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PROPERTY AND CASUALTY COMPANIES —ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2010

OF THE CONDITION AND AFFAIRS OF THE

ACA Financial Guaranty Corporation

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

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 (Street and Number), Baltimore, MD 21202 (City or Town, State and Zip Code)

Main Administrative Office 600 Fifth Avenue, 2nd Floor (Street and Number) New York, NY 10020 (City or Town, State and Zip Code) 212-375-2000 (Area Code) (Telephone Number)

Mail Address 600 Fifth Avenue, 2nd Floor (Street and Number or P.O. Box), New York, NY 10020 (City or Town, State and Zip Code)

Primary Location of Books and Records 600 Fifth Avenue, 2nd Floor (Street and Number) New York, NY 10020 (City or Town, State and Zip Code) 212-375-2000 (Area Code) (Telephone Number

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

Statutory Statement Contact Eugene Thomas Carew (Name) 212-375-2041 (Area Code) (Telephone Number) (Extension)

ecarew@aca.com (E-Mail Address) 212-375-2041 (Fax Number)

OFFICERS

Name	Title	Name	Title
Raymond John Brooks Jr	President and CEO	Steven Joseph Berkowitz	Secretary and General Counsel

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Raymond John Brooks Jr	Richard Joseph Caplan	Roger Dale Cunningham	Bradley Irving Dietz
Willis Thomas King Jr	Dwight Edward Lacey	Paul Douglas McFarlane	Andrew Nathan Rothseid
John Bruce Sprung			

State of New York
ss
County of New York

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.

Raymond John Brooks Jr
President and CEO

Steven Joseph Berkowitz
Secretary and General Counsel

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

Subscribed and sworn to before me this
day of November, 2010

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

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ASSETS

	Current Statement Date			4
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	December 31 Prior Year Net Admitted Assets
1. Bonds	425,455,755		425,455,755	369,446,765
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks	769,815	769,815		
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 $ encumbrances)				
4.2 Properties held for the production of income (less $ encumbrances)				
4.3 Properties held for sale (less $ encumbrances)				
5. Cash ($ 4,777,342), cash equivalents ($) and short-term investments ($ 65,624,304)	70,401,646		70,401,646	37,630,585
6. Contract loans (including $ premium notes)				
7. Derivatives				
8. Other invested assets	1,090,405		1,090,405	1,090,255
9. Receivables for securities	4,875		4,875	
10. Aggregate write-ins for invested assets				
11. Subtotals, cash and invested assets (Lines 1 to 10)	497,722,496	769,815	496,952,681	408,167,605
12. Title plants less $ charged off (for Title insurers only)				
13. Investment income due and accrued	3,694,545		3,694,545	3,792,609
14. Premiums and considerations:				
14.1 Uncollected premiums and agents' balances in the course of collection				
14.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)				
14.3 Accrued retrospective premiums				
15. Reinsurance:				
15.1 Amounts recoverable from reinsurers				
15.2 Funds held by or deposited with reinsured companies				
15.3 Other amounts receivable under reinsurance contracts				
16. Amounts receivable relating to uninsured plans				
17.1 Current federal and foreign income tax recoverable and interest thereon	44,335		44,335	51,373,276
17.2 Net deferred tax asset	32,801,129	32,801,129		
18. Guaranty funds receivable or on deposit				
19. Electronic data processing equipment and software	56,102	7,061	49,041	116,297
20. Furniture and equipment, including health care delivery assets ($)	196,941	196,941		
21. Net adjustment in assets and liabilities due to foreign exchange rates				
22. Receivables from parent, subsidiaries and affiliates				
23. Health care ($) and other amounts receivable				
24. Aggregate write-ins for other than invested assets	215,228	203,112	12,116	14,150
25. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 11 to 24)	534,730,776	33,978,058	500,752,718	463,463,937
26. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
27. Total (Lines 25 and 26)	534,730,776	33,978,058	500,752,718	463,463,937
DETAILS OF WRITE-INS				
1001.				
1002.				
1003.				
1098. Summary of remaining write-ins for Line 10 from overflow page				
1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)				
2401. Security Deposit	63,967	63,967		
2402. Prepaid Premiun Tax	41,429	41,429		
2403. Other Assets	12,116		12,116	14,150
2498. Summary of remaining write-ins for Line 24 from overflow page	97,716	97,716		
2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above)	215,228	203,112	12,116	14,150

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year $ 16,258,375)	47,184,293	29,269,309
2. Reinsurance payable on paid losses and loss adjustment expenses		
3. Loss adjustment expenses	1,433,659	1,960,489
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)	3,569,281	3,330,127
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	103,266	186,625
7.1 Current federal and foreign income taxes (including $ .... on realized capital gains (losses))		
7.2 Net deferred tax liability		
8. Borrowed money $ .... and interest thereon $		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of $ 383,026 and including warranty reserves of $ ....)	195,865,890	205,167,794
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		
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	429,096	416,870
20. Derivatives		
21. Payable for securities	36,887,802	
22. Liability for amounts held under uninsured plans		
23. Capital notes $ .... and interest thereon $		
24. Aggregate write-ins for liabilities	94,014,738	85,676,336
25. Total liabilities excluding protected cell liabilities (Lines 1 through 24)	379,488,025	326,007,550
26. Protected cell liabilities		
27. Total liabilities (Lines 25 and 26)	379,488,025	326,007,550
28. Aggregate write-ins for special surplus funds		
29. Common capital stock	15,000,000	15,000,000
30. Preferred capital stock		
31. Aggregate write-ins for other than special surplus funds		
32. Surplus notes		
33. Gross paid in and contributed surplus	363,974,000	363,974,000
34. Unassigned funds (surplus)	(257,709,307)	(241,517,613)
35. Less treasury stock, at cost:		
35.1 .... shares common (value included in Line 29 $ ....)		
35.2 .... shares preferred (value included in Line 30 $ ....)		
36. Surplus as regards policyholders (Lines 28 to 34, less 35)	121,264,693	137,456,387
37. Totals	500,752,718	463,463,937
DETAILS OF WRITE-INS		
2401. Conttingency Reserve	94,008,552	85,638,680
2402. Other Payables	6,186	37,656
2403.		
2498. Summary of remaining write-ins for Line 24 from overflow page		
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	94,014,738	85,676,336
2801.		
2802.		
2803.		
2898. Summary of remaining write-ins for Line 28 from overflow page		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)		
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page		
3199. Totals (Lines 3101 through 3103 plus 3198) (Line 31 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 $ 309,906)	9,467,971	10,467,526	15,276,687
1.2 Assumed (written $ 0)	181,714	181,767	255,969
1.3 Ceded (written $ 0)	37,875	31,913	86,667
1.4 Net (written $ 309,906)	9,611,810	10,617,380	15,445,989
DEDUCTIONS:			
2. Losses incurred (current accident year $ 16,423,488):			
2.1 Direct	19,497,819	9,182,133	10,422,105
2.2 Assumed			
2.3 Ceded			
2.4 Net	19,497,819	9,182,133	10,422,105
3. Loss adjustment expenses incurred	1,004,038	3,726,505	4,741,747
4. Other underwriting expenses incurred	13,607,573	13,695,378	17,290,540
5. Aggregate write-ins for underwriting deductions	12,986,882		
6. Total underwriting deductions (Lines 2 through 5)	47,096,312	26,604,017	32,454,392
7. Net income of protected cells			
8. Net underwriting gain or (loss) (Line 1.4 minus Line 6 + Line 7)	(37,484,502)	(15,986,637)	(17,008,403)
INVESTMENT INCOME			
9. Net investment income earned	13,389,945	12,988,602	16,756,238
10. Net realized capital gains (losses) less capital gains tax of $ 0	5,662,232	(3,658,496)	(15,008,600)
11. Net investment gain (loss) (Lines 9 + 10)	19,052,177	9,330,106	1,747,638
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered $ amount charged off $)			
13. Finance and service charges not included in premiums			
14. Aggregate write-ins for miscellaneous income	6,594,472	6,452,495	8,781,995
15. Total other income (Lines 12 through 14)	6,594,472	6,452,495	8,781,995
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(11,837,853)	(204,035)	(6,478,769)
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)	(11,837,853)	(204,035)	(6,478,769)
19. Federal and foreign income taxes incurred	(34,335)	(3,862,428)	(55,235,704)
20. Net income (Line 18 minus Line 19)(to Line 22)	(11,803,518)	3,658,393	48,756,935
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	137,456,386	101,286,388	101,286,387
22. Net income (from Line 20)	(11,803,518)	3,658,393	48,756,935
23. Net transfers (to) from Protected Cell accounts			
24. Change in net unrealized capital gains or (losses) less capital gains tax of $ 0	212,945	(265,202)	598,349
25. Change in net unrealized foreign exchange capital gain (loss)			
26. Change in net deferred income tax	(6,962,544)	(14,868,336)	(91,233,102)
27. Change in nonadmitted assets	10,731,296	12,725,811	89,238,299
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		(8,659,700)	(8,659,700)
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	(8,369,872)	289,827	(2,530,782)
38. Change in surplus as regards policyholders (Lines 22 through 37)	(16,191,693)	(7,119,208)	36,169,999
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	121,264,693	94,167,180	137,456,386
DETAILS OF WRITE-INS			
0501. Lease Termination Costs	11,636,032		
0502. Write-off of Fixed Asset Related to Lease Termination	1,350,850		
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page			
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	12,986,882		
1401. Other Income	197,651	324,495	324,495
1402. Equity Earnings in Affiliates	6,263,000	6,075,000	8,364,500
1403. Surveillance Consent Fees	133,821	53,000	93,000
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	6,594,472	6,452,495	8,781,995
3701. Change In Contingency Reserve	(8,369,872)	(8,369,873)	(11,190,489)
3702. Reclass Adjustment		8,659,700	8,659,707
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page			
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	(8,369,872)	289,827	(2,530,782)

