



QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2021
OF THE CONDITION AND AFFAIRS OF THE

ACA Financial Guaranty Corporation

NAIC Group Code 0000 , 0000 NAIC Company Code 22896 Employer's ID Number 52-1474358
(Current Period) (Prior Period)

Organized under the Laws of Maryland , State of Domicile or Port of Entry Maryland

Country of Domicile United States

Incorporated/Organized 06/25/1986 Commenced Business 10/31/1986

Statutory Home Office 7 Saint Paul Street, Suite 1660 , Baltimore, MD, USA 21202
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 555 Theodore Fremd Ave., Suite B-302 Rye, NY, USA 10580 212-375-2000
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 555 Theodore Fremd Ave., Suite B-302 , Rye, NY, USA 10580
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 555 Theodore Fremd Ave., Suite B-302 Rye, NY, USA 10580 212-375-2000
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Web Site Address http://www.aca.com

Statutory Statement Contact Sean Thomas Leonard 212-375-2021
(Name) (Area Code) (Telephone Number) (Extension)
sleonard@aca.com 212-375-2100
(E-Mail Address) (Fax Number)

OFFICERS

Name	Title	Name	Title
<u>Steven Joseph Berkowitz</u>	<u>President and CEO</u>	<u>Brendan Patrick Malone</u>	<u>Secretary and CAO</u>
<u>Sean Thomas Leonard</u>	<u>Treasurer and CFO</u>		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

<u>Steven Joseph Berkowitz</u>	<u>John Raymond Brecker</u>	<u>Thomas Joseph Gandolfo</u>	<u>Eric Herry Hsiao #</u>
<u>Michael Joseph Keegan</u>	<u>Charles Richard Schuler</u>		

State ofNew York.....

County ofWestchester.....ss

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

Steven Joseph Berkowitz
President and CEO

Brendan Patrick Malone
Secretary and CAO

Sean Thomas Leonard
Treasurer and CFO

a. Is this an original filing? Yes No

b. If no:

1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

Subscribed and sworn to before me this
9th day of November, 2021

Luis Lozada, Notary Public
1/14/2025



STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	160,148,598		160,148,598	141,611,293
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$0 encumbrances).....				
4.2 Properties held for the production of income (less \$0 encumbrances).....				
4.3 Properties held for sale (less \$0 encumbrances).....				
5. Cash (\$561,213), cash equivalents (\$15,888,441) and short-term investments (\$0).....	16,449,654		16,449,654	19,186,851
6. Contract loans (including \$0 premium notes).....				
7. Derivatives				
8. Other invested assets	2,440,624	79,656	2,360,968	
9. Receivables for securities				
10. Securities lending reinvested collateral assets.....				
11. Aggregate write-ins for invested assets				
12. Subtotals, cash and invested assets (Lines 1 to 11)	179,038,876	79,656	178,959,220	160,798,144
13. Title plants less \$0 charged off (for Title insurers only).....				
14. Investment income due and accrued	697,900		697,900	671,594
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection				
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$0 earned but unbilled premiums).....				
15.3 Accrued retrospective premiums (\$0) and contracts subject to redetermination (\$0).....				
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers				
16.2 Funds held by or deposited with reinsured companies				
16.3 Other amounts receivable under reinsurance contracts				
17. Amounts receivable relating to uninsured plans				
18.1 Current federal and foreign income tax recoverable and interest thereon	389,980		389,980	389,980
18.2 Net deferred tax asset.....	3,126,519	3,126,519		
19. Guaranty funds receivable or on deposit				
20. Electronic data processing equipment and software.....				
21. Furniture and equipment, including health care delivery assets (\$0).....				
22. Net adjustment in assets and liabilities due to foreign exchange rates				
23. Receivables from parent, subsidiaries and affiliates				
24. Health care (\$0) and other amounts receivable.....				
25. Aggregate write-ins for other-than-invested assets	1,050,486	1,047,826	2,660	10,254
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	184,303,761	4,254,001	180,049,760	161,869,972
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....				
28. Total (Lines 26 and 27)	184,303,761	4,254,001	180,049,760	161,869,972
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page				
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)				
2501. Salvage Recoverable.....	1,000,000	1,000,000		
2502. Prepaid Expenses.....	19,926	19,926		
2503. Security Deposit.....	27,900	27,900		
2598. Summary of remaining write-ins for Line 25 from overflow page	2,660		2,660	10,254
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,050,486	1,047,826	2,660	10,254

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$0)	28,171,807	(2,622,073)
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	1,368,715	2,623,465
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	1,459,998	1,807,408
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$0 on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money \$0 and interest thereon \$0		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$0 and including warranty reserves of \$0 and accrued accident and health experience rating refunds including \$0 for medical loss ratio rebate per the Public Health Service Act)	9,569,472	15,774,097
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)		
13. Funds held by company under reinsurance treaties		
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (including \$0 certified)		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	79,656	80,144
20. Derivatives		
21. Payable for securities		
22. Payable for securities lending		
23. Liability for amounts held under uninsured plans		
24. Capital notes \$0 and interest thereon \$0		
25. Aggregate write-ins for liabilities	36,856,146	36,705,663
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	77,505,794	54,368,704
27. Protected cell liabilities		
28. Total liabilities (Lines 26 and 27)	77,505,794	54,368,704
29. Aggregate write-ins for special surplus funds		
30. Common capital stock	15,000,000	15,000,000
31. Preferred capital stock		
32. Aggregate write-ins for other than special surplus funds		
33. Surplus notes		
34. Gross paid in and contributed surplus	363,974,000	363,974,000
35. Unassigned funds (surplus)	(276,430,034)	(271,472,732)
36. Less treasury stock, at cost:		
36.10 shares common (value included in Line 30 \$0)		
36.20 shares preferred (value included in Line 31 \$0)		
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	102,543,966	107,501,268
38. Totals (Page 2, Line 28, Col. 3)	180,049,760	161,869,972
DETAILS OF WRITE-INS		
2501. Contingency Reserve	25,625,559	25,625,559
2502. Other Payables	253	1,268
2503. Liability - Payments to Surplus Note Holders	11,230,334	11,078,836
2598. Summary of remaining write-ins for Line 25 from overflow page		
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	36,856,146	36,705,663
2901.		
2902.		
2903.		
2998. Summary of remaining write-ins for Line 29 from overflow page		
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)		
3201.		
3202.		
3203.		
3298. Summary of remaining write-ins for Line 32 from overflow page		
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$0)	6,078,529	5,192,071	5,961,796
1.2 Assumed (written \$0)	126,096	329,345	329,465
1.3 Ceded (written \$0)			
1.4 Net (written \$0)	6,204,625	5,521,416	6,291,261
DEDUCTIONS:			
2. Losses incurred (current accident year \$0):			
2.1 Direct	(738,808)	10,276,842	3,308,386
2.2 Assumed			
2.3 Ceded			
2.4 Net	(738,808)	10,276,842	3,308,386
3. Loss adjustment expenses incurred	712,650	928,930	1,208,292
4. Other underwriting expenses incurred	4,647,677	4,452,600	6,113,407
5. Aggregate write-ins for underwriting deductions			
6. Total underwriting deductions (Lines 2 through 5)	4,621,519	15,658,372	10,630,085
7. Net income of protected cells			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	1,583,106	(10,136,956)	(4,338,824)
INVESTMENT INCOME			
9. Net investment income earned	4,481,424	4,430,183	5,737,047
10. Net realized capital gains (losses) less capital gains tax of \$0	128,113	506,201	183,672
11. Net investment gain (loss) (Lines 9 + 10)	4,609,537	4,936,384	5,920,719
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$0 amount charged off \$0)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income			
15. Total other income (Lines 12 through 14)			
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	6,192,643	(5,200,572)	1,581,895
17. Dividends to policyholders			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	6,192,643	(5,200,572)	1,581,895
19. Federal and foreign income taxes incurred		(194,990)	(194,990)
20. Net income (Line 18 minus Line 19)(to Line 22)	6,192,643	(5,005,582)	1,776,885
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	107,501,269	78,716,705	78,716,705
22. Net income (from Line 20)	6,192,643	(5,005,582)	1,776,885
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$0	(498,905)	(708,346)	(240,812)
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(848,960)	(635,607)	(8,798,838)
27. Change in nonadmitted assets	1,197,919	933,427	8,747,329
28. Change in provision for reinsurance			
29. Change in surplus notes			
30. Surplus (contributed to) withdrawn from protected cells			
31. Cumulative effect of changes in accounting principles			
32. Capital changes:			
32.1 Paid in			
32.2 Transferred from surplus (Stock Dividend)			
32.3 Transferred to surplus			
33. Surplus adjustments:			
33.1 Paid in			
33.2 Transferred to capital (Stock Dividend)			
33.3 Transferred from capital			
34. Net remittances from or (to) Home Office			
35. Dividends to stockholders			
36. Change in treasury stock			
37. Aggregate write-ins for gains and losses in surplus	(11,000,000)		27,300,000
38. Change in surplus as regards policyholders (Lines 22 through 37)	(4,957,303)	(5,416,108)	28,784,564
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	102,543,966	73,300,597	107,501,269
DETAILS OF WRITE-INS			
0501.			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)			
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
3701. Change in Contingency Reserve			38,300,000
3702. Payments to Surplus Note Holders	(11,000,000)		(11,000,000)
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(11,000,000)		27,300,000

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance.....			
2. Net investment income	2,737,278	4,106,839	5,374,022
3. Miscellaneous income			
4. Total (Lines 1 to 3)	2,737,278	4,106,839	5,374,022
5. Benefit and loss related payments	(31,532,688)	50,374,585	48,187,099
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions	6,922,455	5,700,540	7,043,524
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of \$0 tax on capital gains (losses).....			
10. Total (Lines 5 through 9)	(24,610,233)	56,075,125	55,230,623
11. Net cash from operations (Line 4 minus Line 10)	27,347,511	(51,968,286)	(49,856,601)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	36,098,764	64,836,139	71,721,593
12.2 Stocks			
12.3 Mortgage loans			
12.4 Real estate			
12.5 Other invested assets			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	269		
12.7 Miscellaneous proceeds			
12.8 Total investment proceeds (Lines 12.1 to 12.7)	36,099,033	64,836,139	71,721,593
13. Cost of investments acquired (long-term only):			
13.1 Bonds	53,394,802	18,999,684	45,917,552
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets	2,295,000		
13.6 Miscellaneous applications			
13.7 Total investments acquired (Lines 13.1 to 13.6)	55,689,802	18,999,684	45,917,552
14. Net increase (or decrease) in contract loans and premium notes			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(19,590,769)	45,836,455	25,804,041
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	(10,848,502)		
16.2 Capital and paid in surplus, less treasury stock.....			
16.3 Borrowed funds			
16.4 Net deposits on deposit-type contracts and other insurance liabilities			
16.5 Dividends to stockholders			
16.6 Other cash provided (applied).....	354,563	293,542	(893,172)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6).....	(10,493,939)	293,542	(893,172)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(2,737,197)	(5,838,289)	(24,945,732)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	19,186,851	44,132,583	44,132,583
19.2 End of period (Line 18 plus Line 19.1)	16,449,654	38,294,294	19,186,851

NOTES TO FINANCIAL STATEMENTS

1. Basis of Accounting, Use of Estimates, and Summary of Significant Accounting Policies:

A. Basis of Accounting

ACA Financial Guaranty Corporation ("ACA" or the "Company", a Maryland domiciled financial guaranty insurance company – see Note 21.C.(4) for a description of financial guaranty insurance) prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the Maryland Insurance Administration (the "MIA"). The MIA recognizes only statutory accounting practices prescribed or permitted by the State of Maryland for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law. The National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Maryland. The state has adopted certain prescribed accounting practices that differ with those found in NAIC SAP. The Maryland Insurance Commissioner has the right to permit other specific practices which deviate from prescribed practices.

There are no differences between amounts reported in the accompanying financial statements, which are prepared as prescribed or permitted by the MIA, and NAIC SAP.

	SSAP #	F/S Page #	F/S Line #	September 30, 2021	December 31, 2020
Net Income					
(1) The Company's state basis (Page 4, Line 20, Columns 1&2)	xxx	xxx	xxx	\$ 6,192,643	\$ 1,776,884
(2) State prescribed practices that increase/(decrease) NAIC statutory accounting principles ("SAP"):				-	-
(3) State permitted practices that increase/(decrease) NAIC SAP:				-	-
(4) NAIC SAP (1-2-3=4)	xxx	xxx	xxx	<u>\$ 6,192,643</u>	<u>\$ 1,776,884</u>
Surplus					
(5) The Company's state basis (Page 3, Line 37, Columns 1&2)	xxx	xxx	xxx	\$ 102,543,966	\$ 107,501,268
(6) State prescribed practices that increase/(decrease) NAIC SAP:				-	-
(7) State permitted practices that increase/(decrease) NAIC SAP:				-	-
(8) NAIC SAP (5-6-7=8)	xxx	xxx	xxx	<u>\$ 102,543,966</u>	<u>\$ 107,501,268</u>

In connection with ACA's Restructuring Transactions and Global Settlement Agreement in 2008 (see Note 21.C.(2)), the Company made a cash payment and issued non-interest bearing surplus notes with a principal amount of \$1 billion to settle counterparty claims. Due to the unique nature of the transaction, and in consultation with the MIA, the Company recorded the issuance of surplus notes with a fully offsetting contra account. This accounting treatment has resulted in a net balance of \$0 reported as surplus notes. Payment of principal, or any other distributions, on the surplus notes may not be recognized until approved by the MIA. Upon the MIA's approval, unassigned funds (surplus) and the contra account will be adjusted to reflect the amount approved. Upon payment, the principal amount of the surplus notes would be reduced by the amount of such payment.

B. Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the MIA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from estimates and those differences may be material.

C. Summary of Significant Accounting Policies

- (1) Premiums charged in connection with the issuance of the Company's guaranties are received either upfront or in installments. Such premiums are recognized as written when due. Installment premiums written are earned ratably over the installment period, generally one year or less, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest scheduled to be paid on the underlying insured obligation during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation. When a full loss on a guaranteed obligation is reflected in the financial statements and no further variability exists as to the measurement of the loss, the remaining unearned premiums are recognized as earned since the Company is no longer exposed to insurance risk. Unearned premiums, net of prepaid reinsurance premiums, represent the unearned portion of upfront and installment premiums written.

