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PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2013

OF THE CONDITION AND AFFAIRS OF THE

CIFG Assurance North America, Inc.

NAIC Group Code 00000 (Current Period), 00000 (Prior Period) NAIC Company Code 25771 Employer's ID Number 75-1331566

Organized under the Laws of New York, State of Domicile or Port of Entry New York

Country of Domicile United States

Incorporated/Organized 03/05/2003 Commenced Business 04/11/2003

Statutory Home Office 850 Third Avenue (Street and Number), New York, NY, US 10022-7519 (City or Town, State, Country and Zip Code)

Main Administrative Office 850 Third Avenue (Street and Number) New York, NY, US 10022-7519 (City or Town, State, Country and Zip Code) 212-909-3939 (Area Code) (Telephone Number)

Mail Address 850 Third Avenue (Street and Number or P.O. Box), New York, NY, US 10022-7519 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 850 Third Avenue (Street and Number) New York, NY, US 10022-7519 (City or Town, State, Country and Zip Code) 212-909-3931 (Area Code) (Telephone Number)

Internet Web Site Address www.cifg.com

Statutory Statement Contact Lori Ann Pitta (Name) 212-909-3931 (Area Code) (Telephone Number) (Extension)

l.pitta@cifg.com (E-mail Address) 212-909-0400 (Fax Number)

OFFICERS

Name	Title	Name	Title
Lawrence Paul English	CEO	David Allan Buzen	President & CFO
Michael Stuart Knopf	Secretary	Stanislav Cotek	Treasurer

OTHER OFFICERS

DIRECTORS OR TRUSTEES

John Thomas Baily	David Allan Buzen	Eugene Irwin Davis	Lawrence Paul English
Richard George Holzinger	Michael Stuart Knopf	Addison Herbert Shuster	

State of New York

County of Kings ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Lawrence Paul English	David Allan Buzen	Michael Stuart Knopf
CEO	President & CFO	Secretary

a. Is this an original filing? Yes [X] No [ ]

Subscribed and sworn to before me this ______ day of ______ , ______

b. If no:
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

	Current Statement Date 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
1. Bonds	585,918,981		585,918,981	671,816,780
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks	52,156,927	599,986	51,556,941	53,454,478
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less $ .... encumbrances)			0	0
4.2 Properties held for the production of income (less $ .... encumbrances)			0	0
4.3 Properties held for sale (less $ .... encumbrances)			0	0
5. Cash ($ 43,141,095), cash equivalents ($ 0) and short-term investments ($ 0)	43,141,095		43,141,095	21,343,061
6. Contract loans (including $ .... premium notes)			0	0
7. Derivatives			0	0
8. Other invested assets	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	681,217,003	599,986	680,617,017	746,614,320
13. Title plants less $ .... charged off (for Title insurers only)			0	0
14. Investment income due and accrued	3,397,112		3,397,112	4,875,457
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	579,347	143,237	436,110	964,994
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ .... earned but unbilled premiums)	4,301,773		4,301,773	5,117,549
15.3 Accrued retrospective premiums			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon			0	0
18.2 Net deferred tax asset			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software			0	0
21. Furniture and equipment, including health care delivery assets ($ ....)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	0
24. Health care ($ ....) and other amounts receivable			0	0
25. Aggregate write-ins for other than invested assets	176,906	0	176,906	327,456
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	689,672,141	743,223	688,928,918	757,899,775
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28. Total (Lines 26 and 27)	689,672,141	743,223	688,928,918	757,899,775
DETAILS OF WRITE-INS				
1101.			0	0
1102.			0	0
1103.			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Prepaid - Premium Taxes			0	0
2502. State Income Taxes Recoverable			0	0
2503. Salvage recoverable on insured bonds	70,903		70,903	221,454
2598. Summary of remaining write-ins for Line 25 from overflow page	106,003	0	106,003	106,003
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	176,906	0	176,906	327,456

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 56,352,000)	14,403,521	241,669,082
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses	6,334,998	6,815,000
4. Commissions payable, contingent commissions and other similar charges	15,164	10,014
5. Other expenses (excluding taxes, licenses and fees)	295,380	755,349
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	52,290	(40,970)
7.1 Current federal and foreign income taxes (including $ on realized capital gains (losses))		0
7.2 Net deferred tax liability		0
8. Borrowed money $ and interest thereon $		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 22,202,909 and including warranty reserves of $ and accrued accident and health experience rating refunds including $ for medical loss ratio rebate per the Public Health Service Act)	24,000,125	29,877,090
10. Advance premium		0
11. Dividends declared and unpaid:		
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)	364,297	360,116
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others		0
15. Remittances and items not allocated	466,107	317,828
16. Provision for reinsurance (including $ certified)		0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	6,600,314	4,372,157
20. Derivatives		0
21. Payable for securities	16,747,482	0
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes $ and interest thereon $		0
25. Aggregate write-ins for liabilities	80,721,572	96,709,111
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	150,001,251	380,844,775
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	150,001,251	380,844,775
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock		0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes		0
34. Gross paid in and contributed surplus	2,508,671,017	2,508,671,017
35. Unassigned funds (surplus)	(1,984,743,350)	(2,146,616,017)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 $)		0
36.2 shares preferred (value included in Line 31 $)		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	538,927,667	377,055,000
38. Totals (Page 2, Line 28, Col. 3)	688,928,918	757,899,775
DETAILS OF WRITE-INS		
2501. Deferred ceding commission	3,317,168	3,848,264
2502. Contingency reserves	77,404,405	92,860,847
2503. Deferred committment fees	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	80,721,572	96,709,111
2901.		0
2902.		0
2903.		0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.		0
3202.		0
3203.		0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written $ 13,193,976)	23,168,411	28,677,738	37,082,138
1.2 Assumed (written $ 3,051,486)	3,303,555	5,039,266	6,596,907
1.3 Ceded (written $ 94,845)	4,440,540	3,399,955	2,692,662
1.4 Net (written $ 16,150,617)	22,031,427	30,317,050	40,986,384
DEDUCTIONS:			
2. Losses incurred (current accident year $):			
2.1 Direct	(123,957,909)	254,816,403	247,351,080
2.2 Assumed	793,730	691,422	903,725
2.3 Ceded	0	0	0
2.4 Net	(123,164,180)	255,507,826	248,254,805
3. Loss adjustment expenses incurred	4,464,400	4,830,029	6,413,569
4. Other underwriting expenses incurred	10,259,698	11,560,403	17,470,498
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	(108,440,082)	271,898,258	272,138,872
7. Net income of protected cells		0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	130,471,509	(241,581,208)	(231,152,488)
INVESTMENT INCOME			
9. Net investment income earned	11,348,804	12,238,346	16,301,981
10. Net realized capital gains (losses) less capital gains tax of $	5,965,646	2,050,512	2,384,094
11. Net investment gain (loss) (Lines 9 + 10)	17,314,451	14,288,857	18,686,075
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)	0	0	0
13. Finance and service charges not included in premiums	0	0	0
14. Aggregate write-ins for miscellaneous income	(195,816)	298,599	275,259
15. Total other income (Lines 12 through 14)	(195,816)	298,599	275,259
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	147,590,143	(226,993,752)	(212,191,154)
17. Dividends to policyholders		0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	147,590,143	(226,993,752)	(212,191,154)
19. Federal and foreign income taxes incurred		0	0
20. Net income (Line 18 minus Line 19)(to Line 22)	147,590,143	(226,993,752)	(212,191,154)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	377,055,000	584,455,831	584,455,831
22. Net income (from Line 20)	147,590,143	(226,993,752)	(212,191,154)
23. Net transfers (to) from Protected Cell accounts		0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of $	(859,668)	1,962,222	6,737,588
25. Change in net unrealized foreign exchange capital gain (loss)	(416,962)	(467,427)	75,032
26. Change in net deferred income tax		0	0
27. Change in nonadmitted assets	102,713	(615,859)	(669,684)
28. Change in provision for reinsurance		0	0
29. Change in surplus notes		0	0
30. Surplus (contributed to) withdrawn from protected cells		0	0
31. Cumulative effect of changes in accounting principles		0	0
32. Capital changes:			
32.1 Paid in		0	0
32.2 Transferred from surplus (Stock Dividend)		0	0
32.3 Transferred to surplus		0	0
33. Surplus adjustments:			
33.1 Paid in		0	0
33.2 Transferred to capital (Stock Dividend)		0	0
33.3 Transferred from capital		0	0
34. Net remittances from or (to) Home Office		0	0
35. Dividends to stockholders		0	0
36. Change in treasury stock		0	0
37. Aggregate write-ins for gains and losses in surplus	15,456,442	(1,572,824)	(1,352,612)
38. Change in surplus as regards policyholders (Lines 22 through 37)	161,872,668	(227,687,640)	(207,400,831)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	538,927,669	356,768,191	377,055,000
DETAILS OF WRITE-INS			
0501.		0	0
0502.		0	0
0503.		0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Fee Income	95,000	240,326	240,326
1402. Foreign exchange loss	(290,816)	58,273	34,933
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	(195,816)	298,599	275,259
3701. Change in contingency reserve	15,456,442	(3,520,174)	(1,352,612)
3702. Change in Value of Subsidiary	0	1,947,350	0
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	15,456,442	(1,572,824)	(1,352,612)

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	17,595,740	22,581,078	34,359,617
2. Net investment income	14,112,445	14,777,365	18,877,514
3. Miscellaneous income	(195,816)	133,275	109,930
4. Total (Lines 1 to 3)	31,512,368	37,491,718	53,347,061
5. Benefit and loss related payments	105,811,601	(13,202,307)	(18,683,116)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	13,868,598	18,427,103	25,676,140
8. Dividends paid to policyholders	0	0	0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	0	0	0
10. Total (Lines 5 through 9)	119,680,199	5,224,796	6,993,024
11. Net cash from operations (Line 4 minus Line 10)	(88,167,830)	32,266,922	46,354,037
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	234,038,149	97,878,940	181,918,542
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	16,747,482	0	2
12.8 Total investment proceeds (Lines 12.1 to 12.7)	250,785,631	97,878,940	181,918,544
13. Cost of investments acquired (long-term only):			
13.1 Bonds	140,978,321	148,296,918	262,543,441
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	140,978,321	148,296,918	262,543,441
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	109,807,310	(50,417,978)	(80,624,897)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	0
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	158,554	(380,438)	(533,941)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	158,554	(380,438)	(533,941)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	21,798,033	(18,531,494)	(34,804,802)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	21,343,061	56,147,863	56,147,863
19.2 End of period (Line 18 plus Line 19.1)	43,141,095	37,616,369	21,343,061

1. Summary of Significant Accounting Policies

A. Accounting Practices

The CIFG Group, ("CIFG Group") is comprised of CIFG Holding Inc. ("CIFG Holding"), CIFG Europe, S.A. ("CIFG Europe"), CIFG Services, LLC ("CIFG Services") and CIFG Assurance North America, Inc, ("CIFG NA" or "the Company"). CIFG NA is a direct subsidiary of CIFG Holding, and the parent company of CIFG Services and CIFG Europe.

The accompanying financial statements of CIFG NA are presented on the basis of accounting practices prescribed or permitted by the Superintendent of the New York Department of Financial Services ("NYDFS").

Permitted or Prescribed Practices

NYDFS only recognizes 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 for determining its solvency under New York Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures* manual ("NAIC SAP" or Statement of Statutory Accounting Principles, "SSAPs") has been adopted as a component of prescribed or permitted practices by the State of New York. The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP.

There are no SSAPs or sections of SSAPs that conflict with New York Insurance Law that are applicable to CIFG NA as of September 30, 2013.

The Company has certain accounting practices which are permitted, rather than prescribed by the NYDFS. As disclosed in Note 1C (6), CIFG NA has purchased or remediated asset backed bonds which it insured in prior years ("Purchased Insured Bonds") as part of the Company's loss mitigation strategy.

When CIFG NA makes a claim payment with respect to a Purchased Insured Bond, it in turn receives a share of the financial guaranty claim payment due to its ownership of the Purchased Insured Bond. The SSAPs do not provide direct guidance on how to treat case basis reserves for losses when a Purchased Insured Bond is owned due to the fact that CIFG NA no longer suffers any economic loss as the result of its receiving the shortfall payments due to its status as a beneficial owner (other than the initial cost of purchasing or commuting the bond, less when applicable any residual cash flow payments made on the bond other than claim payments). The NYDFS did not object to the Company's proposed accounting for Purchased Insured Bonds whereby 1) the consideration paid to acquire the Purchased Insured Bonds be accounted for as a current claim payment, 2) the anticipated cash flows received on the Purchased Insured Bonds in excess of all anticipated future insured claim payments ("Residuals" or "Bond Residuals") are treated as salvage and 3) paid losses and loss adjustment expense ("LAE") for the applicable Purchased Insured Bond may be partially or completely offset by both the treatment of refunded claim payments and Residuals received as salvage. The NYDFS did not object to the treatment of Residuals and the present value of future refunded claim payments as salvage. As a result, for each Purchased Insured Bond, CIFG NA has reduced its corresponding unpaid loss and LAE by a salvage offset for both the present value of future refunded claim payments and Residuals as of September 30, 2013 and December 31, 2012.

If the Company treated the Purchased Insured Bonds as investments, rather than as paid claim, the impact to the statutory-basis surplus and statement of operations would be different. However this difference would be eliminated when the bond reaches maturity. The variation in results arises from salvage received, salvage assets, (i.e. present value of future refunded claim payments and Residuals) and different discount rates on unpaid loss reserves. The discount rate under NAIC SAP would be higher due to the inclusion of Purchased Insured Bonds as investments. As a result, the loss reserves under NAIC SAP would be lower.

