,160
(c) Adjusted gross deferred tax assets (a - b)	121,781	8,399	130,180	117,451	3,438	120,889
(d) Deferred tax asset nonadmitted	73,781	8,399	82,180	45,481	3,438	48,919
(e) Subtotal net admitted deferred tax asset (c - d)	48,000	—	48,000	71,970	—	71,970
(f) Deferred tax liabilities	24,225	—	24,225	46,173	—	46,173
(g) Net admitted deferred tax asset/net deferred tax liability (e - f)	$ 23,775	$ —	$ 23,775	$ 25,797	$ —	$ 25,797

(in thousands)	Change		
Description	(7) (Col 1-4) Ordinary	(8) (Col 2-5) Capital	(9) (Col 7+8) Total
(a) Gross deferred tax assets	$ (830)	$ 4,961	$ 4,131
(b) Statutory valuation allowance	(5,160)	—	(5,160)
(c) Adjusted gross deferred tax assets (a - b)	4,330	4,961	9,291
(d) Deferred tax asset nonadmitted	28,300	4,961	33,261
(e) Subtotal net admitted deferred tax asset (c - d)	(23,970)	—	(23,970)
(f) Deferred tax liabilities	(21,948)	—	(21,948)
(g) Net admitted deferred tax asset/net deferred tax liability (e - f)	$ (2,022)	$ —	$ (2,022)

Admission Calculation Components SSAP No. 101

(in thousands)	12/31/2023			12/31/2022		
Description	**(1) Ordinary**	**(2) Capital**	**(3) (Col 1+2) Total**	**(4) Ordinary**	**(5) Capital**	**(6) (Col 4+5) Total**
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ 17,661	$ —	$ 17,661	$ 18,213	$ —	$ 18,213
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amt of Deferred Tax Assets from (a) above) After Application of the Threshold Limitation. (Lesser of (b)1 and (b)2 Below)	6,114	—	6,114	7,584	—	7,584
1 Adjusted Gross Deferred Tax Assets Expected to be Realized following the Balance Sheet Date	6,114	—	6,114	7,584	—	7,584
2 Adjusted Gross Deferred Tax Assets Allowed per Limitation	xxx	xxx	381,043	xxx	xxx	400,772
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets from (a) and (b) above) offset by Gross Deferred Tax Liabilities	24,225		24,225	46,173		46,173
(d) Deferred Tax Assets Admitted as the result of Application of SSAP #101 Total (a + b + c)	$ 48,000	$ —	$ 48,000	$ 71,970	$ —	$ 71,970

(in thousands)	CHANGE		
Description	**(7) (Col 1-4) Ordinary**	**(8) (Col 2-5) Capital**	**(9) (Col 7+8) Total**
(a) Federal Income Taxes Paid in Prior Years Recoverable Through Loss Carrybacks	$ (552)	$ —	$ (552)
(b) Adjusted Gross Deferred Tax Assets Expected to be Realized (Excluding the Amt of Deferred Tax Assets from (a) above) After Application of the Threshold Limitation. (Lesser of (b)1 and (b)2 Below)	(1,470)	—	(1,470)
1 Adjusted Gross Deferred Tax Assets Expected to be Realized following the Balance Sheet Date	(1,470)	—	(1,470)
2 Adjusted Gross Deferred Tax Assets Allowed per Limitation	xxx	xxx	(19,729)
(c) Adjusted Gross Deferred Tax Assets (Excluding the Amount of Deferred Tax Assets from (a) and (b) above) offset by Gross Deferred Tax Liabilities	(21,948)	—	(21,948)
(d) Deferred Tax Assets Admitted as the result of Application of SSAP #101 Total (a + b + c)	$ (23,970)	$ —	$ (23,970)

(dollars in thousands)	2023	2022
(a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	336 %	375 %
(b) Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation in (b)2 above	$ 2,540,289	$ 2,671,813

There is no impact of tax planning strategies on the Company. The Company's tax planning strategies do not include the use of reinsurance.

There are no temporary differences for which a DTL has not been established.

Current income tax provisions consist of the following major components:

			(1)	(2)	(3) (Col 1 - 2)
		(in thousands)	12/31/2023	12/31/2022	Change
1.	**Current Income Taxes**				
	(a)	Federal	$ 39,759	$ 23,216	$ 16,543
	(b)	Foreign	—	57	(57)
	(c)	Subtotal (1a+1b)	39,759	23,273	16,486
	(d)	Federal Income Tax on Capital Gains	3,643	(2,409)	6,052
	(e)	Utilization of capital loss carry-forwards	—	—	—
	(f)	Other	(5,643)	(6,448)	805
	(g)	Federal and foreign income taxes incurred (1c+1d+1e+1f)	37,759	14,416	23,343
2.	**Deferred Tax Assets**				
	(a)	Ordinary			
		(1) Unpaid Losses & LAE	14,786	—	14,786
		(2) Unearned premium reserve	55,524	58,567	(3,043)
		(3) Policyholders reserve	—	—	—
		(4) Investment Basis Difference	28,623	35,887	(7,264)
		(5) Deferred acquisition costs	—	—	—
		(6) Policyholder dividends accrual	—	—	—
		(7) Fixed assets	10,503	8,766	1,737
		(8) Deferred compensation and benefits accrual	2,961	4,088	(1,127)
		(9) Pension accrual Receivables - nonadmitted	—	—	—
		(10) Receivables - nonadmitted	3,503	4,536	(1,033)
		(11) Other Than Temporary Impairment	2,393	3,174	(781)
		(12) Intangible assets	—	—	—
		(13) Tax credit carry-forward	—	5,160	(5,160)
		(14) Other	3,488	2,433	1,055
		(99) Subtotal (sum of 2a1 through 2a13)	121,781	122,611	(830)
	(b)	Statutory valuation allowance adjustment	—	5,160	(5,160)
	(c)	Nonadmitted	73,781	45,481	28,300
	(d)	Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	48,000	71,970	(23,970)
	(e)	Capital			
		(1) Investments	—	—	—
		(2) Other than temporary impairment	8,399	3,438	4,961
		(3) Real estate	—	—	—
		(4) Other	—	—	—
		(99) Subtotal (2e1+2e2+2e3+2e4)	8,399	3,438	4,961
	(f)	Statutory valuation allowance adjustment	—	—	—
	(g)	Nonadmitted	8,399	3,438	4,961
	(h)	Admitted capital DTAs (2e99 - 2f - 2g)	—	—	—
	(i)	Admitted deferred tax assets (2d + 2h)	48,000	71,970	(23,970)

3.	**Deferred Tax Liabilities**				
	(a) Ordinary				
		(1) Investments	3,268	15,770	(12,502)
		(2) Depreciation	—	—	—
		(3) Loss reserves	—	2,066	(2,066)
		(4) Deferred and uncollected premium	—	—	—
		(5) Unrealized cumulative translation adjustment	20,957	24,079	(3,122)
		(6) Other	—	4,258	(4,258)
		(99) Subtotal (3a1+3a2+3a3+3a4+3a5+3a6)	24,225	46,173	(21,948)
	(b) Capital				
		(1) Investments	—	—	—
		(2) Unrealized losses	—	—	—
		(3) Other	—	—	—
		(99) Subtotal (3b1+3b2+3b3)	—	—	—
	(c) Deferred tax liabilities (3a99 + 3b99)		24,225	46,173	(21,948)
4.	**Net deferred tax assets/liabilities (2i - 3c)**		$ 23,775	$ 25,797	$ (2,022)

As of December 31, 2023, no statutory valuation allowance was provided against the Company's foreign tax credits ("FTCs"). The FTCs will expire in 2027 and the Company concluded that it is more likely than not that the $1.6 million FTC would be fully utilized and realized in 2023. The Company further concluded that its remaining net deferred tax assets will be realized; therefore, no additional valuation allowance was provided.

