

ASSURED GUARANTY LTD
Form DEF 14A
March 25, 2009

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Assured Guaranty Ltd.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Table of Contents

March 25, 2009
Hamilton, Bermuda

Dear Shareholders:

It is with great pleasure that we invite you to our 2009 Annual General Meeting of shareholders. The meeting will be held on Thursday, May 7, 2009, at the Fairmont Hamilton Princess Hotel, 76 Pitts Bay Road, Hamilton, Bermuda at 8:00 a.m. Atlantic Time.

Our formal agenda for this year's meeting is to vote on the election of directors, to vote on an amendment to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, to vote on an amendment to the Assured Guaranty Ltd. Employee Stock Purchase Plan, to ratify the selection of independent auditors for 2009, and to direct the Company to vote on directors and independent auditors for one of our subsidiaries. In addition, we will report to you the highlights of 2008 and discuss the outlook for our business in 2009. We will also answer any questions you may have. Representatives of our independent accountants will be in attendance at the meeting and will be available to answer questions.

Whether or not you plan to attend the meeting, your vote on these matters is important to us. Please complete, sign and return the enclosed proxy card in the envelope provided. Alternatively, you can vote your proxy by telephone or through the Internet by following the instructions on the enclosed proxy card.

We look forward to seeing you at the meeting.

Sincerely,

Walter A. Scott
Chairman of the Board

Dominic J. Frederico
President and Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL GENERAL MEETING

March 25, 2009
Hamilton, Bermuda

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as the Company, will be held on Thursday, May 7, 2009, at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda, for the following purposes:

1. To elect four Class II directors to hold office until 2012;
2. To vote on an amendment to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan;
3. To vote on an amendment to the Assured Guaranty Ltd. Employee Stock Purchase Plan;
4. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2009;
5. To direct the Company to vote for directors of, and the ratification of the appointment of independent auditors for, our subsidiary, Assured Guaranty Re Ltd.; and
6. To transact such other business, if any, as lawfully may be brought before the meeting.

Only shareholders of record, as shown by the transfer books of the Company, at the close of business on March 17, 2009, are entitled to notice of, and to vote at, the Annual General Meeting.

PLEASE SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE RETURN ENVELOPE FURNISHED FOR THAT PURPOSE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. YOU MAY ALSO VOTE OVER THE INTERNET OR BY TELEPHONE BY FOLLOWING THE VOTING INSTRUCTIONS PRINTED ON THE ACCOMPANYING PROXY CARD. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ENCLOSED PROXY STATEMENT.

By Order of the Board of Directors,

James M. Michener
Secretary

Table of Contents

TABLE OF CONTENTS

	Page
<u>INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING</u>	
<u>Why did you send me this proxy statement?</u>	1
<u>What proposals will be voted on at the Annual General Meeting?</u>	1
<u>Are proxy materials available on the Internet?</u>	1
<u>Who is entitled to vote?</u>	2
<u>How many votes do I have?</u>	2
<u>What is the difference between holding shares as a shareholder of record and as a beneficial owner?</u>	2
<u>How do I vote by proxy?</u>	3
<u>May I vote by telephone or via the Internet?</u>	3
<u>May I revoke my proxy?</u>	4
<u>How do I vote in person at the Annual General Meeting?</u>	4
<u>What votes need to be present to hold the Annual General Meeting?</u>	4
<u>What vote is required to approve each proposal?</u>	4
<u>How are votes counted?</u>	5
<u>What is the effect of broker non-votes and abstentions?</u>	6
<u>Are there any voting agreements with respect to our common shares?</u>	6
<u>What are the costs of soliciting these proxies and who will pay them?</u>	6
<u>Where can I find the voting results?</u>	6
<u>Will Assured's independent accountants attend the Annual General Meeting?</u>	6
<u>Do directors attend the Annual General Meeting?</u>	7
<u>Can a shareholder communicate directly with our Board? If so, how?</u>	7
<u>Whom should I call if I have any questions?</u>	7
<u>CORPORATE GOVERNANCE</u>	
<u>Overview</u>	8
<u>The Board of Directors</u>	8
<u>Director independence</u>	9
<u>The committees of the Board</u>	10

<u>How are directors compensated?</u>	<u>10</u>
<u>Director Compensation</u>	<u>11</u>
<u>How are directors nominated?</u>	<u>13</u>
<u>Compensation Committee interlocking and insider participation</u>	<u>13</u>
<u>What is our related person transactions approval policy and what procedures do we use to implement it?</u>	<u>15</u>
<u>What related person transactions do we have?</u>	<u>15</u>
	<u>16</u>

Table of Contents

	Page
<u>Did our insiders comply with Section 16(a) beneficial ownership reporting in 2008?</u>	<u>20</u>
<u>PROPOSAL NO. 1: ELECTION OF DIRECTORS</u>	
	<u>21</u>
<u>General</u>	<u>21</u>
<u>Nominees for election for terms expiring in 2012</u>	<u>21</u>
<u>Directors whose terms of office will continue after this meeting</u>	<u>23</u>
<u>INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP</u>	
	<u>25</u>
<u>How much stock is owned by directors and executive officers?</u>	<u>25</u>
<u>Which shareholders own more than 5% of our common shares?</u>	<u>26</u>
<u>EXECUTIVE COMPENSATION</u>	
	<u>28</u>
<u>Compensation Discussion and Analysis</u>	<u>28</u>
<u>Compensation Committee Report</u>	<u>43</u>
<u>2008 Summary Compensation Table</u>	<u>44</u>
<u>Employment Agreements</u>	<u>45</u>
<u>Employee Stock Purchase Plan</u>	<u>49</u>
<u>Indemnification Agreements</u>	<u>49</u>
<u>2008 Grants of Plan-Based Awards</u>	<u>50</u>
<u>Outstanding Equity Awards at December 31, 2008</u>	<u>51</u>
<u>2008 Option Exercises and Stock Vested</u>	<u>52</u>
<u>Nonqualified Deferred Compensation</u>	<u>52</u>
<u>Potential Payments Upon Termination or Change in Control</u>	<u>53</u>
<u>AUDIT COMMITTEE REPORT</u>	
	<u>58</u>
<u>EQUITY COMPENSATION PLANS INFORMATION</u>	
	<u>60</u>
<u>PROPOSAL NO. 2: APPROVAL OF THE ASSURED GUARANTY LTD. 2004 LONG-TERM INCENTIVE PLAN AS AMENDED AND RESTATED AS OF MAY 7, 2009</u>	
	<u>61</u>
<u>Purpose</u>	<u>61</u>
<u>General Description</u>	<u>62</u>
<u>Options</u>	<u>63</u>
<u>Stock Appreciation Rights</u>	<u>64</u>
<u>Full Value Awards</u>	<u>64</u>
<u>Cash Incentive Awards</u>	<u>65</u>

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

<u>\$1 Million Limit</u>	<u>65</u>
<u>Change in Control</u>	<u>65</u>
<u>Amendment and Termination</u>	<u>66</u>
<u>United States Income Tax Considerations</u>	<u>66</u>

Table of Contents

	Page
<u>PROPOSAL NO. 3: APPROVAL OF THE ASSURED GUARANTY LTD. EMPLOYEE STOCK PURCHASE PLAN AS AMENDED BY THE FIRST AMENDMENT</u>	70
<u>Purpose</u>	70
<u>General Description</u>	70
<u>Duration, Amendment and Termination</u>	71
<u>Eligibility</u>	71
<u>Participation</u>	72
<u>Payroll Deductions</u>	72
<u>Termination of Participation</u>	72
<u>Purchase of Stock</u>	73
<u>United States Income Tax Considerations</u>	73
<u>ESPP Benefits</u>	74
<u>PROPOSAL NO. 4: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	75
<u>Independent Auditor Fee Information</u>	75
<u>Pre-Approval Policy of Audit and Non-Audit Services</u>	76
<u>PROPOSAL NO. 5: PROPOSALS CONCERNING OUR SUBSIDIARY, ASSURED GUARANTY RE LTD.</u>	77
<u>SHAREHOLDER PROPOSALS FOR 2010 ANNUAL MEETING</u>	78
<u>How do I submit a proposal for inclusion in next year's proxy material?</u>	78
<u>How do I submit a proposal or make a nomination at an annual general meeting?</u>	79
<u>OTHER MATTERS</u>	79
<u>EXHIBIT A CATEGORICAL STANDARDS FOR DIRECTOR INDEPENDENCE</u>	A-1
<u>EXHIBIT B ASSURED GUARANTY LTD. 2004 LONG-TERM INCENTIVE PLAN</u>	B-1
<u>EXHIBIT C ASSURED GUARANTY LTD. EMPLOYEE STOCK PURCHASE PLAN</u>	C-1

Table of Contents

ASSURED GUARANTY LTD.

30 Woodbourne Avenue
Hamilton HM 08 Bermuda
March 30, 2009

PROXY STATEMENT

INFORMATION ABOUT THE ANNUAL GENERAL MEETING AND VOTING

Why did you send me this proxy statement?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Assured Guaranty Ltd., which we refer to as "Assured," the "Company," "we," "us" or "our," is soliciting your proxy to vote at the 2009 Annual General Meeting, which will be held on Thursday, May 7, 2009, at 8:00 a.m. Atlantic Time at the Fairmont Hamilton Princess, 76 Pitts Bay Road, Hamilton, Bermuda. A copy of our Annual Report to Shareholders for the fiscal year ended December 31, 2008 accompanies this proxy statement.

This proxy statement summarizes the information you need to vote at the Annual General Meeting. You do not need to attend the Annual General Meeting to vote your shares. You may simply complete, sign and return the enclosed proxy card or vote by telephone or over the Internet.

We will begin mailing this proxy statement on or about April 6, 2009 to all shareholders entitled to vote.

What proposals will be voted on at the Annual General Meeting?

There are five proposals scheduled to be voted on at the Annual General Meeting:

The election of four Class II directors.

The approval of an amendment to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan.

The approval of an amendment to the Assured Guaranty Ltd. Stock Purchase Plan.

The ratification of the selection of PricewaterhouseCoopers LLP, an independent registered public accounting firm, as our independent auditors for 2009.

Directing the Company to vote for the election of the directors of, and the ratification of the appointment of the independent auditors for, our subsidiary, Assured Guaranty Re Ltd., which we refer to as "AG Re."

Assured's Board recommends that you vote your shares "FOR" each of the nominees to the Board, "FOR" the approval of the amendment to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, "FOR" the approval of the amendment to the Assured Guaranty Ltd. Employee Stock Purchase Plan, "FOR" the appointment of the selection of PricewaterhouseCoopers LLP as our independent auditors for 2009 and "FOR" directing the Company to vote for the election of the directors of, and the ratification of the appointment of independent auditors for, our subsidiary, Assured Guaranty Re Ltd.

Table of Contents

Are proxy materials available on the Internet?

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on Thursday May 7, 2009

Yes. Our proxy statement for the 2009 Annual General Meeting, form of proxy card and 2008 annual report are available at <http://www.assuredguaranty.com/annualmeeting.html>.

Who is entitled to vote?

March 17, 2009 is the record date for the Annual General Meeting. If you owned our common shares at the close of business on March 17, 2009, you are entitled to vote. On that date, we had 90,562,067 of our common shares outstanding and entitled to vote at the Annual General Meeting, including 439,764 unvested restricted common shares (but excluding 5,354,116 common shares held by our subsidiary, Assured Guaranty US Holdings Inc.). Our common shares are our only class of voting stock. The closing price of our common shares on March 17, 2009 was \$5.45.

How many votes do I have?

You have one vote for each of our common shares that you owned at the close of business on March 17, 2009. However, if your shares are considered "controlled shares," which our Bye-laws defined generally to include all of our common shares directly, indirectly or constructively owned or beneficially owned by any person or group of persons, owned by any "United States person," as defined in the U.S. Internal Revenue Code, as amended, which we refer to in this proxy statement as the "Internal Revenue Code," and such shares constitute 9.5% or more of our issued common shares, the voting rights with respect to your controlled shares will be limited, in the aggregate, to a voting power of approximately 9.5%, pursuant to a formula specified in our Bye-Laws. Funds affiliated with Wilbur L. Ross, Jr., one of our directors, are subject to this restriction and, as a result, the voting rights of all other shareholders will be increased accordingly, subject to the 9.5% voting limitation.

The proxy card indicates the number of common shares you are entitled to vote, without giving effect to the controlled share rule described above.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

Many of our shareholders hold their shares through a stockbroker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

Shareholder of Record

If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly. As the shareholder of record, you have the right to grant your voting proxy directly to Assured or to vote in person at the Annual General Meeting. Assured has enclosed a proxy card for you to use. You may also vote on the Internet or by telephone as described below under the heading "Information About the Annual General Meeting and Voting May I vote by telephone or via the Internet?"

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by your broker or nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your broker or nominee on

Table of Contents

how to vote your shares and are also invited to attend the Annual General Meeting. However, since you are not the shareholder of record, you may only vote these shares in person at the Annual General Meeting if you follow the instructions described below under the heading "Information About the Annual General Meeting and Voting How do I vote in person at the Annual General Meeting?" Your broker or nominee has enclosed a voting instruction card for you to use in directing your broker or nominee as to how to vote your shares. You may also vote on the Internet or by telephone as described below under the heading "Information About the Annual General Meeting and Voting May I vote by telephone or via the Internet?"

How do I vote by proxy?

If you properly fill in your proxy card and send it to us in time to vote, your "proxy" (one of the individuals named on your proxy card) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the Board:

"FOR" the election of four Class II directors.

"FOR" the approval of the amendment to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan.

"FOR" the approval of the amendment to the Assured Guaranty Ltd. Employee Stock Purchase Plan.

"FOR" the ratification of PricewaterhouseCoopers LLP as our independent auditors for 2009.

"FOR" directing the Company to vote for the election of directors of, and the ratification of the appointment of independent auditors for, our subsidiary, AG Re.