The Company estimates that the impact to the statutory-basis surplus and statement of operations are as follows:

	9/30/2013	12/31/2012
	(in thousands)	
Surplus, as reported	$ 538,928	$ 377,054
Effect of Permitted Practice	(97,144)	(100,597)
Surplus, NAIC SAP	$ 441,784	$ 276,457
Net income (loss), as reported	$ 147,590	$ (212,191)
Effect of Permitted Practice	15,485	101,700
Net income (loss), NAIC SAP	$ 163,075	$ (110,491)

The NYDFS approved a waiver of New York State Insurance Law to allow the Company to treat its entire investment in subsidiary as an admitted asset not subject to the statutory limitations. Based upon the Company's surplus as regards policyholders ("surplus") as of September 30, 2013 of approximately $ 538.9 million, the limitation for the carrying value of subsidiaries would have imposed a maximum threshold of approximately $170.6 million. CIFG NA's investment in subsidiary is approximately $51.6 million and is below that threshold. This waiver had no impact on surplus as of September 30, 2013 and December 31, 2012.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting principles prescribed or permitted by the NYDFS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could be materially different from those estimates.

C. Accounting Policies

The Company has not written any new financial guaranty contracts since the beginning of 2008.

Upfront premiums, whether direct or assumed business, are earned ratably during the period in which the related principal and interest is payable. Installment premiums, whether direct or assumed, are collected periodically and are reflected in income pro rata over the period covered by the premium payment. When an issue insured or reinsured by CIFG NA has been refunded or called prior to maturity, the remaining unrecognized premium will be earned at that time. Unearned premiums represent that portion of premiums received on policies in force, which is applicable to coverage of risk to be provided in the future.

Before the Company ceased writing new financial guaranty contracts, expenses incurred in connection with the acquisition of new insurance business were charged to operations as incurred. Expenses incurred were reduced for ceding commissions earned on a ceded reinsurance agreement, to the extent the ceding commission received did not exceed acquisition costs. A liability was established for the amount of ceding commission received in excess of acquisition costs. The deferred ceding commission is earned, in the statement of income, based upon a blended premium earnings pattern for all underwriting years. In 2013 and 2012 there have been minimal additions to the deferred ceding commission balance for ceded installment premiums. The balance has declined each year because deferred ceding commissions are amortized (i.e., earned) as the ceded unearned premium reserve runs-off.

In addition, the Company uses the following accounting policies:

(1) Short-term investments are stated at amortized cost, which approximates fair value except for the securities denominated in currencies other than the U.S. dollar. Short-term investments denominated in currencies other than the U.S. dollar are accounted for at their U.S. dollar equivalent values using exchange rates at the balance sheet date. Fluctuation in values due to changes in foreign currency exchange rates are recorded as unrealized currency exchange gains or losses and included as changes in

surplus.

(2) Investments in long-term bonds not backed by other loans with a NAIC designation of 1 or 2 are reported at amortized cost. For purposes of computing amortized cost, premiums and discounts are accounted for using the interest method. For bonds purchased at a price below par value, discounts are accreted over the remaining term of the bond. For bonds purchased at a price above par value, which have call features, premiums are amortized to the most likely call dates as determined by management. For premium bonds that do not have call features, such premiums are amortized over the remaining terms of the bond. Mortgage-backed and other asset-backed securities are carried at amortized cost. The retrospective method is used to estimate cash flows, unless there has been an other-than-temporary-impairment ("OTTI") then the prospective method is used.

Long-term bonds denominated in currencies other than the U.S. dollar are accounted for at their U.S. dollar equivalent values using exchange rates at the balance sheet date. Fluctuation in values due to changes in currency exchange rates are recorded as unrealized currency exchange gains or losses and included as changes in surplus.

The Company owns investments in loan-backed securities (see Note 5). These securities are not actively traded; therefore market values are not readily available. As such, valuations have been obtained from third parties, and represent the statement value. Securities with NAIC designations of 1 or 2 are recorded at their statement value. Securities designated with a NAIC rating between 3 or 6 are carried at the lower of cost or fair value. The unrealized loss is recognized in surplus. Evaluations for OTTI are prepared quarterly. Securities are written down to the realizable value if it has been determined that there is an OTTI.

The Company's process for identifying declines in fair value of investments that are other-than-temporary involves consideration of multiple factors this includes current economic conditions, market prices, issuer-specific developments, the time period during which there has been a significant decline in value, and the Company's intent and ability to hold the investment for a sufficient period of time for the value to recover. The Company prepares analyses of discounted cash flows for loan-backed securities to evaluate whether there is an OTTI. If the Company's analysis of these factors results in a determination that the decline is other-than-temporary, the Company writes down the carrying value of the investment to the current fair value and recognizes a realized capital loss as a charge to the statutory-basis statement of income.

Investment income is recorded as earned. Realized gains or losses on the sale of investments are determined on a first-in, first-out (FIFO) basis, and are included as a separate component of revenues.

(3) In 2012 the Company received shares of CIFG Holding common stock as part of a litigation settlement. At September 30, 2013 and December 31, 2012 the investment in shares of CIFG Holding are not readily available for liquidation and therefore are treated as a non-admitted asset. (See item (7) below for investment in subsidiaries)

(4) The Company did not have any investments in preferred stocks as of September 30, 2013 and December 31, 2012.

(5) The Company did not have any investments in mortgage loans on real estate as of September 30, 2013 and December 31, 2012.

(6) See note C (2) above for disclosures of loan-backed securities held in the investment portfolio.

As disclosed in this Note, one aspect of CIFG NA's loss mitigation strategy includes the acquisition of Purchased Insured Bonds. When the Company establishes an unpaid loss and LAE reserve for a transaction where it owns a Purchased Insured Bond, it establishes a corresponding salvage recovery in the amount of its proportionate ownership of the Purchased Insured Bonds (i.e., present value of future refunded claim payments) and for any Residuals. A salvage accrual is also established for the reimbursement of claim payments due to CIFG NA that were made at the end of a period but not yet reimbursed by the bond trustee. (See Note 25 for further information) As noted above, the NYDFS did not object to the Company's accounting methodology for this loss mitigation strategy.

(7) CIFG NA reports investments in subsidiaries relating to CIFG Services and CIFG Europe. Investments in subsidiaries are included in schedule D at their U.S. statutory book value. Any unrealized gains or losses are recognized in surplus. The NYDFS approved the Company's treatment of its entire investment in subsidiary as an admitted asset not subject to statutory limitations. As of September 30, 2013 CIFG NA's investment in subsidiaries as compared to surplus is below the statutory limitations. Therefore even without the NYDFS action the investment in subsidiary balance would meet the criteria to be a fully admitted asset. Based upon the Company's surplus as of September 30, 2013 of approximately $538.9 million, the limitation for the carrying value of subsidiaries would impose a maximum threshold of approximately $170.6 million. CIFG NA's investment in subsidiary at September 30, 2013 is approximately $51.6 million and is below that threshold.

CIFG Europe is domiciled in France and provides statutory filings to the French regulators based on the applicable insurance law. The French statutory financial statements are converted to a U.S. statutory basis, which is the carrying value in Schedule D.

See note 5D for Note disclosures regarding Loan-Backed Securities.

(8) The Company held no interests in joint ventures as of September 30, 2013 and December 31, 2012.

(9) The Company did not have any derivatives as of September 30, 2013 and December 31, 2012.

(10) The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 60, Financial Guaranty Insurance.

(11) The Company establishes a case basis loss reserve for unpaid losses and LAE when the Company determines that it is probable that a loss will be incurred and the amount of such loss can be reasonably estimated. In addition, CIFG NA assumes case basis reserves and LAE from its subsidiary CIFG Europe under internal reinsurance arrangements. As a result, CIFG NA's unpaid losses and LAE reserves are based on reports received from its subsidiary and from its own case basis reserve determination. For both CIFG NA and CIFG Europe, the amount of case basis loss reserves is determined based on the present value of the anticipated defaulted debt service payments over the expected period of default and estimated expenses associated with settling or remediating the claims, less estimated recoveries under salvage or subrogation rights. The discount rate used to determine the present value of future losses is derived from the CIFG Group's investment portfolio rate of return. Unpaid losses and LAE reserves are established on a gross basis before the consideration of salvage.

The Company has developed internal models that assist in the calculation of case basis reserves. Loss reserves are calculated on a credit-by-credit basis using loss or claim payment scenario forecasts appropriate for a particular asset class, as well as other information. For structured finance asset classes where there is information available on the performance of the underlying collateral, the Company uses a third party cash flow engine, Intex, to generate multiple loss scenarios based on historical and anticipated collateral cash flows. The anticipated collateral cash flows are allocated to each series of bonds in accordance with the provisions of the related transaction documentation. Any resulting payment deficiencies allocated to CIFG NA insured bonds indicate the related potential loss. For reinsurance assumed from CIFG Europe, such loss is then ceded to the Company by CIFG Europe, pursuant to the terms of the applicable reinsurance agreement.

The development of these reserve estimates requires management to make assumptions on the outcome of future events, based on historical and current transaction data, collateral performance, and external market trends and inputs and other information which the Company believes relevant. For example, the Company estimates losses on student loan transactions based on its estimate of default rates and loss severities. The history of defaults and charge-offs are used to determine the starting values of the Conditional Default Rate ("CDR") forecast. The rest of the CDR curve is forecasted using recent actual charge-offs, the size of the forbearance, delinquency and grace period buckets and the projected unemployment rates. Loss severities are estimated using current and historical loss severities. Whereas, the Company estimates losses on residential mortgage backed securities ("RMBS"), where the underlying collateral is predominately home equity lines of credit (HELOC), alternative A loans ("Alt A"), first lien mortgages (1^{st} lien), and second lien mortgages (2nd lien), based on its estimate of anticipated CDRs, voluntary prepayment speeds, loss severity, monthly loss rates, monthly draw rates and recovery rates based on historical recovery data. The loss reserve methodology used for multi-sector asset backed securities ABS CDO, predominately utilizes, among other things, third party collateral classifications, and third-party credit ratings on each piece of underlying collateral to derive an estimate of the probability of loss and the expected loss for the related insured exposure. The Company previously determined unpaid losses through a Monte Carlo simulation. A granular credit-by-credit analysis of the underlying collateral in the transaction indicated that losses on these transactions were expected to be 100%. Consequently the Company's ABS CDO reserves are established at the full policy limit. Changes in any significant assumptions or estimates may materially impact the Company's estimate of unpaid losses and LAE reserves.

CIFG NA accrues salvage recoveries where pursuant to transaction documents and loss model assumptions the underlying cash flow projections or modeling results estimate a recovery sometime in the future. In addition, salvage recoveries are accrued for unpaid losses and LAE reserves based on the 1) the present value of future refunded claim payments (i.e. due to the proportionate share of Purchased Insured Bonds owned and/ or their proportionate share of financial guaranty contracts that have been commuted) and 2) Bond Residuals (See Notes 1, and 25 for further disclosure). Salvage recoveries are discounted at the same rate as unpaid losses and LAE reserves, and are presented as a partial or an entire offset to unpaid losses and LAE reserves.

Loss remediation expenses such as third party consulting and external legal fees are recorded as a component of LAE in the statement of income. Legal fee estimates include litigation pursuit as a plaintiff to recover paid claims and claims filed by the Company for breach of representations and warranties.

Reinsurance recoverable on unpaid losses is calculated in a manner consistent with the calculation of unpaid losses and LAE reserves and is also based on the terms of the applicable reinsurance agreement and an assessment of the reinsurer's ability and willingness to pay.

Before the Company establishes a case basis reserve, the results of the internal performance modeling and analysis are presented to the Company's internal Loss Reserve Committee, which determines the appropriate case basis reserve for each credit based upon its review and assessment of the model results and other factors. Quarterly, the Loss Reserve Committee reviews the established reserves and any associated salvage to determine whether any adjustments are warranted due to modification of estimates or changes in collateral performance.

Management believes that the Company's unpaid losses and LAE reserves are adequate to cover the ultimate net cost of claims. However, because the reserves are based on among other things management's judgment and estimates, there can be no assurance that the ultimate liability will not be materially different than such estimates. (See note 25 for additional disclosure).

(12) The Company is required to establish a mandatory contingency reserve in accordance with NAIC SAP and New York Insurance Law. The reserve amount is greater of 50% of premiums written or a stated percentage of the original principal guaranteed depending on the category and the original rating of obligation insured ranging from .55% to 2.50%. Provisions to the contingency reserve are to be made in equal quarterly installments over a period of 15 or 20 years, depending on the category of the obligation insured. Contributions may be discontinued if the total reserve established for all categories exceeds the sum of the stated percentages contained therein multiplied by the unpaid principal guaranteed. The mandatory contingency reserve may be released on a first-in, first-out (FIFO) basis through unassigned surplus in the following circumstances:

For contingency reserves required to be maintained for 15 or 20 years, any year in which actual incurred losses exceed 65% or 35%, respectively, of the corresponding earned premiums, with commissioner approval);

For contingency reserves required to be maintained for 15 or 20 years, if the reserve has been in existence less than 30 quarters or 40 quarters, respectively, upon demonstration that the amount is excessive in relation to the outstanding obligations under the insurer's financial guarantees, with commissioner approval;

For contingency reserves required to be maintained for 15 or 20 years, if the reserve has been in existence more than 30 quarters or 40 quarters, respectively, upon demonstration that the amount is excessive in relation to the outstanding obligations under the insurer's financial guarantees, upon 30 days prior written notice to the commissioner.

Contingency reserves are recorded for direct and assumed business, net of external third party ceded reinsurance. U.S. Public Finance financial guaranty contracts ceded to Assured Guaranty Corp. ("Assured Guaranty") comprise the most significant portion of ceded business. Assured Guaranty is a regulated U.S. insurer, which establishes contingency reserves on the U.S. Public Finance business assumed from CIFG NA.

The NYDFS has approved the release of contingency reserves for policies that are no longer in force. Routinely, the inception-to-date contingency reserve will be released for policies that are newly terminated, matured, novated or commuted with respect to a given quarter.

(13) As of September30, 2013 and December 31, 2012 the Company does not have any pharmaceutical rebate receivables.