The change in net deferred income taxes is composed of the following (this analysis is exclusive of nonadmitted DTAs as the change in nonadmitted assets is reported separately from the change in net deferred income taxes in the statutory statements of changes in surplus):

(in thousands)	**(1)** **12/31/2023**	**(2)** **12/31/2022**	**(3)** **(Col 1 - 2)** **Change**
Total deferred tax assets	$ 130,181	$ 126,049	$ 4,132
Total deferred tax liabilities	24,225	46,173	$ (21,948)
Net deferred tax assets/liabilities	105,956	79,876	$ 26,080
Statutory valuation allowance	—	(5,160)	5,160
Net deferred tax assets/liabilities after valuation allowance	$ 105,956	$ 74,716	31,240
Tax effect of unrealized gains/(losses)			(3,122)
Change in net deferred income tax [(expense)/benefit]			$ 28,118

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows (in thousands):

Description	Amount	Tax Effect	Effective Tax Rate
Income before taxes	$ 247,032	$ 51,877	21.00 %
Tax-exempt interest	(43,330)	(9,099)	(3.68)
Dividends received deduction	(127,160)	(26,704)	(10.81)
Estimated utilization of 2022 capital loss carryforward	(11,251)	(2,363)	(0.96)
Effect of true-ups from tax return filings	(20,825)	(4,373)	(1.77)
Other	1,450	304	0.12
Total	$ 45,916	$ 9,642	3.90 %
Federal income taxes incurred expense/(benefit)		$ 37,759	15.29 %
Change in net deferred income tax charge/(benefit)		(28,117)	(11.39)
Total statutory income taxes		$ 9,642	3.90 %

At December 31, 2023, the Company had no net operating loss carryforwards, capital loss carryforwards or AMT credit carryforwards.

There is $40.0 million and $24.3 million of income tax expense for 2023 and 2022, respectively, that is available for recoupment in the event of future net losses.

The Company did not have any protective tax deposits admitted under IRC §6603.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company does not have any Repatriation Transition Tax owed under the Tax Cut and Jobs Act.

The Company's federal income tax return is consolidated with the following entities:

Assured Guaranty US Holdings Inc.	Assured Guaranty Municipal Holdings Inc.
Assured Guaranty Corp.	FSA Portfolio Management Inc.
AG Financial Products Inc.	Transaction Services Corporation
	AG US Group Services Inc.

Each company, as a member of its respective consolidated tax return group, pays its proportionate share of the consolidated tax burden for its group as if each company filed on a separate return basis. Current credit for net separate company losses used in consolidation is reimbursed by the parent as the separate company earns income to utilize such losses on a separate company basis.

8. Capital, Surplus and Dividend Restrictions

Under the New York Insurance Law, the Company may declare or pay any dividend only out of "earned surplus," which is defined as that portion of the company's surplus that represents the net earnings, gains or profits (after deduction of all losses) that have not been distributed to shareholders as dividends or transferred to stated capital or capital surplus, or applied to other purposes permitted by law, but does not include unrealized appreciation of assets. Additionally, no dividend may be declared or distributed by the Company without the prior approval of the New York Superintendent of Financial Services ("New York Superintendent") in an amount which, together with all dividends declared or distributed by the Company during the preceding 12 months, exceeds the lesser of (a) 10% of policyholders' surplus as of its last statement filed with the New York Superintendent or (b) 100% of adjusted net investment income during that period.

As of December 31, 2023, the maximum amount available during 2024 for AGM to distribute as dividends without regulatory approval, after giving effect to dividends paid in the prior 12 months, is estimated to be approximately $264.6 million, of which $47.3 million was distributed on March 25, 2024.

The Company declared and paid dividends of $257 million and $266 million in 2023 and 2022, respectively. The Company paid dividends to its Parent of $40 million on March 24, 2023, $61 million on August 24, 2023, $77 million on October 2, 2023, $47 million on November 17, 2023, and $33 million on December 26, 2023. These dividends were ordinary and did not require regulatory approval.

On May 9, 2024, the Company received approval from NYSDFS to redeem shares of its common stock held by its parent company for a total amount of approximately $100 million. Pursuant to such NYSDFS approval, on May 13, 2024, AGM redeemed from AGMH 41 shares of its common stock, transferring approximately $100 million in cash to AGMH. The par value of the remaining 122 shares of AGM's authorized, issued and outstanding common stock increased to $122,950.82 per share so as to maintain the value of AGM's common capital stock at $15,000,000, as is required under the laws of various states for the Company to be licensed as a financial guaranty insurer.

Under the New York Insurance Law, the Company is required at all times to maintain a minimum surplus to policyholders of $66.4 million.

Release of Contingency Reserves

From time to time, AGM has obtained approval from the NYSDFS to release contingency reserves based on losses or because the accumulated contingency reserves are deemed excessive in relation to the insurer's outstanding insured obligations. On the latter basis, AGM obtained NYSDFS approval for contingency reserve releases of approximately $55 million and $87 million in 2023 and 2022, respectively.

Unrealized Gains and Losses in Surplus

The portion of unassigned funds (surplus) represented by cumulative unrealized gains is $91.4 million.

9. Reinsurance

The Company obtains reinsurance to increase its policy-writing capacity on both an aggregate-risk and a single-risk basis; to meet rating agency, internal and state insurance regulatory limits; to diversify risk; to reduce the need for additional capital; and to strengthen financial ratios. Reinsurance does not relieve the Company of its obligations to policyholders. The Company reinsures portions of its risks with affiliated (see Note 10 for more information) and unaffiliated reinsurers under quota share, first-loss and excess-of-loss agreements.

Amounts of ceded and assumed business were as follows:

Summary of Reinsurance

(in thousands)	At December 31, 2023 Affiliated	At December 31, 2023 Unaffiliated	At December 31, 2023 Total	At December 31, 2022 Affiliated	At December 31, 2022 Unaffiliated	At December 31, 2022 Total
Unearned premium reserve ceded	$ 479,579	$ 1,103	$ 480,682	$ 447,092	$ 1,227	$ 448,319
Unearned premium reserve assumed	322,386	—	322,386	311,396	—	311,396
Premium balances in course of collection, net						
Ceded payable	15,009	—	15,009	10,229	89	10,318
Assumed receivable	4,443	—	4,443	4,395	—	4,395
Loss and LAE reserve ceded	(28,452)	988	(27,464)	(27,048)	(301)	(27,349)
Loss and LAE reserve assumed	—	—	—	—	—	—
Ceded funds held liability	273	—	273	3,555	—	3,555
Par outstanding ceded	54,945,693	33,820	54,979,513	46,381,018	134,024	46,515,042
Par outstanding assumed	15,079,662	—	15,079,662	13,830,320	—	13,830,320
	Year Ended December 31, 2023			Year Ended December 31, 2022		
Premiums written ceded	$ 69,429	$ 86	$ 69,515	$ 68,786	$ (539)	$ 68,247
Premiums written assumed	23,715	—	23,715	36,049	—	36,049
Premiums earned ceded	39,207	209	39,416	51,444	944	52,388
Premiums earned assumed	26,463	—	26,463	28,889	—	28,889
Ceding commission income	25,000	37	25,037	23,702	(154)	23,548
Assumed commission expense	6,535	—	6,535	9,842	—	9,842
Losses and LAE (benefit) incurred ceded	27,947	3,213	31,160	(874)	(999)	(1,873)
Losses and LAE (benefit) incurred assumed	—	—	—	(3,160)	83	(3,077)

Commutations

The Company reported commutation gains of $10 million in 2023 related to the commutation of previously ceded business with Syncora Guarantee Inc. and $962 thousand in 2022 related to the commutation of previously ceded business with ACA Financial Guaranty Corp.

Return Commission

In addition to recovering unearned premium reserves, the maximum amount of return commission which would have been due to reinsurers if all ceded reinsurance were canceled was $146.0 million and $138.1 million as of December 31, 2023 and 2022, respectively.

In addition to the return of the unearned premium reserves, the maximum amount of return commission which would have been due to the Company if all assumed reinsurance were canceled was $96.7 million and $93.4 million as of December 31, 2023 and 2022, respectively.

Ratings Impact on Assumed and Ceded Business

The Company assumes exposure ("Assumed Business") and may cede portions of exposure it has insured ("Ceded Business") in exchange for premiums, net of ceding commissions. The Company historically entered into ceded reinsurance contracts in order to obtain greater business diversification and reduce the net potential loss from large risks.

The Company has Assumed Business from its affiliates, AGUK and AGE. The Company may be exposed to risk in this portfolio in that the Company may be required to pay losses without a corresponding premium in circumstances where AGUK or AGE is experiencing financial distress and is unable to pay premiums. The Company's agreements with AGUK and AGE are generally subject to termination at the option of AGUK or AGE if the Company fails to meet certain financial and regulatory criteria or to maintain a specified minimum financial strength rating. Upon termination due to one of the foregoing events, the Company may be required to return to AGUK or AGE unearned premiums (net of any ceding commission) and loss reserves calculated on a statutory basis of accounting, attributable to the reinsurance assumed, after which the Company would be released from liability with respect to its Assumed Business from AGUK or AGE. In addition, in lieu of termination due to one of the aforementioned events, the Company may be obligated to increase the level of ceding commission paid.