If any other matter is presented, your proxy will vote in accordance with the best judgment of the individuals named on your proxy card. As of the date of printing this proxy statement, we knew of no matters that needed to be acted on at the Annual General Meeting, other than those discussed in this proxy statement.

May I vote by telephone or via the Internet?

Yes. Instead of submitting your vote by mail on the enclosed proxy card, you may be able to vote via the Internet or by telephone. We encourage you to do so because your vote is then tabulated faster than if you mailed it. Please note that there are separate Internet and telephone arrangements depending on whether you are a shareholder of record (that is, if you hold your stock in your own name), or whether you are a beneficial owner and hold your shares in "street name" (that is, if your stock is held in the name of your broker or bank).

If you are a shareholder of record, you may vote by telephone, or electronically through the Internet, by following the instructions provided on your proxy card.

If you are a beneficial owner and held your shares in "street name," you may need to contact your bank or broker to determine whether you will be able to vote by telephone or electronically through the Internet.

The telephone and Internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions and to confirm that shareholders' instructions have been recorded properly. If you vote via the Internet, you may incur costs, such as usage charges from Internet access providers and telephone companies. You will be responsible for those costs.

Whether or not you plan to attend the Annual General Meeting, we urge you to vote. Returning the proxy card or voting by telephone or over the Internet will not affect your right to attend the Annual General Meeting and vote.

Table of Contents

May I revoke my proxy?

Yes. If you change your mind after you vote, you may revoke your proxy by following any of the procedures described below. To revoke your proxy:

Send in another signed proxy with a later date or resubmit your vote by telephone or the Internet,

Send a letter revoking your proxy to Assured's Secretary at 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, or

Attend the Annual General Meeting and vote in person.

If you wish to revoke your proxy, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken.

How do I vote in person at the Annual General Meeting?

You may vote shares held directly in your name as the shareholder of record in person at the Annual General Meeting. If you choose to vote your shares in person at the Annual General Meeting, please bring the enclosed proxy card or proof of identification. Shares held in "street name" may be voted in person by you only if you obtain a signed proxy from the shareholder of record giving you the right to vote the shares. If your shares are held in the name of your broker, bank or other nominee, you must bring to the Annual General Meeting an account statement or letter from the broker, bank or other nominee indicating that you are the owner of the shares and a signed proxy from the shareholder of record giving you the right to vote the shares. The account statement or letter must show that you were beneficial owner of the shares on March 17, 2009.

Even if you plan to attend the Annual General Meeting, Assured recommends that you vote your shares in advance as described above so that your vote will be counted if you later decide not to attend the Annual General Meeting.

You can obtain directions to attend the 2009 Annual General Meeting by contacting Natasha Medeiros at 441-299-9375 or at nmedeiros@assuredguaranty.com.

What votes need to be present to hold the Annual General Meeting?

To have a quorum for our Annual General Meeting, two or more persons must be present, in person or by proxy, representing more than 50% of the common shares that were outstanding on March 17, 2009. As of March 17, 2009, our subsidiary, Assured Guaranty US Holdings Inc., owns 5,354,116 of our common shares. While it does not intend to vote these shares at the upcoming Annual General Meeting, it does intend for these shares to be present at the meeting so they will be counted towards the quorum.

What vote is required to approve each proposal?

Election of directors

The election of each nominee for Class II director requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

Table of Contents

Approval of the Amendment of the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan

Under NYSE rules, the approval of the amendment of the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan requires an affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the voting power of the total outstanding shares of stock, which is referred to as the "Outstanding Votes." Votes "For" and "Against" and abstentions count as votes cast, while broker non-votes do not count as votes cast but count as Outstanding Votes. Thus, the total sum of votes "For," plus votes "Against," plus abstentions, which is referred to as the "NYSE Votes Cast," must be greater than 50% of the total Outstanding Votes. Further, the number of votes "For" the proposal must be greater than 50% of the NYSE Votes Cast.

Approval of the Amendment of the Assured Guaranty Ltd. Employee Stock Purchase Plan

Under NYSE rules, the approval of the amendment of the Assured Guaranty Ltd. 2004 Employee Stock Purchase Plan requires an affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the Outstanding Votes. Votes "For" and "Against" and abstentions count as votes cast, while broker non-votes do not count as votes cast but count as Outstanding Votes. Thus, the total sum of NYSE Votes Cast must be greater than 50% of the total Outstanding Votes. Further, the number of votes "For" the proposal must be greater than 50% of the NYSE Votes Cast.

Ratification of Appointment of Independent Auditors

The ratification of the selection of PricewaterhouseCoopers LLP as independent auditors for 2009 requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

Election of Directors and Ratification of Independent Auditors for a Subsidiary

Directing the Company to vote for the election of directors of, and the ratification of the appointment of independent auditors for, our subsidiary, AG Re, requires the affirmative vote of a majority of the votes cast on such proposal at the Annual General Meeting.

How are votes counted?

In the election of Assured directors, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees. Your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN" with respect to the approval of the amendment of the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, the approval of the amendment of the Assured Guaranty Ltd. Employee Stock Purchase Plan and the ratification of Assured's independent auditors. For directing the Company to vote for the election of directors of our subsidiary, AG Re, your vote may be cast "FOR" all of the nominees or your vote may be "WITHHELD" with respect to one or more of the nominees and for directing the Company to vote for the ratification of AG Re's independent auditors, your vote may be cast "FOR" or "AGAINST" or you may "ABSTAIN". If you sign your proxy card or broker voting instruction card with no further instructions, your shares will be voted in accordance with the recommendations of the Board. We will appoint one or more inspectors of election to count votes cast in person or by proxy.

Table of Contents

What is the effect of broker non-votes and abstentions?

A broker "non-vote" occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

Common shares owned by shareholders electing to abstain from voting with respect to any proposal and broker "non-votes" will be counted towards the presence of a quorum but will not be considered present and voting with respect to elections of directors or other matters to be voted upon at the Annual General Meeting. Therefore, abstentions and "broker non-votes" will have no effect on the outcome of the proposals to elect directors, to ratify the appointment of the Company's independent accountants or the subsidiary matters.

Because of NYSE rules, abstentions have the same effect as a vote against the amendment of the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan and the amendment to the Assured Guaranty Employee Stock Purchase Plan. Broker non-votes will not directly have any effect on the outcome of the proposals to amend the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan or the Assured Guaranty Ltd. Employee Stock Purchase Plan because broker non-votes are not treated as votes cast under NYSE rules. However, brokers do not have discretionary authority to vote shares on the proposals to amend the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan or the Assured Guaranty Ltd. Employee Stock Purchase Plan without the direction from the beneficial owner. Thus, broker non-votes could impair our ability to satisfy the requirement that the NYSE Votes Cast represent over 50% of the Outstanding Votes.

Are there any voting agreements with respect to our common shares?

The funds affiliated with Wilbur L. Ross, Jr., one of our directors, have agreed that they will vote all common shares of the Company owned by them solely in proportion with the votes cast by holders of the Company's common shares on any matter put before them.

The funds affiliated with Mr. Ross have agreed to be subject to the 9.5% voting limitation described in "How many votes do I have?" ACE Limited, which we refer to as "ACE," has agreed to be subject to such 9.5% voting limitation following the closing of our acquisition of Financial Security Assurance Holdings Ltd., which we refer to as "FSAH."

What are the costs of soliciting these proxies and who will pay them?

Assured will pay all the costs of soliciting these proxies. Our directors and employees may also solicit proxies by telephone, by fax or other electronic means of communication, or in person. We will reimburse banks, brokers, nominees and other fiduciaries for the expenses they incur in forwarding the proxy materials to you. Georgeson Inc. is assisting us with the solicitation of proxies for a fee of \$6,500 plus out-of-pocket expenses.

Where can I find the voting results?

We will publish the voting results in our Form 10-Q for the second quarter of 2009, which we will file with the Securities and Exchange Commission (SEC) in August 2009. You can find the Form 10-Q on our website at www.assuredguaranty.com.

Will Assured's independent accountants attend the Annual General Meeting?

PricewaterhouseCoopers LLP will attend the Annual General Meeting and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

Table of Contents

Do directors attend the Annual General Meeting?

Our Corporate Governance Guidelines provide that directors are expected to attend our annual meeting of shareholders and any special meeting of shareholders called by the Company to consider extraordinary business transactions, unless they are unable to do so as a result of special circumstances; directors are encouraged to attend all other special meetings of shareholders called by the Company. All but one of our directors then in office attended the Annual General Meeting that was held on May 8, 2008.

Can a shareholder communicate directly with our Board? If so, how?

Our Board provides a process for shareholders, employees or other interested parties to send communications to our Board. Shareholders, employees or other interested parties wanting to contact the Board concerning accounting or auditing matters may send an e-mail to the Chairman of the Audit Committee at chmaudit@assuredguaranty.com. Shareholders, employees or other interested parties wanting to contact the Board, the independent directors, the Chairman of the Board, the chairman of any Board committee or any other director, as to other matters may send an e-mail to corpsecy@assuredguaranty.com. The Secretary has access to both of these e-mail addresses. Alternatively, shareholders, employees or other interested parties may send written communications to the Board c/o Secretary, 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, although mail to Bermuda is not as prompt as e-mail. Communication with the Board may be anonymous. The Secretary will forward all communications to the Board to the Chairman of the Audit Committee or the Chairman of the Nominating and Governance Committee, who will determine when it is appropriate to distribute such communications to other members of the Board or to management.

Whom should I call if I have any questions?

If you have any questions about the Annual General Meeting or voting, please contact James M. Michener, our Secretary, at 441-278-6679 or at jmichener@assuredguaranty.com. If you have any questions about your ownership of Assured common shares, please contact Sabra Purtill, our Managing Director, Investor Relations and Strategic Planning, at 441-299-9375 or 212-408-6044 or at spurtill@assuredguaranty.com.

Table of Contents

CORPORATE GOVERNANCE

Overview

In General

Our Board of Directors has maintained corporate governance policies since becoming a public company following our 2004 initial public offering, which we refer to as our IPO. We have reviewed internally and with the Board the provisions of the Sarbanes-Oxley Act of 2002, the rules of the SEC and the NYSE's listing standards regarding corporate governance policies and processes and are in compliance with the rules and listing standards. We have adopted Corporate Governance Guidelines covering issues such as executive sessions of the Board of Directors, director qualification standards, including independence, director responsibilities and board self-evaluations. Our Corporate Governance Guidelines contains our Categorical Standards for Director Independence. We have also adopted Code of Conduct and charters for each of our Compensation Committee, Audit Committee, Nominating and Governance Committee, Finance Committee and Risk Oversight Committee. The full text of our Corporate Governance Guidelines, our Code of Conduct and each committee charter, is available on the Company's website located at www.assuredguaranty.com. You can view and print these documents by accessing our website, then clicking on "Investor Information," followed by "Corporate Governance." In addition, you may request copies of the Corporate Governance Guidelines, the Code of Conduct, Categorical Standards for Director Independence and the committee charters by contacting our Secretary:

Telephone 441-278-6679

Facsimile 441-296-1083

e-mail jmichener@assuredguaranty.com

Independent Director Meetings

The independent directors meet at regularly scheduled executive sessions without participation of management or any director that is not independent. The Chairman of the Board is the presiding director for executive sessions of independent directors.

Other Corporate Governance Highlights

Our Board has a substantial majority of non-management, independent directors. Only non-management, independent directors may serve on our Audit, Compensation and Nominating and Governance Committees and currently only non-management directors serve on our Finance and Risk Oversight Committees.

Table of Contents

Our Audit Committee hires, determines the compensation of, and decides the scope of services performed by, our independent auditors. It also has the authority to retain outside advisors.

No member of our Audit Committee simultaneously serves on the audit committees of more than two public companies.

Our Compensation Committee has the authority to retain independent consultants and has engaged Frederic W. Cook & Co., Inc., which we refer to as Cook, to assist it. Our Compensation Committee evaluates the performance of the Chief Executive Officer, whom we refer to as our "CEO," based on corporate goals and objectives and, with the other independent directors, sets his compensation based on this evaluation.

Our Board has adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior.

In addition to quarterly Board meetings lasting approximately two days each, our Board has an annual business review meeting to review specific areas of the Company's operations and to learn about general trends affecting the financial guaranty industry. We also provide our directors with the opportunity to attend continuing education programs.

The Board of Directors

Our Board oversees our business and monitors the performance of management. In accordance with our corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed by discussing matters with the CEO, other key executives and our principal external advisors, such as legal counsel, outside auditors, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. The Board met four times during 2008 plus attended a business review meeting. All of our incumbent directors, except for Mr. Layton and Mr. Ross, attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2008. In 2008, all directors, including Mr. Layton and Mr. Ross, make significant contributions to the governance of the Company outside of formal board meetings.

Table of Contents

Director independence

In February 2009, our Board determined that the following directors are independent under the listing standards of the New York Stock Exchange (NYSE): Neil Baron, Francisco L. Borges, G. Lawrence Buhl, Stephen A. Cozen, Patrick W. Kenny, Donald H. Layton, Robin Monro-Davies, Michael T. O'Kane and Walter A. Scott. These independent directors constitute substantially more than a majority of the Company's Board of Directors. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between the Company and these directors. A copy of our Categorical Standards for Director Independence is attached as Exhibit A to this proxy statement and is also available as part of our Corporate Governance Guidelines by accessing our website at www.assuredguaranty.com, then clicking on "Investor Information," followed by "Corporate Governance." The Board also considered the other directorships held by the independent directors and determined that none of these directorships constituted a material relationship with the Company.

The committees of the Board

The Board of Directors has established an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, a Finance Committee and a Risk Oversight Committee.

The Audit Committee

The Audit Committee provides oversight of the integrity of the Company's financial statements and financial reporting process, the Company's compliance with legal and regulatory requirements, the system of internal controls, the audit process, the performance of the Company's internal audit program and the performance, qualification and independence of the independent accountants.

The Audit Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.