In addition, when an insured issue is retired early, is called by the issuer or is, in substance, paid in advance through a refunding accomplished by placing U.S. Government securities in escrow (hereafter referred to collectively as "Refundings"), the remaining unearned premium revenue relating to such insured issue is earned at that time since there is no longer risk to the Company. For the nine month periods ended September 30, 2021 and 2020, the Company recorded earned premiums of \$5.3 million and \$2.4 million, respectively, related to Refundings.

- (2) Short-term investments are stated at amortized cost.
- (3) Bonds and loan-backed securities assigned an NAIC Designation of 1 or 2 are valued at cost, adjusted for amortization of any premium, or accretion of any discount, which is calculated using the constant yield method. Bonds and loan-backed securities assigned an NAIC rating of 3 or lower are valued at the lower of amortized cost (adjusted for amortization of any premium, or accretion of any discount, which is calculated using the constant yield method) or fair value. The prospective method is used to adjust book value for loan-backed securities. Clearwater Analytics, LLC, a third party investment accounting service provider uses Bloomberg L.P. as the source to determine prepayment assumptions.

NOTES TO FINANCIAL STATEMENTS

The following table summarizes the carrying amount of the Company's bonds by NAIC Designation at September 30, 2021:

NAIC Designation 1	\$ 76,237,583
NAIC Designation 2	25,892,802
NAIC Designation 3	702,456
NAIC Designation 4	2,342,319
NAIC Designation 5	10,443,983
NAIC Designation 6	48,529,356
Total	<u>\$ 164,148,501</u>

Realized capital gains and losses on the sale of investments are determined on the basis of specific identification and are included in net income. Decreases in the fair value of bond and stock investments below their carrying value which are determined to be "other than temporary" are reflected as realized capital losses and are recorded in the Statement of Income. Factors considered in evaluating whether a decline in value is other than temporary include: 1) whether the decline is attributable to credit related or interest rate related factors, 2) whether the decline is substantial; 3) the amount of time that the fair value has been continuously less than cost; 4) the financial condition and near-term prospects of the issuer; and 5) the Company's ability and intent to retain the investment for a period of time sufficient to allow for an anticipated recovery in value. For the nine month periods ended September 30, 2021 and 2020, the Company recorded no "other than temporary" adjustments.

Net investment income includes interest and dividends received and accrued on investments. It also includes amortization of any purchase premium or discount using the constant yield method, adjusted prospectively for any change in estimated yield to maturity. Investment income is recognized when earned. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made, while investment income greater than 90 days past due is non-admitted and charged directly to surplus. Net investment income is reduced by investment management expenses.

- (4) The Company has no investments in common stock or other similar equity interests, other than the common stock or other similar equity interests of subsidiary, controlled or affiliated insurance and non-insurance entities. See (7) below.
- (5) The Company has one preferred stock holding with a carrying value of zero at September 30, 2021.
- (6) The Company has no investments in mortgage loans.
- (7) Investments in the common stocks or other similar equity interests of its subsidiary, controlled or affiliated insurance or non-insurance entities are accounted for and reported in accordance with the equity method as prescribed by SSAP No. 97, "Investments in Subsidiary, Controlled and Affiliated Entities", and valued in accordance with section 3(ii)(D) of the NAIC Valuations Securities manual. Changes in the carrying value of such investments are reflected as unrealized capital gains or losses in capital and surplus. Dividends received from such investments are reported in investment income. ACA Service L.L.C. derives its earnings from its wholly owned subsidiary, ACA Management, L.L.C. ("ACA Management"). ACA Management receives management fees on asset management contracts which were sold on a forward revenue sharing basis in connection with the termination of the company's prior CDO/CLO asset management business. For the nine month periods ended September 30, 2021 and 2020, investment income includes dividends received from ACA Service L.L.C., relating to its share of fees from certain managed CDO's of \$32 thousand and \$0 thousand, respectively. See Note 6 below.
- (8) The Company has no investments in joint ventures.
- (9) The Company has no investments in derivatives.
- (10) The Company has no premium deficiencies.
- (11) The Company records a loss with respect to an insurance guaranty upon a payment default by the issuer of the insured obligation (a payment default is generally considered the incident which gives rise to a claim under the Company's insurance policies and triggers loss recognition relating to the incident). The Company may also establish a reserve component for incurred but not reported claims ("IBNR"). The Company's liability for losses (also known as "loss reserves", "reserves for unpaid losses", "case reserves", or "case basis reserves"), reported on the accompanying Statement of Assets, Liabilities, Surplus and Other Funds, represents the best estimate of the present value of the Company's ultimate claim payments under the policy, net of its best estimate of the present value of any recoveries from salvage and subrogation rights under the policy, remaining unpaid at the balance sheet date. Loss adjustment expenses ("LAE") are recorded by the Company in regard to insurance guaranties when costs are incurred or expected to be incurred to remediate probable losses under its policies. Accordingly, LAE may be recorded on policies for which claims have been paid or losses have been recognized, as well as on policies where no claim payments have been made or losses have been recorded but may be incurred in the future. LAE represents the estimated ultimate cost of remediating losses or potential losses under policies. The Company does not discount LAE.

Losses on the Company's insurance guaranties and related case reserves are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation and (ii) anticipated cash flow from the obligor or the collateral supporting the obligation and other anticipated recoveries or cash flows. A number of quantitative and qualitative factors are considered when determining whether the Company will incur a loss and the amount of any case reserve. These factors may include the creditworthiness of the underlying issuer of the insured obligation, whether the obligation is secured or unsecured, the projected cash flow or market value of any assets that collateralize or secure the insured obligation, and the historical and projected recoveries from such assets. Other factors that may affect the actual ultimate loss include the state of the economy, market conditions for municipal bond issuance, changes in interest rates, rates of inflation, willingness of the obligor or sponsor to honor its commitments and the salvage values of specific collateral. Such factors and management's assessment thereof will be subject to the specific facts and circumstances associated with the specific insured transaction being considered for loss recognition. Losses and related case reserves are discounted at a rate reflecting the weighted average rate of return on the Company's admitted assets at the end of the year. Recognition of losses and related case reserves requires the use and exercise of significant judgment by management, including estimates regarding the amount and timing of a loss on an insured obligation. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred, are difficult to predict, and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations,

NOTES TO FINANCIAL STATEMENTS

changes in the value of specific assets supporting guaranteed obligations, and changes in the expected timing of claims payments and recoveries, and the amounts of expected claims payments and recoveries. Any estimate of future costs is subject to the inherent limitation on the Company's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and LAE will vary, perhaps materially, from any estimate.

Reference should be made to Note 21.C.(1) for further information regarding significant risks and uncertainties relating to the Company's accounting policy for loss recognition on its in-force insurance guaranties, as well as in regard to losses expected to be incurred by the Company on its credit quality classification 4 insurance guaranties which have not yet been recorded in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds because a payment default by the issuer of the insured obligation has not yet occurred.

- (12) A statutorily mandated contingency reserve is established net of reinsurance by an appropriation of unassigned surplus and is reflected in "Aggregate write-ins for liabilities" in the Statement of Assets, Liabilities, Surplus and Other Funds. This reserve is calculated as the greater of a prescribed percentage applied to original insured principal or 50% of premiums written, net of ceded reinsurance. The prescribed percentage varies by the type of business. Once the reserve is calculated, as described above, it is incrementally recognized in the financial statements over a prescribed time period based on type of business. Under SSAP 60, contributions to the contingency reserve may be discontinued if the total contingency reserve already recorded exceeds a calculated amount based upon unpaid principal guaranteed and prescribed percentages by bond category. The Company's established contingency reserve is in excess of this calculated amount. The Company has discontinued its contributions in the fourth quarter of 2014. Reductions in the contingency reserve may be recognized under certain stipulated conditions, subject to the approval of the MIA. In May 2015, the Company requested the MIA's approval to release contingency reserves equal to the amount in excess of the calculated maximum amount at December 31, 2014. The MIA denied the request in November 2015. In July 2018, the Company requested the MIA's approval to release contingency reserves equal to the amount in excess of the high-end of the off-balance sheet reserve range. In October 2018, the Company revised its request to reflect an updated off-balance sheet reserve range. In June 2019, the Company received the MIA's approval to release \$32.0 million of its contingency reserve. In July 2019, the Company made another request to release additional contingency reserves that was revised in January 2020. In November 2020, the Company received the MIA's approval to release \$38.3 million of its contingency reserve.
- (13) There has been no change to the Company's capitalization policy.
- (14) The Company has no pharmaceutical rebate receivables.
- (15) For claims related extra-contractual obligations and bad faith contingency losses stemming from lawsuits, the Company recognizes a loss contingency when it determines that an estimated loss is deemed probable to occur and can be reasonably estimated. The Company recognizes a gain contingency when settled.
- (16) The Company discloses restrictions placed upon its assets in Note 5(l). Currently there are two types of restrictions that apply to the Company's transactions, (1) admitted assets, typically bonds and cash equivalents, on deposit with states, and (2) a non-admitted receivable relating to a lease security deposit.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

Not applicable.

3. BUSINESS COMBINATION AND GOODWILL

The Company was not party to any business combinations and has not recorded any goodwill.

4. DISCONTINUED OPERATIONS

The Company had no discontinued operations.

5. INVESTMENTS

A. Mortgage Loans

The Company had no investments in mortgage loans or mezzanine real estate loans as of September 30, 2021 and December 31, 2020.

B. Debt Restructuring

(1) - (4) Not applicable

As a result of claims paid under certain of its insurance policies, the Company has received salvage in the form of investment securities. Such investment securities represent restructured debt issued in place of that originally guaranteed by the Company. The Company has recorded such investment securities at fair value at the date received. The aggregate carrying value of such restructured debt as of September 30, 2021 and December 31, 2020 was \$21.3 million and \$20.9 million, respectively. The Company has no other restructured debt and has not been a party to a troubled debt restructuring by virtue of its ownership of its invested assets.

C. Reverse Mortgages

The Company does not invest in reverse mortgages.

D. Loan-Backed Securities

- (1) Prepayment assumptions are derived from an average of those forecast by a number of Wall Street dealers as tabulated by Bloomberg L.P. and referred to as Bloomberg consensus estimates.
- (2) During the nine month period ending September 30, 2021, the Company did not recognize any other than temporary impairment charges on loan-backed securities.
- (3) Not applicable.

NOTES TO FINANCIAL STATEMENTS

(4) The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous loss position for 12 months or longer at September 30, 2021 is \$0 and \$0, respectively. The fair value and gross unrealized losses related to loan-backed and structured securities, where impairments have not been recognized, that have been in a continuous unrealized loss position for less than 12 months at September 30, 2021 is \$30.5 million and \$829.5 thousand, respectively. All of the securities discussed above are rated investment grade by at least one nationally recognized statistical ratings organization, except for the security where an other than temporary impairment was taken and have excess credit coverage within each structure and projected cash flows from the underlying collateral that are expected to be sufficient to pay principal and interest.

(5) None

E. Repurchase Agreements and/or Securities Lending Transactions

The Company has not used repurchase agreements and has not engaged in any securities lending transactions.

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

The Company had no repurchase agreement transactions accounted for as secured borrowing.

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

The Company had no reverse repurchase agreement transactions accounted for as secured borrowing.

H. Repurchase Agreements Transactions Accounted for as a Sale

The Company had no repurchase agreement transactions accounted for as a sale.

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

The Company had no reverse repurchase agreement transactions accounted for as a sale.

J. Real Estate

The Company has no real estate investments.

K. Investments in Low-Income Housing Tax Credits

The Company has no low-income housing tax credit investments.

L. Restricted Assets

The following table summarizes the Company’s restricted assets:

(1) Restricted Assets (including Pledged):

Restricted Asset Category	Gross (Admitted & Non-Admitted) Restricted					Current Year						
	Current Year					6	7	8	9	Percentage		
	1	2	3	4	5					10	11	
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)	
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	
b. Collateral held under security lending agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
c. Subject to repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
g. Placed under option contracts	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
i. FHLB capital stock	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
j. On deposit with states	4,852,298	-	-	-	4,852,298	4,855,485	(3,187)	-	4,852,298	2.62%	2.69%	
k. On deposit with other regulatory bodies	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
m. Pledged as collateral not captured in other categories	-	-	-	-	-	-	-	-	-	0.00%	0.00%	
n. Other restricted assets	27,900	-	-	-	27,900	27,900	-	27,900	-	0.02%	0.00%	
o. Total restricted assets	\$ 4,880,198	\$ -	\$ -	\$ -	\$ 4,880,198	\$ 4,883,385	\$ (3,187)	\$ 27,900	\$ 4,852,298	2.64%	2.69%	

(2) Not applicable

(3) Details of Other Restricted Assets:

Description of Assets	Gross (Admitted & Non-Admitted) Restricted					Current Year					
	Current Year					6	7	8	Percentage		
	1	2	3	4	5				9	10	
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase/ (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
Security Deposit	27,900	-	-	-	27,900	27,900	-	-	0.02%	0.00%	
Total	\$ 27,900	\$ -	\$ -	\$ -	\$ 27,900	\$ 27,900	\$ -	\$ -	0.00%	0.00%	

Included in Other Restricted Assets is a non-admitted receivable relating to a lease security deposit in the amount of \$27,900.

(4) Collateral Received & Reflected as Assets Within the Reporting Entity’s Financial Statements:

Not applicable

NOTES TO FINANCIAL STATEMENTS

M. Working Capital Finance Investments

The Company has no working capital investments.

N. Offsetting and Netting of Assets and Liabilities

The Company has no offsetting or netting of assets and liabilities related to derivatives, repurchases, reverse repurchases, and securities borrowing or securities lending.

O. NAIC 5GI Self-Designated Securities

The following table summarizes the Company's NAIC 5GI self-designated securities:

Investment	Number of 5GI Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds - AC	5	14	\$ 10,443,983	\$ 33,497,556	\$ 10,529,020	\$ 35,670,880
(2) Bonds - FV	-	-	-	-	-	-
(3) LB&SS - AC	-	-	-	-	-	-
(4) LB&SS - FV	-	-	-	-	-	-
(5) Preferred Stock - AC	-	-	-	-	-	-
(6) Preferred Stock - FV	-	-	-	-	-	-
(7) Total (1+2+3+4)	5	14	\$ 10,443,983	\$ 33,497,556	\$ 10,529,020	\$ 35,670,880

P. Short Sales

The Company had no short sales.

Q. Prepayment Penalty and Acceleration Fees

The Company received \$85.8 thousand in premium for an accelerated security during the nine month period ended September 30, 2021.