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	309,906	399,650	864,387
2. Net investment income	14,779,863	13,441,601	17,076,465
3. Miscellaneous income	6,594,472	6,452,495	8,781,995
4. Total (Lines 1 to 3)	21,684,241	20,293,746	26,722,847
5. Benefit and loss related payments	1,582,835	169,370	934,031
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			
7. Commissions, expenses paid and aggregate write-ins for deductions	26,510,643	16,763,959	20,117,238
8. Dividends paid to policyholders			
9. Federal and foreign income taxes paid (recovered) net of $ tax on capital gains (losses)	(51,363,276)	(3,862,428)	(3,862,428)
10. Total (Lines 5 through 9)	(23,269,798)	13,070,901	17,188,841
11. Net cash from operations (Line 4 minus Line 10)	44,954,039	7,222,846	9,534,006
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	86,256,416	72,179,067	90,849,372
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			
12.7 Miscellaneous proceeds	36,882,927	483,758	
12.8 Total investment proceeds (Lines 12.1 to 12.7)	123,139,343	72,662,825	90,849,372
13. Cost of investments acquired (long-term only):			
13.1 Bonds	137,672,984	61,393,051	106,796,030
13.2 Stocks			
13.3 Mortgage loans			
13.4 Real estate			
13.5 Other invested assets			
13.6 Miscellaneous applications		18,178,904	20,679,862
13.7 Total investments acquired (Lines 13.1 to 13.6)	137,672,984	79,571,955	127,475,892
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)	(14,533,641)	(6,909,130)	(36,626,520)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes			
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)	2,350,664	833,475	864,289
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	2,350,664	833,475	864,289
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)	32,771,062	1,147,191	(26,228,225)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	37,630,584	63,858,810	63,858,809
19.2 End of period (Line 18 plus Line 19.1)	70,401,646	65,006,001	37,630,584

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Practices

The accompanying financial statements have been completed in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual which have been adopted by the Maryland Insurance Administration ("MIA").

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

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

C. Accounting Policy

Premium revenue recognition
Installment premiums are earned over each installment period, which is generally one year or less. Up-front premiums are earned in proportion to the expiration of risk. Unearned premiums represent that portion of premiums which is applicable to coverage of risk to be provided in the future on policies in force. When an insured issue is retired or defeased prior to the end of the expected period or coverage, the remaining unearned premiums, less any amount credited to a refunding issue insured by the Company, are recognized as earned premium.

Premium written allocation
Written premium is allocated to states and other jurisdictions by using the state of the obligor. In the case of a secondary market deal it is allocated to the state where the trustee is located.

(1) Short-term investments are stated at amortized cost.

(2) Bonds are stated at amortized cost using the effective interest rate method.

(3) The Company has no common stock other than the common stock of an offshore subsidiary, ACA Capital (Singapore) Pte. Ltd. ("ACA Singapore") which is carried as a non-admitted asset. For additional information please see (7) below.

(4) The Company has no preferred stocks.

(5) The Company has no mortgage loans.

(6) Loan-backed securities are stated at amortized cost or the lower of amortized cost or fair market value, using the effective interest rate method. The retrospective adjustment method is used to value all securities.

(7) In June 2006, the Company established a wholly-owned subsidiary, ACA Singapore, for the purpose of expanding the Company's structured credit business into the Asian markets. However, this business was discontinued in 2007 and the Company is currently undertaking the necessary steps to conclude ACA Singapore's business operations. The Company expects to complete the un-wind of ACA Singapore in 2010 or early 2011. As of September 30, 2010 and December 31, 2009, the Company contributed approximately $632 thousand of capital into ACA Singapore and did not admit its interest in the amount of $770 thousand.

(8) The Company has no joint ventures.

(9) The Company has no derivatives.

(10) The Company has no premium deficiencies.

(11) A loss reserve is established when an insured obligation defaults in payment and the Company makes a payment to cover the debt service obligations. Such liabilities are necessarily based on assumptions and estimates and while management believes these amounts are adequate, the ultimate liability may be in excess of or less than the amount provided. Loss reserves are recorded at the net present value of expected payments. The Company has unpaid losses of $47.2 million at September 30, 2010 consisting of five case reserves. At December 2009, the Company had five case reserves totaling $29.3 million. Loss adjustment expense reserves are established for obligations that are either in default or in which defaults are probable. The Company does not discount loss adjustment expense reserves. Total unpaid losses and loss adjustment expenses at September 30, 2010 and December 31, 2009 were $48.6 million and $31.2 million, respectively.

In the first nine months of 2010, the Company paid a claim of $165 thousand and established a loss reserve of $16.3 million for the Connector 2000 Association (Connector), a toll road credit, with par outstanding of $19.6 million.

During the fourth quarter of 2008, COPIA: The American Center for Wine, Food and the Arts ("COPIA") filed for bankruptcy. The Company insures bonds issued by COPIA with an accreted value of approximately $86.0 million and expects to pay claims on this credit. However, because SSAP 60 does not allow for establishment of a loss reserve until a default in payment occurs, the Company has not accrued this loss in its 2008, 2009 or 2010 financial statements. COPIA currently has a debt service reserve of approximately $4.1 million. This cash reserve has been and is expected to continue to make scheduled payments in respect of the insured bonds. Upon the depletion of the debt service reserve, the Company will begin making claim payments and at that time will establish a loss reserve. The Company expects that this will occur in 2011.The bankruptcy process was concluded in January 2010 and legal ownership of the underlying property has been transferred to a trust and will be liquidated under the direction and control of ACA. Proceeds from the sale of the property are expected to reimburse the Company for its loss adjustment expenses and then to pay down the outstanding bonds on a pro-rata basis. It is estimated the sale may take some time to consummate given the current real estate environment and local entitlement issues. In the interim, the Company is incurring costs to maintain the property, including employment of essential personnel and property taxes, as well as legal costs in connection with this credit's legal activities. During the first nine months of 2010, the Company paid LAE for COPIA of $1.2 million and had a reserve balance of $0.9 million at September 30, 2010. Based on the Company's current estimates, the claim reserve may be in the range of $70 to $75 million on a present value basis.

The Company ultimately expects to pay claims on additional insured bonds classified in credit quality category 4. In addition to COPIA and credits on which a loss has been recognized, credits with par outstanding of $172.2 million have experienced a material decline in creditworthiness and will probably be unable to make all principal and interest payments on the insured bonds. However, because SSAP 60 does not allow for establishment of loss reserves until a default in payment occurs, the Company has not accrued any losses on these insured bonds. Where possible, the Company has taken action and is attempting to either minimize potential loss payments or eliminate the probability of default.

NOTES TO FINANCIAL STATEMENTS

(12) There has been no change to the Company's capitalization policy.

(13) The Company has no pharmaceutical rebate receivables.

2. ACCOUNTING CHANGES AND CORRECTION OF ERRORS

A. Not applicable.

3. BUSINESS COMBINATION AND GOODWILL

The Company was not party to any business combinations and does not hold goodwill.

4. DISCONTINUED OPERATIONS

The Company had no discontinued operations.

5. INVESTMENTS

A. Mortgage Loans

The Company has no mortgage loans.

B. Debt Restructuring

The Company has no debt restructuring.

C. Reverse Mortgages

The Company has no reverse mortgages.

D. Loan-Backed Securities

(1) N/A.

(2) 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.

(3) N/A

(4) During 2010, the Company did not recognize any other than temporary impairment of loan- backed securities based upon the projected cash flows of the underlying loans being less that the amortized cost basis of the security.

(5) None

(6) 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 12 months or longer at September 30, 2010 is $0.5 million and $0.2 million, 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 than12 months is $48.2 million and $1.5 million, respectively.

(7) All of the securities discussed in (6) above with the exception of two, with a fair value of $1.2 million and gross unrealized loss of $0.2 million, are rated investment grade by a nationally recognized security rating organization. The price depreciation is attributable to the widening of credit spreads. As stated above all the securities discussed in (6) with the exception of two, have excess credit coverage within each structure and cash flows of the underlying collateral are expected to be sufficient to pay principal and interest.

(8) N/A.

E. Repurchase Agreements

The Company has not used repurchase agreements.

F. The Company has no real estate investments.

G. The Company has no low-income housing tax credit investment.

6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

The Company has an investment in ACA Service L.L.C., ("ACA Service") at September 30, 2010, which is non-admitted for statutory reporting purposes.

The Company has a $770 thousand investment in ACA Singapore (see Note 1C (7) above) at September 30, 2010. This investment is also non-admitted for statutory reporting purposes.

7. INVESTMENT INCOME

All investment income due and accrued with amounts that are over 90 days past due are considered a non-admitted asset. The Company has no past due investment income.

8. DERIVATIVE INSTRUMENTS

The Company has no derivative instruments.