The Board has determined that each member of the Audit Committee satisfies the financial literacy requirements of the NYSE and that Messrs. Buhl, Borges and O'Kane are each audit committee financial experts, as that term is defined under 401(h) of Regulation S-K.

The Audit Committee is comprised of G. Lawrence Buhl (Chairman), Neil Baron, Francisco L. Borges and Michael T. O'Kane.

The Audit Committee held five meetings during 2008.

The Compensation Committee

The Compensation Committee has responsibility for evaluating the performance of the CEO and senior management and determining executive compensation.

The Compensation Committee also works with the Nominating and Governance Committee and the CEO on succession planning.

The Compensation Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.

The Compensation Committee is comprised of Patrick W. Kenny (Chairman), Stephen A. Cozen and Donald H. Layton.

Table of Contents

	<p>The Compensation Committee held four meetings during 2008. The Compensation Committee also met with Cook to review executive compensation trends and peer group compensation data.</p>
The Nominating and Governance Committee	<p>The responsibilities of the Nominating and Governance Committee include identification of individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations.</p> <p>The Nominating and Governance Committee is composed entirely of directors who are independent of the Company and its management, as defined by the NYSE listing standards.</p> <p>The Nominating and Governance Committee is comprised of Stephen A. Cozen (Chairman), Patrick W. Kenny and Robin Monro-Davies.</p> <p>The Nominating and Governance Committee held four meetings during 2008.</p>
The Finance Committee	<p>The Finance Committee of the Board of Directors oversees management's investment of the Company's investment portfolio. The Finance Committee also oversees, and makes recommendations to the Board with respect to, the Company's capital structure, financing arrangements, investment guidelines and any corporate development activities.</p> <p>The Finance Committee is comprised of Robin Monro-Davies (Chairman), Francisco L. Borges, G. Lawrence Buhl and Wilbur L. Ross, Jr.</p> <p>The Finance Committee held four meetings during 2008.</p>
The Risk Oversight Committee	<p>The Risk Oversight Committee oversees management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and risk management. The Risk Oversight Committee focuses on both the underwriting and surveillance of credit risks and the assessment and management of other risks, including, but not limited to, financial, legal, operational and other risks concerning the Company's reputation and ethical standards.</p> <p>The Risk Oversight Committee is comprised of Donald H. Layton (Chairman), Neil Baron, Michael O'Kane and Wilbur L. Ross, Jr.</p> <p>The Risk Oversight Committee held four meetings during 2008.</p>

How are directors compensated?

We currently pay our non-management directors an annual retainer of \$150,000 per year, \$60,000 of which we pay in cash and \$90,000 of which we pay in stock units or restricted stock. A director may

Table of Contents

elect to receive up to 100 percent his annual retainer in stock units or restricted stock. The Chairman of the Board receives an additional \$100,000 annual retainer, the Chairman of the Audit Committee receives an additional \$30,000 annual retainer and the Chairman of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receives an additional \$10,000 annual retainer. Members of the Audit Committee, other than the chairman, receive an additional \$10,000 annual retainer and members, other than the chairmen, of each of the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receive an additional \$5,000 annual retainer. The Company will generally not pay a fee for attendance at board or committee meetings, though the Chairman of the Board has the discretion to pay attendance fees of \$2,000 for extraordinary or special meetings.

We awarded an initial, one-time grant of restricted shares with a value of \$100,000 to each non-management director upon closing of our IPO in 2004, or, if later, upon the director's initial election to the Board of Directors. These restricted shares vested on the day immediately prior to the third annual general meeting of shareholders at which directors are elected following the grant of the shares. We have discontinued the practice of awarding this initial, one-time restricted share grant.

The Board of Directors has recommended that each director own at least 10,000 common shares within three years after joining the Board. Common shares represented by stock units will count toward that guideline, though restricted shares awarded upon a director's initial election will not. We grant annual retainer awards in the form of stock units until the share ownership guidelines have been met. The first 10,000 stock units awarded to each director became, or will become, non-forfeitable on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the units. We mandatorily defer the issuance of common shares for these units until six months after termination of the director's service on the Board of Directors. After directors meet the share ownership guidelines, they may elect to receive their annual retainer equity award in the form of either restricted shares that vest on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the shares, or stock units that become non-forfeitable on the day immediately prior to the first annual general meeting of shareholders at which directors are elected following the grant of the units, with the issuance of common shares deferred to a later date chosen by the director. Each director has satisfied our stock ownership guideline. Directors cannot sell or transfer stock units until we issue the common shares to them. We credit dividend equivalents to stock units as additional stock units. Grants of restricted stock receive cash dividends. As a result of U.S. tax legislation enacted in 2008, we expect to discontinue the grant of stock units to directors. The Nominating and Governance Committee is considering the form of any future equity grants to directors.

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

Table of Contents

The following table sets forth our 2008 non-management director compensation:

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	All Other Compensation(1) (\$)	Total (\$)
Neil Baron	\$ 75,000	\$ 93,515		\$ 168,515
Francisco L. Borges(2)	\$ 15,000	\$ 151,086		\$ 166,086
G. Lawrence Buhl	\$ 95,000	\$ 92,457	\$ 6,000	\$ 193,457
Stephen A. Cozen	\$ 75,000	\$ 92,457		\$ 167,457
Patrick W. Kenny	\$ 60,000	\$ 109,022		\$ 169,022
Donald H. Layton	\$ 75,000	\$ 91,737		\$ 166,737
Robin Monro-Davies(3)	\$ 126,100	\$ 92,427		\$ 218,527
Michael T. O'Kane	\$ 75,000	\$ 92,427	\$ 5,000	\$ 172,427
Wilbur L. Ross, Jr.	\$ 70,000	90,008		\$ 160,008
Walter A. Scott	\$ 100,000	\$ 153,831		\$ 253,831

- (1) Other compensation includes matching gift donations of \$5,000 for Mr. Buhl and \$5,000 for Mr. O'Kane and \$1,000 for Mr. Buhl's personal use of a corporate apartment.
- (2) Stock awards include Mr. Borges's one-time grant of restricted shares with a value of \$100,000 upon his initial election to the Board of Directors.
- (3) The fees for Mr. Monro-Davis include £35,000 (which is approximately \$51,100) for serving as an independent director of Assured Guaranty (UK) Ltd, a subsidiary of the Company.

The grant date fair value of the May 2008 stock awards for each director, based on the grant date of May 8, 2008, was \$90,000 for all directors except Mr. Kenny at \$105,000; and \$150,000 for Mr. Borges and Mr. Scott. The following table shows information related to director awards outstanding on December 31, 2008:

	Unvested Restricted Stock	Forfeitable Restricted Stock Units(2)	Non-Forfeitable Restricted Stock Units
N. Baron		3,545	16,543
F. Borges	9,888(1)		5,971
L. Buhl	3,545(2)		13,356
S. Cozen	3,545(2)		13,356
P. Kenny		4,135	18,848
D. Layton	4,100(2)	3,545	6,877
R. Monro-Davies		3,545	10,641
M. O'Kane		3,545	10,641
W. Ross	3,545(2)		
W. Scott		5,908	16,543

- (1) Vests one day prior to 2010 annual general meeting.
- (2) Vests one day prior to 2009 annual general meeting.

How are directors nominated?

In accordance with its charter, the Nominating and Governance Committee identifies potential nominees for directors from various sources. The Nominating and Governance Committee reviews the

Table of Contents

qualifications of these persons to determine whether they might be a good candidate for membership on the Board of Directors. The Nominating and Governance Committee includes a review of the person's judgment, experience, independence, understanding of the Company's business or other related industries and such other factors as the Nominating and Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating and Governance Committee will select qualified candidates and review its recommendations with the Board of Directors, which will decide whether to nominate the person for election to the Board of Directors at an annual general meeting. Between annual general meetings, the Board, upon the recommendation of the Nominating and Governance Committee, can approve additions to the Board.

The Company's corporate governance guidelines require the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Board members should have individual backgrounds that when combined provide a portfolio of experience and knowledge that will serve the Company's governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as a global business perspective and commitment to good corporate citizenship. Directors should be able and prepared to provide wise and thoughtful counsel to top management on the full range of potential issues facing the Company. They should represent all shareholders and not any special interest group or constituency. Directors shall possess the highest personal and professional integrity and commitment to ethical and moral values. Directors must have the time necessary to fully meet their duty of due care to the shareholders and be willing to commit to service over the long term, if called upon.

The Nominating and Governance Committee will consider a shareholder's recommendation for director, but the Nominating and Governance Committee has no obligation to recommend such candidates for nomination by the Board of Directors. Assuming that appropriate biographical and background material is provided for candidates recommended by shareholders, the Nominating and Governance Committee will evaluate those candidates by following substantially the same process and applying substantially the same criteria as for candidates recommended by other sources. If a shareholder has a suggestion for candidates for election, the shareholder should mail it to: Secretary, Assured Guaranty Ltd., 30 Woodbourne Avenue, Hamilton HM 08, Bermuda. No person recommended by a shareholder will become a nominee for director and be included in a proxy statement unless the Nominating and Governance Committee recommends, and the Board approves, such person.

If a shareholder desires to nominate a person for election as director at a shareholders meeting, that shareholder must comply with Article 14 of the Company's Bye-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding annual general meeting. This time period has passed with respect to the 2009 Annual General Meeting. With respect to the 2010 Annual General Meeting, the Company must receive such written notice on or prior to February 6, 2010. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

the shareholder's name as it appears in the Company's books;

a representation that the shareholder is a record holder of the Company's shares and intends to appear in person or by proxy at the meeting to present such proposal;

the class and number of shares beneficially owned by the shareholder;

the name and address of any person to be nominated;

a description of all arrangements or understanding between the shareholder and each nominee and any other person or persons, naming such other person or persons, pursuant to which the nomination or nominations are to be made by the shareholder;

Table of Contents

such other information regarding such nominee proposed by such shareholders as would be required to be included in a proxy statement filed pursuant to the SEC's proxy regulations; and

the consent of each nominee to serve as a director of the Company, if so elected.

Pursuant to its investment agreement with the Company, WLR Recovery Fund IV, L.P. has Board representation rights during the term of the investment by funds affiliated with Wilbur L. Ross, Jr. Mr. Ross is currently a director of the Company and is standing for election at the Annual General Meeting.

The Company has entered into a stock purchase agreement with Dexia Holdings, Inc., which we refer to as "Dexia", to purchase FSAH and, indirectly, all of its subsidiaries, including the financial guaranty insurance company, Financial Security Assurance Inc., which we refer to as "FSA." The Company expects this transaction to close during the second quarter of 2009. A portion of the purchase price for this acquisition is payable in the form of common shares of the Company issued to Dexia. If the common shares so issued represent more than 15% of the Company's total common shares outstanding on the closing date (after giving effect to all common shares of the Company issued on such date), then upon the written request of Dexia, the Company's Board of Directors will appoint one nominee of Dexia to serve as a member of the Company's Board of Directors. At such time as Dexia no longer owns common shares of the Company representing at least 10% of the total number of the Company's common shares outstanding, Dexia will no longer be entitled to nominate a representative to the Company's Board of Directors.

Compensation Committee interlocking and insider participation

The Compensation Committee of the Company's Board of Directors has responsibility for determining the compensation of the Company's executive officers. None of the members of the Compensation Committee is a current or former officer or employee of the Company. No executive officer of the Company serves on the compensation committee of any company that employs any member of the Compensation Committee.

What is our related person transactions approval policy and what procedures do we use to implement it?

Through our committee charters, we have established review and approval policies for transactions involving the Company and related persons, with the Nominating and Governance Committee taking the primary approval responsibility for transactions with our executive officers and directors and the Audit Committee taking the primary approval responsibility for transactions with our 5% shareholders. No member of these committees that has an interest in a transaction being reviewed is allowed to participate in any decision regarding any such transaction.

Our Nominating and Governance Committee charter requires the Nominating and Governance Committee to review and approve or disapprove of all proposed transactions with executive officers and directors that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K, the SEC provision which requires disclosure of any related person transaction with the Company that exceeds \$120,000 per fiscal year. The Nominating Committee must also review reports, which our general counsel provides periodically, and not less often than annually, regarding transactions with executive officers and directors (other than compensation) that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K.

Our Audit Committee charter requires our Audit Committee to review and approve or disapprove all proposed transactions with any person owning more than 5% of any class of our voting securities that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, our Audit Committee charter requires the Audit Committee to review reports regarding such transactions, which our general counsel provides to the Audit Committee periodically, and not less

Table of Contents

often than annually, regarding all transactions with any persons owning more than 5% of any class of the voting securities of the Company that have resulted, or could result in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K. Our Audit Committee charter also requires the Audit Committee to review other reports and disclosures of insider and affiliated party transactions which our general counsel provides periodically, and not less often than annually.

Our general counsel identifies related party transactions requiring committee review pursuant to our committee charters from transactions that are

disclosed in director and officer questionnaires (which are also be completed by nominees for director) or in certifications of code of conduct compliance;

reported directly by the related person or by another employee of the Company; or

reported by our chief accounting officer based on a list of directors, executive officers and known 5% shareholders that our general counsel has given to him.

If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

Prior to the adoption of our formal related party transaction approval policy in August 2006, we entered into transactions with ACE related to our IPO that were approved by the Board of Directors of the Company that was in office prior to our IPO. Some of these transactions remained in place in 2008 and, to the extent these arrangements were renewed or modified prior to the adoption of our approval policy, our CEO approved such renewals and modifications.

What related person transactions do we have?

Relationships with ACE Limited

During the time the Company was a subsidiary of ACE, it was party to a number of service agreements with subsidiaries of ACE under which either the Company provided services to subsidiaries of ACE, or they provided services to the Company. Since the IPO, all but one of these service agreements have been terminated.