The Company's facultative and treaty agreements are generally subject to termination at the option of the ceding company:

- if the Company fails to meet certain financial and regulatory criteria,
- if the Company fails to maintain a specified minimum financial strength rating, or
- upon certain changes of control of the Company.

Upon termination due to one of the above events, the Company typically would be required to return to the ceding company unearned premiums (net of ceding commissions) and loss reserves, as calculated by the ceding company in accordance with the accounting rules governing it, attributable to the assumed business (plus, in certain cases, an additional required amount), after which the Company would be released from liability with respect to such business.

As of December 31, 2023, if each affiliated company ceding business to AGM had a right to recapture such business, and chose to exercise such right, the aggregate amount that AGM could be required to pay to all affiliated companies would be approximately $147 million.

The Company has ceded financial guaranty business to affiliated and non-affiliated companies to limit its exposure to risk. The Company remains primarily liable for all risks it directly underwrites and is required to pay all gross claims. It then seeks reimbursement from the reinsurer for its proportionate share of claims. The Company may be exposed to risk for this exposure if it were required to pay the gross claims and not be able to collect ceded claims from an assuming company experiencing financial distress. The Company's ceded contracts generally allow the Company to recapture ceded financial guaranty business after certain triggering events, such as reinsurer downgrades. Cessions to unaffiliated companies represent 0.1% of ceded par outstanding as of December 31, 2023.

In the event that any or all of the reinsuring companies are unable to meet their obligations, or contest such obligations, the Company may be unable to recover amounts due. In accordance with U.S. statutory accounting requirements and U.S. insurance laws and regulations, in order for the Company to receive credit for liabilities ceded to reinsurers domiciled outside of the U.S., such reinsurers must secure their liabilities to the Company in an amount equal to their statutory unearned premium, loss and contingency reserves associated with the ceded business. The Company requires collateral from reinsurers primarily to (a) receive statutory credit for the reinsurance, (b) provide liquidity to the Company in the event of claims on the reinsured exposures, and (c) enhance rating agency credit for the reinsurance. The amount of collateral pledged by the reinsuring companies at December 31, 2023, was $411.9 million, consisting primarily of trust accounts.

10. Related Party Transactions

The Company made dividend payments of $257 million in the year 2023 to its Parent.

Investment in AGAS

AGM owns 65% of AGAS. As of December 31, 2023, the admitted value for AGAS was $617.1 million and is recorded in other invested assets. See Note 6, Investments — Investment in AGAS.

Surplus Notes

In 2009, the Company purchased a $300 million surplus note from AGC that is interest bearing at a rate of 3.5% per annum.

Promissory Note

On October 1, 2019, AGM and AGC made 10-year, 3.5% interest rate inter-company loans to AGUS totaling $250 million ($162.5 million from AGM and $87.5 million from AGC), recorded as loans receivable from affiliate. AGM recognized $5.7 million in interest income on this note in each of 2023 and 2022.

Sound Point

The Company is a subsidiary of Assured Guaranty Ltd. (together with its subsidiaries, "Assured Guaranty"). Beginning July 1, 2023, Assured Guaranty participates in the asset management business through its ownership interest in Sound Point Capital Management, LP ("Sound Point, LP") and certain of its investment management affiliates (together with Sound Point, LP, "Sound Point"). On July 1, 2023, Assured Guaranty contributed to Sound Point, LP most of its asset management business, other than that conducted by Assured Healthcare Partners LLC, as contemplated by the transaction agreement entered into with Sound Point on April 5, 2023 ("Transaction Agreement"). Assured Guaranty received, subject to certain potential post-closing adjustments, common interests in Sound Point, LP representing approximately 30% participation percentage in Sound Point, LP and certain other interests in Sound Point.

In addition, in accordance with the terms of a letter agreement ("Letter Agreement"), effective July 1, 2023 AGM and its affiliate, Assured Guaranty Corp. ("AGC" and, together with AGM, the

"U.S. Insurance Subsidiaries") (i) engaged Sound Point as their sole alternative credit manager, and (ii) transitioned to Sound Point the management of certain existing alternative investments and related commitments. The Letter Agreement also provides that, in the first two years of Sound Point's engagement, the U.S. Insurance Subsidiaries would, subject to regulatory approval, make new investments in funds, other vehicles and separately managed accounts managed by Sound Point which, when aggregated with the alternative investments and commitments transitioned from Assured Investment Management LLC and its investment management affiliates (together "AssuredIM") and any reinvestments (collectively, "Sound Point Investments"), will total $1 billion. The Letter Agreement contemplates a long-term investment partnership between Sound Point and Assured Guaranty, whereby the U.S. Insurance Subsidiaries have agreed to reinvest all returns of capital from Sound Point Investments for a period of 15 years, until July 1, 2038. Similarly, the Letter Agreement provides for the reinvestment of all gains and dividends from Sound Point Investments in the first two years of Sound Point's engagement, and reinvestment of half of all such gains and dividends thereafter until July 1, 2033 (the transactions contemplated under the Transaction Agreement and the Letter Agreement, the "Sound Point Transaction"). To the extent not required to be reinvested by the Letter Agreement, all proceeds from Sound Point Investments can be distributed to the U.S. Insurance Subsidiaries in accordance with their operative documents.

The U.S. Insurance Subsidiaries, including through their investment subsidiary AG Asset Strategies LLC ("AGAS"), are using Sound Point's investment knowledge and experience to expand the categories and types of its alternative investments. This expansion of categories and types of investments, allocations to Sound Point and exclusivity arrangement with Sound Point may increase the credit, interest rate and liquidity risk in the Company's investments. This expansion also has resulted in the Company investing (including through AGAS) a portion of its portfolio in assets that are less liquid than some of its other investments. Expanding the categories and types of Company investments (including through AGAS), allocations to Sound Point and exclusivity arrangement with Sound Point may also expose the Company and its affiliates to other types of risks, including reputational, accounting and financial risks.

Upon the closing of the Sound Point Transaction, Assured Guaranty's investments in Sound Point and in Sound Point managed funds, other vehicles and separately managed accounts will be subject to the risks of Sound Point's business.

- Sound Point's business operates in highly competitive markets. Sound Point competes with many other firms in every aspect of the asset management industry, including raising funds, seeking investments, and hiring and retaining professionals. Sound Point's ability to increase and retain assets under management is directly related to the performance of the assets it manages as measured against market averages and the performance of its competitors. Some of Sound Point's competitors may have a lower cost of funds and access to funding and other resources that are not available to Sound Point. In addition, some of Sound Point's competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than Sound Point does. Furthermore, Sound Point may lose investment opportunities if it does not match its competitors' pricing, terms and structure. The loss of such investment opportunities may limit Sound Point's ability to grow or cause it to have to shrink the size of its portfolio, which could decrease its earnings. If Sound Point matches its competitors' pricing, terms and structure, it may experience decreased earnings and increased risk of investment losses.

- Sound Point is dependent on certain key personnel, including Sound Point's Managing Partner and Chief Investment Officer, and its future success depends on their continued service. The departure of any of Sound Point's key personnel for any reason could have a material adverse effect on Sound Point's business, financial condition or results of operations and, consequently, AGM's investments in Sound Point funds, other vehicles and separately managed accounts.

- Sound Point operates in a highly regulated industry and, as a registered investment adviser, is subject to the provisions of the Investment Advisers Act of 1940, as amended. Sound Point is, from time to time, subject to formal and informal examinations, investigations, inquiries, audits and reviews from numerous regulatory authorities both in response to issues and questions raised in such examinations or investigations and in connection with the changing priorities of the applicable regulatory authorities across the market in general. As a result, there can be no assurance that Sound Point will not become subject to possible enforcement actions. Sound Point and its principals and employees could also be named as defendants in, or otherwise become involved in, a regulatory action or litigation. Any such regulatory actions or litigation could be disruptive, time-consuming, expensive and lead to negative financial and reputational consequences that have a material adverse effect on Sound Point's business, financial condition or results of operations and, consequently, AGM's investments in Sound Point funds, other vehicles and separately managed accounts.

