

ASSURED GUARANTY LTD
Form DEF 14A
March 22, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Assured Guaranty Ltd.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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DEAR SHAREHOLDERS:

March 23, 2017

It is with great pleasure that we invite you to our 2017 Annual General Meeting of shareholders on Wednesday, May 3, 2017, at 6 Bevis Marks in London. Whether or not you plan to attend the meeting in person, please vote your shares; your vote is important to us.

Assured Guaranty's 2016 financial performance was excellent. Our shareholders' equity per share, non-GAAP operating shareholder's equity per share and non-GAAP adjusted book value per share¹ all reached record levels, at \$50.82, \$49.89 and \$66.46, respectively. Our net income, at \$881 million, was at its third highest level since we went public in 2004, while our operating income (non-GAAP)¹, at \$895 million, was at its highest level since we went public. These records reflect the great strides we continued to make on our four main strategies:

Growing our new business production. Our gross written premium, at \$154 million, was the second highest in four years, while our premium production (PVP)¹, a non-GAAP financial measure we use to measure our new business production, was at \$214 million and the highest it has been in that period. All three of our business lines again contributed to our premium production. As the leading financial guarantor in the market today, we believe we are well positioned for growth when interest rates normalize.

Managing capital efficiently. During 2016, we returned to our shareholders approximately \$375 million through purchases of our common shares and dividend payments. We also obtained regulatory approval for our subsidiary Assured Guaranty Municipal Corp. to redeem \$300 million of its common stock from its parent; we will use those funds predominantly to repurchase more of our common shares.

Alternative strategies. In 2016, we purchased the parent of financial guaranty insurer CIFG Assurance North America, Inc., resulting in an initial net gain of \$259 million. We agreed to purchase the European operating subsidiary of MBIA Insurance Corporation, and we closed that acquisition in 2017. We also formed a group to evaluate alternative investments in order to locate opportunities we believe to be accretive for our shareholders.

Proactive loss mitigation. We continued to manage our exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations, including by actively lobbying Congress on the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) legislation. We also continued to manage all other risks within our insured portfolio and reduced our below investment grade exposure by 14%.

We provide further detail about our accomplishments and plans for the future in the Letter to Shareholders accompanying our 2016 Annual Report. We encourage you to review that letter and our 2016 Annual Report, as well as the Proxy Statement that follows this letter.

We look forward to seeing you at the meeting.

Sincerely,

Francisco L. Borges
Chairman of the Board

Dominic J. Frederico
President and Chief Executive Officer

¹ Non-GAAP operating shareholder's equity per share, non-GAAP adjusted book value per share, operating income (non-GAAP) and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found

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on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

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March 23, 2017

Hamilton, Bermuda

NOTICE OF ANNUAL

GENERAL MEETING

TO THE SHAREHOLDERS OF ASSURED GUARANTY LTD.:

The Annual General Meeting of Assured Guaranty Ltd., which we refer to as AGL, will be held on Wednesday, May 3, 2017, at 8:00 a.m. London Time, at 6 Bevis Marks, London, EC3A 7BA, United Kingdom, for the following purposes:

- 1. To elect our board of directors;**
- 2. To approve, on an advisory basis, the compensation paid to AGL's named executive officers;**
- 3. To approve, on an advisory basis, the frequency of the advisory vote on the compensation paid to AGL's named executive officers;**
- 4. To appoint PricewaterhouseCoopers LLP as AGL's independent auditor for the fiscal year ending December 31, 2017, and to authorize the Board of Directors, acting through its Audit Committee, to set the fees for the independent auditor;**
- 5. To direct AGL to vote for directors of, and the appointment of the independent auditor for, its subsidiary Assured Guaranty Re Ltd.; and**
- 6. To transact such other business, if any, as lawfully may be brought before the meeting.**

Shareholders of record are being mailed a Notice Regarding the Availability of Proxy Materials on or around March 24, 2017, which provides shareholders with instructions on how to access the proxy materials and our 2016 annual report on the Internet, and if they prefer, how to request paper copies of these materials.