	General Account	Protected Cell
(1) Number of CUSIPs	1	-
(2) Aggregate Amount of Investment Income	85,770	-

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. As of September 30, 2021 and December 31, 2020, the Company held an investment in ACA Service L.L.C. ("ACA Service"). The carrying value of such investment as of September 30, 2021 and December 31, 2020 was zero.

On April 1, 2011, the Company formed Tactical Risk Management LLC ("TRM") a wholly owned subsidiary. The Company has committed to capitalize TRM with up to \$100 thousand. The Company's equity in TRM has been non-admitted as of September 30, 2021 and, December 31, 2020.

B. Not applicable

7. INVESTMENT INCOME

A. Policyholders' surplus excludes due and accrued investment income if amounts are over 90 days past due.

B. At September 30, 2021, the Company had no accrued investment income over 90 days past due.

See Note 1.C. (3) and Note 1.C. (7) above.

8. DERIVATIVE INSTRUMENTS

The Company has not purchased or sold any derivative financial instruments for hedging or other purposes.

9. INCOME TAXES

A. Components of deferred tax assets (DTAs) and deferred tax liabilities (DTLs):

(1) DTA/DTL Components	2021			2020			Change		
	Description	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital
(a) Gross deferred tax assets	\$ 53,819,029	\$ 1,366,005	\$ 55,185,034	\$ 54,076,848	\$ 1,181,565	\$ 55,258,412	\$ (257,819)	\$ 184,440	\$ (73,379)
(b) Statutory valuation allowance adjustment	48,437,662	1,366,005	49,803,667	48,695,481	1,181,565	49,877,044	(257,819)	184,440	(73,379)
(c) Adjusted gross deferred tax assets	5,381,367	-	5,381,367	5,381,367	-	5,381,368	-	-	-
(d) Adjusted gross deferred tax assets nonadmitted	3,126,519	-	3,126,519	3,975,479	-	3,975,479	(848,961)	-	(848,961)
(e) Sub-total admitted adjusted gross deferred tax asset	2,254,848	-	2,254,848	1,405,888	-	1,405,889	848,961	-	848,961
(f) Gross deferred tax liabilities	1,424,120	830,729	2,254,848	368,670	1,037,218	1,405,889	1,055,449	(206,489)	848,961
(g) Net admitted deferred tax asset	\$ 830,729	\$ (830,729)	\$ -	\$ 1,037,218	\$ (1,037,218)	\$ -	\$ (206,489)	\$ 206,489	\$ -
(2) Admission calculation components:									
Description	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from a, above) after application of the threshold limitation. (the lesser of b.i. and b.ii. below.)	-	-	-	-	-	-	-	-	-
(f) Adjusted gross deferred tax assets expected to be realized following the balance sheet date.	N/A	N/A	-	N/A	N/A	-	N/A	N/A	-
(f) Adjusted gross deferred tax assets allowed per limitation threshold.	-	-	-	-	-	-	-	-	-
(e) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.	2,254,848	-	2,254,848	1,405,888	-	1,405,888	848,961	-	848,961
(d) Deferred tax assets admitted as the result of application of SSAP No. 101 total (a. + b. + c.)	\$ 2,254,848	\$ -	\$ 2,254,848	\$ 1,405,888	\$ -	\$ 1,405,888	\$ 848,961	\$ -	\$ 848,961

(3) Used in ¶11.b. (Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets From a, above) After Application of the Threshold Limitation. (The Lesser of b.i. and b.ii.) b.i. Adjusted Gross Deferred Tax Assets Expected to be Realized Following the Balance Sheet Date. b.ii. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold.)

	2021	2020
(a) Applicable ratio for realization limitation threshold table	15.00%	15.00%

(4) Impact of tax planning strategies (TPS) on adjusted gross DTAs and net admitted DTAs:

Description	2021			2020		
	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Adjusted gross DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Admitted adjusted gross DTAs - Percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(c) Do TPS include a reinsurance strategy? Yes or No.

No

No

B. Temporary differences for which a DTL has not been established:

There are no temporary differences for which deferred tax liabilities are not recognized.

NOTES TO FINANCIAL STATEMENTS

C. Significant components of income taxes incurred.

(1) Current income taxes incurred consist of the following major components:

Description	2021	2020
(a) Current federal income tax benefit	\$ -	\$ -
(b) Foreign income tax expense	-	-
(c) Subtotal	-	-
(d) Tax expense on realized capital gains	-	-
(e) Utilization of capital loss carry forwards	-	-
(f) Other, including prior year underaccrual	-	(194,990)
(g) Federal and foreign income taxes incurred	\$ -	\$ (194,990)

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

DTAs Resulting From Book/Tax Differences In	December 31, 2021	December 31, 2020	Change
(a) Ordinary			
(1) Salvage and Subrogation	\$ 1,703,065	\$ 11,463,080	\$ (9,760,015)
(2) Unearned premiums	192,982	331,257	(138,276)
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrued	-	-	-
(7) Fixed assets	-	-	-
(8) Compensation and benefit accruals	262,379	-	262,379
(9) Pension accruals	-	-	-
(10) Nonadmitted assets	-	-	-
(11) Net operating loss carryforward	46,279,236	36,901,145	9,378,091
(12) Tax credit carry forward	(0)	(0)	-
(13) Contingency Reserve	5,381,367	5,381,367	-
(14) Other (separately disclose items >5%)	-	-	-
(99) Subtotal - Gross ordinary DTAs	53,819,029	54,076,848	(257,819)
(b) Statutory valuation allowance adjustment - ordinary	48,437,662	48,695,481	(257,819)
(c) Nonadmitted ordinary DTAs	3,126,519	3,975,479	(848,961)
(d) Admitted ordinary DTAs	\$ 2,254,848	\$ 1,405,888	\$ 848,961
(e) Capital			
(1) Investments	\$ 125,444	\$ 215,487	\$ (90,043)
(2) Net capital loss carry forward	1,240,561	966,077	274,483
(3) Real estate	-	-	-
(4) Other (separately disclose items >5%)	-	-	-
(5) Unrealized capital losses	-	-	-
(99) Gross capital DTAs	1,366,005	1,181,565	184,440
(f) Statutory valuation allowance adjustment - capital	1,366,005	1,181,565	184,440
(g) Nonadmitted capital DTAs	-	-	-
(h) Admitted capital DTAs	\$ -	\$ -	\$ -
(i) Admitted DTAs	\$ 2,254,848	\$ 1,405,888	\$ 848,961
(3) DTLs Resulting From Book/Tax Differences In	December 31, 2021	December 31, 2020	Change
(a) Ordinary			
(1) Investments	\$ 1,354,544	\$ -	\$ 1,354,544
(2) Fixed assets	-	-	-
(3) Deferred and uncollected premiums	-	-	-
(4) Deferred compensation - Bonus	-	281,700	(281,700)
(5) Loss Reserve Discount	69,576	86,970	(17,394)
(6) Other (separately disclose items >5%)	-	-	-
(99) Ordinary DTLs	\$ 1,424,120	\$ 368,670	\$ 1,055,449
(b) Capital			
(1) Investments	\$ 830,729	\$ 1,037,218	\$ (206,489)
(2) Real estate	-	-	-
(3) Other (separately disclose items >5%)	-	-	-
(4) Unrealized capital gains	-	-	-
(99) Capital DTLs	\$ 830,729	\$ 1,037,218	\$ (206,489)
(c) DTLs	\$ 2,254,848	\$ 1,405,888	\$ 848,961
(4) Net deferred tax assets/liabilities	\$ 0	\$ 0	\$ 0

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual S statement):

	December 31, 2021	December 31, 2020	Bal. Sheet Change
Total deferred tax assets	\$ 55,185,034	\$ 55,258,412	\$ (73,379)
Total deferred tax liabilities	2,254,848	1,405,888	848,962
Net deferred tax assets/liabilities	52,930,185	53,852,525	(922,339)
Statutory valuation allowance adjustment (*see explanation below)	49,803,667	49,877,045	(73,379)
Net deferred tax assets/liabilities after SVA	\$ 3,126,519	\$ 3,975,479	(848,961)
Tax effect of unrealized gains			-
Statutory valuation allowance adjustment allocated to unrealized (+)			-
Change in net deferred income tax benefit			\$ (848,961)

NOTES TO FINANCIAL STATEMENTS

***Statutory valuation allowance**

The Company does not forecast enough taxable income in future tax years in order to recover the deferred tax assets. As a result, a full valuation allowance is being utilized against deferred tax assets.

D. Reconciliation of federal income tax rate to actual effective rate:

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes including realized capital gains / losses.

The significant items causing this difference are as follows:

Description	Statutory Rate		Effective Tax Rate
	Amount	21.00% Tax Effect	
Income Before Taxes (including all realized capital losses)	\$ 6,207,643	\$ 1,303,605	21.00%
Tax-Exempt Interest	(107,077)	(22,486)	-0.36%
Equity in Affiliates	(6,189)	(1,300)	-0.02%
Proration	26,769	5,622	0.09%
Meals & Entertainment, Lobbying Expenses, Etc.	173	36	0.00%
Statutory Valuation Allowance Adjustment	(349,423)	(73,379)	-1.18%
LRD Transition Rev Proc -2019-31	13	3	0.00%
Effect of Sequestration on AMT Credit Refund	-	-	0.00%
Change in Non-Admitted Assets	-	-	0.00%
Change in Contingency Reserve	-	-	0.00%
Prior Year True-up and other	(1,729,231)	(363,140)	-5.85%
Total	\$ 4,042,678	\$ 848,961	13.68%
Federal income taxes incurred benefit		-	0.00%
Change in net deferred income tax charge		848,961	13.68%
Total statutory income taxes		\$ 848,961	13.68%

E. Carryforwards, recoverable taxes, and IRC §6603 deposits:

The Company has net operating loss carryforwards of: \$ 220,377,316 expiring through the calendar year 2041.

The Company had capital loss carryforwards of: \$ 5,907,432 expiring through the calendar year 2026.

The Company has an AMT credit carryforward of: \$ - which does not expire.

The Company received a refund in 2019 relating to the utilization of AMT tax credits in the amount of \$389,980. The Company has established a receivable in the amount of \$389,980 relating to the expected refund to be received in 2021.

Income taxes, ordinary and capital, available for recoupment in the event of future losses include:

Available from tax year	Ordinary	Capital	Total
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
Total	\$ -	\$ -	\$ -

Deposits admitted under IRC § 6603
None

The Company's Net operating and capital loss carryforwards are limited in its aggregate under Section 382 of the Internal Revenue Code. See Note 21C. This limitation is reflected in the statutory valuation allowance determination. The cumulative remaining balance of net operating loss carryforwards subject to the Section 382 limitation at December 31, 2021 is approximately \$150.9 million. The cumulative remaining Section 382 limitation at December 31, 2021 is approximately \$5 million.

F. The Company's federal income tax return is not consolidated with any other entities

The Company's tax return is not consolidated with any other entities.

G. Income tax loss contingencies

In November 2015, the Internal Revenue Service ("IRS") concluded its examination of income tax returns for ACA through 2008 tax year. No material adjustments arose as a result of the audit in relation to the financial position or results of operations of the Company for the tax years that were examined. As of September 30, 2021, no material adjustments are expected for tax years for which the statute of limitations remains open. In addition, the Company does not have any material income tax loss contingencies.

H. Repatriation Transition Tax

Not applicable

I. Alternative Minimum Tax (AMT) Credit

The Company received a refund in 2019 relating to the utilization of AMT tax credits in the amount of \$389,980. At September 30, 2021, the Company has established a receivable in the amount of \$389,980 relating to the expected refund to be received in 2021.

10. INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A. & B. There were no transactions with parent, affiliates or other related parties in 2021 or 2020.

C. Not applicable.

D. The Company has \$80 thousand net payable to subsidiaries at September 30, 2021 and December 31, 2020.

E. The Company has no material management or service contract with any related parties.

F. Except as discussed in Note 6, the Company has no guaranties or undertakings for the benefit of an affiliate or related party.

G. The Company's common stock is owned 100% by Manifold Capital, LLC (ACACH), a Delaware limited liability company, legal successor to Manifold Capital Corp. (formerly ACA Capital Holdings, Inc.), a Delaware corporation. As of April 7, 2016, ACACH is a wholly owned subsidiary of Broadside Financial Ltd., a British Virgin Island limited company that is also ACACH's sole member. Effective at the closing of the restructuring transaction entered into on August 8, 2008, ACACH and its wholly owned subsidiaries disclaimed control over the Company. This disclaimer of control was approved by the MIA. See Note 21.C.(2) for a discussion of the restructuring transaction.

H. The Company's majority common shareholder and ultimate parent, ACACH, is not owned directly or indirectly via any of the Company's downstream subsidiaries or controlled or affiliated entities. See Note 21.C.(2) for information regarding the

NOTES TO FINANCIAL STATEMENTS

ownership structure of the Company following the closing of its restructuring transaction that took place on August 8, 2008. See Note 21.C.(2) for a discussion of the restructuring transaction.

- I. The Company holds no investment in any subsidiary, controlled or affiliated entity that exceeds 10% of its admitted assets.
- J. The Company did not impair any subsidiary, controlled or affiliated entity in 2021 or 2020.
- K. Not applicable.
- L. The Company does not hold an investment in a downstream noninsurance holding company.
- M. Not applicable.
- N. Not applicable.
- O. Not applicable.

11. DEBT

- A. As of September 30, 2021 and December 31, 2020, the Company had no capital notes or other debt.
- B. As of September 30, 2021 and December 31, 2020, the Company had no Federal Home Loan Bank (FHLB) Agreements.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

- A. The Company has no Defined Benefit Plan.
- B. - D. Not applicable.
- E. The Company sponsors a qualified defined contribution plan, which covers all full-time employees of the Company as of their start date with the Company. Eligible participants may contribute a percentage of their salary, subject to IRS limitations. The Company's contributions to the plan are based on a fixed percentage of employees' contributions subject to IRS limitations. For the nine month periods ended September 30, 2021 and 2020, the Company recognized expense in the amount of \$102.1 thousand and \$101.2 thousand for the defined contribution plan, respectively.
- F. The Company has no Multi-employer Plan.
- G. The Company has no Consolidated/Holding Company Plan.
- H. & I. The Company provides postemployment benefits to its employees. The benefits include severance and temporary continuation of certain benefits, such as healthcare, for terminated employees. Amounts are reflected in the financial statements, as Employee Relations and Welfare expenses, when it is probable that the employee will be entitled to the benefit and the amount can be reasonably estimated.

13. CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATION

- A. The Company has 1,000,000 shares of common stock authorized, issued and outstanding with a par value of \$15.00 per share. See Note 10.G.
- B. The Company has no preferred stock outstanding.
- C. As part of the Company's restructuring discussed in Note 21.C.(2) below, the MIA Order restricts the Company from paying dividends without the prior approval of the Commissioner.
- D. No dividends were paid in 2021 or 2020.
- E. The Company had negative earned surplus at September 30, 2021 and December 31, 2020; therefore, no dividends can be paid in 2021 pursuant to Maryland Insurance Law. Negative earned surplus represents the amount reported in the Statement of "Assets, Liabilities, Surplus and Other Funds" under the line item entitled, "Unassigned funds (surplus)".
- F. There are no restrictions on unassigned surplus.
- G. The Company is not a mutual company.
- H. The Company holds no stock for special purposes.
- I. The Company holds no special surplus funds.
- J. The portion of unassigned surplus represented by cumulative unrealized capital losses is \$794,964.
- K. The Company issued the following surplus debentures or similar obligations:

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1	2	3	4	5	6	7	8
Item Number	Date Issued	Interest Rate	Original Issue Amount of Note	Is Surplus Note Holder a Related Party (Y/N)	Carrying Value of Note Prior Year	Carrying Value of Note Current Year *	Unapproved Interest and/or Principal
1	8/8/2008	0.0%	\$ 1,000,000,000	NO	\$ -	\$ -	\$ -
Total	XXX	XXX	\$ 1,000,000,000	XXX	\$ -	\$ -	\$ -

* Total should agree with Page 3, Line 33.

1	9	10	11	12	13	14
Item Number	Current Year Interest Expense Recognized	Life-To-Date Interest Expense Recognized	Current Year Interest Offset Percentage (not including amounts paid to 3rd party liquidity provider).	Current Year Principal Paid	Life-To-Date Principal Paid	Date of Maturity
1	\$ -	\$ -	\$ -	\$ 11,000,000	\$ 16,600,000	Within 30 days after the expiration, commutation or bulk reinsurance of the last insurance policy issued by the Company
Total	\$ -	\$ -	XXX	\$ 11,000,000	\$ 16,600,000	XXX

1	15	16	17	18	19
Item Number	Are Surplus Note payments contractually linked? (Y/N)	Surplus Note payments subject to administrative offsetting provisions? (Y/N)	Were Surplus Note proceeds used to purchase an asset directly from the holder of the surplus note? (Y/N)	Is Asset Issuer a Related Party (Y/N)	Types of Assets Received Upon Issuance
1	NO	NO	NO	NO	Please refer to Note 21.C(2) for detailed description
Total	XXX	XXX	XXX	XXX	XXX

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of \$1 billion were issued. See Note 21.C.(2) for a description of the notes. These notes were recorded in the surplus notes section of the balance sheet along with an offsetting entry to a contra account (see Note 1.A.). All payments made under the surplus notes require advance approval of the MIA.

The Surplus Notes provide that, on or before July 15, 2013 and on every anniversary thereafter, ACA, as obligor, shall seek regulatory approval from the MIA to make a payment on the Surplus Notes to the holders thereof. ACA has made these annual requests to the MIA. For the first time, on June 17, 2019, the MIA approved a one-time payout of \$5.6 million relating to the July 2018 request. On November 25, 2020, the MIA approved a payment of \$11.0 million relating to ACA's July 2019 and July 2020 requests. ACA recorded an accrued liability at December 31, 2020 for this payment which was made on January 11, 2021. On September 22, 2021, the MIA approved another payment of \$11.0 million relating to ACA's July 2021 request. ACA recorded an accrued liability at September 30, 2021 for this payment which was made on October 21, 2021.

L.&M. The Company has not gone through any quasi-reorganization.

14. CONTINGENCIES

A. Contingency Commitments

The Company has no contingent commitments.

B. Assessments

The Company has no assessments other than those arising in the normal course of business. Such assessments are not material.

C. Gain Contingencies

The Company has no gain contingencies.

We have from time to time filed for damages, reserved rights and/or delivered notices of potential claims both to private parties and governmental entities, agencies and instrumentalities. We continually seek opportunities to obtain restitution and compensation for losses and related expenses incurred on previously issued financial guaranty insurance policies and on investment losses. The outcome of any such efforts remains uncertain at this time.

D. Claims Related Extra-Contractual Obligations and Bad Faith Contingency Losses Stemming from Lawsuits

No losses were paid or incurred on claims related extra-contractual obligations and bad faith contingency losses stemming from lawsuits during the period of this statement.

Set forth below are descriptions of lawsuits where the Company is currently defending itself which could possibly result in loss payments.

The Company (specifically, ACA Management, L.L.C.) is one of many defendants in an action pending in New Mexico First Judicial District Court, in Santa Fe, filed in 2008 by Frank Foy on behalf of the State of New Mexico. The complaint alleges that Vanderbilt Capital Advisors (and certain affiliates) engaged in an unlawful "pay to play" scheme with various New Mexico state officials, causing two New Mexico state agencies to purchase certain worthless CDO investments, including some with which the Company was allegedly connected. The complaint seeks compensatory damages in excess of \$90 million, plus interest and civil penalties which the plaintiffs assert raise the claim to several hundred million dollars under certain New Mexico statutes, including the Fraud Against Taxpayers Act ("FATA"). Further, the complaint seeks to impose joint and several liability on all defendants. In April 2010, the then-presiding judge ruled that the retroactive nature of FATA

was unconstitutional. The ruling was affirmed by the New Mexico Court of Appeals. However, on June 25, 2015, the Supreme Court of the State of New Mexico reversed and held that FATA is constitutional. The New Mexico Supreme Court also consolidated multiple related cases and reassigned the consolidated proceeding to a new district judge. On June 6, 2017, the district court granted both the New Mexico Attorney General's motion to dismiss and Vanderbilt's motion to confirm its settlement with the New Mexico Attorney General. The order was entered September 8, 2017. On October 8, 2017, Frank Foy appealed the dismissal. The State of New Mexico twice unsuccessfully tried to dismiss the appeal. On June 9, 2020, the New Mexico Court of Appeals affirmed the rulings of the district court approving the settlement negotiated by the New Mexico Attorney General and dismissing Foy's claims in their entirety. On June 24, 2020 Foy moved for rehearing and on June 30, 2020 the New Mexico Court of Appeals denied the motion. On July 30, 2020 Foy sought further review by petitioning the New Mexico Supreme Court for writs of certiorari. On August 13, 2020, the New Mexico Supreme Court denied the writ of certiorari. Foy has the right to file a motion for rehearing. Foy asked for an extension from October 26th to

NOTES TO FINANCIAL STATEMENTS

November 24th to file a motion for rehearing. The Court denied the motion. On October 26, 2020, Foy filed a motion for rehearing. That motion is still pending. In February 2021, Foy filed motion to recoup attorney's fees from the settlement. In addition, certain of the settling defendants filed suit to dismiss the case on the basis of the death of Frank Foy in April 2021. In June 2021, the State of New Mexico filed a motion for the presiding judge to recuse herself. There have also been additional procedural maneuvers by Foy, the State and certain of the key defendants. None of these maneuvers has direct relevance to the Company. To the extent activity directly involving the Company resumes in the case, the Company intends to continue to defend itself vigorously.

Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position or the results of operations of the Company.

E. Product Warranties

Not applicable.

F. Joint and Several Liabilities

Not applicable.

G. All Other Contingencies

Not applicable.

15. LEASES

A. Lessee Operating Lease

(1) The Company has a lease for office space at 555 Theodore Fremd Avenue in Rye, NY with a commencement date of September 1, 2016 and a termination date of November 30, 2021. In April 2021, the Company has signed a lease extension for smaller office space within the same building commenced April 15, 2021 until November 30, 2023. The Company's rental expense for the nine month periods ended September 30, 2021 and 2020 was \$86.5 thousand and \$110.8 thousand, respectively.

(2) At October 1, 2021, considering the lease extension commenced April 15, 2021, the minimum future lease payments under the leases are as follows:

Year Ending December 31,	Operating Leases
2021	26,883
2022	105,444
2023	98,061
2024	-
2025	-
Beyond 5 Years	-
Total	<u>\$ 230,388</u>

B. Lessor Leases

Not applicable.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENT WITH CONCENTRATION OF CREDIT RISK

(1) The table below summarizes the face amount of the Company's financial instruments with off-balance-sheet risk:

	Assets		Liabilities	
	September 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
a. Swaps	\$ -	\$ -	\$ -	\$ -
b. Futures	-	-	-	-
c. Options	-	-	-	-
c. Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) – (4) Except for that discussed below, the Company has no financial instruments with off-balance sheet risk.

While the Company establishes reserves for losses on obligations which are in default as to payment (see Note 1.C.(11) and Note 21.C.(1)), the risk of loss under the Company's guaranties extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed (see description of financial guaranty insurance in Note 21.C.(4)). Net par outstanding in the tables below reflect only the outstanding principal balance for capital appreciation bond obligations that the Company has insured. The Company reports its remaining obligation, including any accreted values, as an interest obligation.

NOTES TO FINANCIAL STATEMENTS

The tables below reflect certain information regarding the Company's in-force par exposure at September 30, 2021 and December 31, 2020:

(\$ in millions)	September 30, 2021		December 31, 2020	
	Net Par	% of Net Par	Net Par	% of Net Par
	Outstanding	Outstanding	Outstanding	Outstanding
Tax-exempt obligations:				
Healthcare	\$ 13	4.1%	\$ 13	2.7%
Tax backed	50	15.9%	55	11.5%
Higher education	37	11.7%	120	25.2%
Long-term care	2	0.6%	3	0.6%
General obligations	136	43.2%	166	34.8%
Utilities	28	8.9%	29	6.1%
Transportation	14	4.4%	32	6.7%
Housing	1	0.3%	6	1.3%
Not for Profit	7	2.2%	25	5.2%
Other	27	8.6%	28	5.9%
Total municipal obligations	<u>315</u>	<u>100.0%</u>	<u>477</u>	<u>100.0%</u>
Taxable obligations				
Other	-	0.0%	-	0.0%
Total	<u>\$ 315</u>	<u>100.0%</u>	<u>\$ 477</u>	<u>100.0%</u>

For the nine months ended September 30, 2021, the Company reported a decrease in insured net par outstanding of \$162 million, of which \$126 million was attributable to Refundings, including early retirement due to cancellation (See Note 1.C.(1)).

(\$ in millions)	September 30, 2021		December 31, 2020	
	Net Par	% of Net Par	Net Par	% of Net Par
	Outstanding	Outstanding	Outstanding	Outstanding
PAR EXPOSURE BY STATE				
New York	\$ 157	49.8%	\$ 182	38.2%
Florida	29	9.2%	62	13.0%
Arkansas	27	8.6%	28	5.9%
Illinois	27	8.6%	27	5.6%
Missouri	13	4.1%	13	2.7%
Other states	62	19.7%	165	34.6%
Total municipal obligations	<u>\$ 315</u>	<u>100.0%</u>	<u>\$ 477</u>	<u>100.0%</u>

NET PAR OUTSTANDING BY MATURITY

(\$ in millions)	September 30, 2021	
	Net Par	
	Outstanding	
Terms of Maturity		
0 to 5 years	\$ 178	
5 to 10 years	99	
10 to 15 years	34	
15 to 20 years	4	
20 and above	-	
Total	<u>\$ 315</u>	

17. SALES, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

- The Company had no transfer of receivables reported as sales.
- The Company had no transfer and servicing of financial assets.
- The Company had no wash sales.

18. GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED A&H PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

- The Company has no Administrative Services Only (ASO) plan.
- The Company has no Administrative Services Contract (ASC) plan.
- The Company has no Medicare or other similarly structured cost based retirement contract.

19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

The Company has no direct premium written through or produced by managing general agents or third party administrators.

20. FAIR VALUE MEASUREMENT

- Inputs used for Assets and Liabilities Measured at Fair Value
 - Assets measured at fair value on a non-recurring basis:

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Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Long Term(D-1)					
Special Rev./Assess. Oblig.	\$ -	\$ 13,340,525	\$ -	\$ -	\$ 13,340,525
Indust. & Misc.	-	73,204	-	-	73,204
Total Long Term(D-1)	-	13,413,729	-	-	13,413,729
Total assets at fair value	\$ -	\$ 13,413,729	\$ -	\$ -	\$ 13,413,729
b. Liabilities at fair value					
Total Liabilities at fair value	\$ -	\$ -	\$ -	\$ -	\$ -

\$0.00 was transferred from Level 1 to Level 2 and \$0.00 was transferred from Level 2 to Level 1

(2) Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Not applicable

(3) The Company's policy is to recognize transfers in and out at the end of the reporting period, consistent with the date of the determination of fair value.

(4) In accordance with SSAP 100, the valuation techniques used in measuring fair values are based on the following:

Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets that the Company has the ability to access for identical assets or liabilities.

Level 2: Fair value measurements, based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable at commonly quoted intervals.

Level 3: Fair value measurements, based on certain inputs which are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

(5) Derivative Fair Value

Not applicable

B. Other Fair Value Disclosures

Not applicable

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

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

September 30, 2021							
Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 166,060,652	\$ 160,148,598	\$ -	\$ 166,060,652	\$ -	\$ -	\$ -
Cash, Cash Equivalents & Short-Term Investments	16,449,592	16,449,654	12,449,752	3,999,840	-	-	-
Other Invested Assets	2,360,968	2,360,968	-	-	2,360,968	-	-
Total	\$ 184,871,212	\$ 178,959,220	\$ 12,449,752	\$ 170,060,492	\$ 2,360,968	\$ -	\$ -

December 31, 2020							
Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 147,834,072	\$ 141,611,293	\$ -	\$ 147,834,072	\$ -	\$ -	\$ -
Cash, Cash Equivalents & Short-Term Investments	19,187,000	19,186,851	18,334,936	852,064	-	-	-
Total	\$ 167,021,071	\$ 160,798,144	\$ 18,334,936	\$ 148,686,136	\$ -	\$ -	\$ -

D. Financial Instruments for which Not Practicable to Estimate Fair Values

Not applicable

E. Investments Measured using Net Asset Value

Not applicable

21. OTHER ITEMS

A. Extraordinary items

The Company had no extraordinary items during 2021 and 2020.

B. Troubled Debt Restructurings: Debtors

The Company had no troubled debt restructurings during 2021 and 2020. See also Note 5.B.