NOTES TO FINANCIAL STATEMENTS

9. INCOME TAXES

A. The components of the net deferred tax assets are as follows:

	Ordinary	Capital	2010 Total	2009 Total	Change
Total of all deferred tax assets (admitted and non-admitted)	$ 57,404,081	$ 25,403,329	$ 82,807,410	$ 75,741,011	$ 7,066,399
Statutory valuation allowance adjustment	(24,501,088)	(25,403,329)	(49,904,417)	(35,974,340)	(13,930,077)
Adjusted gross deferred tax assets	32,902,993	-	32,902,993	39,766,671	(6,863,678)
Total of all deferred tax liabilities	101,864	-	101,864	2,998	98,866
Net deferred tax assets	32,801,129	-	32,801,129	39,763,673	(6,962,544)
Deferred tax assets non-admitted	32,801,129	-	32,801,129	39,763,673	(6,962,544)
Net admitted deferred tax assets	$ -	$ -	$ -	$ -	$ -

The Company has not elected to admit deferred tax assets pursuant to paragraph 10.e. for the current reporting period.

		2010	2009
10.a.	Federal Income Taxes recoverable through loss carryback	$ -	$ -
10.b.i.	Adjusted Gross DTA expected to be realized in one year	-	-
10.b.ii.	10% adjusted statutory capital and surplus limit	11,915,856	9,398,833
	Admitted pursuant to 10.b. (lesser of i. or ii.)	-	-
10.c.	Admitted pursuant to 10.c.	-	-
10.e.i.	Additional admitted pursuant to 10.e.i.	-	-
10.e.ii.a.	Adjusted gross DTA expected to be realized in three years	-	-
10.e.ii.b.	15% adjusted statutory capital and surplus limit	17,873,783	14,098,250
	Additional admitted pursuant to 10.e.ii. (lesser of a or b)	-	-
10.e.iii.	Additional admitted pursuant to 10.e.iii.	-	-
	Total admitted adjusted gross deferred tax assets	$ -	$ -

The following table provides the Company's assets, capital and surplus with the DTA calculated under SSAP No. 10R paragraph 10(a) to (c) and the additional DTA determined under SSAP No. 10R paragraph 10.e. as of September 30, 2010:

	SSAP 10R 10.a.-c.	SSAP 10R 10.e.
Admitted deferred tax assets	$ -	$ -
Admitted assets	500,279,286	500,279,286
Statutory surplus	121,230,357	121,230,357
Total adjusted capital	-	-
Authorized control level used in 10.d.	-	-

B. Deferred tax liabilities are not recognized for the following amounts:

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

C. Current income taxes incurred consist of the following major components:

	2010	2009
Federal income taxes	$ -	$ (51,373,276)
Federal income tax on net capital gains	-	-
Prior year adjustment	(34,335)	(3,862,429)
Total	$ (34,335)	$ (55,235,705)

On November 6, 2009, the "Worker, Homeownership, and Business Assistance Act of 2009" was enacted that, in addition to other provisions, extended the carryback period from two years to up to five years for net operating losses ("NOLs") incurred in 2008 or 2009.

In January 2010, the Company filed an NOL carryback claim and recouped approximately $51.5 million during the first quarter 2010 stemming from the loss generated in the restructuring.

Fifth preceding year (9/15/04 - 12/31/04)	$ 204,344
Fourth preceding year (1/1/05 - 12/31/05)	9,327,332
Third preceding year (1/1/06 - 12/31/06)	25,966,077
Second preceding year (1/1/07 - 11/21/07)	16,025,523
First preceding year (11/22/07 - 12/31/07)	-
Total taxes recouped	$ 51,523,276

NOTES TO FINANCIAL STATEMENTS

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

Deferred tax assets	2010	2009	Change
Contingency reserve	$ 32,902,993	$ 29,973,540	$ 2,929,453
Capital loss carryforward	25,403,329	27,040,032	(1,636,703)
Net operating loss carryforward	16,977,715	11,663,688	5,314,027
Unearned premiums reserve	5,573,815	5,884,967	(311,152)
Discounted loss reserves	809,291	12,421	796,870
Alternative minimum tax credit	615,212	499,547	115,665
Other temporary differences	140,750	113,481	27,269
Unamortized licenses	252,000	346,500	(94,500)
Unrealized loss on investments	132,305	206,835	(74,530)
Gross deferred tax assets	82,807,410	75,741,011	7,066,399
Statutory valuation allowance	(49,904,417)	(35,974,340)	(13,930,077)
Gross deferred tax assets net of valuation allowance	32,902,993	39,766,671	(6,863,678)
Non-admitted deferred tax asset	(32,801,129)	(39,763,673)	6,962,544
Gross admitted deferred tax asset	$ 101,864	$ 2,998	$ 98,866
Deferred tax liabilities			
Investments	$ -	$ -	$
Gross deferred tax liabilities	(101,864)	(2,998)	(98,866)
Net admitted deferred tax asset / (liability)	$ -	$ -	$

The change in net deferred taxes is composed of the following :

	2010	2009	Change
Total deferred tax assets	$ 32,902,993	$ 39,766,671	$ (6,863,678)
Total deferred tax liabilities	$ (101,864)	$ (2,998)	$ (98,866)
Net deferred tax asset	$ 32,801,129	$ 39,763,673	$ (6,962,544)
Tax effect of unrealized (gains)/losses			$ 74,531
Change in net deferred income tax (expense)/benefit			$ (6,888,013)

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the period ended September 30, 2010 are as follows:

Description	Amount	Tax Effect	Effective Tax Rate
Income before federal income taxes	$ (11,837,855)	(4,143,249)	35.00%
Change in valuation allowances		13,930,077	-117.67%
Change in contingency reserve		(2,929,455)	24.75%
Non-taxable investment income		(26,214)	0.22%
Non-deductible expenses		2,290	-0.02%
Prior year provision to return adjustments & Other	-	20,229	-0.17%
Total statutory income taxes	$ -	$ 6,853,678	-57.90%
Federal income tax expense incurred		(34,335)	0.29%
(Increase)/Decrease in net deferred income taxes		6,888,013	-58.19%
Total statutory income taxes		$ 6,853,678	-57.90%

E.

The company had net operating loss carryforwards expiring through the year of 2029 of:	$ 33,324,822
The company had net capital loss carryforwards expiring through the year of 2014 of:	78,243,171
The company had an AMT credit carryforward, which does not expire, in the amount of	615,212

2. The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

	Ordinary	Capital	Total
2009	$ -	$ -	$ -
2008	-	-	-
2007	-	-	-
	$ -	$ -	$ -

F. The Company’s federal income tax return is not included in a consolidated return.

In December 2009, the NAIC approved SSAP 10R, a revised, temporary replacement of the income tax standard under SSAP 10. The revised standard was effective

NOTES TO FINANCIAL STATEMENTS

for year-end 2009 and year-end and interim 2010. The NAIC revised SSAP 10 in order to be more in line with the "Statutory Statement of Concepts" of conservatism and transparency. One of the main differences, as a result of the revision, was the inclusion of the concept of a GAAP valuation allowance. As a result, a company must consider if their gross deferred tax assets ("DTAs") will more likely than not be able to be realized. This concept must be applied prior to the admissibility calculations.

In the 2009 Annual Statement, the Company disclosed its gross DTAs net of its statutory valuation allowance before applying the admissibility limitations as opposed to separately stating the valuation allowance. This did not impact the Company's policyholder surplus because the Company did not admit any of its DTA balance. The Company revised the disclosures in the March 30, 2010 Statutory Statement when additional guidance was provided by the NAIC.

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

A.&B. There were no material transactions with parent, affiliates or other related parties in 2010 or 2009.

C. Not applicable.

D. The Company has **$429** thousand payable to subsidiaries at September 30, 2010 and $417 thousand at December 31, 2009.

E. The Company has no guarantees or undertakings for the benefit of an affiliate or related party.

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

G. At September 30, 2010, the majority common shareholder, ACA Holding, L.L.C. ("ACAH"), a Delaware holding company, held a 76.6% share in the common shares of the Company. The minority shareholder, KPR Ltd. ("KPR"), a Cayman Island company and a wholly-owned subsidiary of ACAH, held the remaining 23.4% share in the common shares of the Company. Each of ACAH and KPR are wholly-owned by ACACH Effective at the closing of the restructuring transaction entered into on August 8, 2008, ACACH disclaimed control over the Company. This disclaimer of control was approved by the MIA. See Note 20(C) for a discussion of the restructuring transaction.

H. The Company's majority common shareholder and ultimate parent, ACAH and ACACH, respectively, are not owned directly or indirectly via any of the Company's downstream subsidiaries or controlled or affiliated entities. See Note 20(C) for information regarding the ownership structure of the Company following the closing of its restructuring transaction that took place on August 8, 2008.

I. The Company holds no investment in any SCA entity that exceeds 10% of admitted assets.

J. The Company did not impair any SCA in 2010 or 2009.

K. Not applicable.

L. The Company does not hold an investment in a downstream noninsurance holding company.

11. DEBT

The Company has no debt.

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

A. The Company has no Defined Benefit Plan.

B. The Company sponsors a 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 are based on a fixed percentage of employees' contributions subject to IRS limitations. At September 30, 2010 and December 31, 2009, the fair values of plan assets were $6.2 million and $6.6 million, respectively. For the period ended September 30, 2010 and December 31, 2009 the Company recognized expense in the amount of $195 thousand and $165 thousand for the defined contribution plan, respectively.

C. The Company has no Multi-employer Plan.

D. The Company has no Consolidated/Holding Company Plan.

E &F. The Company has no Post-employment Benefits and Compensated Absences.