Only shareholders of record, as shown by the transfer books of AGL, at the close of business on March 8, 2017, are entitled to notice of, and to vote at, the Annual General Meeting.

SHAREHOLDERS OF RECORD MAY VOTE UP UNTIL 12:00 NOON EASTERN DAYLIGHT TIME ON MAY 2, 2017. BENEFICIAL OWNERS MUST SUBMIT THEIR VOTING INSTRUCTIONS SO THAT THEIR BROKERS WILL BE ABLE TO VOTE BY 11:59 P.M. EASTERN DAYLIGHT TIME ON MAY 1, 2017.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL GENERAL MEETING IN PERSON AND REGARDLESS OF THE NUMBER OF SHARES YOU OWN, PLEASE VOTE AS PROMPTLY AS POSSIBLE VIA THE INTERNET OR BY TELEPHONE. ALTERNATIVELY, IF YOU HAVE REQUESTED WRITTEN PROXY MATERIALS, PLEASE SIGN, DATE AND RETURN THE PROXY CARD IN THE RETURN ENVELOPE PROVIDED AS PROMPTLY AS POSSIBLE. IF YOU LATER DESIRE TO REVOKE YOUR PROXY FOR ANY REASON, YOU MAY DO SO IN THE MANNER DESCRIBED IN THE ATTACHED PROXY STATEMENT. FOR FURTHER INFORMATION CONCERNING THE INDIVIDUALS NOMINATED AS DIRECTORS, THE PROPOSALS BEING VOTED UPON, USE OF THE PROXY AND OTHER RELATED MATTERS, YOU ARE URGED TO READ THE ATTACHED PROXY STATEMENT.

By Order of the Board of Directors,

James M. Michener

Secretary

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Assured Guaranty Ltd.

March 23, 2017

SUMMARY

This summary highlights information contained elsewhere in this proxy statement and does not contain all of the information that you should consider before voting. For more complete information about the following topics, please review the complete proxy statement and the Annual Report on Form 10-K of Assured Guaranty Ltd. (which we refer to as AGL, we, us or our; we use Assured Guaranty, our Company or the Company to refer to AGL and its subsidiaries).

We intend to begin distribution of the Notice Regarding the Availability of Proxy Materials to shareholders on or about March 24, 2017.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

Time and Date 8:00 a.m. London time, May 3, 2017

Place 6 Bevis Marks

London, EC3A 7BA

United Kingdom

Record Date March 8, 2017

Voting Shareholders as of the record date are entitled to vote. Each Common Share is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on. Shareholders of record may vote up until 12:00 noon Eastern Daylight Time on May 2, 2017. Beneficial owners must submit their voting instructions so that their broker will be able to vote by 11:59 p.m. Eastern Daylight Time on May 1, 2017. In spite of deadlines, holders who attend the Annual General Meeting will be able to vote in person.

Agenda Item	Board Vote Recommendation	Page Reference (for More Detail)
Election of directors	For each director nominee	Page 12
To approve, on an advisory basis, the compensation paid to AGL's named executive officers	For	Page 60
To approve, on an advisory basis, the frequency of the advisory vote on the compensation paid to AGL's named executive officers	For one year	Page 61
	For	Page 62

Appointment of PricewaterhouseCoopers as AGL's independent auditor for 2017

Direction of AGL to vote for directors of, and the appointment of the independent auditor of, AGL's subsidiary, Assured Guaranty Re Ltd.

For each director nominee and for the independent auditor

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We will also transact any other business that may properly come before the meeting.



2017 Proxy Statement

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The following table provides summary information about each director nominee. Each director nominee will be elected for a one-year term by a majority of votes cast.