NOTES TO FINANCIAL STATEMENTS

C. Other Disclosures

(1) Description of Significant Risks and Uncertainties

- As discussed in Note 1.C. (11), ACA recognizes losses and establishes related loss reserves on bond obligations it has insured upon the initial payment default by the issuer of such bond obligations (under the Company's accounting policy, the initial payment default is generally considered the incident which gives rise to a claim and triggers loss recognition relating to the incident) or when an IBNR reserve component is established. The loss recognized by ACA upon a payment default or an IBNR component represents the Company's best estimate of its ultimate loss over the life of the policy, discounted to reflect the time value of money. However, ACA may also have policies in-force upon which it believes that it is probable that payment defaults will occur in the future. Such expected future losses (hereafter referred to as "Off-Balance Sheet Losses") are not recorded by the Company in the accompanying Statement of Assets, Liabilities, Surplus and Other Funds at September 30, 2021 and December 31, 2020 because a payment default has not yet occurred. Due to the establishment of an IBNR reserve component to loss reserves in 2019, there are no Off-Balance Sheet Losses at September 30, 2021 and December 31, 2020.
- The Company is exposed to economic and political risks associated with its insurance guaranties (see Note 16). The extent and duration of any future deterioration in economic or political factors is unknown, as is the effect, if any, on potential claim payments and the ultimate amount of losses the Company may incur on obligations it has guaranteed. As discussed in Note 36, the Company classifies its insured in-force portfolio in one of four credit quality categories. As noted therein, as of September 30, 2021, the Company had insured obligations with outstanding principal totaling \$102.4 million classified in Category 4, which means that it either has paid claims on such exposures or expects to pay claims on such exposures in the future. In addition, as of such date, the Company had insured obligations with outstanding principal totaling \$13.8 million classified in Category 3, which means those credits have materially violated financial and operational covenants and require remedial action to avoid further performance deterioration. As discussed in Note 16, the risk of loss under the Company's guaranties extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. No assurance can be provided that further deterioration in ACA's insured guaranties will not occur resulting in a further migration of insured exposure to categories 3 and 4 or that ACA will not incur losses that may be materially in excess of what it currently estimates. Notwithstanding the de-recognition of contingency reserves that may be approved by the Maryland Insurance Administration in the future, no assurance can be given that the recognition of such losses in the future will not cause the Company to fail to comply with its regulatory required minimum policyholders' surplus requirement of \$750,000. However, the Company believes that its policyholders' surplus will be in excess of Maryland's required minimum policyholders' surplus over the twelve months succeeding the date of the accompanying statement of Assets, Liabilities, Surplus and Other Funds and, that it has sufficient liquidity resources to satisfy its financial obligations as they come due for the foreseeable future.
- Losses incurred and reserves for losses are reported by the Company net of estimated recoveries from salvage and subrogation. Estimated salvage and subrogation are a material component of the Company's incurred losses and reserves for losses (both on-balance sheet and off-balance sheet). Pursuant to the Company's policies of insurance, should the Company pay a claim under a policy, subrogation rights enable the Company to pursue the obligor for recovery of all claims paid or losses incurred. In other cases, the Company may be assigned the rights to certain salvage as reimbursement for any claims paid or losses incurred. An important characteristic to recognize with respect to estimated salvage and subrogation recoveries is that such estimates are subject to both timing and credit risk. In many instances the timing of such recoveries is expected to occur significantly later than the associated claim payments the Company is trying to recover. In addition, in regard to subrogation, credit risk exists with respect to the obligor's ability to ultimately honor the insurer's claim for recoveries, and in respect of salvage, risk exists as to whether such salvage will ultimately be sufficient to recover all of the insurer's claims for recoveries. No assurance can be provided that estimated salvage and subrogation recoveries will be fully collected and any uncollected amount may be material to the Company's financial position and results of operations.
- Establishment of case basis reserves for unpaid losses, loss adjustment expenses and IBNR on the Company's insured guaranties requires the use and exercise of significant judgment by management, including estimates regarding the severity of loss and the amount and timing of claim payments and recoveries on a guaranteed obligation. Case basis and IBNR reserves reflect management's best estimate of the present value of the Company's ultimate loss and not the worst possible outcome. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, changes in the value of specific assets supporting guaranteed obligations, willingness of the obligor or sponsor to honor its commitments, changes in the expected timing of claims payments and recoveries, and changes in the amounts of expected claims payments and recoveries. Both qualitative and quantitative factors are used in making such estimates. Each quarter, in connection with the preparation of its financial statements, the Company reevaluates all such estimates. Changes in these estimates may be material and may result in material changes in the Company's policyholders' surplus. Any estimate of future costs is subject to the inherent limitation on management's ability to predict the aggregate course of future events. It should, therefore, be expected that the actual emergence of losses and claims will vary, perhaps materially, from any estimate. The risk of loss under the Company's guaranties extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed (see Note 16).
- The Company is involved from time to time in a number of legal proceedings, both as plaintiff and defendant, as well as regulatory inquiries and investigations. Management cannot predict the outcomes of any proceedings and other contingencies with certainty. In addition, it is not possible to predict whether additional suits will be filed or whether additional inquiries or investigations will be commenced. The outcome of some of these proceedings and other contingencies could require the Company to take or refrain from taking actions which could have a material adverse effect on its business, financial position or cash flows or could require the Company to pay (or fail to receive) substantial amounts of money. Additionally, prosecuting and defending lawsuits and proceedings has caused the Company to incur significant expenses.
- ACA has experienced and likely will continue to experience substantial tax losses in the conduct of its business.

Section 382 of the Internal Revenue Code ("Section 382") contains rules that limit the ability of a corporation that experiences an "ownership change" to utilize its net operating loss carryforwards ("NOLs") and certain built-in losses recognized in periods following the ownership change. An ownership change is generally any change in ownership of more than 50 percentage points of a corporation's stock over a rolling 3-year period. Accordingly, the aggregate ownership change ("Aggregate Ownership Change") at any particular date represents the summation of the amount of ownership change resulting from all transactions in a corporation's stock occurring during the three year period ended on such date. These rules generally operate by focusing on ownership changes among shareholders owning directly or indirectly 5% or more of the stock of a corporation or any change in ownership arising from a new issuance of stock by the corporation. For purposes of

NOTES TO FINANCIAL STATEMENTS

the aforementioned test, ACA's surplus notes are considered stock and ACA's surplus note holders are considered shareholders.

Under Section 382, the transfer of ACA's surplus notes can cause an ownership change that would limit ACA's ability to utilize its NOLs and recognize certain built-in losses. Depending on the resulting limitation, a significant portion of ACA's NOLs could be deferred or could expire before ACA would be able to use them to offset positive taxable income in current or future tax periods.

ACA experienced an ownership change for purposes of Section 382 in 2014. As a consequence of the ownership change, ACA's ability to use its NOLs will be limited to approximately \$5.3 million on an annual basis.

Since the ownership change mentioned above, the Company has generated significant net operating losses in 2014, 2015, 2016, 2019, and 2021. Another ownership change may further limit the initial NOL limitation and could impact the ability to fully utilize NOLs generated in 2014, 2015, 2016, 2019, and 2021.

- As a result of the COVID-19 pandemic and related governmental actions to curtail social and economic activity, uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The Company has observed material financial impacts to a number of our insured obligations, particularly in hospitality, student housing and toll road sectors as well as certain investment securities, particularly airline corporate obligations. The duration of these uncertainties and the ultimate financial effects, including impacts on additional sectors, credits and investment securities cannot fully be determined at this time.

(2) Restructuring Transaction

As a result of adverse developments in the credit markets generally and the mortgage market specifically that began in the second half of 2007 and continued to deepen in 2008 and thereafter, the Company experienced material adverse effects on

its business, results of operations, and financial condition, which resulted in significant downgrades of the Company's financial strength ratings by Standard & Poor's Ratings Services ("S&P") and, ultimately, a restructuring of the Company to avoid a regulatory proceeding (the "Restructuring Transaction"). The Restructuring Transaction, which was consummated on August 8, 2008, was comprised of three main components (see also Note 10.G.).

The first component of the Restructuring Transaction consisted of a Global Settlement Agreement whereby insured credit swap counterparties' claims were settled in consideration for a cash payment of approximately \$209 million and surplus notes with a face value of approximately \$950 million. In the aggregate \$1 billion face amount of surplus notes were issued in connection with the Restructuring Transaction. Of such amount, the aforementioned insured credit swap counterparties received \$950 million as previously discussed and the balance of \$50 million was issued to ACACH. While certain of the surplus notes issued to the insured credit swap counterparties were issued to be non-voting at the request of certain of such counterparties, the surplus notes issued to the counterparties, in the aggregate, represent a 100% voting interest in the Company. The surplus notes issued to ACACH are all non-voting.

The second component of the Restructuring Transaction provided for the settlement of a \$100 million medium term note guaranteed by the Company. This obligation was settled by a cash payment of approximately \$48 million to the note holders in 2008 and the relinquishment by the Company of investments in CDO equity with an estimated value of \$2.5 million. Of the total cash settlement, approximately \$32 million was paid out of a cash collateral account supporting the issued note while the remaining amount of approximately \$16 million was funded by cash from the Company and its other subsidiaries.

The third component of the Restructuring Transaction centered on the Intercompany Agreement which treated ACACH and its non-ACA FG subsidiaries as one sub-group and ACA FG and its subsidiary as a separate sub-group. By its terms, the Intercompany Agreement provided for the cancellation of a previously issued intercompany surplus note as well as intercompany balances between the Company's sub-group and the ACACH sub-group. It also provided for a global release of liability among the two sub-groups. In general, the release discharges the entities from any and all actions, cause of action, suits, debts, liens, contracts, rights and other legal obligations against each other, except those provided for in the Intercompany Agreement.

Subsequent to the closing of the Restructuring Transaction, the Company is required to and has operated under an order issued by the MIA, Case No.: MIA: 2008-08-011 dated August 7, 2008 (the "Order"). The Order provides, among other things, that the Company operate as a run-off company. In connection with the Order, following the Restructuring Transaction, the Company wound down all subsidiaries no longer necessary for the conduct of its ongoing business, including 73 special purpose entities created for the insured credit swap and CDO asset management businesses.

(3) Description of the Company's On-Going Strategic Plan

Management is actively seeking to (i) remediate deteriorated insured exposures to minimize claim payments, maximize recoveries and mitigate ultimate losses, (ii) increase the Company's capital, surplus, liquidity and claims paying resources, (iii) realize maximum value from various legal proceedings described in Note 14.C. and from any other rights and remedies the Company may have, and (iv) take other actions to enhance its financial position (hereafter collectively referred to as "Strategic Actions"). In regard to the Strategic Actions, the Company is actively pursuing or exploring a number of options available to it to enhance the Company's policyholders' surplus or liquidity position or address other challenges that the Company faces. The Company has taken steps to reduce operating expenses and expects to take further steps in the future as the insured portfolio and remediation activities decrease. No assurances can be given that the Company will be successful in completing any of the aforementioned actions. Furthermore, certain of the Strategic Actions contemplated by the Company may be outside the ordinary course of the Company's operations or its control and may require consents or approvals of parties outside of the Company, including the MIA.

(4) Description of Financial Guaranty Insurance

Financial guaranty insurance provides an unconditional and irrevocable guaranty to the holder of a valid debt obligation with an enforceable guaranty of full and timely payment of the guaranteed principal and interest thereon when due. Financial guaranty insurance adds another potential source of repayment of principal and interest for an investor, namely the credit quality of the financial guarantor. Generally, in the event of any default on an insured debt obligation, payments made pursuant to the applicable insurance policy may not be accelerated by the holder of the insured debt obligation without the approval of the insurer. While the holder of such an insured debt obligation continues to receive guaranteed payments of principal and interest on schedule, as if no default had occurred, and each subsequent purchaser of the obligation generally receives the benefit of such guaranty, the insurer normally retains the option to pay the debt obligation in full at any time. Also, the insurer generally has recourse against the issuer of the defaulted obligation and/or any related collateral for amounts

NOTES TO FINANCIAL STATEMENTS

paid under the terms of the insurance policy as well as pursuant to general rights of subrogation. The issuer of an insured debt obligation generally pays the premium for financial guaranty insurance, either in full at the inception of the policy, as is the case in most public finance transactions, or in periodic installments funded by the cash flow generated by related pledged collateral, as is the case in most structured finance and international transactions. Typically, premium rates paid by an issuer are stated as a percentage of principal and interest (in the case of public finance transactions) or the total principal (in the case of structured finance and international transactions) of the insured obligation. Premiums are almost always non-refundable and are invested upon receipt. See Note 1.C.(1) for a description of NAIC SAP for premium revenue recognition.

D. Business Interruption Insurance Recoveries

Not applicable.

E. State Transferable and Non-transferable Tax Credits

Not applicable.

F. Subprime Exposure Related Risk

(1) The Company has no exposure to subprime mortgages among its in-force guaranties.

(2) The Company has no investments consisting of direct exposure to subprime mortgages.

(3) The Company has the following indirect exposures to sub-prime mortgages included in its investment portfolio at September 30, 2021:

	1 Actual Cost	2 Book/Adjusted Carrying Value (excluding interest)	3 Fair Value	4 Other Than Temporary Impairment Losses Recognized
a. Residential mortgage backed securities	\$ 1,688,006	\$ 1,746,364	\$ 1,807,858	\$ -
b. Commercial mortgage backed securities				
c. Collateralized debt obligations				
d. Structured securities	-	-	-	-
e. Equity investment in SCAs				
f. Other assets				
g. Total	\$ 1,688,006	\$ 1,746,364	\$ 1,807,858	\$ -

(4) The Company has no outstanding loss reserve related to subprime mortgages.

G. Insurance-linked Securities

Not applicable.

22. EVENTS SUBSEQUENT

The Company reviewed all transactions and other matters that have occurred from October 1, 2021 through November 9, 2021 (the date the financial statements were available to be issued) to assess whether such transactions and matters qualify as "subsequent events" and require adjustment to or disclosure in the financial statements as of and for the period ended September 30, 2021. Other than that discussed below, no matters came to management's attention that would require adjustment to or disclosure in the financial statements.

The Company recorded an accrued liability on September 30, 2021 for the approved payment to the Surplus Notes holders in the amount of \$11.0 million. Payments were made by the Company on October 21, 2021. In addition, on October 15, 2021, the Company made a claim payment in the amount of \$680.8 thousand on a CQC4 credit that experienced a payment default for the first time. ACA anticipates full recovery of loss payments over time due to its legal rights and strength of the credit. ACA expects to recognize a recoverable in the same amount as the loss payment, resulting in no net losses incurred in the fourth quarter.