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

(1) The Company has 1,000,000 shares of common stocks authorized, issued and outstanding with a par value of $15.00 per share.

(2) The Company has no preferred stock outstanding.

(3) Under Maryland insurance law, the Company may pay a dividend without the prior approval of the Commissioner of the MIA from earned surplus, as defined, subject to the maintenance of a minimum-capital requirement, and the dividend, which together with all dividends declared or distributed by it during the preceding twelve months, may not exceed the lesser of 10% of its policyholder surplus shown on its last filed statement, or net income, as defined, for such twelve-month period. In addition, as part of the Company's restructuring discussed in Note 20(C) below, the surplus notes restrict the Company from paying dividends without the prior approval of the surplus note holders.

(4) No dividends were paid in 2010 or 2009.

(5) The Company had negative earned surplus at September 30, 2010 and December 31, 2009; therefore no dividends can be paid in 2010.

(6) There are no restrictions on unassigned surplus.

(7) The Company is not a mutual company.

(8) The Company holds no stock for special purpose.

(9) The Company holds no special surplus funds.

(10) The portion of unassigned surplus represented by cumulative unrealized losses is $378 thousand.

NOTES TO FINANCIAL STATEMENTS

(11)

Date Issued	Interest Rate	Par Value (Face Value of Notes)	Carrying Value of Note	Principal And/or Interest Paid Current Year	Total Principal And/or Interest Paid	Unapproved Principal And/or Interest	Date of maturity
08/08/2008	no stated rate	1,000,000,000	-	-	-	-	Within 30 days after the expiration, commutation or bulk reinsurance of the last insurance policy issued by the Company

As part of the restructuring transaction which took place on August 8, 2008, surplus notes with a face amount of $1 billion were issued to former structured credit counterparties. See Note 20(C) for a description of the notes. These notes were recorded in the surplus notes section of the balance sheet with an offsetting $1 billion contra account since no cash was received from the former counterparties at note issuance and all payments to the former counterparties under the note require MIA's advance approval. Upon the MIA's approval of payment, the approved portion will reduce the unassigned surplus and contra account. The actual payments will reduce the surplus notes directly.

A surplus note in the amount of $10,000,000 was issued to ACACH on December 29, 2004 in exchange for $10,000,000 in cash and had a maturity date of December 29, 2034. As part of the Company's restructuring which occurred on August 8, 2008, this surplus note was cancelled. The $10 million principal balance on the note was reclassified to gross paid in and contributed capital and interest payable under the note in the amount of $629,465 was written off. See Note 20(C).

(12&13) The Company has not gone through any quasi-reorganization.

14. CONTINGENCIES

A. The Company has no contingent commitments.

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

C. The Company has no gain contingencies.

D. The Company is one of a number of defendants in a lawsuit in the Superior Court of the State of California (Los Angeles County) brought by Retirement Housing Foundation and several affiliates relating to the plaintiffs' issuance of auction-rate securities insured by the Company. The plaintiffs allege that the Company's insurance of securities backed by sub-prime mortgages was not financially responsible and was contrary to the Company's statement about its investment practices, and that when the Company's credit rating was downgraded from "A" to "CCC" after the collapse of the sub-prime market, the plaintiffs were forced to refinance their securities. While this action is in the preliminary stages, the Company believes it has substantial defenses to the claims against it. Accordingly, on October 22, 2009, the Company filed a demurrer seeking to have the case dismissed. In response, plaintiffs filed a second amended complaint. The Company filed a demurrer to dismiss that complaint on June 25, 2010 and argument was held on August 16, 2010. The judge's tentative decision issued before the hearing indicated that the judge was inclined to dismiss the contract, implied contract and negligence claims on the theory that the parties' insurance contract did not contain a requirement that ACA maintain and "A" rating; but that he was not inclined to dismiss the fraud, negligent misrepresentation and unfair competition claims (although wanted additional argument and briefing on whether those claims had been waived when the parties terminated their relationship). Following oral argument, the Judge granted each party the opportunity to submit supplemental briefs to further address the issues before the court, which were submitted on August 25, 2010. The judge said he would issue a final decision by November 15, 2010.

The Company (specifically, ACA Management, LLC) was one of a large number of defendants in an action pending in the First Judicial District Court for the State of New Mexico (Santa Fe) brought by an individual claiming to sue in the name of the State of New Mexico. The complaint generally alleged that Vanderbilt Capital Advisors (and certain of its affiliates) engaged in an unlawful "pay to play" scheme with various New Mexico State officials, causing New Mexico to overpay for certain CDO investments, including some with which the Company was — in an unspecified way — connected. The complaint sought damages in excess of $90 million and various civil penalties although it did not clearly allege what relief was sought against the Company. Since no allegations of wrongdoing were specified against the Company in the complaint, the Company intended – at the first appropriate procedural time – to move to dismiss the complaint on the grounds that it failed to state any legally cognizable claim. In the meantime, the Company moved to dismiss the case on the procedural grounds that it is not subject to jurisdiction in the New Mexico courts. While that motion was pending, on April 28, the Court issued an order dismissing all claims brought in the original complaint. The Court dismissed the claims brought under the New Mexico qui tam statute ("FATA") because applying FATA retroactively would have violated constitutional prohibitions against ex post facto laws, and dismissed the claims brought under the state Unfair Practices Act ("UPA") because those claims were based on securities transactions not within the scope of the protections offered by the UPA. The Plaintiff has filed an amended complaint – which raises no new allegations against the Company – and sought reargument of the FATA decision based upon the amended complaint. The Court is currently considering that request.

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.

15. LEASES

A. In March 2010, ACA finalized negotiations with a new tenant for all of its office space at 140 Broadway. Under the terms of the transaction, ACA was released from its obligations under the lease, its security deposit of $2.7 million was returned and it made cash payments of $11.6 million. ACA recognized a loss of $13.0 million on the lease termination, which included the carrying value of leasehold improvements and furniture and fixtures related to this space. The Company's rental expense for the period ended September 30, 2010 and December 31, 2009 were $0.9 million and $2.4 million, respectively.

ACA finalized a sublease of new office space running through September 30, 2016. Minimum lease payments under the lease are: 2010- $0.1 million; 2011- $0.5 million; 2012- $0.5 million; 2013- $0.5 million; 2014- $0.6 million; 2015- $0.6 million; and 2016- $0.5 million. The Company took possession of this space in July.

B. Not applicable.

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

The Company has no financial instrument with off-balance sheet risk.

NOTES TO FINANCIAL STATEMENTS

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

A. The Company had no transfer of receivables reported as sales.

B. The Company had no transfer and servicing of financial assets.

C. 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.

A. The Company has no Administrative Services Only (ASO) plan.

B. The Company has no Administrative Services Contract (ASC) plan.

C. The Company has no Medicare or other similarly structured cost based retirement contract.

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

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

20. OTHER ITEMS

A. The Company had no extraordinary items during 2010 and 2009.

B. The Company had no troubled debt restructuring during 2010 and 2009.

C. Assets in the amount of $4,722,455 and $4,733,219 at September 30, 2010 and at December 31, 2009 respectively, were on deposit with state authorities or trustees as required by state licensing regulations.

As discussed in Note 15 – Leases. The Company's security deposit was returned as part of the lease termination. The Company currently has $64 thousand in security deposits outstanding for lease obligations. This collateral deposit is treated as a non-admitted asset as of September 30, 2010 and December 31, 2009.

On November 9, 2007, Standard & Poor's Ratings Services ("S&P") placed its "A" financial strength rating of the Company on "Credit Watch with negative implications". S&P based its rating action on its opinion that the ($1.7) billion unrealized mark to market loss recorded by ACACH on GAAP basis for the nine months ended September 30, 2007 would likely impair the Company's ability to generate a satisfactory level of new business. Amongst other things, S&P also cited ACACH's inability to access its credit facility under its revised terms as a relevant factor in its rating action. See Note 10(A).

The substantial unrealized mark-to-market loss was caused by the devaluation of mortgage securities, including sub-prime mortgages and securitizations comprised of sub-prime mortgages, which occurred in the credit markets in 2007. This market stress began in the first half of 2007 and continued to deepen throughout 2007 as many financial institutions recorded significant write-downs in connection with their exposure to mortgage related securities. Mortgage defaults levels in 2007 reached historically high levels. These defaults in 2007, coupled with market predictions of additional defaults, negatively impacted mortgage related securitizations, resulting in realized losses in these securities and large declines in unrealized market valuations. The value of the insured credit swaps issued by insured affiliates of ACACH continued to experience declines during 2008, which resulted in additional unrealized valuation losses based on accounting principles generally accepted in the United States of America ("GAAP").

Based on these negative developments, on December 19, 2007, S&P downgraded the financial strength and financial enhancement ratings of the Company to "CCC" (Developing Outlook) from "A" (CreditWatch Negative). Under the terms of the Company's insured credit swap transactions, the Company's downgrade to a level below "A-" resulted in an obligation for the Company's insured affiliates to post collateral based on the fair value of the insured credit swaps. Under the terms of the swaps, a failure to post collateral would have represented an event of default under the insured credit swaps, or if collateral was not posted, a mandatory termination payment in an amount approximately equal to the collateral call. This termination payment would give rise to a claim of the counterparties under the related insurance policy. Based on the fair values of the Company's affiliates' insured credit swap transactions, ACACH did not have the ability to post such collateral or make such termination payments.