Nominee	Age	Director Since	Principal Occupation	Committees					
				A	C	F	NG	RO	E
Francisco L. Borges	65	2007	Chairman, Landmark Partners, LLC				«		«
G. Lawrence Buhl	70	2004	Former Regional Director for Insurance Services, Ernst & Young LLP	«					
Dominic J. Frederico	64	2004	President and Chief Executive Officer, Assured Guaranty Ltd.						
Bonnie L. Howard	63	2012	Former Chief Auditor and Global Head of Control and Emerging Risk, Citigroup						«
Thomas W. Jones	67	2015	Founder and Senior Partner of TWJ Capital, LLC						
Patrick W. Kenny	74	2004	Former President and Chief Executive Officer, International Insurance Society		«				
Alan J. Kreczko	65	2015	Former Executive Vice President and General Counsel of The Hartford Financial Services Group, Inc.						
Simon W. Leathes	69	2013	Independent non-executive director of HSBC Bank plc						

	Michael T. O Kane	71	2005	Former Senior Managing Director, Securities Division, TIAA CREF	«
	Yukiko Omura	61	2014	Former Undersecretary General and Vice President, International Fund for Agricultural Development	

2016 Meetings 4 5 4 4 4 1

A: Audit; C: Compensation; F: Finance; NG: Nominating and Governance; RO: Risk Oversight; E: Executive;

«: Chair; : Member

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CORPORATE GOVERNANCE

OVERVIEW

THE BOARD OF DIRECTORS

Our Board of Directors maintains strong corporate governance policies.

The Board and management have reviewed the rules of the Securities and Exchange Commission (which we refer to as the SEC) and the New York Stock Exchange (which we refer to as the NYSE) listing standards regarding corporate governance policies and processes, and we are in compliance with the rules and listing standards.

We have adopted Corporate Governance Guidelines covering issues such as director qualification standards (including independence), director responsibilities, Board self-evaluations, and executive sessions of the Board.

Our Corporate Governance Guidelines contain our Categorical Standards for Director Independence.

We have adopted a Code of Conduct for our employees and directors and charters for each Board committee. The full text of our Corporate Governance Guidelines, our Code of Conduct and each committee charter, are available on our website at assuredguaranty.com/governance. In addition, you may request copies of the Corporate Governance Guidelines, the Code of Conduct and the committee charters by contacting our Secretary via:

Telephone (441) 279-5702
Facsimile (441) 279-5701
e-mail jmichener@agltd.com

MEETINGS OF THE BOARD

Our Board of Directors oversees our business and monitors the performance of management. The directors keep themselves up-to-date on our Company by discussing matters with Mr. Frederico, who is our Chief Executive Officer (and whom we refer to as our CEO), other key executives and our principal external advisors, such as outside auditors, outside legal counsel, investment bankers and other consultants, by reading the reports and other materials that we send them regularly and by participating in Board and committee meetings.

The Board usually meets four times per year in regularly scheduled meetings, but will meet more often if necessary. During 2016, the Board met five times and the Executive Committee (described below under Other Corporate Governance Highlights) met once. All of our directors attended at least 75% of the aggregate number of meetings of the Board and committees of the Board of which they were a member held while they were in office during the year ended December 31, 2016, except for Mr. Jones, who attended 67% of such meetings due to previously scheduled business travel that conflicted with one regularly scheduled Board meeting and one special Board meeting, and Mr. Leathes, who attended 60% of such meetings due to health reasons. Mr. Jones' conflict with the regularly scheduled Board meeting was disclosed and considered before he joined the Board. Both Mr. Jones and Mr. Leathes

expect to attend all meetings in 2017.

DIRECTOR INDEPENDENCE

In February 2017, our Board determined that, other than our CEO Mr. Frederico, all of our directors are independent under the listing standards of the NYSE. These independent directors constitute substantially more than a majority of our Board. In making its determination of independence, the Board applied its Categorical Standards for Director Independence and determined that no other material relationships existed between our Company and these directors. A copy of our Categorical Standards for Director Independence is available as part of our Corporate Governance Guidelines, which are available on our website at assuredguaranty.com/governance. In addition, as part of the independence determination, our Board monitors the independence of Audit and Compensation Committee members under rules of the SEC and NYSE listing standards that are applicable to members of the audit committee and compensation committee.

As part of its independence determinations, the Board considered the other directorships held by the independent directors and determined that none of these directorships constituted a material relationship with our Company.