- Assured Guaranty is reliant on Sound Point to provide accurate and timely financial reporting that will allow it to timely prepare its own financial statements in compliance with SEC regulations and New York Stock Exchange listing rules. While Sound Point and its related parties have agreed to provide Assured Guaranty all financial information necessary to complete and file its periodic reports on a timely basis, any failure by Sound Point or its related parties to provide Assured Guaranty with accurate and timely financial information could result in a delay in its timely reporting of its results of operations or it not filing one or more periodic reports with the SEC on time or inaccuracies in its financial statements.

In July 2023, Assured Guaranty sold all of its equity interests in Assured Healthcare Partners LLC ("AHP"), which was established in 2020 and managed two healthcare-focused funds, to an entity owned and controlled by the managing partner of AHP ("AHP Transaction"). In connection with the AHP Transaction, Assured Guaranty agreed to remain a strategic investor in certain AHP managed funds, is retaining its portion of carried interest in certain AHP managed funds and received other consideration.

Reinsurance Transactions

The amounts included in the financial statements resulting from reinsurance transactions with affiliates are shown in the Summary of Reinsurance table in Note 9.

Reinsurance and Support Agreements

AGC

Effective July 1, 2021, AGM and AGC entered into a reinsurance treaty pursuant to which AGM will cede to AGC a minimum 10% quota share of each policy written or assumed by AGM insuring transactions involving municipal, utility, project finance, infrastructure, or similar business (together, ”Public Finance”).

AGM provides support to its subsidiaries, AGUK and AGE, through reinsurance and other agreements.

AGM Support of AGUK

Co-Guarantee Structure

AGM and AGUK implemented in 2011 a co-guarantee structure pursuant to which (i) AGUK directly guarantees a specified portion of the public finance obligations issued in a particular transaction rather than guaranteeing 100% of the issued obligations; (ii) AGM directly guarantees the balance of the guaranteed public finance obligations; and (iii) AGM also provides a second-to-pay guarantee for AGUK's portion of the guaranteed public finance obligations ("Public Finance Co-Guarantee Structure"). The current co-guarantee split for public finance business, which has been in effect since October 2018, is 15% AGUK and 85% AGM.

Separate and apart from the Public Finance Co-Guarantee Structure, AGM provides support to AGUK through a quota share and excess of loss reinsurance agreement ("Reinsurance Agreement") and a net worth maintenance agreement ("Net Worth Agreement"). Under the quota share cover of the Reinsurance Agreement, AGM reinsures approximately 95-99% of AGUK's retention (after cessions to other reinsurers) of most of the outstanding financial guaranties that AGUK wrote prior to the implementation of the Public Finance Co-Guarantee Structure in 2011.

The AGM Reinsurance Agreement: Quota Share Reinsurance

The quota share cover of the Reinsurance Agreement also obligates AGM to reinsure 85% of municipal, utility, project finance or infrastructure risks or similar business that AGUK writes from and after October 2018 without utilizing the Public Finance co-guarantee structure. Currently, there is no such outstanding business at AGUK.

AGM secures its quota share reinsurance obligations to AGUK under the Reinsurance Agreement by posting collateral in trust equal to 102% of the sum of AGM's assumed share of the following in respect of the reinsured AGUK policies: (i) AGUK's unearned premium reserve (net of AGUK's reinsurance premium payable to AGM); (ii) AGUK's provisions for unpaid losses and allocated LAE (net of any salvage recoverable); and (iii) any unexpired risk provisions of AGUK, in each case (i) - (iii) as calculated by AGUK in accordance with generally accepted accounting practice in the U.K. ("UK GAAP").

The AGM Reinsurance Agreement: Excess of Loss Reinsurance

Under the excess of loss cover of the Reinsurance Agreement, AGM is obligated to pay AGUK quarterly the amount (if any) by which (i) the sum of (a) AGUK's incurred losses, calculated in accordance with UK GAAP as reported by AGUK in its financial returns filed with the Prudential Regulation Authority ("PRA"); and (b) AGUK's paid losses and LAE, in both cases net of all other performing reinsurance (including the reinsurance provided by AGM under the quota share cover of the Reinsurance Agreement), exceeds (ii) an amount equal to (a) AGUK's capital resources under U.K. law minus (b) 110% of the greatest of the amounts as may be required by the PRA as a condition for maintaining AGUK's authorization to carry on a financial guarantee business in the U.K. The purpose of this excess of loss cover is to ensure that AGUK maintains capital resources equal to at least 110% of the most stringent amount of capital that it may be required to maintain as a condition to carrying on a financial guarantee business in the U.K.

Other Provisions of the AGM Reinsurance Agreement

AGUK may terminate the Reinsurance Agreement (i.e., both its quota share and excess of loss covers) upon the occurrence of any of the following events: (i) AGM's rating by Moody's falls below "Aa3" or its rating by S&P falls below "AA-" (and AGM fails to restore such rating(s) within a prescribed period of time); (ii) AGM's insolvency, failure to maintain the minimum capital required under the laws of AGM's domiciliary jurisdiction, filing a petition in bankruptcy, going into liquidation or rehabilitation or having a receiver appointed; or (iii) AGM's failure to maintain its required collateral described above.

The AGUK Net Worth Agreement

Under the Net Worth Agreement, AGM is obligated to make capital contributions to AGUK in amounts sufficient to ensure that AGUK maintains capital resources equal to 110% of the greatest of the amounts as may be required by the PRA as a condition of AGUK maintaining its authorization to carry on a financial guarantee business in the U.K., provided that such contributions (i) do not exceed 35% of AGM's policyholders' surplus as determined by the laws of the State of New York, and (ii) are in compliance with a provision of the New York Insurance Law requiring notice to, or approval by, the NYDFS for transactions between affiliates that exceed certain thresholds. The Net Worth Agreement obligates AGM to provide AGUK with support similar to that which AGM also provides AGUK under the excess of loss cover of the Reinsurance Agreement, except the latter is meant to protect against erosion of AGUK's capital resources due to insurance and/or reinsurance losses in AGUK's insured portfolio, while the former is meant to protect against an erosion of AGUK's capital resources for other reasons (e.g., poor investment performance, origination expenses exceeding premium). Given this purpose, the Net Worth Agreement clarifies that any amounts due thereunder must take into account all amounts paid, or reasonably expected to be paid, under the Reinsurance Agreement. The Net Worth Agreement also includes termination provisions substantially similar to those in the Reinsurance Agreement. AGM has never been required to make any contributions to AGUK's capital under the current Net Worth Agreement.

AGM Support of AGE

AGM has in place with AGE similar reinsurance and capital support agreements as are in place with AGUK. AGM's agreements with AGE generally apply to all AGE policies that insure public finance business in European Economic Area ("EEA") jurisdictions. The agreements consist of:

(i) a quota share reinsurance agreement between AGE and AGM pursuant to which AGM provides the same reinsurance to AGE in respect of business that was transferred to AGE by AGUK pursuant to Part VII of the Financial Services and Markets Act 2000 ("FSMA") "(Part VII Transfer") effective October 1, 2020 as AGM provided to AGUK prior to such transfer;

(ii) a second quota share reinsurance agreement whereby AGM provides AGE with 90% proportional reinsurance for:

a. certain business transferred to AGE pursuant to the Part VII Transfer that was not reinsured by AGM when such business was part of AGUK's insured portfolio

(varying portions of AGM's assumption of this business are retroceded by AGM to AG Re under a quota share facultative reinsurance agreement effective October 1, 2020);

b. certain business originally written by AGUK pursuant to the co-insurance arrangement described above, but which was novated to, and 100% guaranteed by, AGE in connection with the Part VII Transfer; and

c. any new public finance business written by AGE; and

(iii) an excess of loss reinsurance agreement, similar to the excess of loss cover of AGM's Reinsurance Agreement with AGUK, pursuant to which AGM is obligated, effectively, to ensure that AGE maintains capital resources equal to at least 110% of the most stringent amount of capital that AGE may be required to maintain as a condition of it maintaining its authorization to carry on a financial guarantee business in France.

AGM secures its quota share reinsurance obligations to AGE under the agreements described above by depositing collateral in accounts maintained by an EEA financial institution and pledging such accounts to AGE under French law. The measure of AGM's required collateral for AGE is generally the same as the measure of its collateral for AGUK, except that AGE's is determined in accordance with French (versus U.K.) GAAP.

AGM also has in place with AGE a net worth maintenance agreement that is similar to AGM's Net Worth Agreement with AGUK - i.e., the former obligates AGM to ensure that AGE maintains capital resources at least equal to 110% of its most stringent capital requirement for maintaining its authorization to carry on a financial guarantee business in France.