2. Accounting Changes and Corrections of Errors

None

3. Business Combinations and Goodwill

A. Statutory Purchase Method

The Company has not been a party to any business combinations taking the form of a statutory purchase during 2013 and 2012.

B. Statutory Mergers

The Company has not been a party to a statutory merger during 2013 and 2012.

C. Impairment Loss

None

4. Discontinued Operations

The Company does not have any discontinued operations in 2013 and 2012.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans.

The Company has no investments in mortgage loans, including mezzanine real estate loans as of September 30, 2013 and December 31, 2012. However, the Company owns Purchased Insured Bonds including RMBS collateralized by mortgage loans as part of its loss mitigation strategy as described above in Notes 1A and C.

B. Debt Restructuring

The Company has no investments in debt restructuring transactions as of September 30, 2013 and December 31, 2012.

C. Reverse Mortgages

The Company has no investments in reverse mortgages as of September30, 2013 and December 31, 2012.

D. Loan-Backed Securities

1. The Company has investments in mortgage-backed and other asset-backed securities as of September 30, 2013 and December 31, 2012. Mortgage-backed and other asset-backed securities are carried at amortized cost. The retrospective method is used to estimate cash flows, unless there has been an OTTI, in which case the prospective method is used.

The Company recognized an OTTI of approximately $1.5 million as of September 30, 2013, which a charge to the income statement. However, unrealized losses in surplus for these securities were released at the same time. These securities were previously impaired in 2011 for approximately $472 thousand, the inception to date impairment is approximately $2.0 million.

2.

In thousands	(1) Amortized Cost Basis Before OTTI	(2) OTTI Recognized in Loss	(3) Fair Value
OTTI recognized in 1st Quarter			
a. Intent to sell	**0**	**0**	**0**
b. Inability or lack of intent to retain security for a period of time sufficient to recover to the amortized cost basis	**0**	**0**	**0**
c. Total 1st Quarter	**0**	**0**	**0**
OTTI recognized in 2nd Quarter			
a. Intent to sell	**0**	**0**	**0**
b. Inability or lack of intent to retain security for a period of time sufficient to recover to the amortized cost basis	**0**	**0**	
c. Total 2nd Quarter	**0**	**0**	**0**
OTTI recognized in 2nd Quarter			
a. Intent to sell	**0**	**0**	**0**
b. Inability or lack of intent to retain security for a period of time sufficient to recover to the amortized cost basis	**0**	**0**	**0**
c. Total 3rd Quarter	**0**	**0**	**0**
OTTI recognized in 3rd Quarter			
a. Intent to sell	**$2,458**	**$1,502**	**$955**
b. Inability or lack of intent to retain security for a period of time sufficient to recover to the amortized cost basis	**0**	**0**	**0**
OTTI recognized in 4th[t] Quarter			
a. Intent to sell	**0**	**0**	**0**
b. Inability or lack of intent to retain security for a period of time sufficient to recover to the amortized cost basis	**0**	**0**	**0**
c. Total 4th Quarter	**0**	**0**	**0**

3. The Company did recognize OTTI of approximately $1.5 million as of September30, 2013.

CUSIP	2 Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI (in thousands)	3 Present Value of Projected Cash Flows (in thousands)	4 Recognized OTTI (in thousands)	5 Amortized Cost After OTTI (in thousands)	6 Fair Value at time of OTTI (in thousands)	7 Date of Financial Statement Where Reported
576434-TX-2	$1,407	373	$(1,033)	$373	$373	9/30/2013
31393X-4A-2	888	556	(332)	(558)	(588)	9/30/2013
22541N-EP-0	163	26	(137)	26	26	9/30/2013
Total	**$2,458**	**955**	**$(1,502)**	**955**	**955**	

4. All impaired securities (fair value is less than cost or amortized cost) for which OTTI has not been recognized in earnings as a realized loss (including securities with a recognized OTTI for non-interest related declines when a non-recognized interest impairment remains):

a. The aggregate amount of unrealized losses:

1. Less than 12 months	$0
2. 12 months or longer	$87,196

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 months	$0
2. 12 months or longer	$4,905,746

E. Repurchase Agreements

The Company has no investments in Repurchase Agreements as of September 30, 2013 and December 31, 2012.

6. Joint Ventures, Partnerships and Limited Liability Companies

A. The Company does not own any investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income

A. All investment income due and accrued that is over 90 days past due is considered a non-admitted asset.

B. There was no investment income past due as of September 30, 2013 and December 31, 2012.

8. Derivative Instruments

The Company has not entered into any transactions classified as derivative instruments as of September 30, 2013 and December 31, 2012.

9. Income Taxes

A. The components of the net deferred tax asset at September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013		December 31, 2012	
	Ordinary	Capital	Ordinary	Capital
Total of gross deferred tax assets	$ 731,463,975	$ 135,430	$ 788,930,000	$ 135,430
Statutory valuation allowance	(717,407,283)	(135,430)	(773,659,363)	(135,430)
Total of deferred tax liabilities	(14,056,692)	-	(15,270,637)	-
Net deferred tax assets	0	-	0	-
Deferred tax asset nonadmitted	-	-	(0)	-
Net admitted deferred tax asset	$ 0	$ -	$ -	$ -
Decrease (Increase) in nonadmitted asset	$ -	$ -	$ -	$ -

As of September 30, 2013 the Company has a 100% valuation allowance against its net deferred asset. The Company elected not to admit deferred tax assets. It has a 100% valuation allowance against its net deferred tax asset; therefore, it is not subject to the deferred tax admissibility tests.

B. The Company does not have any deferred tax liabilities which were not recognized as of September 30, 2013 and December 31, 2012.

C. The Company had incurred federal income taxes of $0 on an alternative minimum basis for both 2013 and 2012.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	September 30, 2013	December 31, 2012	Change
Deferred tax assets			
Ordinary:			
Loss and loss adjustment expense reserves	$ 172,829,610	$ 259,146,849	$ (86,317,239)
Contingency reserve	27,091,542	32,501,296	(5,409,754)
Unearned premium reserve	692,462	$ (2,282,998)	2,975,460
Investment Impairment loss	4,008,061	3,647,456	360,605
Deferred ceding commission income	1,165,724	1,238,103	(72,379)
Goodwill	856,656	1,004,401	(147,745)
Deferred compensation	178,705	807,195	(628,490)
Net operating loss	524,348,735	490,292,219	34,056,515
Non-admitted asset	292,481	292,481	(0)
Other		1	(1)
Gross Ordinary deferred tax assets	731,463,976	786,647,002	(55,183,026)
Statutory valuation allowance -ordinary	(717,542,713)	(773,794,792)	56,252,079
Admitted Ordinary deferred tax assets	13,921,263	12,852,210	1,069,053
Capital:			
Unrealized capital gains & losses, net	135,430	135,430	(0)
	-	-	-
Gross Capital deferred tax assets			
Total Admitted deferred tax assets	14,056,693	12,987,640	1,069,052
Deferred tax liabilities			
Ordinary:			
Unearned premium reserve			
Unrealized foreign exchange gains	(2,159,010)	(2,305,606)	146,596
Interest income	(25,499)	(25,499)	(0)
Controlled Foreign Corporation	(10,004,860)	(9,191,167)	(813,693)
Depreciation	(212,210)	(212,210)	0
Discount on bonds	(1,625,581)	(1,223,625)	(401,955)
Other	(29,533)	(29,533)	1
Ordinary deferred tax liabilities	(14,056,693)	(12,987,640)	(1,069,052)
Capital:			
Unrealized capital gains & losses, net		-	(0)
Capital deferred tax liabilities	-	-	(0)
Deferred tax liabilities	(14,056,693)	(12,987,640)	(1,069,052)
Net deferred tax assets	$ -	$ (0)	$ 0
Change in net deferred tax benefit			$ 0

The change in net deferred income taxes does not reflect the deferred tax asset admissibility test. The entire net deferred asset is offset by a valuation allowance.

D. Among the more significant book to tax adjustments at September 30, 2013 were the following:

	Amount	Effective Tax Rate
Income before taxes	$ 51,679,433	35.0%
Permanent Differences:		
Change in valuation allowance	(57,085,696)	(38.7)%
Contingency reserve	5,409,755	3.7%
Disallowed expenses	1,061	(0.0)%
Change in non-admitted assets	-	0.0%
Investments	(4,793)	(0.0)%
Other	240	0.0%
		0.0%
Total	$ 0	0.0%
Change in net deferred income taxes		0.0%
Total statutory income taxes	$ -	
		0.0%

As noted above, the change in net deferred income taxes does not reflect the deferred tax asset admissibility test because the Company has established a valuation allowance against the entire net deferred tax asset balance.

E. 1. As of September 30, 2013 the Company had a net operating loss ("NOL") carry-forward of approximately $1.6 billion (after Section 382 limitations). As of September 30, 2013 NOLs of approximately $151.9 million are subject to limitation under Section 382 of the Internal Revenue Code due to the ownership change that occurred in 2009. In addition, NOLs generated in 2009 of approximately $1.4 billion are subject to SRLY limitations.

Origination Year	Losses Before Limitation	IRS Section 382 Limited	Operating Losses After Limitation	Expiration Date
12/31/2003	$ 3,858,787	$ 3,858,787	$ -	
12/31/2004	3,473,724	3,473,724	-	
12/31/2007	10,162,098	10,162,098	-	2027
12/31/2008	46,545,671	46,545,671	-	2028
*12/18/2009	1,483,945,215	87,861,265	1,396,083,950	2029
12/31/2010	210,504,627	-	210,504,627	2030
12/31/2011	-	-	-	2031
12/31/2012	(321,139,890)	-	(321,139,890)	2032
9/30/2013	113,981,242	-	113,981,242	2033
	$ 1,551,331,474	**$ 151,901,545**	**$ 1,399,429,929**	

*** SRLY limitations of approximately $1.4 billion**

The Company has capital loss carry-forwards of approximately $135 thousand from the 2010 tax year, which will expire in 2015.

2. The Company does not have any federal income taxes incurred in 2013 available for recoupment in future years.

3. The Company does not have any deposits admitted under Section 6603 of the IRS Code.

F. The Company's federal income tax return is consolidated with the following entity:

CIFG Holding Inc.
CIFG Services, LLC.
CIFG Europe, S.A. (sub part F income only)

The method of allocation between the companies is subject to a tax allocation agreement approved by the Board of Directors of CIFG NA and the NYDFS. Generally, the allocations are based on separate return calculations. Inter-company tax balances are settled on a periodic basis, no less than annually.

G. During May 2011 the Internal Revenue Service ("IRS) began an examination of CIFG Services and CIFG NA's 2009 short period federal income tax return. On August 29, 2012 CIFG Services received a notice from the IRS that the 2009 federal income tax return was accepted as filed.

The IRS began an examination of the CIFG Holding and subsidiaries 2010 consolidated tax return in March 2012. In March 2013 the IRS notified CIFG Holding that the 2010 consolidated tax return was accepted as filed. The IRS also concluded an excise tax audit, with a refund due to CIFG NA. In April 2013, CIFG NA received the excise tax refund of approximately $580 thousand.

As of September 30, 2013 and December 31, 2012 the Company has not accrued contingencies for uncertain tax positions under the NAIC's SSAPs.

10. Information Concerning Parent, Subsidiaries and Affiliates

A. CIFG NA is a wholly owned subsidiary of CIFG Holding Inc., a Delaware holding company and parent company for the CIFG Group. CIFG Holding was incorporated in France in 2001, re-domesticated to Bermuda on October 1, 2007 and re-domesticated to

Delaware on December 17, 2009. Prior to January 21, 2009 CIFG Holding was wholly owned by Caisse Nationale des Caisses d'Epargne ("CNCE"). From November 2006 until December 2007, CIFG Holding was a wholly owned subsidiary of Natixis, a French société anonyme. Natixis was owned by Banque Fédérale des Banques Populaires (BFBP), and CNCE, with a portion also owned by public float and institutional investors. In January 2008 Natixis sold substantially all of its equity investment in CIFG Holding to BFBP and CNCE.

On January 21, 2009, the CIFG Group and its then shareholders entered into a Master Commutation Agreement with credit default swap ("CDS") counterparties and bondholders holding approximately 98% of gross par outstanding of designated multi-sector ABS CDOs and commercial real estate CDOs ("CRE CDOs") insured credit derivative transactions. As part of the Master Commutation Agreement, the counterparties and bondholders agreed to commute their anticipated insurance claims on the designated transactions in exchange for cash and equity of CIFG Holding ("Master Commutation").

As part of the Master Commutation transaction, BFBP and CNCE's combined ownership percentage in CIFG Holding was reduced to 9.9%, with a consortium of financial institutions, including Natixis, who had been issued financial guaranty contracts by the Company and/or CIFG Europe assuming ownership of the remainder. Due to agreed-upon cutbacks in voting rights and other agreements among the new shareholders, a determination was made by the NYDFS that none of such financial institutions would be deemed to exercise control of CIFG NA for regulatory purposes.

The Company and/or CIFG Europe had previously issued financial guaranty insurance policies to counter-parties that became shareholders of CIFG Holding, who therefore may be considered to be related parties. From time to time, the Company or CIFG Europe has and may in the future enter into commutation arrangements with these shareholders whereby either the Company or CIFG Europe may terminate its financial guaranty insurance policy in exchange for cash and other consideration. CIFG NA and/or CIFG Europe will only enter into such arrangements if it believes such arrangements are in the best interests of policyholders and only if it believes that such consideration is fair and was determined at arm's length. Commutation transactions are ratified by the Board of Directors (Board), whose members cannot have been affiliated with any shareholders for two years prior to joining the Board.

At the same time that the Company entered into the Master Commutation Agreement, it entered into a reinsurance agreement whereby it ceded approximately $13.0 billion of U.S. Public Finance par exposures to Assured Guaranty. (see below for novation activity with Assured Guaranty)

CIFG NA is the sole member of CIFG Services and the sole shareholder of CIFG Europe. CIFG Europe was a licensed insurance company authorized to write financial guaranty business in certain member states of the European Union. However, CIFG Europe's license to write new business in France has lapsed.