23. REINSURANCE

A. Unsecured Reinsurance Recoverables

The Company does not have an unsecured aggregate recoverable for losses paid and unpaid, including IBNR, loss adjustment expenses and unearned premium with any individual reinsurers, authorized or unauthorized, that exceed 3% of the Company's policyholder surplus.

B. Reinsurance Recoverable in Dispute

The Company has no reinsurance recoverable in dispute.

C. Reinsurance Assumed and Ceded

(1)

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
b. All other	609,448	0	0	0	609,448	0
c. TOTAL	\$ 609,448	\$ 0	\$ 0	\$ 0	\$ 609,448	\$ 0
d. Direct Unearned Premium Reserve			\$ 8,960,024			

(2) There are no contingent commission or profit sharing arrangements.

(3) Not applicable

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances.

NOTES TO FINANCIAL STATEMENTS

E. Commutation of Ceded Reinsurance

The Company had no commutations of ceded reinsurance in 2021.

F. Retroactive Reinsurance

The Company has no retroactive reinsurance contracts.

G. Reinsurance Accounted for as a Deposit

The Company did not account for any reinsurance as deposits.

H. Not applicable.

I. Not applicable.

J. Not applicable.

24. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has not entered into any retrospectively rated contracts or contracts subject to redetermination, including any provisions of the Affordable Care Act.

25. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

For the nine month period ended September 30, 2021, the Company recorded a net provision for losses incurred of \$(0.7) million, which consisted of \$1.2 million of net favorable loss development on accident years prior to 2021 (“prior accident year claims”), and \$0.5 million of discount accretion. The Company reflects loss remediation bond buybacks as loss payments and reflects a corresponding modeled reduction to estimated future losses. Loss remediation bond purchases may relate to policies where case basis reserves have already been established in the statutory financial statements or for policies related to IBNR. See footnote 21C(1). During the nine month period ended September 30, 2021, the Company did not purchase any bonds for loss remediation purposes. As of September 30, 2021, the Company’s liability for unpaid losses was \$28.2 million, which related to eight insured transactions, with a remaining aggregate in-force par outstanding of \$59.9 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of \$59.9 million represents the remaining maximum amount of par exposure subject to loss in regard to these eight insured transactions. See Note 36A.(3) b for additional information regarding the Company’s reserves for losses and loss adjustment expenses.

As discussed in Note 21.C.(1), the Company’s estimate of its ultimate Off-Balance Sheet Losses at September 30, 2021 was zero.

For the nine month period ended September 30, 2020, the Company recorded a net provision for losses incurred of \$10.3 million, which consisted of \$9.6 million of net unfavorable loss development on accident years prior to 2020, and \$0.7 million of discount accretion. During the nine month period ended September 30, 2020, the Company purchased bonds for loss remediation purposes in the amount of \$168.8 thousand. As of September 30, 2020, the Company’s liability for unpaid losses was \$2.2 million, which related to nineteen insured transactions, with a remaining aggregate in-force par outstanding of \$148.1 million, excluding the aforementioned case reserves. The aggregate in-force par outstanding of \$148.1 million represents the remaining maximum amount of par exposure subject to loss in regard to these nineteen insured transactions.

The Company’s estimate of its ultimate Off-Balance Sheet Losses at September 30, 2020 is zero.

Refer to Note 1.C.(11) and Note 21.C.(1) for further information regarding the Company’s reserves for losses and loss adjustment expenses.

26. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

27. STRUCTURED SETTLEMENTS

A. The Company has not entered into any structured settlements for reserves no longer being carried.

B. The Company does not hold any annuities under which the Company is the payee and the recorded asset balance due exceeds 1% of surplus.

28. HEALTH CARE RECEIVABLE

A. The Company has no pharmaceutical rebate receivables as of September 30, 2021 and December 31, 2020.

B. The Company has no risk sharing receivables as of September 30, 2021 and December 31, 2020.

29. PARTICIPATING POLICIES

The Company never issued participating policies.

30. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserves. The Company includes anticipated investment income as a factor in the premium deficiency calculation.

31. HIGH DEDUCTIBLES ON UNPAID CLAIMS

The Company has no high deductibles on unpaid claims.

32. DISCOUNTING OF LIABILITIES FOR UNPAID LOSSES OR UNPAID LOSS ADJUSTMENT EXPENSES

A. Not applicable

NOTES TO FINANCIAL STATEMENTS

B.&C. The Company's case reserves for unpaid losses are discounted on a non-tabular basis. The discount rate used at September 30, 2021 and December 31, 2020 was 3.38%. The discount rate is based on the average rate of return on the Company's admitted assets determined at the end of each year. The net amount of discount associated with the Company's loss reserves at September 30, 2021 was \$(7.8) million. Loss adjustment expenses are not discounted.

33. ASBESTOS/ENVIRONMENTAL RESERVES

The Company does not write this line of business and therefore has no asbestos/environmental reserves.

34. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

35. MULTIPLE PERIL CROP INSURANCE

The Company has never written this line of business.

36. FINANCIAL GUARANTY INSURANCE

A.

(1) a. The Company has not recorded unearned premiums related to installment payments.

Premiums charged in connection with the issuance of financial guaranty insurance are received either upfront at the inception of an insurance contract or in installments (usually monthly, quarterly, semi-annually or annually) over the life of the underlying insured obligation. All of the Company's remaining in-force business was written on an upfront basis with the exception of a de minimis amount of business written on an installment basis.

b. + c. The Company has not recorded premiums receivable on installment contracts.

(2) a. The amount of premium revenue that has been accelerated during the nine month periods ended September 30, 2021 and 2020 was \$5.3 million and \$2.4 million, respectively.

b. Schedule of the future expected earned premium revenue on contracts written on an upfront basis as of September 30, 2021:

1.	4th Quarter 2021	244,446
	Year 2022	988,944
	Year 2023	917,462
	Year 2024	878,861
	Year 2025	898,597
	Subtotal	<u>3,928,310</u>
2.	2026 through 2030	3,638,032
	2031 through 2035	1,647,348
	2036 through 2040	355,782
	Total	<u>\$ 9,569,472</u>

(3) Claim liability:

a. The Company used a rate of 3.38% to discount the claim liability.

b. Significant components of the change in the claim liability for the period:

Reserves for losses at December 31, 2020	\$	(2,622,073)
Accretion of the discount		441,102
New reserves for defaults of insured contracts		- ⁽¹⁾
Development on prior accident years reserves		30,352,778 ⁽²⁾
Change in deficiency reserves		-
Change in incurred but not reported claims		-
Total change in reserves		<u>30,793,880</u>
Reserves for losses at September 30, 2021	\$	<u>28,171,807</u>

⁽¹⁾ Represents 2021 accident year loss development of \$0, and claim payments of \$0.

⁽²⁾ Represents favorable loss development of \$1,179,910, and net claim recovered of \$31,532,688.

(4) The Company's credit quality classifications are:

a. Category 1: Fully Performing

Credits are fully performing. Covenants have been met, financial reporting is timely and complete, and there have been no significant negative deviations from expected performance.

Category 2: Watch

Credits are performing below expected levels. Some covenants have been violated, projected budget and/or cash flow has not been achieved, operating performance or financial position is weakened. Although operating results are below underwriting expectations, current and projected revenues are adequate to service debt.

Category 3: Deteriorating

Credits show significant performance declines. Covenant violations are recurring and material; cashflow is significantly below projections, operating results are materially impaired. Corrective action is required to arrest credit deterioration and avert a longer-term risk of payment default.

NOTES TO FINANCIAL STATEMENTS

Category 4: Paid or Expected Claim

Credits show material decline in creditworthiness and ability to pay. Operating results are increasingly negative, unreimbursed draws on debt service reserves have been made; payment defaults have occurred or are expected, and loss reserves have been established or are expected to be established in the financial statements.

- b. & c. Risk management activities are performed by ACA's portfolio management department. Portfolio analysts monitor all insured transactions in the portfolio to determine whether their financial performance is consistent with underwriting expectations and to identify any deterioration in the obligor's ability or willingness to pay insured debt service. Portfolio management staff are also responsible for recommending and undertaking remedial actions to prevent or mitigate losses. Expenses related to risk management activities are recorded as either loss adjustment expenses or other underwriting expenses in the statement of income and the related liabilities are recorded as loss adjustment expenses or other expenses in the statement of financial position.

All transactions in the insured portfolio are assigned one of four internal credit quality classifications that reflect the current and expected performance of the obligor. Credit quality classifications of insured transactions are reviewed and updated on a regular basis as analysts obtain more current financial and market information from the obligor, the trustee, or from public sources such as rating agencies and fixed income analysts. The frequency with which individual obligors are reviewed is based on ACA's judgment of potential performance volatility and varies according to credit classification, sector, geography, size of exposure, and exogenous events.

- B. The risk of loss under the Company's guaranties extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. Net par outstanding in the table below reflects only the outstanding principal balance for capital appreciation bond obligations that the Company has insured. The Company reports its remaining obligation, including any accreted values, as an interest obligation.

Schedule of insured financial obligations at the end of the period:

	Credit Quality Categories				Total
	1	2	3	4	
Number of policies	15	9	2	9	35
Remaining weighted-average contract period (in years)	3	5	5	7	
Insured contractual payments outstanding:					
Principal	\$ 174,140,234	\$ 24,669,472	\$ 13,787,680	\$ 102,363,868	\$ 314,961,254
Interest	53,958,682	43,575,962	3,399,894	39,773,840	140,708,378
Total	<u>\$ 228,098,915</u>	<u>\$ 68,245,434</u>	<u>\$ 17,187,574</u>	<u>\$ 142,137,708</u>	<u>\$ 455,669,631</u>
Gross claim and LAE liability	\$ 6,265	\$ -	\$ 148,688	\$ 21,607,391	\$ 21,762,345
Less:					
Gross potential recoveries	-	-	-	-	-
Discount, net	-	-	-	(7,778,177)	(7,778,177)
Net claim and LAE liability	<u>\$ 6,265</u>	<u>\$ -</u>	<u>\$ 148,688</u>	<u>\$ 29,385,568</u>	<u>\$ 29,540,522</u>
Unearned premium revenue	\$ 2,029,247	\$ 1,327,754	\$ 233,651	\$ 5,978,821	\$ 9,569,472
Reinsurance recoverables	\$ -	\$ -	\$ -	\$ -	\$ -

The Company purchases ACA insured bonds periodically in the marketplace when available and the price meets internal prescribed limits for Category 4 rated credits. For accounting purposes, the Company reflects the purchase as a loss payment and carries the bond at a zero value. Unless the bond is cancelled with the trustee, the par value remains outstanding. At September 30, 2021, the par value outstanding of Category 4 bonds purchased and not cancelled is \$5.4 million.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change:
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No [X]
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
.....
- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes [] No [X]
- 3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.....
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
If yes, complete and file the merger history data file with the NAIC.
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

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

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] NA []
If yes, attach an explanation.
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.12/31/2017
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.12/31/2017
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).06/27/2019
- 6.4 By what department or departments?
MARYLAND INSURANCE ADMINISTRATION.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [] No [] NA [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [] No [] NA [X]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?..... Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?..... Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

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

GENERAL INTERROGATORIES

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes No
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

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

.....

- 9.2 Has the code of ethics for senior managers been amended? Yes No

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

.....

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

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

.....

FINANCIAL

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

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

INVESTMENT

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

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

.....

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

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

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

14.2 If yes, please complete the following:

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

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

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

If no, attach a description with this statement.

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

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$0
16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2	\$0
16.3 Total payable for securities lending reported on the liability page	\$0

GENERAL INTERROGATORIES

17. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No []

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

1 Name of Custodian(s)	2 Custodian Address
US BANK, NATIONAL ASSOCIATION.....	1025 CONNECTICUT AVENUE, SUITE 517, WASHINGTON, DC 20036.....

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

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

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

Yes [] No [X]

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

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

17.5 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. [...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation
JP MORGAN ASSET MANAGEMENT.....	U.....
STEVEN BERKOWITZ.....	I.....
SEAN LEONARD.....	I.....

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) manage more than 10% of the reporting entity’s invested assets?

Yes [X] No []

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a “U”) listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity’s invested assets?

Yes [X] No []

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of “A” (affiliated) or “U” (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
107038.....	JP MORGAN ASSET MANAGEMENT.....	549300W78QH4XMMGK69.....	SECURITIES AND EXCHANGE COMMISSION.....	DS.....

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed?

Yes [X] No []

18.2 If no, list exceptions:

.....

19. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:

Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or

- a. PL security is not available.
- b. Issuer or obligor is current on all contracted interest and principal payments.
- c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5GI securities?.....

Yes [X] No []

20. By self-designating PLGI securities, the reporting entity is certifying the following elements of each self-designated PLGI security:

- a. The security was purchased prior to January 1, 2018.
- b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
- c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
- d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.

Has the reporting entity self-designated PLGI securities?.....

Yes [X] No []

GENERAL INTERROGATORIES

21. By assigning FE to a Schedule BA non-registered private fund, the reporting entity is certifying the following elements of each self-designated FE fund:.....
- a. The shares were purchased prior to January 1, 2019.
 - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
 - c. The security had a public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO prior to January 1, 2019.
 - d. The fund only or predominantly holds bonds in its portfolio.
 - e. The current reported NAIC Designation was derived from the public credit rating(s) with annual surveillance assigned by an NAIC CRP in its legal capacity as an NRSRO.
 - f. The public credit rating(s) with annual surveillance assigned by an NAIC CRP has not lapsed.

Has the reporting entity assigned FE to Schedule BA non-registered private funds that complied with the above criteria?