Cessions to AG Re and AGC

AGM routinely cedes proportionate shares of its new business to AG Re and AGC under whole account quota share reinsurance agreements effective October 1, 2010 and July 1, 2021, respectively. The proportionate share cessions to AG Re range from 15% to 40%; the proportionate share cessions to AGC are typically 10% to 25%.

Expense Sharing Agreements

The Company and various of its affiliates are parties to the Third Amended and Restated Service Agreement, effective as January 1, 2020 (as amended, the "Group Service Agreement"). The Company's affiliate, AG US Group Services Inc. ("AG Services"), a Delaware corporation, acts as the payroll company and employer for all U.S. personnel, and the central, dedicated service provider within the Assured Guaranty group. Under the Group Service Agreement, AG Services' employees make available to its Bermuda, U.S. and U.K. affiliates, as applicable, equipment, insurance, reinsurance and such other services, including actuarial, marketing, underwriting, claims handling, surveillance, legal, corporate secretarial, information technology, human resources, accounting, tax, financial reporting and investment planning services. In addition, under the Group Service Agreement the Company makes available to its affiliates the use of certain equipment and office space leased by the Company. Expenses under the Group Service Agreement are allocated directly where appropriate and, where not appropriate, based upon an allocation of employee time and corresponding office overhead. The agreement provides for pre-funding by affiliates who are

the largest consumers of group services and inter-company allocation of expenses. The agreement also provides for quarterly settlements and an express right of offset with regard to amounts owing between parties under the Group Service Agreement and other agreements between such parties.

Under the Group Service Agreement, the total payments made by the Company to AG Services were $108.4 million and $101.0 million in 2023 and 2022, respectively.

AGM and Assured Guaranty Finance Overseas Ltd. ("AGFOL") are parties to an arranging agreement pursuant to which AGFOL introduces public finance and infrastructure finance transactions to AGM so that AGM may consider whether it would provide a financial guarantee for a proposed transaction together with AGE under their co-insurance structure. The arranging agreement provides for the payment of fees by AGM to AGFOL on a cost basis, except with respect to the U.K. office rent and overhead, which is on a cost-plus basis. The total payments made by the Company to AGFOL were $8.0 million and $6.1 million in 2023 and 2022, respectively.

The Company and various of its affiliates entered into a Service Agreement with AssuredIM, effective as of June 1, 2020 (the "Service Agreement"). Pursuant to such Service Agreement, AssuredIM provides services including, but not limited to, general corporate strategy, risk management, systems, information technology, human resources, finance, legal, marketing, and administration services. In exchange for the services provided by AssuredIM under the Service Agreement, the Company paid a fee equal to its allocation of AssuredIM employee time and corresponding costs and expenses. The Service Agreement was terminated on July 1, 2023. Under the Service Agreement, the total payments made by the Company to AssuredIM were $1.3 million and $2.2 million in 2023 and 2022, respectively.

Investment Management Agreement

On May 8, 2020, AGM entered into an Investment Management Agreement with its affiliate, Assured Investment Management LLC ("AssuredIM"), formerly known as BlueMountain Capital Management, LLC, an investment manager organized under the laws of Delaware. AGM's affiliate, AGUS, owns 100% of the membership interests in AssuredIM. Pursuant to such Investment Management Agreement, AssuredIM provides investment services to the Company with respect to two specific asset classes: (i) U.S. municipal bonds, and (ii) collateralized loan obligations. The Investment Management Agreement was terminated on June 20, 2023, in connection with the Sound Point Transaction. As of June 20, 2023, AssuredIM had been managing a total of $460 million book value under this Investment Management Agreement for AGM. The terms of such Investment Management Agreement were modeled upon the existing investment management agreements that the Company has in place with current non-affiliated investment managers AGM incurred fees pursuant to the Investment Management Agreement of $382 thousand in 2023 and $784 thousand in 2022.

11. Commitments and Contingencies

The Company had outstanding commitments to provide guaranties of $193 million of public finance direct gross par and $300 million of structured finance direct gross par as of December 31, 2023. The commitments are contingent on the satisfaction of all conditions set forth in them and may expire unused or be canceled at the counterparty's request. Therefore, the total commitment amount does not necessarily reflect actual future guaranteed amounts.

Leases

The Company is party to various non-cancelable lease agreements accounted for as operating leases. The largest lease relates to approximately 155,500 square feet of office space in New York City, which expires in 2032. Subject to certain conditions, the Company has an option to renew a portion of this leased space for an additional five years at a fair market rent. In addition, AGM leases additional office space in San Francisco under a non-cancelable operating lease which expires in 2026. Rental expense, calculated based on allocations under an expense sharing agreement (see Note 10, Related Party Transactions) was $4.1 million and $4.1 million for the years ended December 31, 2023 and 2022, respectively.

Future minimum rental payments (before allocations for affiliates with which AGM shares the office space) are as follows (in thousands):

Year Ended December 31,	
2024	$ 11,268
2025	11,473
2026	11,312
2027	11,483
2028	11,754
Thereafter	40,448
Total	$ 97,738

Contingencies

Legal Proceedings

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 litigation against the Company, individually or in the aggregate, will not have a material adverse effect on the Company's financial position, although an adverse resolution of litigation against the Company in a fiscal quarter or year could have a material adverse effect on the Company's results of operations or liquidity in that particular quarter or year.

In addition, in the ordinary course of its business, the Company is involved in litigation with third parties to recover insurance losses paid in prior periods or prevent or reduce losses in the future. For example, the Company is involved in a number of legal actions in the Federal District Court of Puerto Rico to enforce or defend its rights with respect to the obligations it insures of Puerto Rico and various of its related authorities and public corporations. The impact, if any, of these and other proceedings on the amount of recoveries the Company receives and losses it pays in the future is uncertain, and the impact of any one or more of these proceedings during any quarter or year could be material to the Company's results of operations in that particular quarter or year.

The Company also receives subpoenas and interrogatories from regulators from time to time.

The Company establishes accruals for litigation and regulatory matters to the extent it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated and discloses such amounts if material to the financial position of the Company. For litigation and regulatory matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimable, no accrual is established, but if the matter is material, it would be disclosed below. The Company reviews relevant information with respect to its litigation and regulatory matters on a quarterly basis and updates its accruals, disclosures and estimates of reasonably possible loss based on such reviews.

Puerto Rico Litigation

Currently, there are numerous legal actions relating to the default by Puerto Rico and certain of its instrumentalities on debt service payments, and related matters, and the Company is a party to a number of them. The Company has taken legal action, and may take additional legal action in the future, to enforce its rights with respect to the remaining Puerto Rico obligations it still insures. In addition, the Commonwealth, the FOMB and others have taken legal action naming the Company as party.

Certain legal actions involving the Company and relating to the Commonwealth and the PRHTA, were resolved on March 15, 2022, and all remaining legal actions involving the Company and relating to PRHTA were resolved on December 6, 2022, in connection with the consummation of the 2022 Puerto Rico Resolutions. There remains one active proceeding related to PREPA, while there are a number of unresolved proceedings involving the Company and relating to the default by the Commonwealth or its instrumentalities that remain stayed pending the Federal District Court of Puerto Rico's determination on the PREPA plan of adjustment.

The remaining active proceeding was initiated by the FOMB in the Federal District Court of Puerto Rico on July 1, 2019, against U.S. Bank National Association, as trustee for PREPA’s bonds, objecting to and challenging the validity, enforceability, and extent of prepetition security interests securing those bonds and seeking other relief. On September 30, 2022, the FOMB filed an amended complaint against the trustee (i) objecting to and challenging the validity, enforceability, and extent of prepetition security interests securing PREPA’s bonds and (ii) arguing that PREPA bondholders’ recourse was limited to certain deposit accounts held by the trustee. On October 7, 2022, the court approved a stipulation permitting AGM and AGC to intervene as defendants. Summary judgment motions were filed by plaintiffs and defendants on October 24, 2022. On March 22, 2023, the Federal District Court of Puerto Rico granted in part and denied in part each party’s cross-motions for summary judgment. The Federal District Court of Puerto Rico found that the PREPA bondholders had perfected liens only in revenues that had been deposited in the sinking fund established under the PREPA trust agreement and related funds over which the bond trustee had control. The Federal District Court of Puerto Rico also held that the PREPA bondholders do have recourse under the trust agreement in the form of an unsecured net revenue claim. In a June 26, 2023 opinion, the court estimated the PREPA bondholders’ allowed unsecured net revenue claim to be $2.4 billion, which the court calculated by largely adopting the conclusions in the FOMB’s expert report. On May 3, 2023, the court denied PREPA bondholders’ request to certify their interlocutory appeal of the finding that the PREPA bondholders had perfected liens only in revenues that had been deposited in the sinking fund established under the PREPA trust agreement

and related funds over which the bond trustee had control. On May 15, 2023, the FOMB filed its motion to dismiss the trustee's and bondholders' counterclaims, which was granted by the court on November 28, 2023. AGM and AGC filed a notice of appeal on November 30, 2023. On January 29, 2024, the First Circuit heard oral arguments for the Company's appeals.