CIFG NA was formally a subsidiary of CIFG Services and an indirect subsidiary of CIFG Guaranty, Inc. ("CIFG Guaranty"). Until September 29, 2010 CIFG Guaranty was a New York licensed reinsurance company. CIFG Guaranty was originally registered in France in March 2001, re-domiciled from France to Bermuda in October 2007. On December 17, 2009 CIFG Guaranty re-domesticated from Bermuda and was licensed in Delaware, subsequently re-domesticated to New York on December 23, 2009. Effective September 29, 2010, CIFG Guaranty was party to a statutory merger with CIFG NA, with CIFG NA being the surviving entity.

CIFG Services is a management company incorporated in the State of Delaware in 2001. In 2010 CIFG Services converted into a limited liability company.

Developments in 2013

At the beginning of 2011, the Company, CIFG Europe and the related policyholders agreed to novate certain existing policies to CIFG NA, and CIFG NA assumed the obligations of CIFG Europe on these policies. These transactions had no impact on CIFG NA's aggregate par outstanding because these policies were already treated as assumed par exposure from CIFG Europe pursuant to the reinsurance arrangements. Therefore as of September 30, 2013 , inception–to-date, approximately $7.4 billion of assumed exposure was transferred and recorded as direct par exposure. During 2013, CIFG Europe has not novated any additional policies to CIFG NA. CIFG Europe has no further obligation to these policyholders. Additional novations may occur in the future.

In 2011, CIFG NA and Assured Guaranty jointly began the novation process for the U.S. Public Finance and infrastructure contracts ceded to Assured Guaranty by the Company. Consents are being solicited to transfer CIFG NA's financial guaranty contracts to Assured Guaranty through novation. The novation of these policies was contemplated when CIFG NA and Assured Guaranty entered into their reinsurance arrangements in 2009. Upon the completion of the novation with particular policyholders CIFG NA is relieved of its obligations under the financial guaranty contracts. Inception-to-date approximately $5.0 billion in par exposure was novated to Assured Guaranty through September 30, 2013 and net par outstanding was reduced accordingly. As of September 30, 2013 outstanding ceded par under the reinsurance agreement was approximately $5.1 billion.

Year to date at September 30, 2013 the Company had approximately $4.1 million in accelerated net earned premium due for U.S. Public Finance transactions with refunding activity. Additionally, certain policyholders, who are also shareholders of CIFG Holding, agreed to the early terminations of CIFG NA and/or CIFG Europe financial guaranty contracts. As a result of these early terminations, CIFG NA received unpaid installment premium of approximately $405 thousand. The payments received were recorded as premium revenue. None of these early terminated policies had unpaid losses and LAE reserves at the time of the termination.

During February 2013 the Company entered into a negotiated transaction, with a counterparty who is also a shareholder of CIFG Holding, whereby it terminated its financial guaranty insurance policies in connection with seven student loan asset-backed (SLAB) transactions with an outstanding par balance of approximately $845 million. As a result of the transaction, CIFG NA paid losses of approximately $125 million and released approximately $245 million in unpaid losses and LAE reserves, resulting in an increase to statutory capital of approximately $120 million. As part of this transaction the Company purchased a SLAB bond for approximately $8.5 million with a par value of $43 million.

In May 2013, CIFG NA entered into a termination transaction with a counter-party, which included one non-performing and one performing credit. The counter-party and the Company agreed to a net settlement for these terminations, whereby a net claim payment of approximately $3.4 million was made by CIFG NA to the counter-party, this payment was net of approximately $588 thousand of unpaid installment premium. At the time of this termination, a case reserve was not carried for the non-performing credit. This counter-party is a shareholder of CIFG Holding.

At the end of May 2013, the Company entered into an early termination transaction with a counter-party that is not a shareholder. Approximately $2.6 billion of par exposure was terminated, none of these financial guaranty policies had case reserves established at the time of the termination. CIFG NA received approximately $2.8 million in unpaid installment premiums, which is recorded as premium revenue.

In 2013 salvage receipts include approximately $11.5 million from loss mitigation recoveries from an action settled in the third quarter, whereas in 2012 no such settlements were reached.

Surplus

The Company's statutory surplus as of September 30, 2013 is approximately $538.9 million, an increase of approximately $161.8 million from approximately $377.1 million at December 31, 2012. This increase is primarily attributable to the release of unpaid losses and LAE for SLAB exposures, which are offset by the commutation payment, resulting in a net increase to surplus of approximately $116.6 million. In addition, as a result of the SLAB commutation, other termination activity, and policy maturities contingency reserves decreased by approximately $15.5 million resulting in an increase to surplus by the same amount. The Company's surplus position is in excess of the statutory minimum requirement of $66 million. However, due to credit deterioration experienced in the insured portfolio over the past several years future material adverse development and increases in CIFG NA's unpaid losses and LAE reserves could adversely impact the Company's surplus and ultimate ability to pay claims as they come due.

At September 30, 2013, CIFG NA has gross par outstanding, before reinsurance ceded, is approximately $17.8 billion. CIFG NA currently has par outstanding, net of third party reinsurance, of approximately $12.7 billion. CIFG NA has assumed, via reinsurance arrangements, all of CIFG Europe's par exposure of approximately $2.9 billion, which is included in CIFG NA's gross and net par exposure of $17.8 billion and $12.7 billion, respectively. Many of these credits have deteriorated significantly since the original underwriting. The Company and CIFG Europe remain highly leveraged and are exposed to large single risks and to correlated exposures. As the insured portfolio runs off, the concentration of these par exposures is growing. At September 30, 2013 the top exposures, with at least $300 million of net par outstanding, comprises approximately $4.1 billion or 32% of net par outstanding. The uncertainty in the economy could have an adverse impact on the insured portfolio. Over 15.9% of the Company's insured book of business is rated below investment grade. Further deterioration in the insured book of business may lead to material increases to the unpaid losses and LAE reserves and could result in the Company's inability to maintain adequate statutory surplus.

The Company and CIFG Europe ceased writing new business in 2008 and do not plan to commence writing new business in the future. CIFG Europe's insurance license has lapsed and it is therefore is not licensed to write new business. As a condition to the Merger and pursuant to New York Insurance Law, the Company cannot write new business without the consent of the NYDFS. The Company's and CIFG Europe's activities are focused on actively managing the run-off of its insured portfolio in order to enhance its capital position and mitigate losses.

Neither the Company nor CIFG Europe are rated by any third party rating agencies.

B. Except as noted below, the Company does not have any transactions with affiliates. The Company and its affiliates have entered into certain administrative services, tax sharing, reinsurance and capital support arrangements.

CIFG NA and CIFG Europe are parties to a capital maintenance agreement, whereby CIFG NA has agreed to maintain CIFG Europe's French statutory capital at €20 million.

The Company and/or CIFG Europe had previously issued financial guaranty insurance policies to entities that became shareholders of CIFG Holding as a result of the Master Commutation. These shareholders therefore may be considered to be related parties. See Note 10E below, for disclosures regarding commutations with shareholders of CIFG Holding.

C. The Company had no instances with regards to changes in accounting methods for transactions with affiliates requiring additional information necessary to obtain an understanding of the effects on the financial statements for the statement periods.

D. At September 30, 2013 the Company reported approximately $6.6 million as amounts payable to CIFG Services for management services. As a result of reinsurance assumed from CIFG Europe, the Company has premiums receivable due from CIFG Europe of approximately $1.4 million as of September 30, 2013.

E. During the normal course of business, Company entered into certain financial guaranty contracts with then affiliates on an arms-length basis. In addition, as noteda above, CIFG Holding experienced a change in its ownership as a result of the 2009 Master Commutation with new shareholders being beneficiaries of financial guarantees issued by CIFG NA and/or CIFG Europe. (*See schedule Y part 1 for organization chart which incorporates these entities*). Such policyholders may therefore be considered to be related parties. From time to time, the Company or CIFG Europe has and may in the future enter into commutation arrangements with these shareholders whereby either the Company or CIFG Europe may terminate its financial guaranty insurance policy in exchange for the payment or receipt of cash and other consideration. The Company and/or CIFG Europe will only enter into such arrangements if it believes such arrangements are in the best interests of policyholders and only if it believes the consideration to be fair and determined at arm's length.

Due to agreed-upon cutbacks in voting rights and other agreements among the new CIFG Holding shareholders, a determination was made by the NYDFS that none of such financial institutions would be deemed to exercise control of CIFG NA for regulatory purposes.

No new premium transactions have been entered into during 2013 or 2012 with CIFG Holding's shareholders. However, installment premiums are still being collected by both CIFG NA and CIFG Europe. As of September 30, 2013 par outstanding for financial guaranty contracts issued to CIFG Holding shareholders, comprise approximately 74.5% of total net par outstanding.

CIFG NA is affiliated with, distinct New York State business trusts, the New Generation Funding Trusts (collectively "NGFT"). *(Please see Schedule Y part 1 for organization chart which incorporates these entities).* Gross written premiums on policies closed with NGFT in prior years with installment premiums written during 2013 were approximately $7.1 million. In addition, CIFG Europe issued financial guaranty contracts in respect of Mogador Ltd., which is owned by Mogador Trust, a Jersey-based charitable trust. CIFG Europe's net installment premiums written on policies closed with Mogador Ltd., during the year were approximately $1.5 million. Through the novation of policies and reinsurance ceded from CIFG Europe to CIFG NA, the Company has approximately $4.9 million in premiums written attributable to Mogador Ltd as of September 30, 2013.

F. There is an administrative services and property agreement between the Company and CIFG Services. The contract provides for CIFG Services to be reimbursed by the Company for services and facilities provided pursuant to the agreement. Such agreement has been approved by the Board of Directors of CIFG NA and the NYDFS. The management fee charged by CIFG Services to CIFG NA year to date at September 30, 2013 was approximately $10.3 million.

G. As described in other notes to these financial statements, CIFG NA assumes financial guaranty contracts from CIFG Europe. CIFG NA and CIFG Europe are parties to a capital maintenance agreement, whereby CIFG NA has agreed to maintain CIFG Europe's French statutory capital at €20 million.

CIFG Holding, CIFG Services and CIFG NA are part of a tax sharing agreement.

H. The Company holds investments in subsidiaries, but not with any affiliates. In addition, the Company received shares of CIFG Holding's stock in the settlement of a contractual dispute with a counter-party whom is a CIFG Holding shareholder. These CIFG Holding common shares are fully non-admitted in the statutory-basis financial statements.

I., J. The Company holds no SCA investments. (See Notes 1 and 2 for disclosures regarding subsidiaries)

K. The Company owns CIFG Europe, a foreign insurance subsidiary. However, the Company carries CIFG Europe at its U.S. statutory book value.

L. The Company does not hold any investments in a downstream non-insurance holding company.

11. Debt

The Company has no debt.

12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. The Company has no defined benefit plan.

B. The Company has no defined contribution plan.

C. The Company has no multi-employer plans.

D. The Company has no consolidated/holding company plans.

E. The Company has no post-employment benefits and compensated absences.

F. The Company has no post-employment benefits and compensated absences. Therefore, Medicare Modernization Act on Postretirement Benefits (INT 04-17) does not apply.

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

As of September 30, 2013 surplus increased to approximately $538.9 million from approximately $377.1 million as of December 31, 2012. The increase in surplus is primarily attributable to the favorable impact to net income due to the commutation of SLAB exposures and the release of contingency reserves for commutations, terminations and policy maturities.

1) The Company has 15,000 shares of common stock authorized, issued and outstanding with a par value of $1,000 per share. The Company has no preferred stock outstanding.

2) Under New York State Insurance Law, CIFG NA may pay a dividend only from earned surplus subject to the maintenance of a minimum capital requirement. Any dividends declared or paid may not exceed, together with all other dividends declared or distributed by CIFG NA during the next preceding twelve months, the lesser of (i) 10% of its policyholders' surplus as shown on its last filed statement, or (ii) one hundred percent of adjusted net investment income (as defined under the New York Insurance Law), for such 12-month period without prior approval of the Superintendent of the NYDFS. As of September 30, 2013 and December 31, 2012, the Company did not declare or pay any dividends.

3) There are no restrictions placed on the portion of the Company's profits that may be paid as ordinary dividends to stockholders other than the dividend restriction as described in (2) above.

4) There were no dividend payments in 2013 or in prior years.

5) The Company has negative earned surplus as of September 30, 2013 and is not eligible to pay dividends.

6) There are no restrictions placed on the Company's surplus including for whom the surplus is being held.

7) The Company has no advances to surplus as of September 30, 2013.

8) The Company did not hold any stocks for special purposes as of September 30, 2013.

9) There were no special surplus funds as of September 30, 2013. The Company did not issue surplus debentures or similar obligations as of September 30, 2013.

10) Unassigned funds (surplus) decreased by the change in the 1) a cumulative unrealized foreign exchange loss of approximately $417 thousandand 2) increased by approximately $1.0 million \excluding investment in subsidiaries) due to a decrease in unrealized losses for investments designated as an NAIC 3 (See note 5B for details). The Company did not have any re-statements due to prior quasi-reorganizations as of September 30, 2013.

11) The Company did not have any surplus notes in 2013.

12) The Company has never entered into a quasi-reorganization, thus there have been no restatements.

13) The Company has never entered into a quasi-reorganization.

14. Contingencies

A. At September 30, 2013 the Company does not have any contingent commitments.

B. The Company had no material assessments as of September 30, 2013.

C. The Company had no gain contingencies as of September 30, 2013.

D. The Company has no liabilities from extra contractual obligations and or bad faith losses from lawsuits as of September 30, 2013.

E. The Company is a financial guaranty company in run-off, it has never issued product warranties.

F. In the normal course of operating its businesses, the Company may be involved in various legal proceedings.

From time to time, the Company and/or its subsidiaries may receive formal and informal inquiries from their regulators as well as third-party subpoenas regarding a variety of subjects. The Company has cooperated with such inquiries and subpoenas and expects to receive inquiries and subpoenas in the future.