Yes [] No [X]

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 ID Number	3 Name of Reinsurer	4 Domiciliary Jurisdiction	5 Type of Reinsurer	6 Certified Reinsurer Rating (1 through 6)	7 Effective Date of Certified Reinsurer Rating
<p>NONE</p>						

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date – Allocated by States and Territories

States, etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	L					
2. Alaska	AK	L					
3. Arizona	AZ	L		389,082	276,664	6,091,350	7,216,611
4. Arkansas	AR	L		1,151,241	1,671,445	10,181,458	12,028,008
5. California	CA	L		(1)	(1,647,717)		
6. Colorado	CO	L					
7. Connecticut	CT	L					
8. Delaware	DE	L					
9. Dist. Columbia	DC	L					
10. Florida	FL	L		(13,342,646)	1,724,426		(13,382,612)
11. Georgia	GA	L		(22,576,187)	27,157,847		(15,797,658)
12. Hawaii	HI	L					
13. Idaho	ID	L					
14. Illinois	IL	L		1,424,388	2,225,332	1,404,456	990,179
15. Indiana	IN	L					
16. Iowa	IA	L					
17. Kansas	KS	L					
18. Kentucky	KY	L					
19. Louisiana	LA	L					
20. Maine	ME	L					
21. Maryland	MD	L					
22. Massachusetts	MA	L					
23. Michigan	MI	L					
24. Minnesota	MN	L		(14,396)	(21,730)		
25. Mississippi	MS	L					
26. Missouri	MO	L					
27. Montana	MT	L					
28. Nebraska	NE	L					
29. Nevada	NV	L					
30. New Hampshire	NH	L					
31. New Jersey	NJ	L					
32. New Mexico	NM	L					
33. New York	NY	L		178,773	62,656	1,066,552	1,214,418
34. No. Carolina	NC	L					
35. No. Dakota	ND	L					
36. Ohio	OH	L					
37. Oklahoma	OK	L					
38. Oregon	OR	L					
39. Pennsylvania	PA	L					
40. Rhode Island	RI	L					
41. So. Carolina	SC	L			17,488,224		
42. So. Dakota	SD	L					
43. Tennessee	TN	L					
44. Texas	TX	L		683,933	864,088	4,924,056	4,931,472
45. Utah	UT	L					
46. Vermont	VT	L					
47. Virginia	VA	L		573,125	573,350	4,503,935	4,958,479
48. Washington	WA	L					
49. West Virginia	WV	L					
50. Wisconsin	WI	L					
51. Wyoming	WY	L					
52. American Samoa	AS	N					
53. Guam	GU	L					
54. Puerto Rico	PR	L					
55. U.S. Virgin Islands	VI	L					
56. Northern Mariana Islands	MP	N					
57. Canada	CAN	N					
58. Aggregate Other Alien	OT	XXX					
59. Totals	XXX			(31,532,688)	50,374,585	28,171,807	2,158,897
DETAILS OF WRITE-INS							
58001.	XXX						
58002.	XXX						
58003.	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page.	XXX						
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX						

(a) Active Status Counts

L – Licensed or Chartered – Licensed insurance carrier or domiciled RRG54 R – Registered – Non-domiciled RRGs
 E – Eligible – Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSLI) Q – Qualified – Qualified or accredited reinsurer
 D – Domestic Surplus Lines Insurer (DSLII) – Reporting entities authorized to write surplus lines in the state of domicile N – None of the above – Not allowed to write business in the state3

Schedule Y - Part 1

NONE

Schedule Y - Part 1A

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty	6,078,529	(738,808)	(12.2)	197.9
11.1 Medical professional liability -occurrence				
11.2 Medical professional liability -claims made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability occurrence				
17.2 Other liability-claims made				
17.3 Excess Workers' Compensation				
18.1 Products liability-occurrence				
18.2 Products liability-claims made				
19.1,19.2 Private passenger auto liability				
19.3,19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Warranty				
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business				
35. TOTALS	6,078,529	(738,808)	(12.2)	197.9
DETAILS OF WRITE-INS				
3401.				
3402.				
3403.				
3498. Sum. of remaining write-ins for Line 34 from overflow page				
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)				

PART 2 - DIRECT PREMIUMS WRITTEN

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire			
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril			
5. Commercial multiple peril			
6. Mortgage guaranty			
8. Ocean marine			
9. Inland marine			
10. Financial guaranty			
11.1 Medical professional liability-occurrence			
11.2 Medical professional liability-claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1 Other liability occurrence			
17.2 Other liability-claims made			
17.3 Excess Workers' Compensation			
18.1 Products liability-occurrence			
18.2 Products liability-claims made			
19.1,19.2 Private passenger auto liability			
19.3,19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business			
35. TOTALS			
NONE			
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page			
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)			

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2021 Loss and LAE Payments on Claims Reported as of Prior Year-End	2021 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2021 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2018 + Prior	3,418		3,418	(25,168)	.77	(25,092)	29,087			29,087	.501	.77	.578
2. 2019	(4,543)		(4,543)	(4,543)		(4,543)							
3. Subtotals 2019 + prior	(1,125)		(1,125)	(29,711)	.77	(29,634)	29,087			29,087	.501	.77	.578
4. 2020	1,126		1,126	.65		.65	.6			.6	(1,055)		(1,055)
5. Subtotals 2020 + prior	.1		.1	(29,646)	.77	(29,570)	29,094			29,094	(554)	.77	(477)
6. 2021	XXX	XXX	XXX	XXX	4	4	XXX	447		447	XXX	XXX	XXX
7. Totals	1		1	(29,646)	81	(29,565)	29,094	447		29,541	(554)	77	(477)
8. Prior Year-End Surplus As Regards Policy-holders	107,501										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. (55,357.0)	2.	3. (47,686.0)
													Col. 13, Line 7 Line 8
													4. (0.4)





SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

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

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

Explanation:

Bar Code:

1.	 2 2 8 9 6 2 0 2 1 4 9 0 0 0 0 0 3
2.	 2 2 8 9 6 2 0 2 1 4 5 5 0 0 0 0 3
3.	 2 2 8 9 6 2 0 2 1 3 6 5 0 0 0 0 3
4.	 2 2 8 9 6 2 0 2 1 5 0 5 0 0 0 0 3

OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 25.

*ASSETS

	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
2504. Other Assets.....	2,660		2,660	10,254
2505.				
2506.				
2597. Summary of remaining write-ins for Line 25 from Page 02	2,660		2,660	10,254

SCHEDULE A – VERIFICATION

Real Estate

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

NONE

SCHEDULE B – VERIFICATION

Mortgage Loans

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

NONE

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	80,144	80,632
2. Cost of acquired:		
2.1 Actual cost at time of acquisition	2,295,000	
2.2 Additional investment made after acquisition		
3. Capitalized deferred interest and other		
4. Accrual of discount	65,968	
5. Unrealized valuation increase (decrease)	(488)	(488)
6. Total gain (loss) on disposals		
7. Deduct amounts received on disposals		
8. Deduct amortization of premium and depreciation		
9. Total foreign exchange change in book/adjusted carrying value		
10. Deduct current year's other-than-temporary impairment recognized		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10)	2,440,624	80,144
12. Deduct total nonadmitted amounts	79,656	80,144
13. Statement value at end of current period (Line 11 minus Line 12)	2,360,968	

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	141,611,293	166,676,267
2. Cost of bonds and stocks acquired	53,394,802	45,917,552
3. Accrual of discount	1,882,645	1,288,309
4. Unrealized valuation increase (decrease)	(498,417)	(240,324)
5. Total gain (loss) on disposals	127,844	226,887
6. Deduct consideration for bonds and stocks disposed of	36,184,534	72,023,124
7. Deduct amortization of premium	270,805	492,590
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other-than-temporary impairment recognized		43,215
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees	85,770	301,531
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9+10)	160,148,598	141,611,293
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)	160,148,598	141,611,293

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 1B

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

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. NAIC 1 (a).....	74,412,353	15,921,445	13,981,012	(115,203)	88,522,343	74,412,353	76,237,583	91,449,494
2. NAIC 2 (a).....	26,009,190		84,936	(31,451)	38,243,113	26,009,190	25,892,802	27,965,123
3. NAIC 3 (a).....	754,755		49,475	(2,824)	810,956	754,755	702,456	874,118
4. NAIC 4 (a).....	2,344,063			(1,744)	2,345,791	2,344,063	2,342,319	2,676,685
5. NAIC 5 (a).....	10,513,622		111,677	42,039	12,528,711	10,513,622	10,443,983	12,601,481
6. NAIC 6 (a).....	20,886,234	27,286,576		356,546	20,429,678	20,886,234	48,529,356	20,896,267
7. Total Bonds	134,920,217	43,208,021	14,227,100	247,362	162,880,591	134,920,217	164,148,501	156,463,169
PREFERRED STOCK								
8. NAIC 1								
9. NAIC 2								
10. NAIC 3								
11. NAIC 4								
12. NAIC 5								
13. NAIC 6								
14. Total Preferred Stock.....								
15. Total Bonds & Preferred Stock	134,920,217	43,208,021	14,227,100	247,362	162,880,591	134,920,217	164,148,501	156,463,169

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$3,999,902 ; NAIC 2 \$;
NAIC 3 \$; NAIC 4 \$; NAIC 5 \$; NAIC 6 \$2,254,746

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SCHEDULE DA - PART 1

Short-Term Investments

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

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	852,064	
2. Cost of short-term investments acquired	8,997,397	753,854
3. Accrual of discount	1,694	98,210
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals	269	
6. Deduct consideration received on disposals	9,851,424	
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....		852,064
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11)		852,064

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

SCHEDULE E – PART 2 – VERIFICATION

(Cash Equivalents)

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	15,055,534	38,292,685
2. Cost of cash equivalents acquired	175,492,986	719,312,466
3. Accrual of discount	943	73,694
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals	174,661,022	742,623,312
7. Deduct amortization of premium		
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other-than-temporary impairment recognized		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	15,888,441	15,055,534
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	15,888,441	15,055,534

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 3

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

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol
Bonds - U.S. Governments									
91282C-CJ-8	UNITED STATES TREASURY		08/13/2021	MERRILL LYNCH PIERCE FENNER SMITH INC.	XXX	3,872,213	3,860,000	4,314	1.A
0599999 - Bonds - U.S. Governments						3,872,213	3,860,000	4,314	XXX
Bonds - All Other Governments									
Bonds - U.S. States, Territories and Possessions									
Bonds - U.S. Political Subdivisions of States, Territories and Possessions									
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions									
802576-AA-6	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	9,551,714	10,844,648		.6 *
802576-AA-6	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	6,101,641	6,927,385		.6 *
802576-AJ-7	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	522,625	649,224		.6 *
802576-AJ-7	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	523,349	650,123		.6 *
802576-AL-2	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	1,410,992	1,710,294		.6 *
802576-AN-8	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	2,608,343	3,036,488		.6 *
802576-AR-9	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	3,129,325	3,516,095		.6 *
802576-AS-7	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Reclassification	XXX	1,275,604	3,839,601		.6 *
802576-AU-2	SANTA ROSA BAY BRDG AUTH FLA REV		07/01/2021	Not Provided	XXX	2,162,984	2,621,798		.6 *
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						27,286,576	33,795,656		XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)									
GAMCDB-SS-3	BANK OF HAWAII		07/01/2021	Not Provided	XXX	50,000	50,000		1.FE
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)						50,000	50,000		XXX
Bonds - Hybrid Securities									
Bonds - Parent, Subsidiaries and Affiliates									
Bonds - SVO Identified Funds									
Bonds - Unaffiliated Bank Loans									
8399997 - Bonds - Subtotals - Bonds - Part 3						31,208,790	37,705,656	4,314	XXX
8399999 - Bonds - Subtotals - Bonds						31,208,790	37,705,656	4,314	XXX
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) Perpetual Preferred									
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) Redeemable Preferred									
Preferred Stocks - Parent, Subsidiaries and Affiliates Perpetual Preferred									
Preferred Stocks - Parent, Subsidiaries and Affiliates Redeemable Preferred									
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded									
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Other									
Common Stocks - Parent, Subsidiaries, and Affiliates Publicly Traded									
Common Stocks - Parent, Subsidiaries and Affiliates Other									
Common Stocks - Mutual Funds									
Common Stocks - Unit Investment Trusts									
Common Stocks - Closed-End Funds									
9999999 Totals						31,208,790	XXX	4,314	XXX