In light of the insured affiliates' inability to post collateral or make these termination payments, and in order to avoid a regulatory proceeding, the Company and its affiliates entered into multiple forbearance agreements in which their counterparties agreed not to exercise remedies and ultimately a restructuring transaction (the "Restructuring Transaction") with its structured credit and other similarly situated counterparties. The Restructuring Transaction was consummated following a period of claim forbearance by the swap counterparties that began on December 19, 2007, culminating in a Restructuring Transaction completed on August 8, 2008.

On August 8, 2008, the Company completed its Restructuring Transaction in order to settle potential claims arising out of Company's insured credit swap policies and certain medium term note obligations issued by a subsidiary of the Company and guaranteed by the Company. Certain other parties to which the Company had obligations were also settled. The Restructuring Transaction included three main components.

The first of the three components of the Restructuring Transaction consisted of a Global Settlement Agreement whereby insured credit swap counterparties' claims were settled by the payment in cash of an aggregate loss amount of approximately $209 million. In addition, the counterparties received an aggregate 95% voting interest in newly created surplus notes (the "Surplus Notes") with a total face amount of $1 billion. The remaining 5% or $50 million is non-voting and was issued to ACACH.

The second component of the Restructuring Transaction involved a Medium Term Note ("MTN") Restructuring Agreement which 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, also for the benefit of Surplus Note holders. Of the total cash settlement, approximately $32 million was paid out of a cash collateral account supporting the issued note held by the subsidiary 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. ACACH has provided an indemnification for claims against ACA FG and its subsidiaries, including employee claims, up to a maximum of $10 million for claims made prior to August 8, 2010.

As provided for by the Restructuring Transaction, subsequent to the closing, the Company is required to conduct its ongoing operations on a run-off basis. As such, the Company will not write any new insurance policies unless it is approved by its board of directors and the MIA.

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.

In addition, following the closing of the Restructuring Transaction, the Company submitted a formal request to the MIA seeking approval for the release of that portion of its contingency reserve related to insurance contracts terminated as part of the restructuring as well as certain non-municipal contracts for which the exposure has expired. The request for release was approved by the MIA on October 15, 2008 and is effective for the September 30, 2008 financial statements.

NOTES TO FINANCIAL STATEMENTS

The total amount of contingency reserve released at September 30, 2008 based on MIA approval was $155.1 million.

D. The Company had no uncollectible balances.

E. Not applicable.

F. The Company had no state transferable credits.

G. Subprime Exposure Related Risk Exposure

(1) The Company no longer has risk in its insured exposures to subprime mortgages, except for one insured securitization of manufactured housing mortgages. Other previously insured subprime mortgage exposure was included in the Global Settlement Agreement described in Note 20(C). The one remaining exposure has a par amount of $5.7 million at September 30, 2010 and the Company has an outstanding loss reserve against this exposure in the amount of $2.5 million.

(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, 2010:

	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	7,947,556	7,888,717	8,846,813	-
b. Commercial mortgage backed securities				
c. Collateralized debt obligations	5	-	-	-
d. Structured securities				
e. Equity investment in SCAs				
f. Other assets				
g. Total	7,947,561	7,888,717	8,846,813	-

(4) As stated in G (1) above, the Company has an outstanding loss reserve in the amount of $2.5 million.

21. EVENTS SUBSEQUENT

None

22. 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

	Assumed Reinsurance		**Ceded Reinsurance**		**Net**	
	Premium Reserve	**Commission Equity**	**Premium Reserve**	**Commission Equity**	**Premium Reserve**	**Commission Equity**
Affiliates	$ -0-	$ -0-	$ - 0-	$ -0-	$ -0-	$ -0-
All other	6,629,215	-0-	383,026	-0-	6,246,189	-0-
Total	$ 6,629,215	$ -0-	$ 383,026	$ -0-	$ 6,246,189	$ -0-

Direct Unearned Premium Reserve $189,619,701

There are no contingent commission or profit sharing arrangements.

D. Uncollectible Reinsurance

The Company has no uncollectible reinsurance balances.

E. Commutation of Ceded Reinsurance

The Company had no commutations in 2010.

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.

23. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

The Company has not entered into any retrospectively rated contracts or contracts subject to redetermination.

24. CHANGE IN INCURRED LOSSES AND LOSS ADJUSTMENT EXPENSES

NOTES TO FINANCIAL STATEMENTS

During 2010, the Company incurred losses and LAE of $20.5 million consisting of $16.6 million for current accident year claims and $3.9 million relating to prior accident years. Substantially all of the current year loss activity related to The Connector 2000 Association ("Connector"), a toll road credit, with par outstanding of $19.6 million. The Company made a debt service payment on this credit in January 2010 and accordingly recognized the loss. The Company disclosed this default in the Annual Statement Notes but did not accrue a loss on this bond as SSAP 60 does not allow for establishment of a loss reserve until the default in payment occurs. The majority of the prior accident year loss development was due to the following three credits:$2.7 million for Temple Junior College Foundation, a student housing facility with par outstanding of $11.1 million, $2.3 million for Baton Rouge Student Housing,LLC, with par outstanding of $23.6 million, and a $2.0 million reduction on Indymac, an insured securitization of installment sales contracts on manufactured housing with par outstanding of $5.7 million, to reflect the expected clean-up call on this obligation.

25. INTERCOMPANY POOLING ARRANGEMENTS

The Company has no intercompany pooling arrangements.

26. STRUCTURED SETTLEMENTS

The Company has no structured settlements.

27. HEALTH CARE RECEIVABLE

The Company has no health care receivable.

28. PARTICIPATING POLICIES

The Company does not write participating policy business.

29. PREMIUM DEFICIENCY RESERVE

The Company has no premium deficiency reserve.

30. HIGH DEDUCTIBLES ON UNPAID CLAIMS

The Company has no high deductibles on unpaid claims.

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

The Company discounts unpaid losses using the rate that approximates yield on its investment portfolio. At September 30, 2010 and December 2009 the discount rated used was 4.5 %. The amount of discount associated with the Company's loss reserves at September 30, 2010 and December 2009 was $27.1 million and $18.7 million, respectively. Loss adjustment expenses are not discounted.

32. ASBESTOS/ENVIRONMENTAL RESERVES

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

33. SUBSCRIBER SAVINGS ACCOUNTS

The Company has no subscriber savings accounts.

34. MULTIPLE PERIL CROP INSURANCE

The Company does not write this line of business.

35. FINANCIAL GUARANTY INSURANCE

A.

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

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

(2) a The amount of premium revenue that has been accelerated in the first nine months of 2010 and the full year 2009 was 1.5 million and $4.1 million, respectively. The acceleration was due to the prepayment or advance refunding of credits.

b. Schedule of the future expected earned premium revenue on non-installment contracts as of September 30, 2010:

1.

4th Quarter 2010	2,656,672
Year 2011	10,045,137
Year 2012	9,459,559
Year 2013	9,454,616
Year 2014	9,555,510

2.

2015 through 2019	45,343,392
2020 through 2024	42,517,018
2025 through 2029	34,941,602
2030 through 2034	24,813,677
2035 through 2039	6,751,028
2040 through 2044	277,656
Year 2045	50,023
Total	$195,865,890

NOTES TO FINANCIAL STATEMENTS

(3) Claim liability:

a. The Company used a rate of 4.5% to discount the claim liability. This rate approximates the yield on its investment portfolio at December 31, 2009.

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

Components	Amounts
Losses and LAE Reserve Prior Year	$31,229,797
Accretion of the discount	1,399,667
Change in timing	0
New reserves for defaults of insured contracts	16,258,375
Change in deficiency reserves	(269,887)
Change in incurred but not reported claims	0
Losses and LAE Reserve Current Year	$48,617,952

The Company's credit quality classifications are:

(4) a. Category 1: Fully Performing
Covenants have been met and there have been no significant negative deviations from expected performance.
Category 2: Watch
Performing below expected levels but current and projected revenues are adequate to service debt.
Category 3: Deteriorating
Performing significantly below expected levels; corrective action is required to avert a longer-term risk of payment default.
Category 4: Paid or Expected Claim
Material decline in creditworthiness and ability to pay debt service; unreimbursed draws on debt service reserves and/or payment defaults have occurred or are probable.

b. 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.
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. Ratings 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. Schedule of insured financial obligations at the end of the period

	Credit Quality Categories				
	1	2	3	4	Total
Number of policies	387	96	40	37	560
Remaining weighted-average contract period (in years)	13	12	14	13	
Insured contractual payments outstanding:					
Principal	$ 4,305,503,262	$ 1,013,650,522	$ 572,112,500	$ 323,663,614	$ 6,214,929,898
Interest	2,758,923,618	695,707,916	517,574,406	308,530,420	4,280,736,360
Total	$ 7,064,426,880	$ 1,709,358,438	$ 1,089,686,906	$ 632,194,034	$10,495,666,258
Gross claim liability	$ -	$ 35,000	$ 20,000	$ 75,693,871	$ 75,748,871
Less:					
Gross potential recoveries	-	-	-	-	-
Discount, net	-	-	-	27,130,919	27,130,919
Net claim liability		$ 35,000	$ 20,000	$ 48,562,952	$ 48,617,952
Unearned premium revenue	$ 107,324,341	$ 38,026,295	$ 36,926,367	$ 13,588,887	$ 195,865,890
Claim liability reported in the balance sheet	-	$ 35,000	$ 20,000	$ 48,562,952	$ 48,617,952
Reinsurance recoverables	-	-	-	-	-

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

If yes, complete the Schedule Y - Part 1 - organizational chart.