The Company and/or its subsidiaries are also subject to legal claims and litigation, including the matters described below.

The Company is a defendant, along with several other parties, in a coordinated proceeding in the Superior Court for San Francisco County, before Judge Richard A. Kramer, referred to as the Ambac Bond Insurance Cases. The Ambac Bond Insurance Cases commenced in July 2008 when the City of Los Angeles, California filed a complaint in the Superior Court of the State of California for the County of Los Angeles against the Company, a former employee of CIFG NA, as well as certain other unaffiliated financial guaranty insurance companies and individuals alleging, among other things, violations of the Cartwright Act, California's antitrust law. At the same time and subsequently, additional complaints were filed against the Company, the former employee and the other co-defendants, including other bond insurance companies (Bond Insurance Defendants) and the credit rating agencies (the CRA Defendants) by plaintiffs Contra Costa County; City of Riverside; The Redevelopment Agency of The City Of Riverside; The Public Financing Authority of The City of Riverside; County of San Mateo; The Jewish Community Center of San Francisco; County of Alameda; City And County of San Francisco; City of Los Angeles; Los Angeles Department of Water And Power; The Los Angeles World Airports; City of Oakland; City of Richmond; Redwood City; East Bay Municipal Utility District; City of Sacramento; Sacramento Suburban Water District; Sacramento Municipal Utility District; City of San Jose; City of Stockton; The Redevelopment Agency of The City of Stockton; The Public Financing Authority of The City of Stockton; County of Tulare; The Regents of The University of California; The Redevelopment Agency of San Jose; and The Olympic Club (collectively, Plaintiffs). These actions were combined such that there are three operative complaints (the Complaints) naming the Company as a defendant.

On September 9, 2013, Plaintiffs filed a stipulated request for dismissal as to the Company and its former employee, seeking dismissal of the Complaints with prejudice, with each party bearing their own costs and attorneys' fees. The parties expect the Court to enter the stipulation shortly, at which point the Complaints will be dismissed with prejudice as to the Company and its former employee.

On October 13, 2011, a lawsuit was filed by Royal Park Investments SA/NA (RPI) against CIFG NA and CIFG Guaranty in the Supreme Court of the State of New York. The complaint alleges claims for breach of contract and seeks compensatory damages, costs, and an order directing the Company to deposit certain amounts into a trust for the benefit of RPI. The complaint alleges that CIFG NA and CIFG Guaranty repudiated and breached agreements with RPI relating to settlement of the parties' bond insurance policy by improperly seizing and withholding sums allegedly due RPI upon liquidation of the bonds. On December 7, 2011 CIFG filed a motion to dismiss RPI's complaint in its entirety and with prejudice. On January 30, 2012 RPI responded to the motion to dismiss and filed a cross-motion for summary judgment asking the court to rule that RPI is entitled to the sums allegedly due RPI and related relief. Briefing on the parties' respective motions is complete. The court heard oral argument on the parties' motions on January 31, 2013.

CIFG NA believes RPI's action and cross motion are without merit and intends to vigorously defend against RPI's claims. In the event such lawsuit is decided adversely against CIFG NA, management believes it will not have a material adverse effect on the Company's financial condition.

The Company is a plaintiff in a number of actions seeking to recover damages for losses incurred and other amounts relating to transactions which it insured. The Company is considering whether to bring similar actions for other CIFG insured transactions. The costs involved with bringing such actions are recorded as additional LAE expenses and are a charge against surplus. There is no assurance that these lawsuits will be successful or that CIFG NA will recover any costs incurred with respect thereto. (See note 10, section: Developments in 2013)

15. Leases

The Company has no lease obligations.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments with Concentrations of Credit Risk

Other than financial guarantees insured in the ordinary course of business, the Company has no financial instruments with off-balance sheet risk.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. The Company had no transfer of receivables as of September 30, 2013.

B. The Company had no transfer and servicing of financial assets as of September 30, 2013.

C. The Company had no wash sales as of September 30, 2013.

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

A. The Company does not serve as an Administrative Services Only (ASO) plan provider.

B. The Company does not serve as an Administrative Services Contract (ASC) plan provider.

C. The Company is not a party to any Medicare or similarly structured cost based reimbursement contracts.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company does not write direct premiums through managing general agents or third party administrators.

20. Fair Value Measurements

A. The Company has invested assets that are carried at the lower of cost or market due to a designation as an NAIC 3 or higher. Fair value was determined from an observable market quote or input for securities with similar characteristics. (see note 5D for additional information). The Company does not have any liabilities reported at fair value.

(1) Fair Value Measurement Hierarchy

As of September 30, 2013, the Company does not have any assets presented at fair value on a recurring basis using significant unobservable inputs (Level 3). There were no transfers between hierarchy levels in 2013.

Description	Level 1	Level 2	Level 3	Total
U.S. Government debt securities	$ -	$ 63,412,359	$ -	$ 63,412,359
Industrial & miscellaneous debt securities	-	522,506,622	-	522,506,622
Common Stock of subsidiaries	-	51,556,941	-	51,556,941
	$ -	$ 637,475,922	$ -	$ 637,475,922

The Company recognized an unrealized loss in surplus of approximately $87 thousand for fixed income securities carried at the lower of cost or fair value in the statutory-basis balance sheet as of September 30, 2013

Debt Securities Carried at Fair Value as of September 30, 2013

Cusip	Description	Amortized Value	Carrying Value	Unrealized
00101JAE6	ADT Corp	$ 929,277	$ 888,178	$ (41,099)
74514LQEO	Puerto Rico	71,675	51,189	(20,486)
7451777CH6	Puerto Rico	210,141	192,856	(17,285)
EG5872908	Catalunya Banc SA	3,781,849	3,773,523	(8,326)
		$ 4,992,942	**$ 4,905,746**	**$ (87,196)**

(2) Fair value measurements categorized as Level 3 – None

(3) Transfers between hierarchy levels – None

(4) Fair value for Level 1 and Level 2 fixed income securities are estimated by using independent market sources. The market inputs used for Level 2 assets are generally broker quotes or other market inputs for fixed income securities with similar characteristics.

(5) Fair value of derivative assets and liabilities- The Company did not own or have an obligation for derivative assets and liabilities, respectively as of September 30, 2013.

B. As of September 30, 2013, the Company does not have any assets or liabilities that are presented in the balance sheet at fair value on a non-recurring basis.

C. Aggregate fair value of assets held as of September 30, 2013:

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3
Bonds	$ 606,378,115	$ 585,918,981	-	585,918,981	-
Common Stock	52,156,927	51,556,941	-	51,556,941	-
	$ 658,535,042	$ 637,475,922	$ -	$ 637,475,922	$ -

D. Any instances where it was not practicable to estimate fair value of a financial instrument or class of financial instrument - None

21. Other Items

A. The Company had no extraordinary items as of September 30, 2013.

B. The Company had no troubled debt restructuring as of September 30, 2013.

C. The Company is required to place securities on deposit with various state insurance departments, in accordance with the applicable state's insurance regulation. The securities are primarily in the form of U.S. Treasury notes; as of September 30, 2013 the Company had approximately $8.3 million of securities, at amortized cost, on deposit with the various insurance departments.

D. As of September 30, 2013 the Company had approximately $3.5 million of premiums receivable from third parties; the Company routinely assesses the collections of premiums receivable balances. In addition, the Company has approximately $1.4 million in assumed reinsurance premiums receivable due from CIFG Europe. Management has not assessed that any of the premium receivable balances are not collectible as of the end of the quarter.

E. The Company does not have any business interruption insurance recoveries during 2013.

F. The Company does not have any transferable State Tax Credits as of September 30, 2013.

G. The Company has financial guaranty exposure to sub-prime and alt-A negative amortization RMBS through the issuance of financial guaranties of individual tranches of RMBS and multi-sector CDO tranches of which some or all of the underlying collateral is comprised of RMBS assets.

Sub-prime RMBS are comprised of residential mortgages made to borrowers who have weak credit characteristics such as high loan-to-value ratios, low borrower credit quality (low FICO scores) or who provide limited documentation. Alt-A negative amortization RMBS are comprised of residential mortgages made to borrowers with near prime credit characteristics that are allowed to pay minimum monthly payments which cause the loan to negatively amortize.

The Company monitors all U.S. sub-prime and alt-A RMBS exposures (that do not have a case reserve established, representing 0.61% of CIFG NA's total net par exposure) on a monthly basis by capturing and evaluating key deal performance metrics such as current credit enhancement percent, delinquencies, loss severities, defaults, modifications, and pre-payment levels and loss trends. In addition, the deals are modeled on a periodic basis using conservative future projected default, pre-payment and loss severity assumptions to track for credit deterioration and potential of loss for CIFG NA's insured tranche.

For the one multi-sector CDO exposure (that does not have a case reserve established), the Company tracks the performance and ratings of the underlying assets and their impact on CIFG's insured tranche. Performance metrics such as levels of credit enhancement, over-collateralization and interest coverage for each deal are measured. The associated underlying assets are reviewed and metrics such as credit enhancement percent, delinquencies, loss severities, default and pre-payment levels and loss trends are evaluated. The exposure is modeled on a periodic basis to evaluate credit quality and screen for potential loss to CIFG NA's insured tranche.

The insured portfolio includes CLOs, which comprise a significant portion of net principal outstanding. These transactions are predominately composed of leveraged loans, mainly senior secured loans, but may also contain certain thresholds for inclusions of other asset types including second lien and mezzanine loans, high yield bonds and structured finance securities. Surveillance tracks the performance of these transactions by reviewing such metrics as over – collateralization and interest coverage tests, low-rated assets, defaults, and the weighted average rating factor (WARF). In addition, the transactions are modeled on a periodic basis using default and added stress assumptions by simulating the impact of different economic cycles and conditions over prolonged periods. As of September 30, 2013, there are no case-basis reserves established for this asset class; however there are two CLO transactions on the watchlist, representing 5.31% of CIFG NA's total net par exposure, which the Company monitors for adverse developments. Net par exposure decreased significantly over the last year due to early terminations with counter-parties.

Global commercial real estate (CRE) transactions are also included in the insured portfolio, for which the underlying collateral is comprised of commercial loans, CRE CDO securities, and collateralized mortgage-backed securities (CMBS). Surveillance tracks the performance of these transactions by reviewing metrics such as vacancy rates, rents, property value, debt service coverage and re-financing and workout efforts. In addition, the transaction's performance is modeled on a periodic basis using conservative default and recovery assumptions to track for credit deterioration and potential loss for CIFG NA's insured tranche. There is one U.S. CRE CDO on the watchlist as of September 30, 2013 representing 0.37% of CIFG NA's total net par exposure.

Consumer asset-backed transactions included in the insured portfolio have underlying collateral principally composed of private student loans. Surveillance tracks the performance of these transactions by reviewing such metrics as delinquencies, forbearance, defaults, recoveries, losses and interest coverage. In addition, the transactions are modeled on a periodic basis using conservative default, prepayment and recovery assumptions to track for credit deterioration and potential loss for CIFG NA's insured tranche. As of September 30, 2013 there are no student loan transactions on the watchlist. (see 2013 Developments, note 10)

CDOs comprised of Trust Preferred Securities (Trups) included in the insured portfolio have collateral comprised of bank and insurance hybrid securities that mix attributes of debt and equity. Surveillance tracks the performance of these transactions by reviewing such metrics as over collateralization and interest coverage tests as well as fundamental analysis on the underlying banks and insurance companies by reviewing liquidity, capital and profitability ratios, among others. In addition, the transaction performance is modeled on a periodic basis using conservative default, prepayment and recovery assumptions to track for credit deterioration and potential loss for CIFG NA's insured tranche. As of September 30, 2013, there are three Trups CDO transactions on the watchlist representing 2.69% of CIFG NA's total net par exposure.

CIFG NA and CIFG Europe have approximately $1.05 billion and $684.2 million, respectively of par exposure in categories 4 and 5 on the surveillance watchlist. Through existing and novated financial guaranty contracts with CIFG Europe, CIFG NA has net par exposure for European risks included in categories 4 and 5 of approximately $521.8 million . This European par exposure is approximately 5.31% of CIFG NA's total net par exposure.

22. Events Subsequent

Type I –Recognized Subsequent Events**:** None
Type II – Non-Recognized Subsequent Events: None

23. Reinsurance

A. Unsecured Reinsurance Recoverable

Reinsurance contracts do not relieve the Company of its policyholder obligations. To the extent that third party reinsurers are unable or unwilling to meet their contractual obligations under reinsurance agreements, and if such failures are not resolved in the Company's favor, it would suffer a loss.

CIFG NA has ceded a significant portion of its U.S. Public Finance insured portfolio to Assured Guaranty. The unearned premium reserve ("UPR") ceded to Assured as of September 30, 2013 is approximately $30.0 million, this balance is unsecured. At September 30, 2013 outstanding ceded par under the reinsurance agreement with Assured Guaranty was approximately $5.1 billion. Assured Guaranty is rated A3 and AA- by Moody's and Standard & Poors, respectively.

As part of the reinsurance arrangement, Assured Guaranty agreed to act as CIFG NA's administrative agent, conduct surveillance, and to pay any claims submitted to it directly to policyholders, rather than having CIFG NA pay policy claims and then seek reimbursement from Assured Guaranty. In addition, Assured Guaranty agreed to cooperate with CIFG NA to directly assume the guaranteed obligations via a novation; provided the necessary consents and approvals are received CIFG NA will be relieved of all policy obligations when a policy is novated to Assured Guaranty. Until the novation is completed, the reinsurance contract does not relieve CIFG NA of its direct obligations to its policyholders and if Assured Guaranty does not pay claims submitted to it in its role as administrator, CIFG NA must pay the related claim and seek reimbursement from Assured Guaranty. Until the novation is completed to the extent that Assured is unable or unwilling to meet its contractual obligations under the reinsurance agreement, and if such dispute is not resolved in CIFG NA's favor, CIFG NA would suffer a loss.