DIRECTOR EXECUTIVE SESSIONS

The independent directors meet at regularly scheduled executive sessions without the participation of management. The Chairman of the Board is the presiding director for executive sessions of independent directors.

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OTHER CORPORATE GOVERNANCE HIGHLIGHTS

Our Board has a substantial majority of independent directors.

All members of the Audit, Compensation, Nominating and Governance, Finance, and Risk Oversight Committees are independent directors.

Our Audit Committee recommends to the Board, which recommends to the shareholders, the annual appointment of our independent auditor. Each year our shareholders are asked to authorize the Board, acting through its Audit Committee, to determine the compensation of, and the scope of services performed by, our independent auditor. The Audit Committee also has the authority to retain outside advisors.

No member of our Audit Committee simultaneously serves on the audit committee of more than one other public company.

Our Compensation Committee has engaged a compensation consultant, Frederic W. Cook & Co., Inc., which we refer to as Cook, to assist it in evaluating the compensation of our CEO, based on corporate goals and objectives and, with the other independent directors, setting his compensation based on this evaluation. Cook has also assisted us in designing our executive compensation program. The Compensation Committee has conducted an assessment of Cook's independence and has determined that Cook does not have any conflict of interest.

We established an Executive Committee to exercise certain authority of the Board in the management of company affairs between regularly scheduled meetings of the Board when it is determined that a specified matter should not be postponed to the next scheduled meeting of the Board. Our Executive Committee met once in 2016, to approve our purchase of the parent of CIFG Assurance North America, Inc.

We have adopted a Code of Conduct applicable to all directors, officers and employees that sets forth basic principles to guide their day-to-day activities. The Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations, including insider trading laws, and reporting illegal or unethical behavior. In addition to AGL's quarterly Board meetings, our Board has an annual business review meeting to assess specific areas of our Company's operations and to learn about general trends affecting the financial guaranty industry. We also provide our directors with the opportunity to attend continuing education programs.

HOW ARE DIRECTORS NOMINATED?

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

Reviews the qualifications of potential nominees to determine whether they might be good candidates for membership on the Board of Directors

Reviews the potential nominees' judgment, experience, independence, understanding of our business or other related industries and such other factors as it determines are relevant in light of the needs of the Board of Directors and our Company

Selects qualified candidates and reviews its recommendations with the Board of Directors, which will decide whether to nominate the person for election to the Board of Directors at an Annual General Meeting of Shareholders (which we refer to as an Annual General Meeting). Between Annual General Meetings, the Board, upon the recommendation of the Nominating and Governance Committee, can fill vacancies on the Board by appointing a director to serve until the next Annual General Meeting.

The Nominating and Governance Committee has the authority to retain search firms to be used to identify director candidates and to approve the search firm's fees and other retention terms. The Nominating and Governance Committee may also retain other advisors.

We believe that diversity among members of the Board is an important consideration and is critical to the Board's ability to perform its duties and various roles. Accordingly, in recommending nominees, the Board considers a wide range of individual perspectives and backgrounds in addition to diversity in professional experience and training. Our Board is currently composed of individuals from different disciplines, including lawyers, accountants and individuals who have industry, finance, executive and international experience, and is composed of both men and women and citizens of the United States, the United Kingdom and Japan. Our Corporate Governance Guidelines address diversity of experience, requiring the Nominating and Governance Committee to review annually the skills and attributes of Board members within the context of the current make-up of the full Board. Our Corporate Governance Guidelines also provide that Board members should have individual backgrounds that when combined provide a portfolio of experience and knowledge that will serve our governance and strategic needs. The Nominating and Governance Committee will consider Board candidates on the basis of a range of criteria including broad-based business knowledge and contacts, prominence and sound reputation in their fields as well as having a global business perspective and commitment to good corporate citizenship. Our Corporate Governance Guidelines specify that directors should represent all shareholders and not any

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How are Directors Nominated?

special interest group or constituency. The Nominating and Governance Committee annually reviews its own performance. In connection with such evaluation, the Nominating and Governance Committee assesses whether it effectively nominates candidates for director in accordance with the above described standards specified by the Corporate Governance Guidelines. See each nominee's biography appearing later in this proxy statement for a description of the specific experience that each such individual brings to our Board.