During 2008, 2007 and 2006, ACE provided certain general and administrative services to some of the Company's subsidiaries, including Assured Guaranty Corp., which we refer to as "AGC", AG Re and Assured Guaranty Re Overseas Ltd., which we refer to as "AGRO". In 2008 and 2007, those services were information technology related services and in 2006 also included tax consulting and preparation services. Expenses included in the Company's consolidated financial statements related to these services were \$0.1 million for the year ended December 31, 2007. Effective January 1, 2007, the tax consulting and preparation services arrangement was terminated.

Real Estate. In May 2005, AG Re and the landowner, which is a company of which ACE owns 40% of the outstanding capital stock, signed a five year renewal of this lease covering approximately 11,000 square feet at an annual rent of approximately \$0.9 million. In May 2005, the Company subleased approximately 2,700 square feet to a subsidiary of ACE at an annual rent of approximately \$0.2 million. In October 2007 this sublease was terminated and AG Re entered into a sublease with a third party on substantially the same terms as the original sublease to ACE.

Prior to August 2006, the Company provided a housing allowance to Mr. Frederico by leasing a house in Bermuda for him from the ACE Foundation. Since December 2004, the rent on this house has been \$20,000 per month. In August 2006 the lease with the ACE Foundation was terminated and Mr. Frederico currently leases the property directly from the ACE Foundation. Mr. Frederico is reimbursed the rent pursuant to the terms of his housing allowance.

Table of Contents

Reinsurance Transactions. The Company ceded business to affiliates of ACE under certain reinsurance agreements. Amounts related to reinsurance ceded are reflected in the table below:

	2008 (\$ in millions)
<i>For the year ended December 31, 2008:</i>	
Written premiums	\$ 3.5
Earned premiums	3.6
Loss and loss adjustment expenses incurred	
Profit commission expenses	
Acquisition costs	
<i>As of December 31, 2008:</i>	
Prepaid reinsurance premiums	0.1
Reinsurance recoverable on ceded losses	4.8
Funds held by Company under reinsurance contracts	30.7

The Company also writes business with affiliates of ACE under insurance and reinsurance agreements. Amounts related to business assumed from affiliates are reflected in the table below:

	2008 (\$ in millions)
<i>For the year ended December 31, 2008:</i>	
Written premiums	\$
Earned premiums	0.1
Loss and loss adjustment expenses incurred	
Acquisition costs	
<i>As of December 31, 2008:</i>	
Unearned premium reserve	\$ 1.5
Reserve for losses and loss adjustment expenses	4.8

Keepwell Agreement. AGRO provided a keepwell to ACE Capital Title Reinsurance Company, which was its subsidiary until shortly prior to the IPO. Pursuant to the terms of this agreement, AGRO agreed to provide funds to ACE Capital Title Reinsurance Company sufficient for it to meet its obligations. In connection with the IPO, AGRO assigned this keepwell to ACE Bermuda Insurance Ltd., and ACE Bermuda Insurance Ltd. has agreed to indemnify and hold harmless AGRO in respect of the keepwell. No payment was made in connection with the assignment of the keepwell agreement.

Tax Allocation Agreement. In connection with the IPO and related share exchange, the Company and ACE Financial Services Inc., which we refer to as "AFS", entered into a tax allocation agreement. Pursuant to the tax allocation agreement, the Company and AFS has made an election under sections 338(g) and 338(h)(10) of the Internal Revenue Code of 1986, as amended, with the effect that the portion of the tax basis of the Company's assets covered by this election was increased to the deemed purchase price of the assets and an amount equal to such increase was included in income in the consolidated federal income tax return filed by U.S. tax-paying subsidiaries of ACE. It is expected that this additional basis will result in increased income tax deductions and, accordingly, reduced income taxes payable by the Company. Pursuant to the tax allocation agreement, the Company will pay AFS any tax benefits realized by the Company, on a quarterly basis, generally calculated by comparing our actual taxes to the taxes that would have been owed by the Company had the increase in basis not occurred. During 2008, the Company paid AFS, and correspondingly reduced its liability by \$0.7 million to \$9.1 million. In the event that any taxing authority successfully challenges any deductions reflected in a tax benefit payment to AFS, AFS will reimburse the Company for the loss of the tax benefit and any

Table of Contents

related interest or penalties imposed upon us. The tax benefit payments to AFS should have no material effect on the Company's earnings or cash flows, which should not be materially less than they would have been in the absence of the tax allocation agreement and additional tax basis.

The tax allocation agreement provides that the tax benefit calculation for any period ending after the consummation of the IPO will not be less than the tax benefit calculated without giving effect to any items of income, expense, loss, deduction, credit or related carryovers or carrybacks from businesses conducted by the Company or relating to the Company's assets and liabilities other than those businesses conducted by the Company and those assets and liabilities existing immediately prior to the consummation of the IPO (taking into account any assets acquired from AFS or its subsidiaries after the offering and any liabilities incurred or assumed with respect to such assets). The tax allocation agreement further provides that the Company will not enter into any transaction a significant effect of which is to reduce the amount payable to AFS under the tax allocation agreement.

Registration Rights Agreement. The Company entered into a registration rights agreement with ACE in connection with the transactions associated with the IPO to provide ACE and its affiliates with registration rights relating to the Company's common shares which they hold. The Company has filed a shelf registration statement under the Securities Act, pursuant to which ACE is able to sell its common shares of the Company.

Relationships with WLR Funds

WLR Backstop Commitment. The Company may finance the cash portion of its proposed acquisition of Financial Security Assurance Holdings Ltd., which we refer to as "FSAH", with the proceeds of a public equity offering. On November 13, 2008, in connection with the stock purchase agreement for the FSAH acquisition, the Company entered into an amendment, which we refer to as the "WLR Backstop Commitment", to its investment agreement dated as of February 28, 2008, which we refer to as the "Investment Agreement," with funds, which we refer to as the "WLR Funds", that are affiliated with Wilbur L. Ross, Jr., a director of the Company. Pursuant to the WLR Backstop Commitment, the WLR Funds have agreed to purchase newly issued common shares of the Company, with the proceeds to the Company funding the cash purchase price of its acquisition of FSAH. As of the date of this proxy statement, the WLR Funds own approximately 13.43% of the Company's common shares.

The WLR Backstop Commitment provided to the Company the option to cause the WLR Funds to purchase from the Company or Assured Guaranty US Holdings Inc. a number of common shares of the Company equal to the quotient of (i) the aggregate dollar amount not to exceed \$361 million specified by the Company divided by (ii) the volume weighted average price of a Company common share on the NYSE for the 20 NYSE trading days ending with the last NYSE trading day immediately preceding the date of the closing under the stock purchase agreement, with a floor of \$6.00 and a cap of \$8.50.

The WLR Funds have no obligation to purchase these common shares pursuant to the WLR Backstop Commitment until the closing under the Company's stock purchase agreement for FSAH occurs. The Company may use the proceeds from the sale of common shares of the Company pursuant to the WLR Backstop Commitment solely to pay a portion of the purchase price under that stock purchase agreement.

The WLR Funds' obligations under the WLR Backstop Commitment have been secured by letters of credit issued for the benefit of the Company by Bank of America, N.A. and RBS Citizens Bank, N.A., each in the amount of \$180.5 million. These letters of credit were renewed in March 2009.

The Company has paid the WLR Funds a nonrefundable commitment fee of \$10,830,000 in connection with the option granted by the WLR Backstop Commitment and has agreed to pay the

Table of Contents

WLR Funds' expenses in connection with the transactions contemplated thereby. The Company has reimbursed the WLR Funds for the approximately \$4.8 million cost of obtaining the letters of credit referred to above.

If the Company offers common shares for sale other than pursuant to the WLR Backstop Commitment to fund a portion of the purchase price under the stock purchase agreement, the WLR Funds have pre-emptive rights to purchase a portion of the common shares so sold. The portion of common shares which the WLR Funds are entitled to purchase under such pre-emptive rights is equal to the greater of (1) 25% of the shares offered in such sale and (2) the number of shares offered in such sale that is derived by dividing \$150,000,000 by the price paid in such sale. If such sale of common shares is a public offering and the managing underwriter determines that such level of participation would be detrimental to such public offering, the WLR Funds' participation will be reduced to the level recommended by such managing underwriter but in no event to below 25% of the common shares offered in such public offering.

The WLR Backstop Commitment may be terminated by either the Company or the WLR Funds if the closing under the stock purchase agreement for the FSAH transaction does not occur by August 14, 2009 and will be automatically terminated if that stock purchase agreement is terminated. The WLR Backstop Commitment may also be terminated by the mutual agreement of the Company and the WLR Funds; by either the Company or the WLR Funds if a non-appealable final judgment is issued prohibiting the closing under the WLR Backstop Commitment or prohibiting or restricting the WLR Funds from owning or voting any common shares purchased pursuant to the WLR Backstop Commitment; by the WLR Funds if the Company amends the stock purchase agreement for the FSAH acquisition in any material respect without the prior written consent of the WLR Funds; by the WLR Funds if the Company's board recommendation to shareholders is withdrawn or modified in a manner determined by the WLR Funds in good faith to be adverse to it; or by the WLR Funds if the Company or one of its subsidiaries becomes subject to an insolvency action.

Original Investment Agreement. Pursuant to the Investment Agreement, on April 8, 2008, the WLR Funds purchased 10,651,896 common shares of the Company at \$23.47 per share. In addition, pursuant to the Investment Agreement, the WLR Funds have granted the Company an option to cause the WLR Funds to purchase from the Company or Assured Guaranty US Holdings Inc. a number of common shares having an aggregate purchase price of up to \$750,000,000 at a purchase price per common share equal to 97% of the volume weighted average price of a common share on the NYSE for the 15 NYSE trading days prior to the applicable drawdown notice. The Company may exercise this option in one or more drawdowns, subject to a minimum drawdown of \$50 million, at any time through the one year anniversary of the initial closing, provided that the purchase price per common share is not greater than 17.5% above, or less than 17.5% below, the price per common share for the initial shares purchased pursuant to the Investment Agreement. This option will terminate if the Company would otherwise be required to offer to sell to the WLR Funds common shares pursuant to the pre-emptive rights provided for under the Investment Agreement but is prohibited from doing so because shareholder approval had not been obtained as required under NYSE rules. As the purchase price per common share of the subsequent shares under the Investment Agreement would currently be less than 17.5% below the price per common share for the shares initially purchased under that agreement, the Company cannot currently exercise the foregoing option. Furthermore, the obligation of the WLR Funds to purchase subsequent shares under the Investment Agreement was subject to a financial ratings condition that cannot currently be satisfied as a result of the downgrade of AGC and AG Re by Moody's on November 21, 2008.

The Company has granted the WLR Funds pre-emptive rights in the event that the Company completes the sale on or before the date which is one year after the closing date for the initial shares or any subsequent shares sold pursuant to the Investment Agreement resulting in gross proceeds to Assured of \$100,000,000 or more, so that the WLR Funds may maintain their relative common share

Table of Contents

ownership position in Assured, on a fully diluted basis. As required pursuant to the terms of the Investment Agreement, the Company has filed a shelf registration statement under the Securities Act covering the resale of the common shares sold to the WLR Funds pursuant to the Investment Agreement.

Relations with Dexia

The Company has entered into a stock purchase agreement with Dexia to purchase FSAH and, indirectly, all of its subsidiaries, including the financial guaranty insurance company, FSA. AG Re has provided, and continues to provide, reinsurance to FSA with respect to risks in its financial guaranty business. As of December 31, 2008, the net par outstanding of risks ceded by FSA to AG Re was \$33.8 billion. In connection with these reinsurance arrangements, FSA pays to AG Re both upfront premiums and any installment premiums with respect to risks reinsured. The gross amounts paid by FSA to AG Re in 2007 and 2008 were \$58,558,890 and \$101,261,156, respectively.

Did our insiders comply with Section 16(a) beneficial ownership reporting in 2008?

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal 2008, except that, due to an administrative error, the following executive officers were late in reporting the accrual of dividend equivalents on restricted stock units in the amounts listed after their names, rounded to the next whole share: Mr. Frederico (99 units), Mr. Schozer (40 units), Mr. Michener (39 units), Mr. Mills (40 units) and Mr. Bailenson (10 units). Mr. Cozen was also late reporting his wife's purchase of 500 shares in 2005.

Table of Contents

PROPOSAL NO. 1: ELECTION OF DIRECTORS

General

Our Bye-laws divide our Board of Directors into three classes with the terms of office of each class ending in successive years. Our Bye-Laws provide for a maximum of 21 directors and empower our Board of Directors to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual General Meeting.

Following the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated Stephen A. Cozen, Donald H. Layton, Wilbur L. Ross, Jr. and Walter A. Scott as Class II directors of the Company to serve three year terms to expire at the Annual General Meeting in 2012 and, in each case, until their respective successors shall have been elected and shall have qualified. Each nominee is currently serving as a director of the Company.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THESE NOMINEES AS DIRECTORS OF THE COMPANY.

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board of Directors. We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his or her term, or the Board increases the number of directors, the Board may fill the vacancy until the annual general meeting.

We have set forth below information with respect to the nominees for election as directors and the other directors whose terms of office as directors will continue after the Annual General Meeting. Except as otherwise described with respect to Mr. Ross (and, following the closing of our acquisition of FSAH, with respect to Dexia) in "How are directors nominated?", there are no arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.

Nominees for election for terms expiring in 2012

Stephen A. Cozen, age 69, became a director of the Company upon completion of our IPO. Mr. Cozen is the founder and Chairman of Cozen O'Connor, an internationally-recognized law firm, with its home office in Philadelphia, Pennsylvania. Mr. Cozen is a fellow in the American College of Trial Lawyers and the International Academy of Trial Lawyers. Mr. Cozen also serves on numerous educational and philanthropic boards, including the University of Pennsylvania's Institute of Law and Economics and its Law School Board of Overseers, and the Board of Counselors of the University of Southern California (Shoah Foundation Institute). Mr. Cozen is also a director of United America Indemnity, Ltd. and Haverford Trust Co.