The unresolved proceedings initiated in the Federal District Court of Puerto Rico involving the Company and relating to the default by the Commonwealth or its instrumentalities that remain stayed pending the Federal District Court of Puerto Rico's determination on the PREPA plan of adjustment are:

- AGM and AGC motion to compel the FOMB to certify the PREPA restructuring support agreement executed in May 2019 ("PREPA RSA") for implementation under Title VI of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA").

- AGM and AGC motion to dismiss PREPA's Title III Bankruptcy proceeding or, in the alternative, to lift the PROMESA automatic stay to allow for the appointment of a receiver.

- Adversary complaint by certain fuel line lenders of PREPA against AGM and AGC, among other parties, including various PREPA bondholders and bond insurers, seeking, among other things, declarations that there is no valid lien securing the PREPA bonds unless and until such lenders are paid in full, as well as orders subordinating the PREPA bondholders' lien and claims to such lenders' claims, and declaring the PREPA RSA null and void.

- AGM and AGC motion to intervene in lawsuit by the retirement system for PREPA employees against, among others, the FOMB, PREPA, the Commonwealth, and the trustee for PREPA bondholders seeking, among other things, declarations that there is no valid lien securing the PREPA bonds other than on amounts in the sinking funds, and order subordinating the PREPA bondholders' lien and claim to the PREPA employees' claims.

For a discussion of the Company's exposure to Puerto Rico related to the litigation described above, please see Note 3, Insurance in Force - Exposure to Puerto Rico.

12. Committed Capital Securities

AGM Committed Preferred Trust Securities (the "AGM CPS")

AGM is party to an arrangement that enables it to access, at its discretion, up to $200 million of capital, at any time, and has the right to use such capital for any purpose, including to pay claims.

The arrangement entails four custodial trusts (Sutton Capital Trust I, II, III and IV), each of which issued $50 million face amount of "committed capital securities" and invested the proceeds of that issuance in eligible assets that would enable the trust to have the cash necessary to respond to AGM's exercise of a put option.

The put option consists of a right that AGM has, pursuant to separate put agreements that AGM entered into with each of the trusts, to issue to each trust $50 million of non-cumulative redeemable perpetual preferred stock, in exchange for an equivalent amount of cash (i.e., an aggregate of $200 million). When AGM exercises its put option, the relevant trust(s) must liquidate the portfolio of high-quality, liquid assets that it currently maintains and use the liquidation proceeds to purchase AGM preferred stock, as applicable.

The put agreements have no scheduled termination date or maturity, but may be terminated upon the occurrence of certain specified events.

None of the events that would give rise to a termination of the put agreements have occurred. Accordingly, AGM currently has the ability to exercise put options to raise up to $200 million of capital at any time.

13. Fair Values of Financial Instruments

Fair Value Hierarchy

The categorization within the fair value hierarchy is determined based on whether the inputs to valuation techniques used to measure fair value are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Company estimates of market assumptions. The fair value hierarchy prioritizes model inputs into three broad levels as follows, with Level 1 being the highest and Level 3 the lowest. An asset's or liability's categorization is based on the lowest level of significant input to its valuation.

- Level 1 – Quoted prices for identical instruments in active markets. The Company generally defines an active market as a market in which trading occurs at significant volumes. Active markets generally are more liquid and have a lower bid-ask spread than an inactive market.

- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and observable inputs other than quoted prices, such as interest rates or yield curves and other inputs derived from or corroborated by observable market inputs.

- Level 3 – Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation.

The following fair value hierarchy tables present information about the Company's assets measured at fair value as of December 31, 2023 and 2022.

December 31, 2023

Type of Financial Instrument	Level 1	Level 2	Level 3	Total
(in thousands)				
Money market mutual funds	$ —	$ 826,758	$ —	$ 826,758
Total assets	$ —	$ 826,758	$ —	$ 826,758

December 31, 2022

Type of Financial Instrument	Level 1	Level 2	Level 3	Total
(in thousands)				
Bonds				
U.S. special revenue	$ —	$ 141,026	$ —	$ 141,026
Industrial and miscellaneous	—	26,450	—	26,450
Total bonds	—	167,476	—	167,476
Money market mutual funds	—	361,265	—	361,265
Total assets	$ —	$ 528,741	$ —	$ 528,741

Bonds

Bonds with an NAIC designation of 1 and 2 are carried at amortized cost while bonds with an NAIC designation of 3 through 6 are carried at the lower of cost or fair value.

The fair value of bonds in the investment portfolio is generally based on prices received from third-party pricing services or alternative pricing sources with reasonable levels of price transparency. The pricing services prepare estimates of fair value using their pricing models, which take into account: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, industry and economic events, and sector groupings. Additional valuation factors that can be taken into account are nominal spreads and liquidity adjustments. The pricing services evaluate each asset class based on relevant market and credit information, perceived market movements, and sector news.

Benchmark yields have in many cases taken priority over reported trades for securities that trade less frequently or those that are distressed trades, and therefore may not be indicative of the market. The extent of the use of each input is dependent on the asset class and the market conditions. The valuation of fixed-maturity investments is more subjective when markets are less liquid due to the lack of market based inputs.

Stocks

The Company's stocks are comprised of investments in subsidiaries. Investments in subsidiaries are carried on the equity basis, to the extent admissable.

Cash and Cash Equivalents

Cash equivalents, with the exception of money market mutual funds, are stated at amortized cost and have maturities within one year of purchase date. Money market mutual funds are accounted for at fair value, which approximates amortized cost.

Other Invested Assets

Other invested assets primarily includes (1) surplus notes issued by AGC and promissory notes issued by AGUS, which are carried at amortized cost, and (2) investments in partnerships and limited liability companies, including AGAS, which are carried on the equity basis, to the extent admissable.

Rollforward of Level 3 Items

For financial instruments measured at fair value and categorized within Level 3 of the fair value hierarchy, the following tables are a reconciliation from the opening balance to the closing balance during the year (in thousands):

Description:	Beginning Balance at January 1, 2023	Transfers Into Level 3	Transfers Out of Level 3	Total Gains & Losses incl in Net Income	Total Gains & Loss incl in Surplus	Pur-chases	Issu-ances	Sales	Settle-ments	Ending Balance at December 31, 2023
Bonds - industrial & miscellaneous	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Bonds - special revenue	—	—	—	—	—	—	—	—	—	—
Total assets at fair value	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Description:	Beginning Balance at January 1, 2022	Transfers Into Level 3	Transfers Out of Level 3	Total Gains & Losses incl in Net Income	Total Gains & Loss incl in Surplus	Pur-chases	Issu-ances	Sales	Settle-ments	Ending Balance at December 31, 2022
Bonds - industrial & miscellaneous	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Bonds - special revenue	2,522	—	1,479	31	—	—	—	—	1,074	—
Total assets at fair value	$ 2,522	$ —	$ 1,479	$ 31	$ —	$ —	$ —	$ —	$ 1,074	$ —

Transfers in and out of Level 3 are recognized at the end of the quarter when the Company evaluates whether securities with unobservable inputs need to be carried at fair value.

- During the year ended December 31, 2022, one special revenue bond was transferred out of Level 3 of the fair value hierarchy because the carrying value was lower than the fair value as of December 31, 2022.

Inputs and Techniques Used for Level 3 Fair Values

Most Level 3 securities were priced with the assistance of independent third parties. The pricing is based on a discounted cash flow approach using the third party's proprietary pricing models. The models use inputs such as projected prepayment speeds; severity assumptions; recovery lag assumptions; estimated default rates (determined on the basis of an analysis of collateral attributes, historical collateral performance, borrower profiles and other features relevant to the evaluation of collateral credit quality); home price appreciation/depreciation rates based on macroeconomic forecasts and recent trading activity. The yield used to discount the projected cash flows is determined by reviewing various attributes of the security including collateral type, weighted average life, sensitivity to losses, vintage, and convexity, in conjunction with market data on

comparable securities. Significant changes to any of these inputs could have materially changed the expected timing of cash flows within these securities which is a significant factor in determining the fair value of the securities.