Our Corporate Governance Guidelines additionally specify that directors should be able and prepared to provide wise and thoughtful counsel to top management on the full range of potential issues facing us. Directors must possess the highest personal and professional integrity. Directors must have the time necessary to fully meet their duty of due care to the shareholders and be willing to commit to service over the long term.

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

If a shareholder desires to nominate a person for election as director at an Annual General Meeting, that shareholder must comply with Article 14 of AGL's By-Laws, which requires notice no later than 90 days prior to the anniversary date of the immediately preceding Annual General Meeting. This time period has passed with respect to the 2017 Annual General Meeting. With respect to the 2018 Annual General Meeting, AGL must receive such written notice on or prior to February 2, 2018. Such notice must describe the nomination in sufficient detail to be summarized on the agenda for the meeting and must set forth:

the shareholder's name as it appears in AGL's books

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

the class and number of shares beneficially owned by the shareholder

the name and address of any person to be nominated

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

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

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

COMMITTEES OF THE BOARD

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

The Audit Committee

Chairman: G. Lawrence Buhl / 4 meetings during 2016

Other Audit Committee members: Thomas W. Jones, Alan J. Kreczko, Michael T. O Kane

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

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

The Board has determined that each member of the Audit Committee satisfies the financial literacy requirements of the NYSE and, except for Mr. Kreczko, is an audit committee financial expert, as that term is defined under Item 407(d) of the SEC's Regulation S-K. For additional information about the qualifications of the Audit Committee members, see their respective biographies set forth in Proposal No. 1: Election of Directors.

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The Compensation Committee Chairman: Patrick W. Kenny / 5 meetings during 2016

Other Compensation Committee members: G. Lawrence Buhl, Simon W. Leathes

The Compensation Committee has responsibility for evaluating the performance of the CEO and senior management and determining executive compensation in conjunction with the independent directors. The Compensation Committee also works with the Nominating and Governance Committee and the CEO on succession planning.

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

The Compensation Committee's meetings included discussions with Cook to review executive compensation trends and peer group compensation data and to evaluate the risk of our executive compensation program.

The Finance Committee Chairman: Michael T. O Kane / 4 meetings during 2016

Other Finance Committee members: Thomas W. Jones, Alan J. Kreczko, Yukiko Omura

The Finance Committee of the Board of Directors oversees management's investment of our Company's investment portfolio. The Finance Committee also oversees, and makes recommendations to the Board with respect to, our capital structure, dividends, financing arrangements, investment guidelines and any corporate development activities.

The Nominating and Governance Committee Chairman: Francisco Borges / 4 meetings during 2016

Other Nominating and Governance Committee members: Bonnie L. Howard, Patrick W. Kenny

The responsibilities of the Nominating and Governance Committee include identifying individuals qualified to become Board members, recommending director nominees to the Board and developing and recommending corporate governance guidelines. The Nominating and Governance Committee also has responsibility to review and make recommendations to the full Board regarding director compensation. In addition to general corporate governance matters, the Nominating and Governance Committee assists the Board and the Board committees in their self-evaluations. The Nominating and Governance Committee is composed entirely of directors who are independent of our Company and management, as defined by the NYSE listing standards.

The Risk Oversight Committee Chairman: Bonnie L. Howard / 4 meetings during 2016

Other Risk Oversight Committee members: Simon W. Leathes, Yukiko Omura

The Risk Oversight Committee oversees management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and enterprise risk management. The Risk Oversight Committee focuses on both the underwriting and surveillance of credit risks and the assessment and management of other risks, including, but not limited to, financial, legal, operational and other risks concerning our Company's reputation and ethical standards.