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

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

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

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

If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2007

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. 12/31/2007

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/07/2009

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 [X] No [ ] NA [ ]

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

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 Office of Thrift Supervision (OTS), 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 OTS	6 FDIC	7 SEC

GENERAL INTERROGATORIES

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

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

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

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

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

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

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

FINANCIAL

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

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

INVESTMENT

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

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

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

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

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [X] 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	$ 769,815	$ 769,815
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)	$ 769,815	$ 769,815
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above	$	$

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

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ]
If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. 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 [ ]

16.1 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

16.2 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)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes [ ] No [X]

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

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

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

1 Central Registration Depository	2 Name(s)	3 Address
107038	JP Morgan Asset Management	245 Park Avenue, New York, NY 10167

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

17.2 If no, list exceptions:

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

PART 2
PROPERTY & CASUALTY INTERROGATORIES

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

   If yes, attach an explanation.

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

   If yes, attach an explanation.

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

3.2 If yes, give full and complete information thereto.

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

4.2 If yes, complete the following schedule:

			TOTAL DISCOUNT				DISCOUNT TAKEN DURING PERIOD			
1 Line of Business	2 Maximum Interest	3 Discount Rate	4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 TOTAL	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 TOTAL
Financial Guaranty		4.500	27,130,919			27,130,919	8,401,630			8,401,630
		TOTAL	27,130,919			27,130,919	8,401,630			8,401,630

5. Operating Percentages:

   5.1 A&H loss percent %

   5.2 A&H cost containment percent %

   5.3 A&H expense percent excluding cost containment expenses %

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

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

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

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

Schedule F

NONE

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

	1	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	Active Status	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama AL							
2. Alaska AK							
3. Arizona AZ							
4. Arkansas AR							
5. California CA				36,563			
6. Colorado CO							
7. Connecticut CT							
8. Delaware DE							
9. District of Columbia DC							
10. Florida FL		99,450	101,460				
11. Georgia GA							
12. Hawaii HI							
13. Idaho ID							
14. Illinois IL							
15. Indiana IN							
16. Iowa IA							
17. Kansas KS							
18. Kentucky KY							
19. Louisiana LA		13,932	8,521	502,616	288,127	5,763,718	3,529,556
20. Maine ME							
21. Maryland MD							
22. Massachusetts MA							
23. Michigan MI							
24. Minnesota MN		2,146	2,537		(751,734)	2,473,047	4,566,490
25. Mississippi MS			142	458,687	438,098	18,222,448	18,485,539
26. Missouri MO		9,590	9,690				
27. Montana MT							
28. Nebraska NE							
29. Nevada NV							
30. New Hampshire NH		44,000	16,200				
31. New Jersey NJ							
32. New Mexico NM							
33. New York NY							
34. North Carolina NC							
35. North Dakota ND							
36. Ohio OH							
37. Oklahoma OK							
38. Oregon OR							
39. Pennsylvania PA		46,400	47,600				
40. Rhode Island RI							
41. South Carolina SC				165,113		16,258,375	
42. South Dakota SD							
43. Tennessee TN							
44. Texas TX				419,857	194,880	4,466,705	2,212,414
45. Utah UT							
46. Vermont VT							
47. Virginia VA		94,388					
48. Washington WA							
49. West Virginia WV							
50. Wisconsin WI							
51. Wyoming WY							
52. American Samoa AS							
53. Guam GU							
54. Puerto Rico PR							
55. U.S. Virgin Islands VI							
56. Northern Mariana Islands MP							
57. Canada CN							
58. Aggregate Other Alien OT	XXX		213,500				
59. Totals	(a)	309,906	399,650	1,582,836	169,371	47,184,293	28,793,999
DETAILS OF WRITE-INS							
5801. Foreign	XXX		213,500				
5802.	XXX						
5803.	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX						
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX		213,500				

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

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

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

NONE

PART 1 - LOSS EXPERIENCE

Line of Business	Current Year to Date 1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	4 Prior Year to Date Direct Loss Percentage
1. Fire				
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	9,467,971	19,497,819	205.9	87.7
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	9,467,971	19,497,819	205.9	87.7
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	49,445	309,906	399,650
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	49,445	309,906	399,650
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 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2010 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2010 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2010 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and open as of Prior Year-End	8 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols.7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2007 + Prior	5,763		5,763	1,219		1,219	3,523			3,523	(1,021)		(1,021)
2. 2008	18,270		18,270	595	1	596	18,322			18,322	647	1	648
3. Subtotals 2008 + Prior	24,033		24,033	1,814	1	1,815	21,845			21,845	(374)	1	(373)
4. 2009	7,197		7,197	1,009	25	1,034	10,390	35		10,425	4,202	60	4,262
5. Subtotals 2009 + Prior	31,230		31,230	2,823	26	2,849	32,235	35		32,270	3,828	61	3,889
6. 2010	XXX	XXX	XXX	XXX	264	264	XXX	16,347		16,347	XXX	XXX	XXX
7. Totals	31,230		31,230	2,823	290	3,113	32,235	16,382		48,617	3,828	61	3,889
8. Prior Year-End's Surplus As Regards Policyholders	137,456												

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. 12.3	2.	3. 12.5

Col. 13, Line 7 As a % of Col. 1 Line 8
4. 2.8

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 on "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 question.

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

Explanation:

1.

2.

3.

Bar Code:

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

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

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

OVERFLOW PAGE FOR WRITE-INS

PQ002 Additional Aggregate Lines for Page 02 Line 24.
*ASSETS

	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 December 31 Prior Year Net Admitted Assets
2404. Prepaid Expenses	97,716	97,716		
2405.				
2498. Summary of remaining write-ins for Line 24 from Page 02	97,716	97,716		

SCHEDULE A - VERIFICATION

Real Estate

NONE

	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)		

SCHEDULE B – VERIFICATION

Mortgage Loans

NONE

	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)		

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	1,090,255	1,090,068
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	150	187
5. Unrealized valuation increase (decrease)		
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)	1,090,405	1,090,255
12. Deduct total nonadmitted amounts		
13. Statement value at end of current period (Line 11 minus Line 12)	1,090,405	1,090,255

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	370,216,580	369,568,588
2. Cost of bonds and stocks acquired	137,672,985	106,796,030
3. Accrual of discount	418,552	450,951
4. Unrealized valuation increase (decrease)	212,945	598,349
5. Total gain (loss) on disposals	5,662,232	(4,270,555)
6. Deduct consideration for bonds and stocks disposed of	86,256,416	90,849,372
7. Deduct amortization of premium	1,701,307	1,339,367
8. Total foreign exchange change in book/adjusted carrying value		
9. Deduct current year's other than temporary impairment recognized		10,738,044
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	426,225,571	370,216,580
11. Deduct total nonadmitted amounts	769,815	769,815
12. Statement value at end of current period (Line 10 minus Line 11)	425,455,756	369,446,765

SCHEDULE D - PART 1B

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

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	387,850,705	244,930,009	201,556,185	(199,450)	382,578,854	387,850,705	431,025,079	340,126,204
2. Class 2 (a)	57,607,017	3,056,477	4,019,345	(151,742)	57,294,284	57,607,017	56,492,407	59,798,953
3. Class 3 (a)	811,750			80,750	1,570,032	811,750	892,500	1,586,198
4. Class 4 (a)	377,063	1	4	97,940	3	377,063	475,000	1,120,000
5. Class 5 (a)	340,695			26	737,386	340,695	340,721	701,517
6. Class 6 (a)	1,900,401			(46,048)	1,985,824	1,900,401	1,854,353	2,054,629
7. Total Bonds	448,887,631	247,986,487	205,575,534	(218,524)	444,166,383	448,887,631	491,080,060	405,387,501
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	448,887,631	247,986,487	205,575,534	(218,524)	444,166,383	448,887,631	491,080,060	405,387,501

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

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	65,624,304	XXX	65,624,304	50,046	

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year	35,940,735	63,057,684
2. Cost of short-term investments acquired	267,081,642	164,803,446
3. Accrual of discount		
4. Unrealized valuation increase (decrease)		
5. Total gain (loss) on disposals		
6. Deduct consideration received on disposals	237,398,073	191,920,395
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)	65,624,304	35,940,735
11. Deduct total nonadmitted amounts		
12. Statement value at end of current period (Line 10 minus Line 11)	65,624,304	35,940,735