Table of Contents

Donald H. Layton, age 58, became a director of the Company in 2006. Prior to his retirement in 2004 from J.P. Morgan Chase & Co., Mr. Layton was Vice Chairman and a member of its three person Office of the Chairman. Previously, Mr. Layton had been Co-Chief Executive Officer of J.P. Morgan, the investment bank of J.P. Morgan Chase & Co. Mr. Layton became Chairman of the Board of E*Trade Financial Corporation in late 2007 and in March 2008 he was also named as its chief executive officer. He also is a Senior Advisor to The Securities Industry and Financial Markets Association, a member of the Federal Reserve Bank of New York's International Capital Markets Advisory Committee and the Massachusetts Institute of Technology Visiting Committee for Economics. Mr. Layton also serves as Chairman of the Board for The Partnership for the Homeless and director of the International Executive Service Corps.

Wilbur L. Ross, Jr., age 71, is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the Managing Member of the General Partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., WLR Recovery Fund III L.P., WLR Recovery Fund IV L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment and Absolute Recovery Hedge Fund, India Asset Recovery Fund, Japan Real Estate Recovery Fund, and Chairman of the Investment Committee of the Taiyo Fund. Mr. Ross is also Chairman of International Coal Group, Inc., a leading producer of coal in Northern and Central Appalachia and the Illinois Basin, International Textile Group, Inc., a provider of global textile solutions and distinguished market brands to apparel and interior furnishings customers worldwide, Nano-Tex, LLC, a fabric innovations company located in the United States, IPE-Ross, an investment partnership investing in middle market European buyouts, and the International Automotive Components Group, a group of joint venture companies in the automotive component parts industry in North America, Europe and Brazil. Mr. Ross is a board member of Arcelor Mittal Steel Company and Compagnie Européenne de Wagons SARL in Luxembourg, Insuratex, Ltd., an insurance company in Bermuda, Blue Ocean Re Holdings Ltd., Montpelier Re Holdings Ltd., Panther Re Holdings Ltd., Nikko Electric Industry Co. Ltd., an electrical equipment company in Japan, Ohizumi Manufacturing Company, an electrical equipment company in Japan, Wagon PLC, Plascar Participacoes SA, Phoenix International Insurance Company, and Clarent Hospital Corp., an operator of acute care hospitals and related healthcare businesses. Mr. Ross is also a member of the Business Roundtable. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board and currently is a board member of Whitney Museum of American Art, the Japan Society and the Yale University School of Management. He holds an A.B. from Yale University and an M.B.A., with distinction, from Harvard University.

Table of Contents

Walter A. Scott, age 71, became a director of the Company upon completion of our IPO and its Chairman in May 2005. Mr. Scott was Chairman, President and Chief Executive Officer of ACE from 1991 until his retirement in 1994 and President and Chief Executive Officer of ACE from 1989 to 1991. Subsequent to his retirement he served as a consultant to ACE until 1996. Mr. Scott was a director of ACE from 1989 through May 2005. Prior to joining ACE, Mr. Scott was President and Chief Executive Officer of Primerica's financial services operations (which is now part of Citigroup). Mr. Scott is currently Chairman and Chief Executive Officer of Beverage Acquisition Group LLC, a Vermont-based hard-cider company. Mr. Scott is an Emeritus Trustee of Lafayette College and a founding trustee of the Bermuda Foundation for Insurance Studies.

Directors whose terms of office will continue after this meeting

Directors whose terms expire in 2010

Neil Baron, age 65, became a director of the Company upon completion of our IPO. Mr. Baron was Chairman of Criterion Research Group, LLC, an independent securities research firm from March 2002 through February 2006, at which time this firm was acquired. Mr. Baron was Vice Chairman and General Counsel of Fitch Inc., a nationally recognized statistical ratings organization, from April 1989 to August 1998. Prior to joining Fitch, Mr. Baron was in private practice for more than 20 years, including at the law firm of Booth & Baron, specializing in structured finance and rating agency matters.

G. Lawrence Buhl, age 62, CPA, became a director of the Company upon completion of our IPO. Mr. Buhl was a partner of Ernst & Young LLP and its predecessors through 2003. During his 35-year accounting career, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young's Philadelphia, New York and Baltimore offices and as audit engagement partner for more than 40 insurance companies, including those in the financial guaranty industry. Mr. Buhl also serves as a director for Harleysville Group, Inc. (NASDAQ:HGIC) and its majority shareholder, Harleysville Mutual Insurance Company and is chair of each company's audit committee. Mr. Buhl is also a member of the Board of Sponsors of the Sellinger School of Business and Management's of Loyola College in Maryland.

Dominic J. Frederico, age 56, has been a director, President and Chief Executive Officer of Assured since our IPO. Mr. Frederico served as Vice Chairman of ACE from 2003 until 2004 and served as President and Chief Operating Officer of ACE and Chairman of ACE INA Holdings, Inc., from 1999 to 2003. Mr. Frederico was a director of ACE from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE. Prior to joining ACE, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group. Mr. Frederico is a member of the Board of Trustees of Drexel University.

Table of Contents

Directors whose terms expire in 2011

Francisco L. Borges, age 57, became a director of the Company in August 2007. He is Chairman of Landmark Partners, Inc, an alternative investment management firm where he has been employed since 1999. He serves on the board of directors and investment committees for the Hartford Foundation for Public Giving and Connecticut Public Television. Mr. Borges is also a member of the board of directors of Davis Selected Funds.

Patrick W. Kenny, age 66, became a director of the Company upon completion of our IPO. Mr. Kenny has served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, since June 2001. From 1998 to June 2001 Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty. Mr. Kenny serves on the board of directors of several ING mutual funds. Mr. Kenny is a director and member of the Audit and the Compensation Committees of Odyssey Reinsurance Holdings. He is also a director of and chairman of the Compensation Committee of the Independent Order of Forresters, a fraternal benefit society.

Robin Monro-Davies, age 68, became a director of the Company in August 2005. From 1997 until his retirement in 2001, Mr. Monro-Davies was Chief Executive Officer of Fitch Ratings. Mr. Monro-Davies is a director of AXA UK plc, AXA Asia Pacific Holdings and HSBC Bank plc, North American Banks Fund, European Equity Tranche Income Fund and The Ukraine Opportunity Trust PLC. Mr. Monro-Davies is also an independent director of Assured Guaranty (UK) Ltd., one of our subsidiaries.

Michael T. O'Kane, age 63, became a director of the Company in August 2005. Until his retirement in August 2004, Mr. O'Kane was employed at TIAA-CREF (financial products) in a number of different capacities since 1986, most recently as Senior Managing Director, Securities Division. Since 2006, Mr. O'Kane has been a director of Jefferies Group, Inc.

Table of Contents**INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP****How much stock is owned by directors and executive officers?**

The following table shows our common shares owned directly or indirectly by our directors and executive officers as of March 17, 2009. Unless otherwise indicated, the named individual has sole voting and investment power over the common shares under the column "Common Shares Beneficially Owned." The common shares listed for each director and executive officer constitute less than 1% of our outstanding common shares, except for Mr. Ross who, together with affiliates, owns 13.43% of our common shares. The common shares beneficially owned by all directors and executive officers as a group constitute approximately 14.58% of our outstanding common shares. For the purposes of calculating the percentages of our outstanding common shares held by our directors and executive officers, we did not include as outstanding the common shares held by our subsidiary, Assured Guaranty US Holdings Inc.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares(1)	Vested and Unvested Stock Units(2)	Common Shares Subject to Option(3)
Neil Baron	8,056		20,811	
Francisco L. Borges	40,000	9,888	6,139	
G. Lawrence Buhl	17,743	3,545	13,905	
Stephen A. Cozen	34,743	3,545	13,905	
Dominic J. Frederico	422,914(4)	62,499	190,714	1,011,113
Patrick W. Kenny	9,056		23,801	
Donald H. Layton	10,000	4,100	10,726	
Robin Monro-Davies	29,182		14,637	
Michael T. O'Kane	12,182		14,637	
Wilbur L. Ross, Jr.	12,166,396(5)	3,545		
Walter A. Scott	65,556		23,228	
Michael J. Schozer	116,380(6)	30,000	45,828	466,668
James M. Michener	104,595	18,750	41,985	303,334
Robert B. Mills	141,032(7)	30,000	45,828	466,668
Robert A. Bailenson	22,625	5,500	19,070	61,001
All directors and executive officers as a group (15 individuals)	13,200,460	171,372	485,214	2,308,784

-
- (1) The reporting person has the right to vote (but not dispose of) the common shares listed under "Unvested Restricted Common Shares."
- (2) Each non-management director holds stock units, including dividend accruals, which will be mandatorily deferred at least 6 months after the termination of such directors' service on the Board. In addition, our executive officers have restricted stock units that vest on specified anniversaries of the date of the award, with common shares delivered upon vesting. None of the common shares associated with restricted stock units are deliverable within 60 days of March 17, 2009 and therefore cannot be voted or disposed within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our directors and executive officers.
- (3) Represents common shares which the reporting person has the right to acquire within 60 days of March 17, 2009 pursuant to options.
- (4) Includes shares owned by Mr. Frederico's spouse and daughter over which Mr. Frederico has the power to direct the voting and disposition.

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

Table of Contents

- (5) Includes shares held by funds affiliated with Mr. Ross.
- (6) Includes shares owned by Mr. Schozer's spouse over which Mr. Schozer has the power to direct the voting and disposition.
- (7) Includes shares owned by Mr. Mills' spouse over which Mr. Mills has the power to direct the voting and disposition.

Which shareholders own more than 5% of our common shares?

The following table shows all persons we know to be direct or indirect owners of more than 5% of our common shares as of March 17, 2009, unless otherwise indicated. For the purpose of determining the percentage of class held by each such shareholder, we did not include as outstanding the common shares held by our subsidiary Assured Guaranty US Holdings Inc. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
ACE Limited Bärengasse 32 CH-8001 Zurich, Switzerland	19,157,401	21.15%
WLR Recovery Fund IV, L.P.(1) 600 Lexington Avenue New York, NY 10022	12,166,396	13.43%
LMM, LLC(2) 100 Light Street Baltimore, MD 21202	11,397,522	12.59%
FMR LLC(3) 82 Devonshire Street Boston, MA 02109	8,630,300	9.53%
Wellington Management Company, LLP(4) 75 State Street Boston, MA 02109	5,524,184	6.10%

- (1) Reflects shares beneficially owned by WLR Recovery Fund IV, L.P. and certain of its affiliates based on an amendment to Schedule 13D filed on November 14, 2008. The WLR Funds, as hereinafter defined, have committed to purchase \$361 million common shares if we are not able to successfully complete a public offering of equity securities. See "What related person transactions do we have? Relationships with WLR Funds."
- (2) Based on a Schedule 13G filed jointly by LMM, LCC, Legg Mason Capital Management, Inc. and Legg Mason Opportunity Trust filed on February 17, 2009. These entities reported shared voting and dispositive power. The allocation of share ownership among these joint filers is set forth in their Schedule 13G.
- (3) Based on a Schedule 13G filed by FMR LLC on February 17, 2009.
- (4) Based on a Schedule 13G filed by Wellington Management Company, LLP on February 17, 2009.

Subject to the satisfaction of certain conditions described in the stock purchase agreement, dated November 14, 2008, between the Company, Dexia Holdings, Inc. and Dexia Credit Local S.A., Dexia

Table of Contents

Holdings, Inc. has agreed to acquire up to 44,567,901 common shares, however under the agreement we may elect to pay \$8.10 per common share in cash in lieu of up to 22,283,951 common shares that we would otherwise deliver as part of the purchase price. Prior to closing the transaction, Dexia Holdings, Inc. does not own these shares. While we expect the transaction to close within 60 days of the date of this proxy statement, because there is no assurance that the transaction will close in that time frame, we have not included Dexia Holdings, Inc. in the table above. We intend to finance the cash portion of the acquisition with the net proceeds of a public offering of equity securities and we have obtained a commitment from WLR Funds to purchase \$361 million of our common shares if we are not able to successfully complete the offering. The ownership percentage of Dexia Holdings, Inc. will depend on the number of shares actually issued by us in the transaction and related financing.

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Summary

We provide our executive officers with a base compensation that consists of base salary, retirement and other post-termination benefits, employee benefits and perquisites. We also provide variable compensation in the form of an annual cash bonus, equity awards under our long-term incentive plan and cash-based awards under our Performance Retention Plan, which we call PRP.

To a large degree, base salary is determined by employment contracts, most of which were entered into before we became a public company, and which annually renew at the option of the Company and the executive. The Compensation Committee of our Board of Directors evaluates base salary each year to determine if any raises are appropriate and is guided by salary and compensation trends among peer group companies, although we do not benchmark any specific percentile. The Compensation Committee also considers individual performance when setting annual base salary. Many of the retirement and employee benefits that we provide to our executive officers are on terms generally available to our salaried employees, although we also provide additional post-termination and change in control compensation to our executive officers.

We use the variable component of our compensation program as the primary tool to reward performance and provide incentives for our key executives to remain with the Company. In establishing variable compensation for each executive officer, the Compensation Committee evaluates both Company and individual performance. As with base compensation, the Compensation Committee considers peer group variable compensation when making variable compensation decisions with respect to its executive officers, but does not target any percentile for any component of variable compensation or for total compensation.

The Compensation Committee views the Company's 2008 performance as a combination of favorable and unfavorable performance. 2008 operating income was significantly below our 2008 business plan. However, our 2008 results exceeded our competitors' results and were achieved during the worst credit conditions in decades. In addition, in July 2008 Moody's Investor Services, which we call "Moody's," put both AGC and AG Re on credit review for possible downgrade and in November 2008 Moody's downgraded AGC to Aa2 (stable) and AG Re to Aa3 (stable). On the other hand, the Committee noted several positive developments in 2008, including record direct new business production and the FSA stock purchase agreement. For more information on 2008 performance, see 2008 Performance and Compensation Decisions. After considering all of these factors, the Compensation Committee approved aggregate Company 2008 cash bonuses approximately 38% below 2007 cash bonuses and 2008 long-term incentive grants valued at approximately 31% below 2007 long-term incentive awards. The executive officers' 2009 salaries are unchanged from 2008.