The Executive Committee

Chairman: Francisco L. Borges / 1 meeting during 2016

Other Executive Committee members: Dominic J. Frederico, Patrick W. Kenny, Simon W. Leathes

The Executive Committee was established to have, and to exercise, certain of the powers and authority of the Board in the management of the business and affairs of our Company between regularly scheduled meetings of the Board when, in the opinion of a quorum of the Executive Committee, a matter should not be postponed to the next scheduled meeting of the Board. The Executive Committee's authority to act is limited by our Company's Bye-Laws, rules of the NYSE and applicable law and regulation and the Committee's charter.

HOW ARE DIRECTORS COMPENSATED?

Our non-management directors receive an annual retainer of \$240,000 per year. We pay \$120,000 of the retainer in cash and \$120,000 of the retainer in restricted stock. A director may elect to receive up to his or her entire annual retainer (plus the additional amounts described below) in restricted stock.

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How are Directors Compensated?

The restricted stock vests on the day immediately prior to the next Annual General Meeting following the grant of the stock. However, if, prior to such vesting date, either (i) a change in control (as defined in the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, as amended) of Assured Guaranty Ltd. occurs before the director terminates service on the Board or (ii) the director terminates service on the Board as a result of such director's death or disability, then the restricted stock will vest on the date of such change in control or the date of the director's termination of service, whichever is applicable. Grants of restricted stock receive cash dividends and have voting rights; the cash dividends accrue during the vesting period and are paid upon vesting.

Our share ownership guidelines require that each director own the greater of (i) at least 25,000 Common Shares or (ii) Common Shares with a market value of at least three times the maximum cash portion of the annual director retainer, before being permitted to dispose of any shares acquired as compensation from our Company. Once a director has reached the share ownership guideline, for so long as he or she serves on the Board, such director may not dispose of any Common Shares if such disposition would cause the director to be below the share ownership guideline. Common Shares that had been restricted but subsequently vested and purchased Common Shares count toward the share ownership guideline. Our five longest serving directors meet our share ownership guidelines. Our five newer Board members (Ms. Howard, who joined the Board in August 2012; Mr. Leathes, who joined the Board in May 2013; Ms. Omura, who joined the Board in May 2014; and Messrs. Jones and Kreczko, who joined the Board in August 2015) are accumulating Common Shares toward their ownership goals.

In 2016, the committee fees were the same as those established by the Nominating and Governance Committee in 2015, except that Mr. Borges agreed to forgo an additional fee as the Chairman of the Nominating and Governance Committee due to the substantial overlap between that position and his position as the Chairman of the Board.

Specifically:

The Chairman of the Board receives an additional \$125,000 annual retainer.

The Chairman of each of the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receives an additional \$30,000 annual retainer.

Members, other than the chairman, of each of the Audit Committee, the Compensation Committee, the Nominating and Governance Committee, the Finance Committee and the Risk Oversight Committee receive an additional \$15,000 annual retainer.

The Company generally will not pay a fee for attendance at Board or committee meetings, although the Chairman of the Board has the discretion to pay attendance fees of \$2,000 for extraordinary or special meetings. In 2016, the Board held one special meeting but the directors did not receive an attendance fee for such meeting. We do not pay a fee for

being a member, or attending meetings, of the Executive Committee.

The following table sets forth our 2016 non-management director compensation, which was paid in May 2016, including the compensation for the directors' committee assignments as of such date.

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	All Other Compensation ⁽²⁾	Total
Francisco L. Borges ⁽³⁾	\$ 245,000	\$ 120,000	\$ 10,000	\$ 375,000
G. Lawrence Buhl	\$ 165,000	\$ 120,000	\$ 16,352	\$ 301,352
Stephen A. Cozen ⁽⁴⁾				
Bonnie L. Howard	\$ 165,000	\$ 120,000	\$ 14,957	\$ 299,957
Thomas W. Jones	\$ 150,000	\$ 120,000	\$ 16,203	\$ 286,203
Patrick W. Kenny ⁽⁵⁾	\$ 165,000	\$ 120,000	\$ 19,979	\$ 304,979
Alan J. Kreczko ⁽⁶⁾	\$ 150,000	\$ 120,000	\$ 27,605	\$ 297,605
Simon W. Leathes ⁽⁷⁾	\$ 217,584	\$ 120,000	\$ 614	\$ 338,198
Michael T. O Kane	\$ 165,000	\$ 120,000	\$ 17,261	\$ 302,261
Yukiko Omura	\$ 150,000	\$ 120,000		\$ 270,000

(1) Represents grant date fair value, rounded to the nearest \$1,000.