Other Fair Value Disclosures

The fair value of the Company's financial guaranty insurance contracts was approximately $2.4 billion at December 31, 2023 and was based on management's estimate of what a similarly rated financial guaranty insurance company would demand to acquire the Company's in-force book of financial guaranty insurance business. It is based on a variety of factors that may include pricing assumptions management has observed for portfolio transfers, commutations and acquisitions that have occurred in the financial guaranty market and also includes adjustments to the carrying value of unearned premium reserve for stressed losses, ceding commissions and return on capital. The Company classified the fair value of financial guaranty insurance contracts as Level 3.

Fair Values for All Financial Instruments by Levels 1, 2 and 3

The tables below reflect the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method. The fair values are also categorized into the three-level fair value hierarchy as described above.

December 31, 2023

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3
			(in thousands)		
Bonds	$ 2,359,505	$ 2,496,282	$ —	$ 1,846,690	$ 512,815
Cash, cash equivalents and short-term investments	829,142	829,142	2,384	826,758	—
Surplus note of affiliate	300,000	300,000	—	—	300,000
Loans receivable from affiliate	162,500	162,500	—	—	162,500
Other invested assets	21,692	21,322	—	—	21,692
Total assets	$ 3,672,839	$ 3,809,246	$ 2,384	$ 2,673,448	$ 997,007

December 31, 2022

Type of Financial Instrument	Fair Value	Admitted Value	Level 1	Level 2	Level 3
			(in thousands)		
Bonds	$ 2,989,251	$ 3,163,270	$ —	$ 2,459,945	$ 529,306
Cash, cash equivalents and short-term investments	362,799	362,799	1,534	361,265	—
Surplus note of affiliate	300,000	300,000	—	—	300,000
Loans receivable from affiliate	162,500	162,500	—	—	162,500
Other invested assets	166	109	—	—	166
Total assets	$ 3,814,716	$ 3,988,678	$ 1,534	$ 2,821,210	$ 991,972

14. Subsequent Events

Subsequent events have been considered through May 23, 2024, and to the extent material, have been disclosed in this report.

Assured Guaranty Municipal Corp.
Summary Investment Schedule and
Supplemental Investment Risks Interrogatories
For the Year Ended December 31, 2023

ANNUAL STATEMENT FOR THE YEAR 2023 OF THE ASSURED GUARANTY MUNICIPAL CORP.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	1	2	3	4	5	6
	Amount	Percentage of Column 1 Line 13	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage of Column 5 Line 13
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	38,750,231	0.726	38,750,231	0	38,750,231	0.726
1.02 All other governments	0	0.000	0	0	0	0.000
1.03 U.S. states, territories and possessions, etc. guaranteed	83,703,851	1.567	83,703,851	0	83,703,851	1.567
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	206,429,889	3.865	206,429,889	0	206,429,889	3.865
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	1,092,985,991	20.466	1,092,985,991	0	1,092,985,991	20.466
1.06 Industrial and miscellaneous	1,074,412,012	20.118	1,074,412,012	0	1,074,412,012	20.118
1.07 Hybrid securities	0	0.000	0	0	0	0.000
1.08 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
1.09 SVO identified funds	0	0.000	0	0	0	0.000
1.10 Unaffiliated bank loans	0	0.000	0	0	0	0.000
1.11 Unaffiliated certificates of deposit	0	0.000	0	0	0	0.000
1.12 Total long-term bonds	2,496,281,975	46.742	2,496,281,974	0	2,496,281,974	46.742
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)	0	0.000	0	0	0	0.000
2.02 Parent, subsidiaries and affiliates	0	0.000	0	0	0	0.000
2.03 Total preferred stocks	0	0.000	0	0	0	0.000
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	0	0.000	0	0	0	0.000
3.02 Industrial and miscellaneous Other (Unaffiliated)	0	0.000	0	0	0	0.000
3.03 Parent, subsidiaries and affiliates Publicly traded	0	0.000	0	0	0	0.000
3.04 Parent, subsidiaries and affiliates Other	794,193,336	14.871	794,193,336	0	794,193,336	14.871
3.05 Mutual funds	0	0.000	0	0	0	0.000
3.06 Unit investment trusts	0	0.000	0	0	0	0.000
3.07 Closed-end funds	0	0.000	0	0	0	0.000
3.08 Exchange traded funds	0	0.000	0	0	0	0.000
3.09 Total common stocks	794,193,336	14.871	794,193,336	0	794,193,336	14.871
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages	0	0.000	0	0	0	0.000
4.02 Residential mortgages	0	0.000	0	0	0	0.000
4.03 Commercial mortgages	0	0.000	0	0	0	0.000
4.04 Mezzanine real estate loans	0	0.000	0	0	0	0.000
4.05 Total valuation allowance	0	0.000	0	0	0	0.000
4.06 Total mortgage loans	0	0.000	0	0	0	0.000
5. Real estate (Schedule A):						
5.01 Properties occupied by company	0	0.000	0	0	0	0.000
5.02 Properties held for production of income	0	0.000	0	0	0	0.000
5.03 Properties held for sale	0	0.000	0	0	0	0.000
5.04 Total real estate	0	0.000	0	0	0	0.000
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1)	2,383,785	0.045	2,383,785	0	2,383,785	0.045
6.02 Cash equivalents (Schedule E, Part 2)	826,758,057	15.481	826,758,057	0	826,758,057	15.481
6.03 Short-term investments (Schedule DA)	0	0.000	0	0	0	0.000
6.04 Total cash, cash equivalents and short-term investments	829,141,842	15.525	829,141,842	0	829,141,842	15.525
7. Contract loans	0	0.000	0	0	0	0.000
8. Derivatives (Schedule DB)	0	0.000	0	0	0	0.000
9. Other invested assets (Schedule BA)	1,217,436,066	22.796	1,217,436,066	0	1,217,436,066	22.796
10. Receivables for securities	3,499,996	0.066	3,499,996	0	3,499,996	0.066
11. Securities Lending (Schedule DL, Part 1)	0	0.000	0	XXX	XXX	XXX
12. Other invested assets (Page 2, Line 11)	0	0.000	0	0	0	0.000
13. Total invested assets	5,340,553,215	100.000	5,340,553,214	0	5,340,553,214	100.000

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2023

(To Be Filed by April 1)

Of The ASSURED GUARANTY MUNICIPAL CORP.

Address (City, State and Zip Code) New York, NY 10019

NAIC Group Code 0194 NAIC Company Code 18287 Employer's ID Number 13-3250292

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 5,438,772,330
2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	Bank of New York Mellon	Cash equivalent and Bond	$ 835,504,059	15.4 %
2.02	Assured Guaranty UK Limited	Affiliated Common Stock	$ 702,773,142	12.9 %
2.03	AG Asset Strategies, LLC	Affiliated Common Stock	$ 617,074,765	11.3 %
2.04	Surplus Note - Assured Guaranty Corp	Surplus Note	$ 300,000,000	5.5 %
2.05	Assured Guaranty US Holdings Inc.	Affiliated Other Invested Assets	$ 162,500,000	3.0 %
2.06	MASTR Asset Backed Securities Trust 2007-NCW	Bond	$ 98,091,082	1.8 %
2.07	Assured Guaranty (Europe) SA	Affiliated Common Stock	$ 91,420,194	1.7 %
2.08	Petershill Private Equity LP	Other Invested Assets	$ 56,399,711	1.0 %
2.09	Countrywide	Bond	$ 53,992,885	1.0 %
2.10	Diamond State Generation Partners LLC	Other invested Assets	$ 39,719,456	0.7 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC 1	$ 2,274,578,740	41.8 %	3.07	NAIC 1	$	0.0 %
3.02	NAIC 2	$ 220,201,292	4.0 %	3.08	NAIC 2	$	0.0 %
3.03	NAIC 3	$ 0	0.0 %	3.09	NAIC 3	$	0.0 %
3.04	NAIC 4	$ 0	0.0 %	3.10	NAIC 4	$	0.0 %
3.05	NAIC 5	$ 1,501,940	0.0 %	3.11	NAIC 5	$	0.0 %
3.06	NAIC 6	$ 3	0.0 %	3.12	NAIC 6	$	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 – 10.