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

SCHEDULE D - PART 3

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

1	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 or Market Indicator (a)
36202F-JQ-0	GNMA II Pool 4771 4.500% 08/20/40		08/19/2010	Morgan Stanley & Co.		14,750,313	14,000,000	38,500	1
36202F-KN-5	GNMA II POOL 4801 4.500% 09/20/40		09/29/2010	Wells Fargo Securities LLC		16,347,656	15,500,000	36,813	1
3620C4-2P-4	GNMA POOL 748782 4.500% 09/15/40		09/29/2010	Barclays Capital Inc - NY Fins		15,909,375	15,000,000	35,625	1
36241K-YU-6	GNMA Pool 782523 5.000% 11/15/35		09/10/2010	Citigroup Global Markets		9,826,525	9,136,969	25,380	1
0399999 - Total - Bonds - U.S. Government						56,833,869	53,636,969	136,318	XXX
383742-UK-7	Governnment National Mortgage GNR 2008-6		08/23/2010	Wells Fargo Securities LLC		10,054,860	9,485,717	26,349	1
38374H-EW-6	Government National Mortgage A GNR 2004-		09/03/2010	Nomura		4,485,000	4,000,000	4,889	1
60535R-AG-3	Mississippi Home Corp Hsg Rev 5.200% 1		08/23/2010	Carlton & Associates		1	35,000		4Z
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						14,539,861	13,520,717	31,238	XXX
04650N-AA-2	AT&T Inc Series 144A 5.350% 09/01/40		09/02/2010	Taxable Exchange		740,023	739,062		1FE
06050T-JN-3	Bank Of America NA Series BKNT 0.572%		09/10/2010	BA Securities		1,799,300	2,000,000		1FE
126164-AS-1	Commercial Mortgage Pass-Throu COMM 2005		09/17/2010	Deutsche Govt/Agency		2,274,417	2,394,123	205	1FE
172967-CS-8	Citigroup Inc 0.715% 11/05/14		09/10/2010	Morgan Stanley & Co.		1,836,380	2,000,000	1,628	1FE
17308B-AH-1	Citibank Omni Master Trust COMNI 2009-A8		09/29/2010	Morgan Stanley & Co.		4,552,734	4,500,000	5,599	1FE
22545R-AA-4	Credit Suisse Motgage Capital CSMC 2006-		09/24/2010	Barclays Capital Inc - NY Fins		484,885	507,732	71	1FE
36962G-2V-5	General Elec Cap Corp SERIES MTN 0.604		09/10/2010	BA Securities		1,840,120	2,000,000	1,175	1FE
38141G-EG-5	Goldman Sachs Group Inc 0.740% 03/22/1		09/10/2010	Nomura		1,857,800	2,000,000	4,666	1FE
38141G-FG-4	Goldman Sachs Group Inc 5.950% 01/18/1		08/18/2010	Goldman Sachs		1,525,986	1,400,000	8,099	1FE
40429C-FR-8	HSBC Finance Corp 0.727% 06/01/16		09/10/2010	HSBC Securities		1,797,400	2,000,000	565	1FE
45254N-JG-3	Impac CMB Trust IMM 2004-5 1A1 0.616%		09/27/2010	Societe Generale		2,983,043	3,296,180	268	1Z*
52521T-AC-1	Lehman Brothers LBFRC 2006-LLFA A2 0.3		09/17/2010	Cantor Fitzgerald		1,726,298	1,802,922	132	1FE
59156R-AW-8	Metlife Inc 2.375% 02/06/14		08/03/2010	UBS Securities Inc.		1,997,340	2,000,000		1FE
61746B-DC-7	Morgan Stanley Series MTN 0.975% 10/18		09/10/2010	Citigroup Global Markets		1,763,200	2,000,000	3,141	1FE
693476-BJ-1	PNC Funding corp 5.125% 02/08/20		07/28/2010	BA Securities		2,111,740	2,000,000	49,542	1FE
81375W-DS-2	Securitized Asset Backed Rec SABR 2005-F		09/24/2010	Bankamerica		2,447,836	2,511,056	130	1Z*
92976B-HJ-4	Wachovia Bank Commercial Mort. WBCMT 200		09/14/2010	Nomura		660,321	715,795	14	1FE
92976G-AF-8	Wachovia Bank NA 0.622% 03/15/16		09/10/2010	Nomura		1,843,540	2,000,000		1FE
15135U-AB-5	Cenovus Energy Inc 4.500% 09/15/14	A	07/01/2010	Tax Free Exchange		3,056,477	3,000,000	39,375	2FE
3899999 - Total - Bonds - Industrial, Misc.						37,298,840	38,866,870	114,610	XXX
8399997 - Total - Bonds - Part 3						108,672,570	106,024,556	282,166	XXX
8399999 - Total - Bonds						108,672,570	106,024,556	282,166	XXX
8999999 - Total - Preferred Stocks							XXX		XXX
9799999 - Total - Common Stocks							XXX		XXX
9899999 - Total - Preferred and Common Stocks							XXX		XXX
9999999 - Totals						108,672,570	XXX	282,166	XXX

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

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi-fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Desig-nation or Market Indicator (a)
31339X-2M-5	Fed Home Ln Bank 3.875% 06/14/13		09/10/2010	Morgan Stanley & Co		4,424,605	4,100,000	3,914,432	4,007,892		17,364		17,364		4,025,256		399,350	399,350	118,715	06/14/2013	1
3133MT-ZL-5	Fed Hm Ln Bk Bd 4.500% 11/15/12		09/29/2010	Barclays Capital Inc - NY Fins		4,328,364	4,000,000	4,023,040	4,009,431		(2,385)		(2,385)		4,007,046		321,318	321,318	157,500	11/15/2012	1
3133X2-6Y-6	Fed Home Ln Bank 5.130% 05/24/13		09/29/2010	Bankamerica		4,344,834	3,900,000	4,079,166	3,981,970		(17,081)		(17,081)		3,964,889		379,945	379,945	170,060	05/24/2013	1
3134A4-UK-8	Freddie Mac 4.875% 11/15/13		09/29/2010	Various		17,954,144	16,000,000	16,205,312	16,091,151		(16,497)		(16,497)		16,074,654		1,879,490	1,879,490	682,500	11/15/2013	1
3134A4-UM-4	Freddie Mac 4.500% 01/15/14		09/29/2010	Citigroup Global Markets		5,013,464	4,500,000	4,391,661	4,439,695		10,044		10,044		4,449,738		563,725	563,725	244,688	01/15/2014	1
31359M-PF-4	FNMA 4.375% 09/15/12		09/03/2010	Citigroup Global Markets		4,291,944	4,000,000	3,954,000	3,980,118		4,983		4,983		3,985,101		306,843	306,843	172,083	09/15/2012	1
36200A-BE-8	GNMA Pool 595037 6.000% 10/15/32		09/01/2010	Paydown		497	497	512	511		(14)		(14)		497				18	10/15/2032	1
36200A-CW-7	GNMA Pool 595085 6.000% 10/15/32		09/01/2010	Paydown		16,001	16,001	16,476	16,427		(426)		(426)		16,001				712	10/15/2032	1
36200E-TY-7	GNMA Pool 599167 6.000% 12/15/33		09/01/2010	Paydown		1,374	1,374	1,415	1,408		(34)		(34)		1,374				55	12/15/2033	1
36200M-AT-0	GNMA Pool 604018 5.500% 02/15/33		09/01/2010	Paydown		51,020	51,020	52,499	52,380		(1,359)		(1,359)		51,020				1,717	02/15/2033	1
36200M-EN-9	GNMA Pool 604141 6.000% 03/15/33		09/01/2010	Paydown		4,336	4,336	4,465	4,456		(120)		(120)		4,336				176	03/15/2033	1
36200Q-2R-4	GNMA Pool 569684 6.000% 02/15/32		09/01/2010	Paydown		5,560	5,560	5,725	5,712		(151)		(151)		5,560				230	02/15/2032	1
36200R-LX-8	GNMA Pool 570142 6.000% 12/15/31		09/01/2010	Paydown		2,826	2,826	2,910	2,904		(78)		(78)		2,826				116	12/15/2031	1
36200R-XT-4	GNMA Pool 570490 6.000% 12/15/31		09/01/2010	Paydown		40	40	41	41		(1)		(1)		40				2	12/15/2031	1
36200S-US-7	GNMA Pool 571293 6.000% 11/15/31		09/01/2010	Paydown		1,072	1,072	1,104	1,098		(26)		(26)		1,072				38	11/15/2031	1
36201A-PF-9	GNMA Pool 577422 6.000% 01/15/32		09/01/2010	Paydown		655	655	675	673		(18)		(18)		655				24	01/15/2032	1
36201D-AX-0	GNMA Pool 579722 6.000% 08/15/32		09/01/2010	Paydown		5,696	5,696	5,865	5,853		(157)		(157)		5,696				253	08/15/2032	1
36201E-AG-5	GNMA Pool 580607 6.000% 02/15/33		09/01/2010	Paydown		808	808	832	829		(22)		(22)		808				30	02/15/2033	1
36201F-AF-4	GNMA Pool 581506 6.000% 04/15/33		09/01/2010	Paydown		310	310	320	319		(9)		(9)		310				12	04/15/2033	1
36201K-JQ-0	GNMA Pool 585371 6.000% 04/15/32		09/01/2010	Paydown		19,411	19,411	19,987	19,962		(551)		(551)		19,411				681	04/15/2032	1
36201Y-FD-3	GNMA Pool 606864 6.000% 10/15/33		09/01/2010	Paydown		4,202	4,202	4,326	4,320		(119)		(119)		4,202				181	10/15/2033	1
36202F-JQ-0	GNMA II Pool 4771 4.500% 08/20/40		09/01/2010	Paydown		24,185	24,185	25,481			(1,296)		(1,296)		24,185				91	08/20/2040	1
36207E-ND-2	GNMA Pool 429788 6.000% 12/15/33		09/01/2010	Paydown		3,234	3,234	3,330	3,324		(89)		(89)		3,234				116	12/15/2033	1
36210J-HW-1	GNMA Pool 493545 6.000% 03/15/31		09/01/2010	Paydown		1,307	1,307	1,345	1,342		(36)		(36)		1,307				48	03/15/2031	1
36213F-U4-3	GNMA Pool 553303 6.000% 06/15/33		09/01/2010	Paydown		11	11	11	11						11					06/15/2033	1
36213R-2A-4	GNMA Pool 562469 5.000% 02/15/34		09/01/2010	Paydown		113,045	113,045	113,623	113,547		(503)		(503)		113,045				4,206	02/15/2034	1
36213R-ZF-7	GNMA Pool 562442 5.500% 01/15/34		09/01/2010	Paydown		2,920	2,920	3,000	2,987		(67)		(67)		2,920				107	01/15/2034	1
36213T-GW-7	GNMA Pool 563713 6.000% 01/15/33		09/01/2010	Paydown		2,328	2,328	2,397	2,391		(63)		(63)		2,328				98	01/15/2033	1
36213U-EZ-9	GNMA Pool 564552 6.000% 12/15/31		09/01/2010	Paydown		2,490	2,490	2,564	2,551		(61)		(61)		2,490				87	12/15/2031	1
36213V-GN-2	GNMA Pool 565505 6.000% 09/15/32		09/01/2010	Paydown		328	328	338	338		(9)		(9)		328				12	09/15/2032	1
36290X-PM-6	GNMA Pool 620628 6.000% 09/15/33		09/01/2010	Paydown		537	537	553	552		(15)		(15)		537				21	09/15/2033	1
36290X-PT-1	GNMA Pool 620634 6.000% 09/15/33		09/01/2010	Paydown		560	560	576	576		(16)		(16)		560				22	09/15/2033	1
36290Y-TN-8	GNMA Pool 621657 6.000% 12/15/33		09/01/2010	Paydown		9	9	10	10						9					12/15/2033	1