(2) Other compensation consists of matching gift donations which were paid to eligible charities in 2016, reimbursement of business-related spousal travel paid in 2016 and personal use of our corporate apartment during 2016.

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- (3) Mr. Borges elected to receive the entire cash component of his compensation as restricted stock.
- (4) Mr. Cozen retired from our Board in May 2016 and did not receive any fees or stock awards in May 2016. His director compensation paid in May 2015 included \$41,250 in cash and \$30,000 of Common Shares for a total of \$71,250 related to fiscal year 2016.
- (5) Mr. Kenny elected to receive \$30,000 of the cash component of his compensation as restricted stock and the remaining \$135,000 in cash.
- (6) Mr. Kreczko elected to receive the entire cash component of his compensation as restricted stock.
- (7) The fees for Mr. Leathes include £55,000 (which was approximately \$67,584 as of December 30, 2016) for serving as an independent director of our U.K. insurance subsidiaries, Assured Guaranty (UK) Ltd. and Assured Guaranty (Europe) Ltd.

In February 2017, the Nominating and Governance Committee approved Mr. Leathes receiving £15,000 of additional director's fees for 2017 to compensate him for the time commitment that will be required during the calendar year to serve as an independent director of our newly acquired subsidiary Assured Guaranty (London) Ltd., and to review as a director of such subsidiary matters related to the planned combination of our U.K. insurance subsidiaries and our newly acquired subsidiary CIFG Europe S.A., which ultimately would result in a single U.K. subsidiary and a more efficient corporate and capital structure. Any such combination will be subject to regulatory and court approvals; as a result, we cannot predict when, or if, such a combination will be completed.

The following table shows information related to director equity awards outstanding on December 31, 2016:

Name	Unvested Restricted Stock ⁽¹⁾	Vested Restricted Share Units ⁽²⁾	Vested Stock Options
Francisco L. Borges	14,275	6,985	7,658
G. Lawrence Buhl	4,693	15,821	7,026
Bonnie L. Howard	4,693		
Thomas W. Jones	4,693		
Patrick W. Kenny	5,866	27,080	13,561
Alan J. Kreczko	10,559		
Simon W. Leathes	4,693		
Michael T. O Kane	4,693	16,654	7,026

Yukiko Omura	4,693
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- (1) Vests one day prior to the 2017 Annual General Meeting.
- (2) When Mr. Borges, Mr. Buhl, Mr. Kenny and Mr. O Kane received restricted stock units (RSUs) prior to 2009 as part of their annual retainer, the RSUs entitled the directors to a distribution of one Common Share in settlement of each such RSU; the shares were originally scheduled to be delivered on the six-month anniversary of the date the recipient ceased to be a director. Following the passage of Section 457A of the Internal Revenue Code of 1986, as amended (which we refer to as the IRC), in 2008, as permitted by such law, we amended the RSUs in 2009 to vest effective as of the end of 2008 and for their full value to be grandfathered amounts that related to services performed prior to January 1, 2009. Because Section 457A requires such amounts be included in income no later than 2017, we had also amended the RSUs to entitle the directors to a distribution in settlement of such RSUs at the beginning of 2017. We settled the RSUs of Mr. Borges, Mr. Buhl, Mr. Kenny and Mr. O Kane on January 6, 2017, with 50% of the RSUs paid in Common Shares and the remaining 50% paid in a cash amount equal to \$38.73 (which was the fair market value of one of our Common Shares on the settlement date) per RSU.

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What is Our Board Leadership Structure?

WHAT IS OUR BOARD LEADERSHIP STRUCTURE?