Objectives of the Compensation Program

We are committed to building shareholder value by achieving the following key strategic goals:

Expanding our financial guaranty direct business.

Executing financial guaranty reinsurance portfolio transactions.

AGC and AG Re maintaining their current ratings from the three major rating agencies.

Maintaining underwriting discipline and the quality of our financial guaranty portfolio.

Minimizing losses in poorly performing insured transactions.

Managing capital efficiently.

Table of Contents

The Compensation Committee reviews the philosophy and objectives of our compensation program annually and makes compensation decisions to recognize and support the achievement of our key strategic goals by:

Attracting and retaining talented executives with established records of success in the financial guaranty or financial services industry to implement the Company's long-term business strategy. As a Bermuda-based company, we also need to attract and retain executives to work in Bermuda.

Closely aligning the financial rewards of management with those of the Company's shareholders by linking executive incentives to achieving the Company's short-term and long-term business goals and rewarding them for such achievement, including growth in shareholder value.

Creating accountability for individual performance measured by individual, unit and Company achievement of goals.

The Compensation Committee implements its objectives by:

Developing performance targets and measures consistent with its key strategic goals and basing incentive compensation on achievement of those goals.

Making long-term incentive awards a significant component of compensation for its senior executive officers to align the interests of these officers with long-term interests of all shareholders.

Establishing vesting requirements for long-term incentive awards such as restricted stock, stock options and PRP awards to encourage our executives to remain with the Company and have a long-term perspective.

The compensation program is also designed to reward each executive officer for:

Working together as a team to achieve the Company's strategic goals.

Achieving identified objectives in their areas of responsibility.

Demonstrating ethical behavior in compliance with current legal and regulatory standards.

The Compensation Committee also evaluates how quickly and effectively the Company and each executive officer responds to unanticipated opportunities or challenges. For example, 2008 performance goals did not anticipate the Moody's credit review and downgrade announcements. However, the Compensation Committee believes the management team responded promptly and well to these events by achieving record direct new business production, maintaining "stable" ratings for both AGC and AG Re and entering into the stock purchase agreement to acquire FSA.

Compensation Governance and Administration

The Compensation Committee oversees all aspects of our executive compensation program. The Compensation Committee has responsibility for establishing executive compensation policies, determining the compensation of the CEO, reviewing the CEO's compensation recommendations regarding other senior officers and determining appropriate compensation for such officers. Our board has adopted a Compensation Committee Charter to govern the Compensation Committee's activities, a copy of which may be found at www.assuredguaranty.com. The charter is reviewed annually by the Compensation Committee. Under its charter, the Compensation Committee is authorized to retain compensation, legal, accounting and other consultants to assist it.

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

The Compensation Committee has retained Cook as its compensation consultant. The Compensation Committee has instructed Cook to advise it on executive compensation developments and to assist with peer comparisons of executive compensation and the aggregate amount of long-term

Table of Contents

incentives. Cook meets periodically with the Compensation Committee and prepares materials for the Compensation Committee, such as peer group compensation data and measurements of long term compensation. Cook's work for the Company in 2008 was solely with respect to matters under the Compensation Committee's authority.

The CEO is the principal executive involved with the Compensation Committee in establishing compensation policy and setting the compensation for other executive officers. The CEO generally attends the Compensation Committee meetings, although the Compensation Committee also meets regularly in executive session. Both the General Counsel and the head of Human Resources attend portions of the Compensation Committee meetings and provide additional information and analysis to the Compensation Committee, as requested, and communicate with Cook on committee matters. Between meetings, the chairman of the Compensation Committee will often speak with the CEO or the General Counsel regarding committee and compensation matters.

The Board of Directors has delegated to the CEO the power to approve:

Routine changes to benefit plans.

New-hire packages for non-executive officers with expected annual compensation below a specified amount.

New-hire equity grants for non-executive officers up to a specified amount of stock options and restricted stock for each new hire. All equity grants authorized by the CEO must be reported to the Compensation Committee at its next meeting.

Routine salary and employment termination arrangements for employees below the top three levels of the Company.

The Compensation Committee meets in February of each year to make executive compensation decisions with respect to the previous year's performance. The Compensation Committee follows this schedule because the February meeting is the earliest practical opportunity to review the prior year's financial results and the performance of the executive officers. To date, other than equity granted in connection with our 2004 IPO, all equity grants to executive officers have been approved during the February meeting. At the February meeting, the Compensation Committee discusses its compensation recommendations with the independent, non-management directors who are not on the Compensation Committee. All independent, non-management directors approve executive officer salary increases, bonuses, equity awards and PRP awards. Stock options are priced at the NYSE closing price of the Company's stock on the day the awards are approved by the Compensation Committee and the other independent non-management directors.

Elements of Compensation

The Company provides various elements of compensation to its executive officers, which can be grouped into base compensation and variable compensation. Base compensation is provided for an executive officer's acceptable performance and is only adjusted periodically. Base compensation includes base salary, retirement and other post termination benefits, employee benefits and perquisites. Variable compensation is adjusted annually to correspond to actual performance in prior periods and to provide incentives to achieve annual and long term goals. To increase the effectiveness of these incentives, a significant portion of executive officer total compensation is variable compensation. Variable compensation includes annual bonus and long-term compensation.

Base Compensation

Base Salary The Compensation Committee establishes a base salary for each executive's position, taking into account competitive salary measures, business or professional experience,

Table of Contents

prior salary history and contractual arrangements. Once established, base salaries are periodically adjusted to reflect new responsibilities, salary changes at peer group companies and inflation.

Analysis The Compensation Committee does not target base salary as a particular percentage of total compensation, although base salary typically comprises 10%-30% executive officers' total compensation. The Compensation Committee annually considers Company performance and evaluates the individual officer's performance and how it contributed to Company performance. The Compensation Committee also reviews salary data at peer group companies. Variable incentive awards do not affect base salary.

Retirement Benefits We maintain tax-qualified and non-qualified defined contribution retirement plans for our eligible employees, including executive officers. We contribute 6% of each employee's salary and cash bonus compensation, which we call eligible compensation, to the defined contribution plans. We also have 401(k) type plans, with 100% Company matching up to 6% of eligible compensation.

Analysis Because the Company's contribution to retirement plans is based on eligible compensation, we will make higher or lower contributions if an executive officer's base salary or annual bonus increases or decreases. We make contributions to these plans to be competitive with other companies and to retain talented employees. The investment return in each employee's retirement account depends on the performance of the investment elections made by each employee. No executive officer is guaranteed any level of retirement payout or preferential return on their accounts. To date, retirement plan contributions and balances have not affected other elements of executive compensation. The Company does not maintain any defined benefit pension plans.

Other Post-Termination Benefits The Company provides executive officers other post-termination benefits such as accelerated vesting and severance payments in certain circumstances. See "Executive Compensation Potential Payments Upon Termination or Change of Control."

Analysis We have provided these other post-termination benefits because we believe they are necessary to attract and retain our executive officers. In particular, severance amounts for most of our executive officers were established in employment agreements negotiated before our IPO and the protection provided by the severance provisions of their contracts was a key element in recruiting experienced executives to work for the Company. Similarly, the accelerated vesting for events such as death or disability is typically provided to executives at other companies. To date, these other post-termination benefits have not affected other elements of executive compensation.

Employee Benefits The Company provides employee benefits to its employees, including its executive officers. These benefits include life, health and disability insurance. The Company also maintains an Employee Stock Purchase Plan, which we refer to as the ESPP, to encourage stock ownership by employees. Under the ESPP, employees, including executive officers, may annually purchase up to \$25,000 of our stock at a 15% discount, subject to the overall limit on the number of shares available for purchase under the ESPP. In 2008 Mr. Frederico and Mr. Mills participated in the ESPP to the maximum extent possible.

Analysis We believe the level of benefits provided under our programs is generally consistent with practices among our principal competitors for employees, including other financial guaranty companies.

Perquisites We also provide executive officers fringe benefits that are not available to employees generally. These include tax preparation, financial planning, golf club memberships, executive medical, physical and excess health insurance and, for our executive officers located in Bermuda, housing and car allowances, family travel benefits and tax gross-ups.

Table of Contents

Analysis These benefits are provided to retain highly valued executives. In addition, we provide the Bermuda perquisites to attract Mr. Frederico and Mr. Michener to work and reside in Bermuda. These fringe benefits are customary for non-Bermudians who are senior executives working in Bermuda and are provided for in Mr. Frederico's and Mr. Michener's employment agreements. In 2006, changes in U.S. tax law significantly increased the individual U.S. income tax on the housing allowances provided to Mr. Frederico and Mr. Michener. To maintain the net value of their housing allowances, in August 2006, the Compensation Committee approved a tax gross-up to Mr. Frederico and Mr. Michener for the cost of the increased taxes. Since Bermuda imposes similar taxes, the Company reimburses Mr. Frederico and Mr. Michener for U.S. Social Security and Medicare taxes incurred when they are working in the United States.

Employment agreements Some of the elements of the compensation packages for our executive officers, such as minimum base salary, severance and change in control benefits are governed by the terms of the employment agreements we entered into with these individuals. Details of these agreements are shown under the headings "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control Employment Agreements."

Analysis Beginning in 2003, we recruited executives to implement our business plan and achieve our key strategic goals. Implementation of our business plan involved substantial risk, including the risks of completing a successful IPO, achieving rating upgrades and accomplishing the strategic shift to write financial guaranty direct business along with financial guaranty reinsurance. To mitigate these risks, we recruited executives with established records of success in the financial guaranty or financial services industry. Prior to the IPO, Mr. Frederico, Mr. Schozer, Mr. Michener and Mr. Mills left senior positions at well-established companies to join us and employment agreements were entered into with these executives at that time. We believe these employment agreements were essential to recruit Mr. Frederico, Mr. Schozer, Mr. Michener and Mr. Mills prior to the IPO. In October 2006, we entered into an employment agreement with Mr. Bailenson. We believe the employment agreements also have served as powerful performance incentives and retention tools by proscribing employment terms, including benefits to executives if their employment is terminated without cause or after a change of control. In addition, each employment agreement contains a non-competition agreement. In December 2008, the employment agreements were amended at no cost to the Company to comply with U.S. Internal Revenue Code Section 409A.

Change of Control Benefits The vesting of any unvested stock options and restricted stock held by an executive officer will be accelerated on a change of control. In addition, the employment agreements provide that in the event of a change of control, severance benefits are provided if the executive officer, other than Mr. Bailenson, is terminated without cause or resigns during the first 12 months following a change of control. In Mr. Bailenson's case, he will receive severance benefits if he is terminated for any reason after a change in control or resigns during the 12 month period beginning 3 months after a change in control. In each case, the definition of change in control excludes transactions, such as an internal reorganization and when the Company issues shares directly, for which it may not be appropriate to provide change of control benefits. Additional information on benefits provided upon a change of control is shown in "Executive Compensation Employment Agreements" and "Executive Compensation Potential Payments Upon Termination or Change in Control."

Analysis We provide for the use of single trigger change of control equity vesting because we believe that is appropriate to best motivate an executive to pursue increases in shareholder value when evaluating a transaction which could result in a change of control. The Compensation Committee believes that severance benefits provided by the employment agreements that were entered into prior to the IPO comprised a key part of the employment package that induced

Table of Contents

experienced officers to work for the Company. Mr. Bailenson was provided separation benefits in his employment contract so that he would have comparable benefits to the Company's other executive officers, although the benefit was modified from the other executive officers' separation agreements to provide additional protections in the event of termination without cause or a change in control.

Variable Compensation

For the executive officers, other than Mr. Bailenson, the overall mix of variable compensation elements was largely established by their employment agreements entered into in conjunction with the IPO. The agreements were the result of negotiation between each executive officer and the pre-IPO shareholder of the Company. The compensation mix for Mr. Bailenson has generally followed the mix for the other executive officers because the Compensation Committee believes that achievement of the Company's goals is best promoted by use of that mix, and because the Compensation Committee believes that providing incentives to each of its officers that are similar to incentives provided to the other officers better promotes coordination of effort by these executives. Beginning in 2008, a portion of each executive officer's long-term incentive compensation has been in the form of PRP grants. The mix of variable compensation reflects the Compensation Committee's view that, to properly provide incentives for executives to take long term actions in the best interests of the Company, executive compensation should be a balanced blend of several elements of compensation, with no undue reliance on any one element. The Compensation Committee believes it is appropriate for the CEO to receive substantially higher variable compensation than the other executive officers since he has responsibility for the strategy and operations of the entire Company.

Annual Cash Bonus The Compensation Committee awards annual cash bonuses to provide incentive compensation to executives for achieving annual goals established for each executive officer. Annual bonuses are also intended to reward executives for the overall success of the Company.

Analysis In February 2008 we awarded bonus payments to the executive officers for 2007 performance. In February 2009 we awarded cash bonuses for 2008 performance, which were paid after completion of the 2008 audit by PwC to ensure that cash bonus awards were based on final 2008 results. Bonus amounts that were determined and paid in 2009 are reported in the Summary Compensation Table of this proxy statement as compensation for 2008. The Compensation Committee uses its discretion to evaluate the performance of each executive officer and the Company to set annual cash bonuses. The process followed by the Compensation Committee is discussed below under "Compensation Process." The goals and results for 2008 are discussed below under "2008 Performance and Compensation Decisions."

Long Term Incentive Program: 2004 Long-Term Incentive Plan In 2004, we adopted a long-term incentive plan to create incentives for employees to enhance the long-term value of the Company. A key goal of the long-term incentive plan is to increase ownership of Company shares by executive officers, thereby aligning the executives' interests with long-term shareholder interests. While the Company's long-term incentive plan provides for a variety of types of awards, the Compensation Committee has made awards to employees, including executive officers, only in the form of shares of restricted stock, restricted stock units and stock options. Cash dividends are paid on the unvested portion of pre-2008 restricted stock grants. Beginning in 2008, restricted stock awards are granted in the form of stock units with dividends paid in restricted stock units.