During 2011 CIFG NA and Assured Guaranty jointly began the process to solicit consents for the transfer through novation of the CIFG NA financial guaranty contracts insuring U.S. Public Finance and infrastructure bonds reinsured by Assured Guaranty. Upon completion of the novation for any particular financial guaranty contract CIFG NA will be relieved of its respective insurance obligations.

As of September 30, 2013 consents for the transfer through novation to Assured Guaranty were received for approximately $5.0 billion of par exposure inception to date and CIFG NA's net par outstanding has been reduced accordingly.

B. Reinsurance Recoverable in Dispute

None

C. Reinsurance Assumed and Ceded

The following table summarizes assumed and ceded unearned premium reserves and the related commission equity at September 30, 2013.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
Affiliates	$ 1,356,068	$ 406,820	$	$ -	1,356,068	$ 406,820
All Other	4,491,219	1,347,366	(26,694,127)	(3,203,295)	31,185,346	4,550,661
	$ 5,847,286	$ 1,754,186	$ (26,694,127)	$ (3,203,295)	32,541,414	$ 4,957,481

Direct Unearned Premium Reserve	$ 44,846,967

In August 2009, under an agreement reached for a municipal transaction ceded to CIFG NA, the Company posts collateral to secure any amounts due to Financial Security Assurance, Inc. (now named Assured Guaranty Municipal Corp. or "AGM"). As of September 30, 2013 a treasury note with an approximate market value of $1.9 million and $375 thousand in cash were on deposit with a custodian in favor of AGM. The collateral balance is less than the case basis and LAE reserve established by CIFG NA of approximately $15.7 million.

The Company and CIFG Guaranty entered into a Merger agreement and other related agreements that became effective on September 29, 2010, which resulted in CIFG Guaranty merging into CIFG NA, with the Company as the surviving entity (together with related transactions, the "Merger").

Prior to the Merger, CIFG Guaranty assumed business from CIFG Europe on a facultative and excess-of-loss basis. CIFG NA assumed all of CIFG Guaranty's obligations under the pre-existing reinsurance and support arrangements with CIFG Europe. In addition, CIFG NA issued a "Second-to-Pay Policy" to each beneficiary of financial guaranty policies issued by CIFG Europe that were reinsured by CIFG Guaranty immediately prior to the Merger (i.e., in accordance with reinsurance arrangements) pursuant to which the Company guarantees the full and complete payment of any shortfall in amounts due from CIFG Europe that remain unpaid by CIFG Europe after all appropriate conditions to such payment have been satisfied.

At September 30, 2013 approximately $3.0 million in premium written has been assumed by CIFG NA from CIFG Europe. In addition, CIFG NA has also assumed a case basis reserve of approximately $16.1 million for a European infrastructure transaction ceded to it by CIFG Europe. As of September 30, 2013 CIFG NA has provided a euro denominated fixed income security on behalf of CIFG Europe of approximately $16.2 million as collateral for this case basis reserve.

The Company is not bound by any contractual arrangements that require the accrual of return commissions based upon loss experience or any other form of profit sharing; the Company has no protected cells at September 30, 2013.

D. Uncollectible Reinsurance

The Company does not have a reinsurance recoverable on unpaid losses as of September 30, 2013.

E. Commutation of Ceded Reinsurance

None

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts as of September 30, 2013.

G. Reinsurance Accounted for as a Deposit

The Company does not utilize the deposit method to account for any of its reinsurance transactions.

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

None

24. Retrospectively Rated Contracts & Contracts Subject to Re-determination

The Company does not issue retrospectively rated contracts or contracts subject to re-determination; none of the Company's reinsurance contracts are retrospectively rated or subject to re-determination.

25. Change in Incurred Losses and Loss Adjustment Expenses

Unpaid Losses and LAE Reserves

Unpaid losses and LAE reserves after salvage as of September 30, 2013 are approximately $20.7 million on a gross and net of reinsurance basis. The unpaid losses and LAE reserves include loss estimates for financial guarantees of ABS CDO's where the underlying collateral is predominately comprised of sub-prime exposures, for RMBS where the underlying collateral is comprised of HELOC, Alt A, 1st lien and 2nd Lien, U.S. Public Finance and European infrastructure transactions. No new case basis reserves were added during 2013.

Unpaid Loss and Loss Adjustment Expenses
Liability (Asset)

(in millions)	ABS/CDOs	Equipment	RMBS	Public Finance	Student Loans	Total
Gross	$ 6	$ 0	$ (18)	$ 32	$ -	$ 21
Ceded	-	-	-	-	-	-
Net	**$ 6**	**$ 0**	**$ (18)**	**$ 32**	**$ -**	**$ 21**

Gross losses and LAE paid as of September 30, 2013 net of salvage receipts was a net cash outflow of approximately $110.9 million. The gross paid losses include payments for the commutation of SLAB exposures of approximately $125.0 million, other commutation payments of approximately $3.4 million, the acquisition of Purchased Insured Bonds of approximately $456 thousand, claim payments of approximately $31.9 million and approximately $4.9 million for LAE paid, which are offset by gross salvage received of approximately $54.8 million. The salvage received includes both refunded claim payments and Residuals. At December 31, 2012 the total *net cash inflow* including reinsurance was approximately $13.0 million.

CIFG NA's unpaid losses and LAE reserves, net of salvage, decreased from December 31, 2012 to September 30, 2013. The release of the SLAB unpaid losses and LAE reserves in excess of the commutation payment resulted in a significant decrease in on the balance sheet as of the end of the quarter, increasing surplus by approximately $120 million and reducing unpaid losses and LAE reserves by approximately $245 million. Additionally, the discount rate increased from 2.86% as of December 31, 2012 to 2.95% as of September 30, 2013. As a result, unpaid losses and LAE reserves, net of salvage, have decreased by approximately $381 thousand due to the decrease in the discount rate. Foreign currency fluctuations also resulted in approximately $411 thousand increase to unpaid losses and LAE reserves for the European infrastructure case basis reserve assumed from CIFG Europe.

Discussion of Incurred Losses and LAE Reserves by Sector

RMBS

Unpaid losses and LAE reserves for RMBS transactions as of September 30, 2013 are approximately $410.9 million before salvage which decreased by approximately $86.7 million from $497.6 million as of December 31, 2012. Loss ratios (as a percentage of net par outstanding) on certain RMBS case reserves increased due to deterioration which occurred. The underlying loan delinquency buckets for these insured transactions have become larger indicating that the timeline to foreclosure and disposition has slowed. As a result, the loss ratios were increased for these specific case reserves to reflect the increase in the loss severity. However, other RMBS case reserve loss ratios decreased because of the improvement in the economy and the housing sector. Therefore, the overall RMBS loss ratio increased slightly from 41.2% at December 31, 2012 to 42.4% as of September 30, 2013. In addition, par outstanding has amortized down from $105.2 million at December 31, 2012 to $98.5 million at September 30, 2013.

Reduced by salvage unpaid losses and LAE reserves for RMBS transactions as of September 30, 2013 result in a net salvage asset of approximately ($17.5) million, as compared to net salvage asset of approximately ($43.7) million as of December 31, 2012. The salvage asset as of September 30, 2013 is approximately $428.4 million, which is approximately a $112.8 million decrease from December 31, 2012 of approximately $541.2 million. The decrease in the salvage asset is primarily related to 1) improving RMBS case reserves where there is a lower estimate of anticipated future claim payments and 2) bond residuals that were written down for Purchased Insured Bonds which were not performing as originally modeled. The current Residual model takes into account voluntary prepayments and changes in the loss ratio.

Paid losses for RMBS case basis and LAE reserves of approximately $31.3 million are completely offset by salvage recoveries received of approximately $54.8 million, resulting in *net cash inflows* of approximately $23.5 million.

The aggregate *net cash inflow* of 1) $23.5 million for paid losses net of salvage receipts and 2) the decline in the RMBS net salvage asset of approximately $26.1 million, results in a charge to the statement of income of approximately $2.6 million year to date.

When CIFG NA makes a claim payment with respect to a Purchased Insured Bond it in turn receives a share of the financial guaranty claim payment due to its ownership of the Purchased Insured Bond. CIFG NA no longer suffers any economic loss as the result of receiving the shortfall payment due to its status as beneficial owner (other than the initial cost of purchasing or commuting the bond, less any residual cash flow payments made on the bond other than claim payments). CIFG NA's accounting for Purchased Insured Bonds treats the consideration paid to acquire or commute Purchased Insured Bonds as a current claim payment, the Residuals and refunded claim payments received are treated as salvage which may partially or completely offset paid claims. In addition, the salvage established for 1) Residuals and 2) anticipated future refunded claim payments (i.e., due to CIFG NA's proportionate beneficial interest in a Purchased Insured Bond and its ownership in the certificate trust for certain commutated transactions) may partially or completely offset the related unpaid losses and LAE reserves for these remediated par exposures. Accordingly, as of September 30, 2013 CIFG NA has accrued approximately $428.4 million in RMBS salvage accruals for both Purchased Insured Bonds it owns and commutation transactions. Total RMBS salvage accruals include anticipated future refunded claims payments of approximately $365.4 million and Bond Residuals of approximately $63.0 million. (See Note 1 for discussion of permitted practice regarding Purchased Insured Bonds.)

ABS CDOs

Unpaid losses and LAE reserves for ABS CDO transactions decreased by approximately $4.1 million; from $10.5 million as of December 31, 2012 to $6.1 million as of September 30, 2013. As of September 30, 2013 and December 31, 2012 ABS CDO case basis reserves are established at their full policy limit. No new case basis reserves were added in 2013. A commutation payment made in 2013 of approximately $34 thousand was significantly less than the case reserve carried, resulting in a credit to the statement of operations of approximately $3.7 million.

ABS CDOs incurred losses is a credit to the statutory-basis statement of income of approximately $3.3 million. The change in the loss reserves is primarily due to the amortization of principal from $6.9 million as of December 31, 2013 to $2.9 million as of September 31, 2013, the loss ratio remains at 100%.

U.S. Public Finance and European Infrastructure

As of September 30, 2013 the Company has approximately $31.9 million in net unpaid losses and LAE reserves attributable to U.S. Public Finance and European infrastructure transactions. As of September 30, 2013 incurred losses for this asset sector was a charge to the statutory-basis statement of income of approximately $800 thousand. The unpaid losses reserves and LAE decreased by approximately $4.0 million. Included in unpaid losses and LAE reserves for public finance transactions of $31.9 million is approximately $15.7 million in losses for a U.S. Public Finance transaction and approximately $16.2 million for a European Infrastructure transaction assumed from CIFG Europe. The loss ratio for the European Infrastructure increased slightly from 17.6% to 18.6% from December 31, 2012 to September 30, 2013. In addition, the fluctuation in Euros resulted in $411 thousand increased this case reserve as of September 30, 2013.

On November 9, 2011, Jefferson County Alabama ("Jefferson County") filed a petition under Chapter 9 of the U.S. Bankruptcy Code seeking protection from its creditors. CIFG NA has assumed, via reinsurance, bonds backed by Jefferson County water and sewer revenues with a current outstanding par of approximately $60.6 million at September 30, 2013, as compared to $64.9 million at December 31, 2012. CIFG NA's reported loss reserves include a reserve for anticipated losses attributable to the Jefferson County exposure. However, given the uncertainties inherent in the largest municipal bankruptcy in U.S. history and the prior unwillingness of the Alabama state legislature to approve a negotiated settlement, no assurance can be given that the amount of the loss reserve will be sufficient or that additional loss reserves will not be needed in the future, which additional reserves may be material.

The unpaid losses and LAE reserves of $15.7 million for Jefferson County decreased due to the claim payment made. The loss ratio decreased from 30.8% to 25.0% as of December 31, 2012 and Septmber 30, 2013, respectively. CIFG NA paid a claim of $4.8 million (principal and interest) on May 9, 2013.

Other

There was one CLO commutation transaction with a counterparty that is shareholder of CIFG Holding. This commutation was for two financial guaranty contracts, one was performing and the other was non-performing. CIFG NA and the counterparty agreed to a net settlement. The Company made a commutation payment of approximately $3.4 million there were no case reserves established for these policies. (see Note 10, 2013 Developments for further disclosure).

There were no IBNR reserves as of September 30, 2013 and December 31, 2012. Unpaid losses and LAE reserves generally do not reflect estimates of loss mitigation recoveries, as it is not possible to predict with certainty at this time whether (i) these efforts will be successful, nor (ii) how much benefit might be derived if these efforts are successful. (See note 14)

Management's Estimates

Management believes that the Company's unpaid losses and LAE reserves are adequate to cover the ultimate net cost of claims anticipated to date. However, because the reserves are based on management's judgment and estimates of collateral performance trends, the general well being of the global economy and other factors, there can be no assurance that the Company's ultimate liability will not significantly exceed or be significantly different from such estimates. The internal case basis reserve models are dependant upon management making assumptions and subjective judgments that are complex relating to amounts that are inherently uncertain. Small changes in any significant assumptions such as, but not limited to interest rates, default rates, projections of delinquencies, prepayment speeds, recoveries and third-party credit ratings, may materially impact the Company's loss reserve expectations. There is significant uncertainty in the current credit and mortgage markets which has led to unprecedented economic conditions. Accordingly, there can be no assurance that actual claims paid by the Company will not exceed its unpaid losses and LAE reserves as of September 30, 2013, and it is possible that it could significantly exceed or be significantly different than those unpaid losses and LAE reserves. Current market conditions increase the risk and complexity of the estimates based on judgments in the unpaid losses and LAE reserve accounts.

CIFG NA and CIFG Europe remain highly leveraged and exposed to large single risks and to correlated exposures. Further deterioration in the insured book of business may lead to material increases to loss reserves and could result in negative statutory surplus.

26. Inter-company Pooling Arrangements

The Company has no inter-company pooling arrangements as of September 30, 2013.

27. Structured Settlements

The Company has not purchased any annuities in 2013.