4.02	Total admitted assets held in foreign investments	$ 1,189,290,208	21.9 %
4.03	Foreign-currency-denominated investments	$ 1,066,990	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$	0.0 %

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC 1	$ 1,189,938,810	21.9 %
5.02	Countries designated NAIC 2	$ 418,388	0.0 %
5.03	Countries designated NAIC 3 or below	$	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
6.01	Country 1: United Kingdom	$ 712,130,024	13.1 %
6.02	Country 2: Cayman Islands	$ 346,180,415	6.4 %
	Countries designated NAIC 2:		
6.03	Country 1: Mexico	$ 418,388	0.0 %
6.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
6.05	Country 1:	$	0.0 %
6.06	Country 2:	$	0.0 %

	1	2
7. Aggregate unhedged foreign currency exposure	$ 1,066,990	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

Assured Guaranty Municipal Corp.
Summary Investment Schedule and
Supplemental Investment Risks Interrogatories
For the Year Ended December 31, 2023

		1	2
8.01	Countries designated NAIC 1	$ 1,066,990	0.0 %
8.02	Countries designated NAIC 2	$	0.0 %
8.03	Countries designated NAIC 3 or below	$	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC 1:		
9.01	Country 1: United Kingdom	$ 608,298	0.0 %
9.02	Country 2: France	$ 357,296	0.0 %
	Countries designated NAIC 2:		
9.03	Country 1:	$	0.0 %
9.04	Country 2:	$	0.0 %
	Countries designated NAIC 3 or below:		
9.05	Country 1:	$	0.0 %
9.06	Country 2:	$	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01	Assured Guaranty UK Limited	AFFILIATED COMM STK	$ 702,773,142	12.9 %
10.02	Assured Guaranty (Europe) SA	AFFILIATED COMM STK	$ 91,420,194	1.7 %
10.03	Madison Park Funding XLII Ltd	1.A FE	$ 9,668,217	0.2 %
10.04	Sumitomo Mitsui Financial Group, Inc.	1.G FE	$ 9,100,000	0.2 %
10.05	Galaxy Pipeline Assets Bidco Limited	1.C FE	$ 7,789,365	0.1 %
10.06	Credit Agricole SA London Branch	1.G FE	$ 7,594,105	0.1 %
10.07	Battalion CLO XIV Ltd.	1.F FE	$ 7,205,292	0.1 %
10.08	Halseypoint Clo 3 Ltd.	1.F FE	$ 7,000,000	0.1 %
10.09	Babson CLO 2015-I Ltd	1.A FE	$ 6,653,317	0.1 %
10.10	Anchorage Capital CLO 18, Ltd.	1.A FE	$ 6,475,558	0.1 %

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

		1	2
11.02	Total admitted assets held in Canadian investments	$	0.0 %
11.03	Canadian-currency-denominated investments	$	0.0 %
11.04	Canadian-denominated insurance liabilities	$	0.0 %
11.05	Unhedged Canadian currency exposure	$	0.0 %

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$	0.0 %
12.04		$	0.0 %
12.05		$	0.0 %

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets? Yes [ ] No [X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

	1 Issuer	2	3
13.02	Assured Guaranty UK Limited	$ 702,773,142	12.9 %
13.03	AG Asset Strategies, LLC	$ 617,074,765	11.3 %
13.04	Assured Guaranty (Europe) PLC	$ 91,420,194	1.7 %
13.05	Petershill Private Equity LP	$ 56,389,711	1.0 %
13.06	Diamond State Generation Partners LLC	$ 39,719,456	0.7 %
13.07	Knighthead Distressed Opportunities Fund LP	$ 20,419,670	0.4 %
13.08		$	0.0 %
13.09		$	0.0 %
13.10		$	0.0 %
13.11		$	0.0 %

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

Assured Guaranty Municipal Corp.
Summary Investment Schedule and
Supplemental Investment Risks Interrogatories
For the Year Ended December 31, 2023

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$	0.0 %
14.04		$	0.0 %
14.05		$	0.0 %

Ten largest fund managers:

	1 Fund Manager	2 Total Invested	3 Diversified	4 Non-Diversified
14.06	BNY Mellon Family of Funds	$ 826,758,056	$ 826,758,056	$
14.07	TD Bank Deposit	$ 1	$ 1	$
14.08		$	$	$
14.09		$	$	$
14.10		$	$	$
14.11		$	$	$
14.12		$	$	$
14.13		$	$	$
14.14		$	$	$
14.15		$	$	$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$	0.0 %
	Largest three investments in general partnership interests:		
15.03		$	0.0 %
15.04		$	0.0 %
15.05		$	0.0 %

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$	0.0 %
16.03		$	0.0 %
16.04		$	0.0 %
16.05		$	0.0 %
16.06		$	0.0 %
16.07		$	0.0 %
16.08		$	0.0 %
16.09		$	0.0 %
16.10		$	0.0 %
16.11		$	0.0 %

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$	0.0 %
16.13	Mortgage loans over 90 days past due	$	0.0 %
16.14	Mortgage loans in the process of foreclosure	$	0.0 %
16.15	Mortgage loans foreclosed	$	0.0 %
16.16	Restructured mortgage loans	$	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan-to-Value	Residential 1	Residential 2	Commercial 3	Commercial 4	Agricultural 5	Agricultural 6
17.01 above 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.02 91% to 95%	$	0.0 %	$	0.0 %	$	0.0 %
17.03 81% to 90%	$	0.0 %	$	0.0 %	$	0.0 %
17.04 71% to 80%	$	0.0 %	$	0.0 %	$	0.0 %
17.05 below 70%	$	0.0 %	$	0.0 %	$	0.0 %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

Assured Guaranty Municipal Corp.
Summary Investment Schedule and
Supplemental Investment Risks Interrogatories
For the Year Ended December 31, 2023

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3	
18.02		$	0.0	%
18.03		$	0.0	%
18.04		$	0.0	%
18.05		$	0.0	%
18.06		$	0.0	%

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

	1	2	3	
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$	0.0	%
	Largest three investments held in mezzanine real estate loans:			
19.03		$	0.0	%
19.04		$	0.0	%
19.05		$	0.0	%

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
20.01 Securities lending agreements (do not include assets held as collateral for such transactions)	$	0.0	%	$	$	$
20.02 Repurchase agreements	$	0.0	%	$	$	$
20.03 Reverse repurchase agreements	$	0.0	%	$	$	$
20.04 Dollar repurchase agreements	$	0.0	%	$	$	$
20.05 Dollar reverse repurchase agreements	$	0.0	%	$	$	$

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

	Owned			Written		
	1	2		3	4	
21.01 Hedging	$	0.0	%	$	0.0	%
21.02 Income generation	$	0.0	%	$	0.0	%
21.03 Other	$	0.0	%	$	0.0	%

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

	At Year-End			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
22.01 Hedging	$	0.0	%	$	$	$
22.02 Income generation	$	0.0	%	$	$	$
22.03 Replications	$	0.0	%	$	$	$
22.04 Other	$	0.0	%	$	$	$

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

	At Year-End			At End of Each Quarter		
				1st Qtr	2nd Qtr	3rd Qtr
	1	2		3	4	5
23.01 Hedging	$	0.0	%	$	$	$
23.02 Income generation	$	0.0	%	$	$	$
23.03 Replications	$	0.0	%	$	$	$
23.04 Other	$	0.0	%	$	$	$

1. The Company did not have any risks reinsured under a quota share reinsurance contract, entered into, renewed or amended on or after January 1, 1994, with any other entity that includes a provision that would limit the reinsurer's losses below the stated quota share percentage.

2. The Company did not cede any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features that would have similar results:

   a. A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;
   b. A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;
   c. Aggregate stop loss reinsurance coverage;
   d. A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;
   e. A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or
   f. Payment schedules, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.

3. The Company during the period covered by the statement did not cede any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) entered into, renewed or amended on or after January 1, 1994 (excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member), for which the Company recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders, where:

   a. The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or

   b. Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates.

4. Except for transactions meeting the requirements of paragraph 36 of SSAP No. 62R - Property and Casualty Reinsurance, the Company did not cede any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates), entered into, renewed or amended on or after January 1, 1994, during the period covered by the financial statement, and either:

   a. Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles (“SAP”) and as a deposit under GAAP; or

   b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.