Analysis In February 2008 we awarded restricted stock and stock option grants to the executive officers for 2007 performance. Further detail on those awards is shown on "Executive Compensation 2008 Grants of Plan-Based Awards." We believe that restricted share awards are

Table of Contents

important in recruiting and retaining executives, and that the delayed vesting of the awards is crucial in retaining those executives. By providing an immediate equity stake in the Company, restricted stock provides an incentive to achieve the Company's long-term goals. The Company includes stock options as part of long-term compensation because the Company believes that options are a valuable incentive tool, providing compensation only if stock price increases. Generally, restricted stock and stock option grants serve as strong retention incentives since executive officers generally forfeit unvested stock grants and stock options if they leave the Company. However, due to the decline in our stock price, in 2008, prior equity awards have lost much of their value and may not provide as strong a retention incentive as in the past. The chart below shows for each executive officer the change in value during 2008 of unvested restricted stock and stock options:

Executive	Value at December 31, 2007	Value at December 31, 2008	Decline
Dominic J. Frederico	\$ 7,223,248	\$ 1,994,966	-72%
Michael J. Schozer	\$ 3,467,194	\$ 912,000	-74%
James M. Michener	\$ 2,200,169	\$ 598,500	-73%
Robert B. Mills	\$ 3,467,194	\$ 912,000	-74%
Robert A. Bailenson	\$ 517,712	\$ 173,850	-66%

The Committee will continue to monitor the Company's compensation arrangements to assess whether they provide the appropriate retention incentive. Additional information on our long-term incentive program is provided in "Potential Payments Upon Termination or Change in Control Equity and Incentive Plans." Historically, executive officer target equity awards were established in most of the executive employment agreements. Beginning with 2007 performance, the employment agreements no longer established target equity awards. From the IPO through 2007, the value of the Company's equity grants to all employees as a percentage of its market capitalization exceeded those of the peer group, which had larger more established businesses. The Compensation Committee determined that this level of equity grants was necessary to attract high quality staff from established companies. Cook has advised the Compensation Committee that higher levels of grants as a percentage of market capitalization are often seen in smaller companies. In 2008, the value of the Company's equity grants to all employees as a percentage of its market capitalization was consistent with the median of the peer group. This reflects the changes in composition of 2008 long-term incentive awards which decreased equity awards and increased PRP awards. In February 2009 the number of shares covered by restricted share and options awards was approximately the same as the number of shares covered by such awards granted in February 2008. The value of the 2009 grants was approximately 54% below the value of the 2008 grants. For information about specific grants see "Individual Compensation Analysis." Peer group comparisons are not yet available for the 2009 grants.

Long-Term Incentive Program: Performance Retention Plan In February 2007 we initiated the PRP. PRP awards were also made in February 2008 and 2009. PRP awards are cash-based. Except as described below, PRP awards only vest if the executive is employed by the Company through the end of the performance period. Awards granted in 2007 vest after a four year performance period. Awards granted in 2008 and 2009 vest 25% after a two year performance period; 25% after a three year performance period and 50% after a four year performance period. We chose this vesting schedule to be generally consistent with the vesting schedule we use for equity awards. In 2008, we also granted a limited number of PRP awards to non-executive officers with a five year performance period, which vest only if the employee is employed by the Company through the five year performance period. Although PRP awards generally vest only if the executive remains with the

Company through the end of the applicable performance period, PRP awards also vest if the executive leaves the Company before the

Table of Contents

applicable vesting period by reason of death, disability, or (except for awards with five year vesting) retirement. Awards granted in 2007 will increase in value at the rate that the Company's modified adjusted book value increases during the performance period. Awards granted in 2008 and 2009 will increase or decrease in value based 50% on the rate the Company's per share modified adjusted book value changes and 50% on the Company's operating return on equity over each performance period; provided that executive officers will not receive their awards if the specified modified adjusted book value and operating return on equity performance measures are not met.

Analysis We believe the PRP is a valuable tool in attracting and retaining talented employees because employees will be rewarded for staying with the Company and for profitable growth in our business. Because PRP awards are cash-based, there will be no shareholder dilution from the awards. Also, since the value of PRP grants are not tied to the value of the Company's stock, they have retained their incentive and retention value. PRP grants to most executive officers were made for the first time in February 2008, although one grant was made in 2007. The level of PRP award was made to reach the level of long-term compensation determined by the Compensation Committee.

Stock Ownership Guidelines

Since the IPO, the Board of Directors has recommended that each director hold at least 10,000 shares of Company stock within three years of joining the board. Each of our outside directors has attained the recommended ownership level.

No executive officer has sold any Company common shares since our IPO. However, to further demonstrate the Company's commitment to build shareholder value, in February 2007, the Board of Directors adopted management stock ownership guidelines. The chart below shows the guideline for each executive officer and their stock ownership as of February 28, 2009:

Executive	Guideline	Current Ownership
Dominic J. Frederico	7 × Base Salary	2.2 × Base Salary
Michael J. Schozer	5 × Base Salary	1.3 × Base Salary
James M. Michener	5 × Base Salary	1.1 × Base Salary
Robert B. Mills	5 × Base Salary	1.2 × Base Salary
Robert A. Bailenson	2 × Base Salary	0.3 × Base Salary

These ownership levels represent actual shares owned. Unvested restricted shares and unexercised options do not count towards the guidelines. The value of Company stock held by each executive officer declined in 2008 solely as a result of the decline in the Company's share price.

Our guidelines do not mandate a time frame by which this ownership must be attained, but Mr. Frederico, Mr. Schozer, Mr. Michener and Mr. Mills must retain 100% of their after-tax receipt of Company stock until they reach their ownership goal. Mr. Bailenson must retain at least 50% of his after-tax receipt of Company stock until he reaches his ownership goal.

In addition, in February 2007, the Company amended its stock trading policy to prohibit hedging with respect to Company stock so as to be consistent with its stock ownership philosophy.

Edgar Filing: ASSURED GUARANTY LTD - Form DEF 14A

Please see "Information About Our Common Share Ownership How Much Stock is Owned by Directors and Executive Officers" for detailed information on the executive officers' stock ownership.

Table of Contents

Executive Officer Recoupment Policy

In February 2009, the board of directors adopted the Assured Guaranty Ltd. Executive Officer Recoupment Policy, which we call our "Recoupment Policy." Under the Recoupment Policy, if an executive officer engages in misconduct related to a restatement of the Company's financial results, then the Compensation Committee may, in its discretion, rescind the officer's option exercises that occur within 12 months after the restated period, and also recoup the amount of cash bonus payments to the officer in excess of the amount that would have been paid if the correct financial results had been known to the Compensation Committee at the time of the original bonus award. Under the Recoupment Policy, if an executive officer receives incentive compensation based on achievement of a level of objectively quantifiable performance goals, and the level of achievement of those goals is later determined to have been overstated, the Compensation Committee can also recoup the amount of any payment in excess of the amount that would have been paid if the correct level of performance had been known. The PRP is an example of an arrangement that requires achievement of objectively quantifiable performance goals.

U.S. Internal Revenue Code Section 162(m) Requirements and Performance-Based Compensation

Section 162(m) of the U.S. Internal Revenue Code limits the deductibility of annual compensation in excess of \$1 million paid to the Company's CEO and any of the other highest paid executive officers (not more than four), which we refer to as the \$1 million limit. The Company is not subject to U.S. income taxes and so, generally, the limit would not affect amounts payable by the Company. However, if an employee of a U.S. subsidiary is among the most highly compensated officers to whom the limit applies, that subsidiary's deduction for compensation paid to the officer would be subject to the \$1 million limit. Mr. Schozer is a full time employee of a U.S. subsidiary; other executive officers split their time between our Bermuda and U.S. operations.

Compensation otherwise subject to the \$1 million limit will be exempt from the limit if it qualifies as performance-based compensation, as defined by the IRS. In May 2005, our 2004 Long-Term Incentive Plan was approved by the shareholders, and such approval is a condition for treatment of a payment or distribution as performance-based compensation. Also, a payment or distribution will be treated as performance-based compensation only if it is contingent on achievement of performance objectives. For example, incentive compensation that is contingent on achievement of pre-established performance goals may be treated as performance-based compensation, while guaranteed payments are not. We maintain an annual cash and stock bonus program that is intended to satisfy the requirements for performance-based compensation. The program provides for establishment of a bonus pool of cash and a bonus pool of shares of Company stock. The amount of cash and shares to be allocated to the respective 2008 bonus pools was based on the level of "2008 adjusted income" compared to pre-established objectives for such income, which we call the "adjusted income goal." Cash was to be allocated to the cash bonus pool and shares were to be allocated to the stock bonus pool if adjusted net income for 2008 was 50% of the adjusted income goal, and the allocation amount was to increase to the extent 2008 adjusted income increased. The 2008 adjusted income was less than 50% of the 2008 adjusted income goal. As a result, no cash or shares were allocated to the 2008 performance-based pool.

The Compensation Committee does not use U.S. tax deductibility as the sole factor in determining appropriate levels or methods of compensation. Since Company objectives may not always be consistent with the requirements for full deductibility, the Company and subsidiaries have maintained and may in the future establish compensation arrangements under which payments would not be deductible by reason of the \$1 million limit. The Company estimates that this limit will result in the loss of a U.S. tax deduction of approximately \$1.0 million for the 2008 tax year.

Table of Contents

The cash and stock bonus program established in February 2009, as well as the stock option and PRP grants to the executive officers in February 2009, are intended to qualify as performance-based compensation exempt from the \$1 million limit.

Other Regulatory Limits on Executive Compensation

Section 409A of the U.S. Internal Revenue Code imposes restrictions on nonqualified deferred compensation plans. The Company maintains deferred compensation plans that provide for employee and employer contributions in excess of the IRS defined contribution plan limits. The deferred compensation plans are intended to satisfy the requirements of section 409A, and the Company has reviewed and, where appropriate, has amended each of its deferred compensation plans to meet the requirements.

Section 457A was added to the U.S. Internal Revenue Code in 2008. Under section 457A, benefits under a nonqualified deferred compensation plan of a corporation resident in Bermuda (or certain other countries that do not impose a comprehensive income tax) are includible in a participant's taxable income at the time of vesting, rather than deferring recognition of taxable income until benefits are paid. Because section 457A would apply to restricted stock units provided to the Company's outside directors, no further restricted stock units (or other deferred compensation) will be granted to directors after 2008. Section 457A is not expected to apply to the deferred compensation arrangements for the Company's executive officers.

Compensation Process

The Compensation Committee annually establishes Company and executive officer performance goals, reviews prior compensation decisions, benchmarks the Company's executive compensation against a peer group, reviews the performance of the Company against its plan and the performance of the competitors, reviews the performance of each executive officer and makes annual compensation decisions.

Executive Officer Performance Goals The Compensation Committee annually establishes performance goals for the CEO, which we call CEO performance measures. Not all CEO performance measures are of equal weight and there is no quantitative method by which the Compensation Committee applies the CEO performance measures. The 2008 CEO performance measures included the following financial performance measures from the 2008 business plan, as approved by the board: operating income, book value per share (excluding unrealized gains/losses on derivatives), adjusted book value per share (excluding unrealized gains/losses on derivatives), operating income per share, operating return on equity (excluding accumulated other comprehensive income, which we refer to as "AOCI" and unrealized gains/losses on derivatives), expense ratio (excluding the Other segment), present value of financial guaranty and credit derivative gross written premiums, which we refer to as PVP in the direct segment, and reinsurance segment PVP. (See the explanation of non-GAAP financial measures at the end of the Compensation Discussion and Analysis.) The CEO performance measures included the following non-financial performance measures focused on implementation of our key strategic goals: strategy and leadership, credit quality, ratings, management of enterprise risk, management development and succession planning.

The Compensation Committee uses the same Company financial performance measures to evaluate the performance of the other executive officers as it does for the CEO. In addition, the Compensation Committee approves annual performance goals for each other executive officer based on the recommendations of the CEO. The performance goals for these officers are primarily related to the following position responsibilities:

Mr. Schozer Direct financial guaranty segment business.

Mr. Michener Legal, human resources and internal audit.

Table of Contents

Mr. Mills Financial management, financial reporting and corporate administration.

Mr. Bailenson Financial reporting and accounting policy.

The difficulty of achieving each component of the Company performance measures and other individual performance goals varied. In the aggregate, the Compensation Committee viewed the Company performance measures and other individual performance goals as significant, but attainable, challenges for the CEO and the other executive officers.

Prior Compensation Decisions The Compensation Committee annually reviews executive employment agreements, current compensation, retirement balances, prior equity grants, change of control benefits and perquisites. The Compensation Committee reviews tally sheets for each executive officer, the purpose of which is to show the total dollar value of the executive's annual compensation. This includes an executive's salary, annual cash bonus, equity-based compensation, retirement plans and perquisites and other compensation. The tally sheet also shows holdings of common shares and current market value under prior equity-based compensation awards. The Compensation Committee uses tally sheets to estimate the total annual compensation of the named executive officers, and provide perspective on the named executive officers' wealth accumulation from our compensation programs.

Benchmarking The Compensation Committee designated a 2008 compensation peer group of Ambac Financial Group, Inc., Financial Security Assurance Holdings Ltd., MBIA Inc., Radian Group Inc. and Syncora Holdings Ltd. (formerly, Security Capital Assurance Ltd.). We call this group our peer group. Cook met with members of the Compensation Committee and the Chairman of the Board in December 2008 and January 2009 to review peer group information and executive compensation trends. The Compensation Committee compared the Company's executive compensation to the executive compensation at the peer group using 2007 data, the most recent data available. The Compensation Committee selected the peer group because these companies are the primary financial guaranty companies competing with us and for which comprehensive compensation data is publicly available. As of December 31, 2007, the Company's assets were below the 25th percentile of the peer group while its market capitalization was between the median and the 75th percentile of the peer group.