SCHEDULE D - PART 4

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

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
										11	12	13	14	15							
CUSIP Identi- fication	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/Stock Dividends Received During Year	Maturity Date	NAIC Desig- nation or Market Indicator (a)
36291C-PV-1	GNMA Pool 624236 6.000% 12/15/33		09/01/2010	Paydown		95	95	98	98		(3)		(3)		95				4	12/15/2033	1
36291E-AD-3	GNMA Pool 625604 6.000% 12/15/33		09/01/2010	Paydown		1,322	1,322	1,362	1,360		(37)		(37)		1,322				59	12/15/2033	1
36291E-AV-3	GNMA Pool 625620 6.000% 12/15/33		09/01/2010	Paydown		21	21	21	21		(1)		(1)		21				1	12/15/2033	1
36296X-H8-0	GNMA POOL 704155 5.500% 01/15/39		09/01/2010	Paydown		852,346	852,346	878,715	878,308		(25,962)		(25,962)		852,346				32,357	01/15/2039	1
0399999 - Bonds - U.S. Governments						41,475,901	37,618,546	37,718,187	37,634,566		(34,815)		(34,815)		37,625,230		3,850,671	3,850,671	1,587,020	XXX	XXX
31359S-2G-4	Fanniemae Whole Loan NW 2001-W1 AF6 6		09/01/2010	Paydown		8,172	8,172	8,484	8,930		(758)		(758)		8,172				357	12/25/2030	1
31387C-M3-2	FNMA Pool No 580078 7.000% 09/01/31		09/01/2010	Paydown		652	652	670	668		(17)		(17)		652				34	09/01/2031	1
31394D-EA-4	Fannie Mae 2005-22 KJ 5.000% 07/25/33		09/01/2010	Paydown		383,774	383,774	403,682			(19,908)		(19,908)		383,774				6,680	08/25/2014	1
31402D-F7-0	FNMA Pool 725690 6.000% 08/01/34		09/01/2010	Paydown		649,810	649,810	671,487	670,278		(20,468)		(20,468)		649,810				26,020	08/01/2034	1
31402D-PT-1	FNMA Pool 725934 5.000% 11/01/19		09/01/2010	Paydown		684,230	684,230	727,101			(42,871)		(42,871)		684,230				8,669	11/01/2019	1
31405R-AR-7	FNMA Pool 796616 5.500% 10/01/34		09/01/2010	Paydown		531,755	531,755	539,939	539,399		(7,644)		(7,644)		531,755				20,080	10/01/2034	1
31407U-EK-9	FNMA Pool 840838 5.500% 11/01/35		09/01/2010	Paydown		442,615	442,615	436,944	437,075		5,540		5,540		442,615				15,928	11/01/2035	1
60535R-AG-3	Mississippi Home Corp Hsg Rev 5.200% 1		09/15/2010	Various			40,000	2							2		(2)	(2)		12/01/2023	4Z
60535R-AH-1	Mississippi Home Corp Hsg Rev 5.300% 1		08/06/2010	Direct Issue			30,000	2							2		(2)	(2)		12/01/2028	4Z
3199999 - Total - Bonds - U.S. Special Revenue and Special Assessment and all Non-Guaranteed Obligations of...						2,701,008	2,771,008	2,788,311	1,656,350		(86,126)		(86,126)		2,701,012		(4)	(4)	77,768	XXX	XXX
00209A-AF-3	AT&T Wireless Svcs Inc 8.750% 03/01/31		09/02/2010	Taxable Exchange		877,555	600,000	846,996	823,450		(3,670)		(3,670)		819,779		57,776	57,776	52,500	03/01/2031	1FE
03062X-AD-8	AmeriCredit Automobile Rec. Series 2006-		09/06/2010	Paydown		287,868	287,868	287,798	287,850		18		18		287,868				10,000	09/06/2013	2FE
03072S-LD-5	Ameriquest Mortgage Securities 2003-IA1		09/01/2010	Paydown		128,570	128,570	128,570	128,570						128,570				4,323	11/25/2033	1Z*
04650N-AA-2	AT&T Inc Series 144A 5.350% 09/01/40		09/03/2010	Corporate Action		62	62	62							62					09/01/2040	1FE
09774X-AK-8	Bombardier Capital Mortgage Se 1998-B M1		08/01/2010	Paydown				36,797	36,128		(36,128)		(36,128)						6,601	03/15/2026	6FE
369550-AL-2	General Dynamics 4.500% 08/15/10		08/15/2010	Maturity		1,500,000	1,500,000	1,502,400	1,500,213		(213)		(213)		1,500,000				67,500	08/15/2010	1FE
38143U-AW-1	Goldman Sachs Group Inc 5.000% 10/01/1		08/18/2010	Goldman Sachs		1,556,213	1,450,000	1,449,101	1,449,460		90		90		1,449,550		106,663	106,663	64,847	10/01/2014	1FE
437076-AM-4	Home Depot Inc 4.625% 08/15/10		08/15/2010	Maturity		675,000	675,000	671,895	674,541		459		459		675,000				31,219	08/15/2010	2FE
64952W-AE-3	New York Life Global FDG 144 A 4.625%		08/16/2010	Maturity		3,000,000	3,000,000	2,993,070	2,998,901		1,099		1,099		3,000,000				138,750	08/16/2010	1FE
828807-CB-1	Simon Property Group LP Series Callable		08/16/2010	Corporate Action		4,659,040	4,000,000	4,441,080			(22,911)		(22,911)		4,418,169		240,871	240,871	69,000	05/15/2014	1FE
949746-MZ-1	Wells Fargo & Co 4.625% 08/09/10		08/09/2010	Maturity		4,000,000	4,000,000	3,992,400	3,998,807		1,193		1,193		4,000,000				185,000	08/09/2010	1FE
15135U-AA-7	Cenovus Energy Inc Series 144A 4.500%	A	07/01/2010	Tax Free Exchange		3,056,477	3,000,000	3,065,820	3,062,575		(6,098)		(6,098)		3,056,477				105,750	09/15/2014	2FE
3899999 - Bonds - Industrial and Miscellaneous						19,740,785	18,641,500	19,415,989	14,960,495		(66,161)		(66,161)		19,335,475		405,310	405,310	735,490	XXX	XXX
8399997 - Bonds - Part 4						63,917,694	59,031,054	59,922,487	54,251,411		(187,102)		(187,102)		59,661,717		4,255,977	4,255,977	2,400,278	XXX	XXX
8399999 - Total - Bonds						63,917,694	59,031,054	59,922,487	54,251,411		(187,102)		(187,102)		59,661,717		4,255,977	4,255,977	2,400,278	XXX	XXX
8999999 - Total - Preferred Stocks							XXX													XXX	XXX
9799999 - Total - Common Stocks							XXX													XXX	XXX
9899999 - Total - Preferred and Common Stocks							XXX													XXX	XXX
9999999 Totals						63,917,694	XXX	59,922,487	54,251,411		(187,102)		(187,102)		59,661,717		4,255,977	4,255,977	2,400,278	XXX	XXX

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

Schedule DB - Part A - Section 1

NONE

Sch. DB - Pt. A - Sn. 1 - Footnote (a)

NONE

Schedule DB - Part B - Section 1

NONE

Sch. DB - Pt. B - Sn. 1 - Footnotes

NONE

Schedule DB - Part D

NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
					6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*
J.P. Morgan Chase Bank New York, NY					3,456,483	4,411,155	4,775,388	XXX
U.S. Bank N.A. Washington D.C.							1,580	XXX
0199998 Deposits in .... depositories that do not exceed the allowable limit in any one depository (see Instructions) - Open Depositories	XXX	XXX						XXX
0199999 Totals - Open Depositories	XXX	XXX			3,456,483	4,411,155	4,776,968	XXX
0399999 Total Cash on Deposit	XXX	XXX			3,456,483	4,411,155	4,776,968	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX	293	370	374	XXX
0599999 Total	XXX	XXX			3,456,776	4,411,525	4,777,342	XXX

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

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

NONE