E04

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

1 CUSIP Identification	2 Description	3 For e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Designation, NAIC Desig. Modifier and SVO Administrative Symbol	
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V.	15 Total Foreign Exchange Change in B./A.C.V.								
Bonds - U.S. Governments																						
36200A-BE-8	GNMA POOL 595037		09/01/2021	PAYDOWN	XXX	26	26	27	27			(1)	(1)		26					10/15/2032	1 A	
36200A-CW-7	GNMA POOL 595085		09/01/2021	PAYDOWN	XXX	2,355	2,355	2,425	2,412			(57)	(57)		2,355					10/15/2032	1 A	
36200E-TY-7	GNMA POOL 599167		09/01/2021	PAYDOWN	XXX	595	595	613	605			(10)	(10)		595					12/15/2033	1 A	
36200M-AT-0	GNMA POOL 604018		09/01/2021	PAYDOWN	XXX	25,827	25,827	26,576	26,320			(493)	(493)		25,827			1,037		02/15/2033	1 A	
36200M-EN-9	GNMA POOL 604141		09/01/2021	PAYDOWN	XXX	140	140	144	144			(4)	(4)		140					03/15/2033	1 A	
36200Q-2R-4	GNMA POOL 569684		09/01/2021	PAYDOWN	XXX	280	280	288	285			(6)	(6)		280					02/15/2032	1 A	
36200R-LX-8	GNMA POOL 570142		09/01/2021	PAYDOWN	XXX	336	336	346	344			(7)	(7)		336					12/15/2031	1 A	
36200R-XT-4	GNMA POOL 570490		09/01/2021	PAYDOWN	XXX	12	12	12	12						12					12/15/2031	1 A	
36200S-US-7	GNMA POOL 571293		09/01/2021	PAYDOWN	XXX	14	14	14	14						14					11/15/2031	1 A	
36201A-PF-9	GNMA POOL 577422		09/01/2021	PAYDOWN	XXX	50	50	52	51			(1)	(1)		50					01/15/2032	1 A	
36201D-AX-0	GNMA POOL 579722		09/01/2021	PAYDOWN	XXX	461	461	475	469			(8)	(8)		461					08/15/2032	1 A	
36201E-AG-5	GNMA POOL 580607		09/01/2021	PAYDOWN	XXX	58	58	59	59			(1)	(1)		58					02/15/2033	1 A	
36201F-AF-4	GNMA POOL 581506		09/01/2021	PAYDOWN	XXX	21	21	22	22			(1)	(1)		21					04/15/2033	1 A	
36201Y-FD-3	GNMA POOL 606864		09/01/2021	PAYDOWN	XXX	24	24	25	24			(1)	(1)		24					10/15/2033	1 A	
36207E-ND-2	GNMA POOL 429788		09/01/2021	PAYDOWN	XXX	125	125	129	129			(4)	(4)		125					12/15/2033	1 A	
36210J-HW-1	GNMA POOL 493545		09/01/2021	PAYDOWN	XXX	6	6	7	7						6					03/15/2031	1 A	
36213F-U4-3	GNMA POOL 553303		09/01/2021	PAYDOWN	XXX	10	10	10	10						10					06/15/2033	1 A	
36213R-2A-4	GNMA POOL 562469		09/01/2021	PAYDOWN	XXX	893	893	898	896			(2)	(2)		893					02/15/2034	1 A	
36213R-ZF-7	GNMA POOL 562442		09/01/2021	PAYDOWN	XXX	1,788	1,788	1,836	1,807			(20)	(20)		1,788					01/15/2034	1 A	
36213T-GW-7	GNMA POOL 563713		09/01/2021	PAYDOWN	XXX	1,420	1,420	1,462	1,447			(27)	(27)		1,420					01/15/2033	1 A	
36213V-GN-2	GNMA POOL 565505		09/01/2021	PAYDOWN	XXX	14	14	15	15						14					09/15/2032	1 A	
36290X-FM-6	GNMA POOL 620628		09/01/2021	PAYDOWN	XXX	4,186	4,186	4,310	4,323			(137)	(137)		4,186					09/15/2033	1 A	
36290X-PT-1	GNMA POOL 620634		09/01/2021	PAYDOWN	XXX	446	446	459	451			(5)	(5)		446					09/15/2033	1 A	
36291C-PV-1	GNMA POOL 624236		09/01/2021	PAYDOWN	XXX	20	20	21	21			(1)	(1)		20					12/15/2033	1 A	
36291E-AD-3	GNMA POOL 625604		09/01/2021	PAYDOWN	XXX	15	15	15	15						15					12/15/2033	1 A	
36291E-AV-3	GNMA POOL 625620		09/01/2021	PAYDOWN	XXX	9	9	9	9						9					12/15/2033	1 A	
0599999 - Bonds - U.S. Governments						39,132	39,132	40,249	39,917			(785)	(785)		39,132					1,569	XXX	XXX
Bonds - All Other Governments																						
Bonds - U.S. States, Territories and Possessions																						
Bonds - U.S. Political Subdivisions of States, Territories and Possessions																						
Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions																						
3128MJ-2H-2	FHLMC GOLD POOL FG G08775		09/01/2021	PAYDOWN	XXX	112,772	112,772	119,168	117,861			(5,088)	(5,088)		112,772					08/01/2047	1 A	
3128MJ-X4-7	FHLMC GOLD POOL FG G08698		09/01/2021	PAYDOWN	XXX	128,129	128,129	134,070	132,503			(4,374)	(4,374)		128,129					03/01/2046	1 A	
3128MJ-YH-7	FHLMC GOLD POOL FH G08711		09/01/2021	PAYDOWN	XXX	120,218	120,218	127,078	125,242			(5,023)	(5,023)		120,218					06/01/2046	1 A	
3132DW-AN-3	FHLMC POOL SD8113		09/01/2021	PAYDOWN	XXX	192,847	192,847	199,469	199,352			(6,505)	(6,505)		192,847					12/01/2050	1 A	
3132DW-AW-3	FHLMC POOL SD8121		09/01/2021	PAYDOWN	XXX	107,272	107,272	111,040	111,042			(3,770)	(3,770)		107,272					01/01/2051	1 A	
3133AC-HK-7	FHLMC POOL QB5634		09/01/2021	PAYDOWN	XXX	201,614	201,614	208,954	208,841			(7,227)	(7,227)		201,614					11/01/2050	1 A	
31359S-2G-4	FNMA WL NW 2001-W1 AF6		09/01/2021	PAYDOWN	XXX	1,541	1,541	1,600	1,609			(68)	(68)		1,541					07/25/2031	1 A	
31387C-M3-2	FNMA POOL 580078		09/01/2021	PAYDOWN	XXX	32	32	33	32			(1)	(1)		32					09/01/2031	1 A	
3138WD-T4-3	FNMA POOL AS4170		09/01/2021	PAYDOWN	XXX	118,309	118,309	126,429	125,970			(7,661)	(7,661)		118,309					12/01/2044	1 A	
31393W-K4-0	FHLMC 2643 OH		09/01/2021	PAYDOWN	XXX	76,063	76,063	68,600	73,458			2,606	2,606		76,063					07/15/2033	1 A	
31394D-JJ-0	FNMA 2005-29 QE		09/01/2021	PAYDOWN	XXX	81,240	81,240	73,078	78,311			2,929	2,929		81,240					04/25/2035	1 A	
31395J-W5-1	FHLMC 2888 HG		09/01/2021	PAYDOWN	XXX	24,637	24,637	23,352	24,235			402	402		24,637					11/15/2034	1 A	
31402D-F7-0	FNMA POOL 725690		09/01/2021	PAYDOWN	XXX	37,834	37,834	39,096	39,030			(1,196)	(1,196)		37,834					08/01/2034	1 A	
31405R-AR-7	FNMA POOL 796616		09/01/2021	PAYDOWN	XXX	12,466	12,466	12,658	12,666			(199)	(199)		12,466					10/01/2034	1 A	
31407U-EK-9	FNMA POOL 840838		09/01/2021	PAYDOWN	XXX	698	698	688	688			9	9		698					11/01/2035	1 A	
3140KQ-VE-8	FNMA POOL B05112		09/01/2021	PAYDOWN	XXX	58,723	58,723	60,854	60,856			(2,134)	(2,134)		58,723					11/01/2050	1 A	
31418B-VG-8	FNMA POOL 2414		09/01/2021	PAYDOWN	XXX	93,253	93,253	97,176	96,165			(2,912)	(2,912)		93,253					10/01/2045	1 A	
31418D-V7-4	FNMA POOL MA4237		09/01/2021	PAYDOWN	XXX	175,268	175,268	181,799	181,764			(6,496)	(6,496)		175,268					01/01/2051	1 A	
31418D-VA-7	FNMA POOL MA4208		09/01/2021	PAYDOWN	XXX	203,327	203,327	210,554	210,429			(7,102)	(7,102)		203,327					12/01/2050	1 A	
3199999 - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions						1,746,245	1,746,245	1,795,697	1,800,056			(53,811)	(53,811)		1,746,245					34,905	XXX	XXX
Bonds - Industrial and Miscellaneous (Unaffiliated)																						
004375-BL-4	ACCREDITED MORT LOAN 2004-3		09/27/2021	PAYDOWN	XXX	19,067	19,067	19,011	18,953			114	114		19,067					10/25/2034	1 D FM	
009088-AB-1	AIR CANADA 2015-2A PTT	C	06/15/2021	PAYDOWN	XXX															06/15/2029	2 B FE	
009090-AB-7	AIR CANADA 2015-1B PTT	C	09/15/2021	PAYDOWN	XXX	38,434	38,434	38,434	38,434						38,434					09/15/2024	2 C FE	
023765-AA-8	AMERICAN AIRLINES 16-2 PTT		06/15/2021	PAYDOWN	XXX															12/15/2029	2 A FE	

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STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE D - PART 4

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

1 CUSIP Identi- fication	2 Description	3 F o r e i g n Disposal Date	4 Name of Purchaser	5 Number of Shares of Stock	6 Consideration	7 Par Value	8 Actual Cost	9 Prior Year Book/Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/Stock Dividends Received During Year	21 Stated Contractual Maturity Date	22 NAIC Designation, NAIC Desig. Modifier and SVO Administrative Symbol
									11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.							
02376U-AA-3	AMERICAN AIRLINES 16-1 AA PTT	07/15/2021	PAYDOWN	.XXX	14,843	14,843	14,843	14,843					14,843				531	07/15/2029	2.A FE	
12479R-AD-9	CAPITAL AUTO REIT 2017-1A A1	09/15/2021	PAYDOWN	.XXX	11,603	11,603	11,599	11,602		.1			11,603				328	04/15/2047	1.E FE	
13057D-AE-6	CALIF REPUB AUTO REC 2017- 1 B	07/15/2021	PAYDOWN	.XXX	771,826	771,826	771,581	771,790		.36			771,826				13,102	12/15/2022	1.A FE	
362341-RX-9	GSR MORT LOAN TR 2005-ARG 2A1	09/01/2021	PAYDOWN	.XXX	11,219	11,219	11,254	11,375		(156)			11,219				214	09/25/2035	1.D FM	
45254N-JG-3	IMPAC CMB TRUST 2004-5 1A1	08/25/2021	PAYDOWN	.XXX	43,904	43,904	39,733	42,460		1,444		1,444	43,904				242	10/25/2034	1.D FM	
50179M-AH-4	LB UBS CMS TR 2006 C6 AJ MERRILL LYNCH MLCC 2003-E	09/11/2021	PAYDOWN	.XXX	111,333	111,677	64,494	64,494		47,184		47,184	111,677		(344)	(344)	4,564	09/15/2039	5.B	
589929-Y3-6	A1	09/25/2021	PAYDOWN	.XXX	1,558	1,558	1,485	1,488		.71		.71	1,558				.8	10/25/2028	1.D FM	
61744C-FP-6	MORGAN ST 2004-NG7 M1 MTGE NEW RES MOR LN TR 2017-3A	09/27/2021	PAYDOWN	.XXX	65,355	65,355	60,127	62,245		3,110		3,110	65,355				402	07/25/2034	1.D FM	
64828M-AA-5	A	09/01/2021	PAYDOWN	.XXX	49,475	49,475	51,529	51,990		(2,515)		(2,515)	49,475				1,306	04/25/2057	3.B	
67571A-AA-3	OCTANE REC TR 2021-1	09/21/2021	PAYDOWN	.XXX	99,914	99,914	99,905			.9		.9	99,914				271	03/22/2027	1.C FE	
81744Y-AA-4	SEQUOIA MORTGAGE 2013-4 A1 UNITED AIRLINES 2016-1 A	09/01/2021	PAYDOWN	.XXX	121,189	121,189	118,841	119,742		1,447		1,447	121,189				1,873	04/27/2043	1.D FM	
90931M-AA-4	PTT	07/07/2021	PAYDOWN	.XXX	31,660	31,660	31,660	31,660					31,660				1,092	01/07/2030	2.B FE	
3899999 - Bonds - Industrial and Miscellaneous (Unaffiliated)					1,391,379	1,391,723	1,334,493	1,241,073		50,745		50,745	1,391,723		(344)	(344)	25,592	XXX	XXX	
Bonds - Hybrid Securities																				
Bonds - Parent, Subsidiaries, and Affiliates																				
Bonds - SVO Identified Funds																				
Bonds - Unaffiliated Bank Loans																				
8399997 - Bonds - Subtotals - Bonds - Part 4					3,176,756	3,177,100	3,170,439	3,081,046		(3,851)		(3,851)	3,177,100		(344)	(344)	62,066	XXX	XXX	
8399999 - Bonds - Subtotals - Bonds					3,176,756	3,177,100	3,170,439	3,081,046		(3,851)		(3,851)	3,177,100		(344)	(344)	62,066	XXX	XXX	
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) Perpetual Preferred																				
Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) Redeemable Preferred																				
Preferred Stocks - Parent, Subsidiaries and Affiliates Perpetual Preferred																				
Preferred Stocks - Parent, Subsidiaries and Affiliates Redeemable Preferred																				
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Publicly Traded																				
Common Stocks - Industrial and Miscellaneous (Unaffiliated) Other																				
Common Stocks - Parent, Subsidiaries, and Affiliates Publicly Traded																				
Common Stocks - Parent, Subsidiaries and Affiliates Other																				
Common Stock - Mutual Funds																				
Common Stocks - Unit Investment Trusts																				
Common Stocks - Closed-End Funds																				
9999999 Totals					3,176,756	XXX	3,170,439	3,081,046		(3,851)		(3,851)	3,177,100		(344)	(344)	62,066	XXX	XXX	

E05.1

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DB - Part E

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

STATEMENT AS OF SEPTEMBER 30, 2021 OF THE ACA Financial Guaranty Corporation

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 CUSIP	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Amount Received During Year
Bonds - U.S. Governments - Issuer Obligations								
XXX	US TREASURY BILL		07/28/2021		10/21/2021	3,999,902		313
0199999	Bonds - U.S. Governments - Issuer Obligations					3,999,902		313
Bonds - U.S. Governments - Residential Mortgage-Backed Securities								
Bonds - U.S. Governments - Commercial Mortgage-Backed Securities								
Bonds - U.S. Governments - Other Loan-Backed and Structured Securities								
0599999	Bonds - U.S. Governments - Subtotals - U.S. Government Bonds					3,999,902		313
Bonds - All Other Governments - Issuer Obligations								
Bonds - All Other Governments - Residential Mortgage-Backed Securities								
Bonds - All Other Governments - Commercial Mortgage-Backed Securities								
Bonds - All Other Governments - Other Loan-Backed and Structured Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Residential Mortgage-Backed Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Residential Mortgage-Backed Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Issuer Obligations								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Residential Mortgage-Backed Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Commercial Mortgage-Backed Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Other Loan-Backed and Structured Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Residential Mortgage-Backed Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Commercial Mortgage-Backed Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities								
Bonds - Hybrid Securities - Issuer Obligations								
Bonds - Hybrid Securities - Residential Mortgage-Backed Securities								
Bonds - Hybrid Securities - Commercial Mortgage-Backed Securities								
Bonds - Hybrid Securities - Other Loan-Backed and Structured Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Issuer Obligations								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Residential Mortgage-Backed Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Commercial Mortgage-Backed Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Other Loan-Backed and Structured Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Affiliated Bank Loans - Issued								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Affiliated Bank Loans - Acquired								
Bonds - SVO Identified Funds - Exchange Traded Funds - as Identified by the SVO								
Bonds - SVO Identified Funds - Bond Mutual Funds - as Identified by the SVO								
Bonds - Unaffiliated Bank Loans - Unaffiliated Bank Loans - Issued								
Bonds - Unaffiliated Bank Loans - Unaffiliated Bank Loans - Acquired								
7699999	Bonds - Total Bonds - Subtotals - Issuer Obligations					3,999,902		313
8399999	Bonds - Total Bonds - Subtotals - Bonds					3,999,902		313
Sweep Accounts								
Exempt Money Market Mutual Funds - as Identified by SVO								
31846V-80-7	FIRST AMER:TRS OBG Y		09/27/2021	0.010	XXX	11,830,713	41	38
94975H-29-6	WELLSFARGO:TRS+ MM		09/02/2021	0.010	XXX	57,826		5
8599999	Exempt Money Market Mutual Funds - as Identified by SVO					11,888,539	41	43
All Other Money Market Mutual Funds								
Qualified Cash Pools Under SSAP No. 2R								
Other Cash Equivalents								
9999999 Total Cash Equivalents						15,888,441	41	355