Cook compared the Company's historic share dilution and market value transfer calculations of equity to the peer group. At Cook's suggestion, the Compensation Committee also reviewed equity usage at a broader group of companies, which included companies not competing with the Company. This group included the peer group and Allied World Assurance Company Holdings, Ltd., Endurance Specialty Holdings Ltd., MGIC Investment, Montpelier Re Holdings Ltd., Odyssey Re Holdings Corp., Platinum Underwriters, PMI Group, RAM Re Holdings Ltd., and Renaissance Re Holdings Ltd. According to Cook, aggregate equity grants tend to be similar among broader groups of companies that have similarities in size, Bermuda location, business and structure. The larger group provides more data for comparison purposes than the peer group alone.

At the time it considers annual executive compensation awards, the Compensation Committee compares the Company's current year performance to the performance of the compensation peer group. At the same time, the committee compares the Company's executive compensation to the prior year's (the most recent available data) executive compensation of the peer group. For executive officers other than the CEO, the Compensation Committee compares the Company's 2nd through 5th highest paid executive officers to the 2nd through 5th highest paid executive officers of the peer group. These comparisons may be less useful than the CEO comparison because of different position responsibilities at different companies. The Compensation Committee does not set executive compensation by targeting any percentile of the compensation peer group. The Compensation Committee determines if its decisions are generally consistent with the peer group, taking into account factors such as age of the information and relative performance. For example, the Compensation Committee noted that the peer group experienced severe adverse rating declines and losses in 2008. As a result, the Compensation

Table of Contents

Committee gave less weight to comparison of the Company's compensation to the peer group than in prior years. Later in 2009, the Compensation Committee will compare its 2008 executive compensation decisions to the compensation peer group using more current data from SEC filings and will take that comparison into account for making future compensation decisions.

Annual Performance Review The Compensation Committee, with input from the other non-management directors, reviews the financial performance of the Company compared to its annual business plan and the progress the Company is making toward achieving its key strategic objectives.

The Compensation Committee, with input from the other non-management directors, uses its judgment to evaluate the degree to which each executive officer has met or exceeded his performance goals based on the following:

The level of achievement of the Company financial performance measures.

In the case of the CEO, the level of achievement of the CEO non-financial performance measures.

In the case of the other executive officers, the CEO's evaluation of their performance.

In the case of the chief financial officer and the chief accounting officer, the Audit Committee Chairman's evaluation of their individual performance.

Other Company information, such as stock performance.

External information, such as competitor performance.

The results achieved in dealing with unanticipated problems and opportunities such as the successful integration of acquisitions.

Taking these factors into account, the Compensation Committee uses its judgment to adjust variable compensation to reflect Company and individual performance. The Compensation Committee believes this process is an effective method of tying compensation to performance. For more details about our approach in this regard, see the discussion under the headings "U.S. Internal Revenue Code Section 162(m) Requirements and Performance-Based Compensation" and "2008 Performance and Compensation Decisions."

2008 Performance and Compensation Decisions

The Compensation Committee views the Company's 2008 financial performance as a combination of favorable and unfavorable performance. Due to higher than expected losses on insured real estate mortgage-backed securities, which we call "RMBS," the Company's 2008 operating income was approximately 58% below 2007 operating income. (See the explanation of non-GAAP financial measures at the end of the Compensation Discussion and Analysis.) In addition, the Moody's rating actions in July and November hurt second half 2008 new business production. The Committee also noted that the Company's stock declined by approximately 57%. On the other hand, the Committee noted several positive developments in 2008, including record new direct business production and the stock purchase agreement to acquire FSA in November 2008.

Highlights of 2008 Results

All of the 2008 non-financial CEO performance measures were achieved except, as noted, the Company incurred higher than expected RMBS losses and the Moody's downgrade of AGC and AG Re.

Due to higher than expected RMBS losses, the 2008 CEO financial performance measures for operating income, book value per share (excluding unrealized gains/losses on derivatives), adjusted book value per share (excluding unrealized gains/losses on derivatives), operating income per share, operating return on equity (excluding AOCI and unrealized gains/losses on

Table of Contents

derivatives) were below expectations. Both 2008 direct financial guaranty segment PVP, and reinsurance segment PVP were 94% of the 2008 plan. The expense ratio (excluding the Other segment) was better than expected.

Due to higher than expected losses on insured RMBS, the Company's 2008 operating income declined to \$74.5 million from \$178 million in 2007. 2008 operating income per share declined to \$0.84 per share from \$2.57. These results exceeded those of the peer group.

Total revenues increased from \$358.3 million in 2007 to \$498.6 million in 2008, an approximately 39% increase. Strong cash flow from insurance written in 2008 and prior years, especially public finance business, helped increase assets at December 31, 2008 to \$4.556 billion from \$3.763 billion at December 31, 2007.

Direct financial guaranty PVP increased from \$476.8 million in 2007 to \$700.7 million in 2008, a 47% increase. The Company's U.S. direct public finance PVP increased from \$60.1 million in 2007 to \$431.6 million in 2008, a 618% increase. These results were achieved despite Moody's credit review for possible downgrade announcement in July 2008, the Moody's downgrade in November and very challenging credit market conditions, which severely limited issuance of structured finance bonds in 2008.

Reinsurance financial guaranty PVP decreased from \$397.8 million in 2007 to \$122.3 million in 2008. 2007 PVP was \$138 million, excluding PVP of \$259.8 million from a portfolio reinsurance transaction with Ambac Assurance Corporation. This result was achieved despite significantly lower use of reinsurance by primary financial guaranty insurers.

In July 2008 Moody's put both AGC and AG Re on credit review for possible downgrade and in November 2008 Moody's downgraded AGC to Aa2 (stable) and AG Re to Aa3 (stable). At year end 2008, AGC was rated AAA (stable) by both Standard & Poor's and Fitch Ratings, and its ratings were higher than every financial guaranty insurer except Berkshire Hathaway Assurance Corporation. Unlike most of its financial guaranty competitors, the Company's high ratings permitted it to continue writing substantial amounts of new business in 2008.

In October 2008 the Company entered into a public finance portfolio reinsurance transaction with CIFG Assurance North America, Inc. This transaction generated approximately \$91 million in PVP and closed in January 2009.

In November 2008 the Company entered into the stock purchase agreement to acquire FSA. The Compensation Committee views the negotiation of this agreement and the related financing arrangements as significant accomplishments.

The Compensation Committee views the Company's 2008 performance as substantially better than the peer group and other competitors. At the end of 2008, the Company was the only financial guaranty insurer actively writing insurance except for Berkshire Hathaway Assurance Corporation. Through the first three quarters of 2008, the Company's direct PVP was the second highest in the financial guaranty, only modestly behind FSA. In the third quarter of 2008, AGC accounted for approximately 48% of the direct PVP written by the traditional financial guaranty insurers. The Compensation Committee also noted that in 2008 the Company's stock price declined by approximately 57%. While this performance was extremely disappointing, it exceeded the performance of the Company's publicly traded competitors, which had 2008 stock price declines in the range of approximately 68% to 96%.

Individual Compensation Analysis

Dominic J. Frederico While the Company performed better than its peer group and was able to take advantage of current market conditions to enter into the FSA stock purchase agreement, the Compensation Committee noted the substantially higher than expected RMBS losses. As a result,

Table of Contents

Mr. Frederico's cash bonus for 2008 decreased approximately 37% from 2007 and his long-term incentive awards decreased by approximately 22%. Mr. Frederico's total direct compensation (salary and variable compensation) for 2008 would be the second highest if compared to the 2007 total direct compensation of his comparable position at the peer group. Mr. Frederico's salary is unchanged for 2009.

Michael J. Schozer While the direct segment had record 2008 new business production, the Compensation Committee noted higher than expected RMBS losses on business written in 2008 and prior years. As a result, Mr. Schozer's cash bonus for 2008 decreased approximately 58% from 2007 and his long-term incentive awards decreased by approximately 27%. Mr. Schozer's total direct compensation (salary and variable compensation) for 2008 would be the fourth highest if compared to the 2007 total direct compensation of his comparable position at the peer group. Mr. Schozer's salary is unchanged for 2009.

James M. Michener All legal, human resources and internal audit functions were performed well in 2008. In addition, Mr. Michener made a significant contribution negotiating the FSA stock purchase agreement. As a result, Mr. Michener's cash bonus for 2008 decreased approximately 24% from 2007 and his long-term incentive awards increased by approximately 20%. Mr. Michener's total direct compensation (salary and variable compensation) for 2008 would be the third highest if compared to the 2007 total direct compensation of his comparable position at the peer group. Mr. Michener's salary is unchanged for 2009.

Robert B. Mills All finance and corporate administration functions were performed well in 2008. As a result of the overall decrease in cash bonuses and long-term incentives as well as Mr. Mills' total compensation, Mr. Mills' cash bonus for 2008 decreased approximately 56% from 2007 and his long-term incentive awards decreased by approximately 50%. Mr. Mills' total direct compensation (salary and variable compensation) for 2008 would be the third highest if compared to the 2007 total direct compensation of his comparable position at the peer group. Mr. Mills' total direct compensation for 2008 would be fourth highest if compared to the 2007 total direct compensation of chief financial officers at the peer group. Mr. Mills' salary is unchanged for 2009.

Robert A. Bailenson All accounting functions were performed well in 2008. In addition, Mr. Bailenson made other significant contributions to the finance functions and negotiating the FSA stock purchase agreement. As a result, Mr. Bailenson's cash bonus for 2008 was the same as for 2007 and his long-term incentive awards increased by approximately 13%. Mr. Bailenson's total direct compensation (salary and variable compensation) for 2008 would be the third highest if compared to the 2007 total direct compensation of his comparable position at the peer group. Mr. Bailenson's 2009 base salary is unchanged for 2009.

Accordingly, in February 2009, the Compensation Committee, in conjunction with the other independent directors, awarded the executive officers variable compensation which, the Compensation Committee believes properly balanced cash awards for 2008 performance with long-term incentives to retain executives and improve Company performance. The February 2009 variable compensation awards are set forth below:

Executive Officer	Cash Bonus	Restricted Stock Units	Value	Stock Options	Value	PRP	Total
Dominic J. Frederico	\$ 2,200,000	150,000	\$ 1,116,000	100,000	\$ 335,000	\$ 1,800,000	\$ 5,451,000
Michael J. Schozer	\$ 500,000	30,000	\$ 223,200	20,000	\$ 67,000	\$ 1,000,000	\$ 1,790,200
James M. Michener	\$ 650,000	30,000	\$ 223,200	20,000	\$ 67,000	\$ 1,000,000	\$ 1,940,200
Robert B. Mills	\$ 400,000	30,000	\$ 223,200	20,000	\$ 67,000	\$ 500,000	\$ 1,190,200
Robert A. Bailenson	\$ 400,000	15,000	\$ 111,600	10,000	\$ 33,500	\$ 300,000	\$ 845,100

Table of Contents

Restricted shares are valued based on the per common share NYSE closing price of \$7.44 on February 5, 2009, the date of the grant. The stock options are ten-year options to purchase Company stock at an exercise price of \$7.44, per share. The stock options are valued at \$3.35 each, based on FAS 123R.

Conclusion

The Company believes that the total compensation and components of compensation awarded to the executive officers are appropriate and in the best interests of the Company and the shareholders. The Company's strategy requires experienced management in the senior financial guaranty executive, finance and legal positions. The current economic crisis has demonstrated the need for experience and the ability to deal with adverse market conditions. The Company believes that the various elements of total compensation have worked well together to attract and properly motivate management.

Definitions of non-GAAP Financial Measures

Present value of financial guaranty and credit derivative gross written premiums, or PVP, which is a non-GAAP financial measure, is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, on insurance and credit derivative contracts written in the current period, discounted at 6% per year. Management believes that PVP is a useful measure for management investors and analysts because it permits the evaluation of the value of new business production for Assured by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period, whether in insurance or credit derivative contract form, which GAAP gross premiums written and the net credit derivative premiums received and receivable portion of net realized gains and other settlement on credit derivatives ("credit derivative revenues") does not adequately measure. Actual future net earned or written premiums and credit derivative revenues may differ from PVP due to factors such as prepayments, amortizations, refundings, contract terminations or defaults that may or may not be influenced by market interest rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults, or other factors that management cannot control or predict. This measure should not be viewed as a substitute for gross written premiums determined in accordance with GAAP.

Operating income, which is a non-GAAP financial measure, is defined as net income (loss) excluding i) after-tax realized gains (losses) on investments and ii) after-tax unrealized gains (losses) on credit derivatives and the fair value adjustment of the Company's committed capital securities, other than the Company's net estimate of after-tax incurred case and portfolio loss and loss adjusted expense reserves for credit derivatives. Management believes that operating income is a useful measure for management, investors and analysts because the presentation of operating income enhances the understanding of Assured's results of operations by highlighting the underlying profitability of Assured's business. Realized gains (losses) on investments and unrealized gains (losses) on credit derivatives and the fair value adjustment of the Company's committed capital securities, other than the portion attributable to the Company's net estimate of incurred case and portfolio loss and loss adjustment expense reserves for credit derivatives, are excluded because the amount of both of these gains (losses) is heavily influenced by, and fluctuates, in part, according to changes in market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for net income (loss) determined in accordance with GAAP.

Adjusted book value, which is a non-GAAP financial measure, is defined as shareholders' equity (book value) plus the after-tax value of the unearned premium reserve net of prepaid reinsurance premiums, the after-tax value of unearned premium on credit derivatives net of prepaid reinsurance premiums and the after-tax net present value of estimated future installment premiums in force, less future ceding commissions, discounted at 6%, less after-tax deferred acquisition costs. Management believes that adjusted book value is a useful measure for management, equity analysts and investors