28. Health Care Receivables

The Company did not have any pharmaceutical rebates receivables during 2013.

29. Participating Policies

The Company had no participating accident or health contracts during 2013.

30. Premium Deficiency Reserves

The Company does not have any premium deficiency reserves as of September 30, 2013.

31. High Deductibles

The Company has not recorded any reserve credits during 2013.

32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

The Company discounts the liabilities for unpaid losses for Financial Guaranty claims net of salvage and subrogation anticipated. The Company does not discount unpaid LAE.

Unpaid losses reserves for financial guaranty claims have been discounted on a non tabular basis using a rate of 2.95%%. The discount rate used is based on the investment portfolio yield. The effect of the discount increased the Company's unpaid losses and LAE reserves, after salvage reduction by approximately $16.7 million. (See note 25 for further disclosures pertaining to incurred losses.) There is no IBNR reserve at September 30, 2013.

9/30/2013	Discounted 2.95%	Undiscounted	Impact of Discount
Unpaid losses and LAE reserves	$ 449,158,917	$ 605,270,500	$ (156,111,582)
Salvage	(428,420,393)	(567,852,512)	139,432,119
Unpaid losses & LAE, net of salvage	**$ 20,738,525**	**$ 37,417,988**	**$ (16,679,463)**

33. Asbestos/Environmental Reserves

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

34. Subscriber Savings Accounts

The Company is not a reciprocal exchange and, therefore, does not have subscriber savings accounts.

35. Multiple Peril Crop Insurance

The Company does not write multiple peril crop insurance.

36. Financial Guaranty Insurance

Except for the commutation of SLAB exposure, and other termination transactions discussed previously there are no other significant changes which occurred since the disclosures were provided in the Company's annual statement as of December 31, 2012. (see notes 10 and 25 for additional disclosures)

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]

2.2 If yes, date of change:

3.1 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]

3.2 If the response to 3.1 is yes, provide a brief description of those changes.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [ ] No [X] NA [ ]

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2011

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2011

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/23/2013

6.4 By what department or departments?

New York

6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] NA [X]

6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] NA [X]

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [X] No [ ]

7.2 If yes, give full information:

See interrogatory notes for details.

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

GENERAL INTERROGATORIES

9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ ] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: $ 0

13. Amount of real estate and mortgages held in short-term investments: $ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [ ] No [X]

14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
14.21 Bonds	$	$
14.22 Preferred Stock	$	$
14.23 Common Stock	$	$
14.24 Short-Term Investments	$	$
14.25 Mortgage Loans on Real Estate	$	$
14.26 All Other	$	$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	$ 0	$ 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16 For the reporting entity's security lending program, state the amount of the following as of the current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $

16.3 Total payable for securities lending reported on the liability page $

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No [ ]

17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Brown Brothers Harriman & Company	140 Broadway, New York, NY 1005-1101

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [ ] No [X]

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address

18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No [ ]

18.2 If no, list exceptions:

7.2 - To date the following states have amended the Company's Certificate of Authority removing the Company's authority to write new business or is considered to be "inactive" in the state: Alaska, Arkansas, Colorado, Florida, Idaho, Indiana, Kentucky, Lousiana, Mississippi, Missouri, North Carolina, Ohio, Oklahoma, U.S. Virgin Islands, Virginia, Washington, West Virginia, and Wyoming.

GENERAL INTERROGATORIES

PART 2 - PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes [ ] No [ ] NA [X]

   If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes [ ] No [X]

   If yes, attach an explanation.

3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes [ ] No [X]

3.2 If yes, give full and complete information thereto.

4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see *Annual Statement Instructions* pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes [X] No [ ]

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial Guaranty		2.750	37,417,988			37,417,988	16,679,463			16,679,463
TOTAL			37,417,988	0	0	37,417,988	16,679,463	0	0	16,679,463

5. Operating Percentages:

   5.1 A&H loss percent %

   5.2 A&H cost containment percent %

   5.3 A&H expense percent excluding cost containment expenses %

6.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

6.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

6.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

6.4 If yes, please provide the balance of the funds administered as of the reporting date. $

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Is Insurer Authorized? (Yes or No)
		AFFILIATES		
		US INSURERS		
		POOLS AND ASSOCIATIONS		
		ALL OTHER INSURERS		

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, etc.	1 Active Status	Direct Premiums Written 2 Current Year To Date	3 Prior Year To Date	Direct Losses Paid (Deducting Salvage) 4 Current Year To Date	5 Prior Year To Date	Direct Losses Unpaid 6 Current Year To Date	7 Prior Year To Date
1. Alabama AL	L		0		0		0
2. Alaska AK	L		0		0		0
3. Arizona AZ	L		0		0		0
4. Arkansas AR	L		0		0		0
5. California CA	L	257,431	259,308		0		0
6. Colorado CO	L		0		0		0
7. Connecticut CT	L		0		0		0
8. Delaware DE	L		0		0		0
9. Dist. Columbia DC	L		0		0		0
10. Florida FL	L		0		0		0
11. Georgia GA	L		0		0		0
12. Hawaii HI	L		0		0		0
13. Idaho ID	L		0		0		0
14. Illinois IL	L	133,121	134,450		0		0
15. Indiana IN	L		0		0		0
16. Iowa IA	L		0		0		0
17. Kansas KS	N		0		0		0
18. Kentucky KY	L		0		0		0
19. Louisiana LA	L		0		0		0
20. Maine ME	L		0		0		0
21. Maryland MD	L		0		0		0
22. Massachusetts MA	L		0		0		0
23. Michigan MI	L		0		0		0
24. Minnesota MN	L		0		0		0
25. Mississippi MS	L		0		0		0
26. Missouri MO	L		0		0		0
27. Montana MT	L		0		0		0
28. Nebraska NE	L	112,241	112,329		0		0
29. Nevada NV	L		0		0		0
30. New Hampshire NH	L		0		0		0
31. New Jersey NJ	L		0		0		0
32. New Mexico NM	L		0		0		0
33. New York NY	L	12,388,200	18,450,821	100,976,824	(12,874,838)	16,925,959	208,333,649
34. No. Carolina NC	L		0		0		0
35. No. Dakota ND	L		0		0		0
36. Ohio OH	N		0		0		0
37. Oklahoma OK	L		0		0		0
38. Oregon OR	L		0		0		0
39. Pennsylvania PA	L		0		0		0
40. Rhode Island RI	L		0		0		0
41. So. Carolina SC	L		0		0		0
42. So. Dakota SD	L		0		0		0
43. Tennessee TN	L		0		0		0
44. Texas TX	L	246,396	246,396		0		0
45. Utah UT	L	56,588	58,011		0		0
46. Vermont VT	L		0		0		0
47. Virginia VA	L		0		0		0
48. Washington WA	L		0		0		0
49. West Virginia WV	L		0		0		0
50. Wisconsin WI	L		0		0		0
51. Wyoming WY	L		0		0		0
52. American Samoa AS	N		0		0		0
53. Guam GU	N		0		0		0
54. Puerto Rico PR	L		0		0		0
55. U.S. Virgin Islands VI	L		0		0		0
56. Northern Mariana Islands MP	N		0		0		0
57. Canada CAN	N		0		0		0
58. Aggregate Other Alien OT	XXX	0	0	0	0	0	0
59. Totals	(a) 51	13,193,976	19,261,315	100,976,824	(12,874,838)	16,925,959	208,333,649
DETAILS OF WRITE-INS							
58001.	XXX		0		0		0
58002.	XXX		0		0		0
58003.	XXX		0		0		0
58998. Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

SCHEDULE Y
PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1 Group Code	2 Group Name	3 NAIC Company Code	4 Federal ID Number	5 Federal RSSD	6 CIK	7 Name of Securities Exchange if Publicly Traded (U.S. or International)	8 Name of Parent Subsidiaries or Affiliates	9 Domiciliary Location	10 Relationship to Reporting Entity	11 Directly Controlled by (Name of Entity/Person)	12 Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	13 If Control is Ownership Provide Percentage	14 Ultimate Controlling Entity(ies)/ Person(s)	15 *
		25771	75-1331566				CIFG Assurance North America, Inc.	NY		CIFG Holding, Inc.	Ownership	100.0		0
			13-4173364				CIFG Services Inc.	DE	DS	CIFG Assurance North America, Inc.	Ownership	100.0		0
			98-0647426				CIFG Europe	FRA	DS	CIFG Assurance North America, Inc.	Ownership	100.0		0
			98-0609455				CIFG Holding	DE	UDP			0.0		0

Asterisk	Explanation

PART 1 - LOSS EXPERIENCE

	Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1.	Fire			0.0	0.0
2.	Allied lines			0.0	0.0
3.	Farmowners multiple peril			0.0	0.0
4.	Homeowners multiple peril			0.0	0.0
5.	Commercial multiple peril			0.0	0.0
6.	Mortgage guaranty			0.0	0.0
8.	Ocean marine			0.0	0.0
9.	Inland marine			0.0	0.0
10.	Financial guaranty	23,168,411	(123,957,909)	(535.0)	888.6
11.1	Medical professional liability -occurrence			0.0	0.0
11.2	Medical professional liability -claims made			0.0	0.0
12.	Earthquake			0.0	0.0
13.	Group accident and health			0.0	0.0
14.	Credit accident and health			0.0	0.0
15.	Other accident and health			0.0	0.0
16.	Workers' compensation			0.0	0.0
17.1	Other liability occurrence			0.0	0.0
17.2	Other liability-claims made			0.0	0.0
17.3	Excess Workers' Compensation			0.0	0.0
18.1	Products liability-occurrence			0.0	0.0
18.2	Products liability-claims made			0.0	0.0
19.1,19.2	Private passenger auto liability			0.0	0.0
19.3,19.4	Commercial auto liability			0.0	0.0
21.	Auto physical damage			0.0	0.0
22.	Aircraft (all perils)			0.0	0.0
23.	Fidelity			0.0	0.0
24.	Surety			0.0	0.0
26.	Burglary and theft			0.0	0.0
27.	Boiler and machinery			0.0	0.0
28.	Credit			0.0	0.0
29.	International			0.0	0.0
30.	Warranty			0.0	0.0
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business	0	0	0.0	0.0
35.	TOTALS	23,168,411	(123,957,909)	(535.0)	888.6
	DETAILS OF WRITE-INS				
3401.				0.0	0.0
3402.				0.0	0.0
3403.				0.0	0.0
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

PART 2 - DIRECT PREMIUMS WRITTEN

	Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1.	Fire	0		0
2.	Allied lines	0		0
3.	Farmowners multiple peril	0		0
4.	Homeowners multiple peril	0		0
5.	Commercial multiple peril	0		0
6.	Mortgage guaranty	0		0
8.	Ocean marine	0		0
9.	Inland marine	0		0
10.	Financial guaranty	3,132,511	13,193,976	19,261,315
11.1	Medical professional liability-occurrence	0		0
11.2	Medical professional liability-claims made	0		0
12.	Earthquake	0		0
13.	Group accident and health	0		0
14.	Credit accident and health	0		0
15.	Other accident and health	0		0
16.	Workers' compensation	0		0
17.1	Other liability occurrence	0		0
17.2	Other liability-claims made	0		0
17.3	Excess Workers' Compensation	0		0
18.1	Products liability-occurrence	0		0
18.2	Products liability-claims made	0		0
19.1,19.2	Private passenger auto liability	0		0
19.3,19.4	Commercial auto liability	0		0
21.	Auto physical damage	0		0
22.	Aircraft (all perils)	0		0
23.	Fidelity	0		0
24.	Surety	0		0
26.	Burglary and theft	0		0
27.	Boiler and machinery	0		0
28.	Credit	0		0
29.	International	0		0
30.	Warranty	0		0
31.	Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32.	Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33.	Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34.	Aggregate write-ins for other lines of business	0	0	0
35.	TOTALS	3,132,511	13,193,976	19,261,315
	DETAILS OF WRITE-INS			
3401.		0		0
3402.		0		0
3403.		0		0
3498.	Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499.	Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2013 Loss and LAE Payments on Claims Reported as of Prior Year-End	2013 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2013 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2010 + Prior	3,144		3,144	(19,392)		(19,392)	20,739			20,739	(1,797)	0	(1,797)
2. 2011			0			0				0	0	0	0
3. Subtotals 2011 + prior	3,144	0	3,144	(19,392)	0	(19,392)	20,739	0	0	20,739	(1,797)	0	(1,797)
4. 2012	245,340		245,340	72,086		72,086				0	(173,255)	0	(173,255)
5. Subtotals 2012 + prior	248,484	0	248,484	52,694	0	52,694	20,739	0	0	20,739	(175,052)	0	(175,052)
6. 2013	XXX	XXX	XXX	XXX	56,352	56,352	XXX			0	XXX	XXX	XXX
7. Totals	248,484	0	248,484	52,694	56,352	109,046	20,739	0	0	20,739	(175,052)	0	(175,052)
8. Prior Year-End Surplus As Regards Policy-holders	377,055										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. (70.4)	2. 0.0	3. (70.4)
													Col. 13, Line 7 Line 8
													4. (46.4)

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

		Response
1.	Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	NO
2.	Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	NO
3.	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	NO
4.	Will the Director and Officer Supplement be filed with the state of domicile and the NAIC with this statement?	NO

Explanation:

1.

2.

3.

4.

Bar Code:

1. 2 5 7 7 1 2 0 1 3 4 9 0 0 0 0 3

2. 2 5 7 7 1 2 0 1 3 4 5 5 0 0 0 0 3

3. 2 5 7 7 1 2 0 1 3 3 6 5 0 0 0 0 3

4. 2 5 7 7 1 2 0 1 3 5 0 5 0 0 0 0 3

OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 25.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
2504. Other Assets	106,003		106,003	106,003
2597. Summary of remaining write-ins for Line 25 from Page 02	106,003	0	106,003	106,003

SCHEDULE A – VERIFICATION

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Current year change in encumbrances		0
4. Total gain (loss) on disposals		0
5. Deduct amounts received on disposals		0
6. Total foreign exchange change in book/adjusted carrying value		0
7. Deduct current year's other than temporary impairment recognized		0
8. Deduct current year's depreciation		0
9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8)	0	0
10. Deduct total nonadmitted amounts	0	0
11. Statement value at end of current period (Line 9 minus Line 10)	0	0

NONE

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and mortgage interest points and commitment fees		0
9. Total foreign exchange change in book value/recorded investment excluding accrued interest		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Total valuation allowance		0
13. Subtotal (Line 11 plus Line 12)	0	0
14. Deduct total nonadmitted amounts	0	0
15. Statement value at end of current period (Line 13 minus Line 14)	0	0

NONE

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of acquired:		
2.1 Actual cost at time of acquisition		0
2.2 Additional investment made after acquisition		0
3. Capitalized deferred interest and other		0
4. Accrual of discount		0
5. Unrealized valuation increase (decrease)		0
6. Total gain (loss) on disposals		0
7. Deduct amounts received on disposals		0
8. Deduct amortization of premium and depreciation		0
9. Total foreign exchange change in book/adjusted carrying value		0
10. Deduct current year's other than temporary impairment recognized		0
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	0	0
12. Deduct total nonadmitted amounts	0	0
13. Statement value at end of current period (Line 11 minus Line 12)	0	0

NONE

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	725,871,242	637,813,563
2. Cost of bonds and stocks acquired	142,839,089	263,143,425
3. Accrual of discount	1,656,547	744,360
4. Unrealized valuation increase (decrease)	(859,666)	6,737,587
5. Total gain (loss) on disposals	7,468,048	2,384,092
6. Deduct consideration for bonds and stocks disposed of	234,038,147	181,918,542
7. Deduct amortization of premium	2,941,843	3,108,272
8. Total foreign exchange change in book/adjusted carrying value	(416,962)	75,029
9. Deduct current year's other than temporary impairment recognized	1,502,402	0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	638,075,906	725,871,242
11. Deduct total nonadmitted amounts	599,986	599,986
12. Statement value at end of current period (Line 10 minus Line 11)	637,475,920	725,271,256

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	489,832,572	20,773,101	12,555,965	(2,765,963)	485,237,547	489,832,572	495,283,745	601,557,009
2. Class 2 (a)	58,066,899	13,683,325	929,188	3,379,626	58,475,154	58,066,899	74,200,662	66,633,966
3. Class 3 (a)	10,021,320		45,038	664,385	18,295,278	10,021,320	10,640,667	1,726,264
4. Class 4 (a)	8,473,562			192,856	0	8,473,562	8,666,418	0
5. Class 5 (a)	(590,622)		86,844	(620,834)	638,814	(590,622)	(1,298,300)	1,102,861
6. Class 6 (a)	(741,790)	1,854,286	1,848,486	33	0	(741,790)	(735,957)	796,680
7. Total Bonds	565,061,941	36,310,712	15,465,521	850,103	562,646,793	565,061,941	586,757,235	671,816,780
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	565,061,941	36,310,712	15,465,521	850,103	562,646,793	565,061,941	586,757,235	671,816,780

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 $; NAIC 2 $;
NAIC 3 $; NAIC 4 $; NAIC 5 $; NAIC 6 $

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999		XXX			

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Cost of short-term investments acquired		0
3. Accrual of discount		0
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals		0
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	0
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E - VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	1	0
2. Cost of cash equivalents acquired		17,999,908
3. Accrual of discount		93
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		0
6. Deduct consideration received on disposals		18,000,000
7. Deduct amortization of premium		0
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other than temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	1	1
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	1	1

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends	10 NAIC Designation or Market Indicator (a)
Bonds - Industrial and Miscellaneous (Unaffiliated)									
07330N-AD-7	BRANCH BANKING & TRUST CO		09/19/2013	DEUTSCHE-ALEX BROWN, EUROPE		2,999,400	3,000,000	6,278	1FE
172967-HC-8	CITIGROUP INC		09/19/2013	CITIGROUP GLOBAL MARKETS INC. [NEW YORK,		2,986,860	3,000,000	3,305	1FE
240019-BR-9	DAYTON POWER & LIGHT CO/THE		09/12/2013	BANK OF AMERICA		3,146,642	3,152,000	3,684	2FE
28176E-AC-2	EDWARDS LIFESCIENCES CORP		09/24/2013	BANK OF AMERICA		4,542,084	4,565,000	18,195	2FE
40428H-PJ-5	HSBC USA INC		09/17/2013	HSBC SECURITIES INC.		2,395,872	2,400,000	6,484	1FE
46639E-AB-7	JPMCC 2012-LC9 A2		08/29/2013	CHASE SECURITIES		196,672	200,000	28	1FE
46640J-AP-2	JPMCC 2013-C13 A2		09/30/2013	CHASE SECURITIES		6,121,406	6,000,000	888	1
90269C-AB-6	UBSBB 2012-C2 A2		09/25/2013	BARCLAYS CAPITAL		6,072,891	6,000,000	10,213	1FE
92277G-AA-5	VENTAS REALTY LP		09/23/2013	BANK OF AMERICA		5,994,600	6,000,000		2FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						34,456,427	34,317,000	49,075	XXX
8399997 - Subtotals- Bonds - Part 3						34,456,427	34,317,000	49,075	XXX
8399999 - Subtotals - Bonds						34,456,427	34,317,000	49,075	XXX
9999999 Totals						34,456,427	XXX	49,075	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

1 CUSIP Identi-fication	2 Description	3 Foreign	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value: 11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.	16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Desig-nation or Market Indicator (a)
Bonds - U.S. Governments																					
3620AC-5Y-6	GNMA 30 YR		09/01/2013	MBS PAYDOWN		66,154	66,154	68,823	66,319		(165)		(165)		66,154			0	2,123	10/15/2039	1
0599999 - Bonds - U.S. Governments						66,154	66,154	68,823	66,319	0	(165)	0	(165)	0	66,154	0	0	0	2,123	XXX	XXX
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																					
3128MC-KA-2	FGLMC 15 YR		09/01/2013	MBS PAYDOWN		275,966	275,966	288,619	277,697		(1,731)		(1,731)		275,966			0	9,171	10/01/2024	1
312964-B3-2	FGLMC 15 YR		09/01/2013	MBS PAYDOWN		68,929	68,929	73,715	69,575		(645)		(645)		68,929			0	2,318	01/01/2019	1
31306X-QS-5	FGLMC 15 YR		09/01/2013	MBS PAYDOWN		146,091	146,091	153,305	146,708		(617)		(617)		146,091			0	2,367	09/01/2027	1
31393X-4A-2	FNW 2004-W4 M		09/01/2013	MBS PAYDOWN		23,520	23,520	12,942	8,186	4,790			4,790		12,976		10,544	10,544	878	06/25/2034	1AM
31398V-RP-3	FHR 3662 PG		07/01/2013	MBS PAYDOWN		14,494	14,494	15,290	15,416		(922)		(922)		14,494			0	423	04/15/2035	1
31410G-W6-6	FNMA 15 YR		09/01/2013	MBS PAYDOWN		64,283	64,283	69,237	64,781		(498)		(498)		64,283			0	2,352	01/01/2021	1
31416W-H6-2	FNMA 15 YR		09/01/2013	MBS PAYDOWN		183,377	183,377	188,722	184,794		(1,418)		(1,418)		183,377			0	4,769	06/01/2025	1
31417C-3A-1	FNMA 15 YR		09/01/2013	MBS PAYDOWN		133,375	133,375	140,128	133,959		(583)		(583)		133,375			0	2,208	09/01/2027	1
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						910,035	910,035	941,958	901,116	4,790	(6,414)	0	(1,624)	0	899,491	0	10,544	10,544	24,486	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
02005G-AD-7	ALLYA 2009-B A4		09/15/2013	MBS PAYDOWN		528,656	528,656	547,944	538,334		(9,678)		(9,678)		528,656			0	10,887	12/15/2014	1FE
02005V-AC-6	ALLYA 2011-2 A3		09/15/2013	MBS PAYDOWN		131,316	131,316	131,315	131,335		(19)		(19)		131,316			0	1,048	04/15/2015	1FE
12622X-AC-4	CNH 2011-A A3		09/15/2013	MBS PAYDOWN		107,580	107,580	107,566	107,566		14		14		107,580			0	890	05/16/2016	1FE
200476-AJ-8	COMM 2007-FL14 AJ		09/15/2013	MBS PAYDOWN		915	915	892	(6,201)		(64)		7,116		915			0	90	06/15/2022	1FE
225470-NK-5	CS FIRST BOSTON MORTGAGE SECURITIES		09/01/2013	MBS PAYDOWN		110,600	110,600	109,835	110,275		325		325		110,600			0	4,207	12/15/2040	1FE
36228C-TH-6	GSMS 2004-GG2 A6		09/01/2013	MBS PAYDOWN		341,937	341,937	343,446	343,413		(1,476)		(1,476)		341,937			0	12,484	08/10/2038	1FM
46625M-2B-4	JPMCC 2004-CB8 A4		09/01/2013	VARIOUS		323,781	323,781	317,330	314,603		4,969		9,178		323,781			0	10,719	01/12/2039	1FE
46639N-AL-5	JPMBB 2013-C12 A1		09/01/2013	MBS PAYDOWN		145,469	145,469	145,469					0		145,469			0	260	07/15/2045	1FE
477867-AC-9	JDOT 2011-A A3		09/15/2013	MBS PAYDOWN		89,003	89,003	88,998	88,996		7		7		89,003			0	764	01/15/2016	1FE
52108H-YK-4	LBUBS 2004-C1 A4		09/11/2013	MBS PAYDOWN		828,451	828,451	874,533	863,750		(35,299)		(35,299)		828,451			0	25,764	01/15/2031	1FE
55312V-AG-3	MLCFC 2006-4 A1A		09/01/2013	MBS PAYDOWN		5,553	5,553	6,227			(35)		(35)		5,553			0	72	12/12/2049	1FE
576434-TX-2	MALT 2004-7 B2		09/01/2013	MBS PAYDOWN		92,861	92,861	39,736	20,139	19,597			19,597		39,736		53,125	53,125	3,321	08/25/2034	1AM
59020U-5F-8	MLMI 2006-RM1 A2D		08/01/2013	VARIOUS		5,014,007	20,795,908	1,848,486					0		1,848,486		3,165,521	3,165,521	270,088	02/25/2037	6
59066R-AE-7	MESA 2002-1 B1		09/18/2013	MBS PAYDOWN		54,540	54,540	45,038	45,038				0		45,038		9,502	9,502	1,846	02/18/2033	3AM
65476H-AC-4	NAROT 2011-A A3		09/15/2013	MBS PAYDOWN		208,259	208,259	208,246	208,241		18		18		208,259			0	1,638	02/16/2015	1FE
66706A-AA-3	NORTHSTAR MORTGAGE TRUST		08/25/2013	MBS PAYDOWN		397	397	397	397		1		1		397			0	4	08/25/2029	1FE
80282F-AE-7	SDART 2010-A A3		09/15/2013	MBS PAYDOWN		511,727	511,727	516,425	514,571		(2,844)		(2,844)		511,727			0	6,238	11/17/2014	1FE
92976B-HK-1	WBCMT 2006-WL7A A2		08/15/2013	MBS PAYDOWN		2,599,894	2,599,894	2,526,772	2,515,745		84,148		84,148		2,599,894			0	5,608	09/15/2021	1FE
03761Q-AA-3	APID 2006-QA A	F	07/20/2013	MBS PAYDOWN		835,542	835,542	794,810	824,958		10,585		10,585		835,542			0	3,479	01/20/2019	1FE
05615Y-AA-9	BABSN 2005-2A A1	F	07/20/2013	MBS PAYDOWN		1,140,709	1,140,709	1,098,645	1,117,033		23,676		23,676		1,140,709			0	5,036	07/20/2019	1FE
63936Y-AE-2	NAVG 2005-1A A2	F	07/22/2013	MBS PAYDOWN		3,451,662	3,451,662	3,125,480	3,107,737		343,925		343,925		3,451,662			0	18,297	10/21/2017	1FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						16,522,859	32,304,760	12,877,590	10,845,930	19,597	418,253	0	437,850	0	13,294,711	0	3,228,148	3,228,148	382,740	XXX	XXX
8399997 - Subtotals - Bonds - Part 4						17,499,048	33,280,949	13,888,371	11,813,365	24,387	411,674	0	436,061	0	14,260,356	0	3,238,692	3,238,692	409,349	XXX	XXX
8399999 - Subtotals - Bonds						17,499,048	33,280,949	13,888,371	11,813,365	24,387	411,674	0	436,061	0	14,260,356	0	3,238,692	3,238,692	409,349	XXX	XXX
9999999 Totals						17,499,048	XXX	13,888,371	11,813,365	24,387	411,674	0	436,061	0	14,260,356	0	3,238,692	3,238,692	409,349	XXX	XXX

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues ....

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1		2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
				Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	
Depository		Code	Rate of Interest			First Month	Second Month	Third Month	*
Open Depositories									
CNCE / NATIXIS	Paris, France					369,871	494,902	507,695	XXX
Brown Brothers Harriman & Company	140 Broadway, New York, NY								XXX
0199998 Deposits in ...... depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories		XXX	XXX			32,250,773	54,099,622	42,633,400	XXX
0199999 Total Open Depositories		XXX	XXX	0	0	32,620,644	54,594,524	43,141,095	XXX
0399999 Total Cash on Deposit		XXX	XXX	0	0	32,620,644	54,594,524	43,141,095	XXX
0499999 Cash in Company's Office		XXX	XXX	XXX	XXX				XXX
0599999 Total		XXX	XXX	0	0	32,620,644	54,594,524	43,141,095	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 Description	2 Code	3 Date Acquired	4 Rate of Interest	5 Maturity Date	6 Book/Adjusted Carrying Value	7 Amount of Interest Due & Accrued	8 Amount Received During Year
8699999 Total Cash Equivalents					0	0	0