Our current Chairman of the Board is Francisco L. Borges. The position of CEO is held by Dominic Frederico.

While the Board has no fixed policy with respect to combining or separating the offices of Chairman of the Board and CEO, those two positions have been held by separate individuals since our 2004 initial public offering. We believe this is the appropriate leadership structure for us at this time. Mr. Borges and Mr. Frederico have had an excellent working relationship, which has continued to permit Mr. Frederico to focus on running our business and Mr. Borges to focus on Board matters, including oversight of our management. Mr. Borges and Mr. Frederico collaborate on setting agendas for Board meetings to be sure that the Board discusses the topics necessary for its oversight of the management and affairs of our Company. As Chairman of the Board, Mr. Borges sets the final Board agenda and chairs Board meetings, including executive sessions at which neither the CEO nor any other member of management is present. The Chairman of the Board also chairs our Annual General Meetings.

HOW DOES THE BOARD OVERSEE RISK?

The Board's role in risk oversight is consistent with our leadership structure, with the CEO and other members of senior management having responsibility for assessing and managing risk exposure and the Board and its committees providing oversight in connection with these activities. Our Company's policies and procedures relating to risk assessment and risk management are overseen by our Board. The Board takes an enterprise-wide approach to risk management that is designed to support our business plans at a reasonable level of risk. A fundamental part of risk assessment and risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us. The Board annually approves our business plan, factoring risk management into account. The involvement of the Board in setting our business strategy is a key part of its assessment of management's risk tolerance and also a determination of what constitutes an appropriate level of risk for us.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board also have responsibility for risk assessment and risk management. As discussed under Committees of the Board, the Board has created a Risk Oversight Committee that oversees the standards, controls, limits, guidelines and policies that our Company establishes and implements in respect of credit underwriting and risk management. It focuses on management's assessment and management of both (i) credit risks and (ii) other risks, including, but not limited to, financial, legal and operational risks, and risks relating to our reputation and ethical standards. Our Risk Oversight Committee and Board pay particular attention to credit risks we assume when we issue financial guaranties. In addition, the Audit Committee of the Board of Directors is responsible for reviewing policies and processes related to the evaluation of risk assessment and risk management, including our major financial risk exposures and the steps management has taken to monitor and control such exposures. It also reviews compliance with legal and regulatory requirements. The Finance Committee of the Board of Directors oversees the investment of the Company's investment portfolio and the Company's capital structure, financing arrangements and any corporate development activities in support of the Company's financial plan. The Nominating and Governance Committee of the

Board of Directors oversees risk at the Company by developing appropriate corporate governance guidelines and identifying qualified individuals to become board members.

As part of its oversight of executive compensation, the Compensation Committee reviews compensation risk. The Compensation Committee oversaw the performance of a risk assessment of our employee compensation program to determine whether any of the risks arising from our compensation program are reasonably likely to have a material adverse effect on us. Since January 2011, the Compensation Committee has retained Cook to perform an annual review of each of our compensation plans and identify areas of risk and the extent of such risk. The Compensation Committee directs that our Chief Risk Officer work with Cook to perform such risk assessment and to be sure that compensation risk is included in our enterprise risk management system. In conducting this assessment, Cook performs a systemic, qualitative review of all of our incentive compensation programs and reviews its findings with our Chief Risk Officer for completeness and accuracy. Cook seeks to identify any general areas of risk or potential for unintended consequences that exist in the design of our compensation programs and to evaluate our incentive plans relative to our enterprise risks to identify potential areas of concern, if any.

Cook undertook a compensation risk assessment most recently in 2017 and concluded that our incentive plans are well-aligned with sound compensation design principles and do not encourage behaviors that would create material risk for our Company. Our Chief Risk Officer reviewed their findings and agreed with their conclusion. Based on this update, the Compensation Committee continued to find that there is an appropriate balance between the risks inherent in our business and our compensation program.

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COMPENSATION COMMITTEE INTERLOCKING AND INSIDER PARTICIPATION

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

WHAT IS OUR RELATED PERSON TRANSACTIONS APPROVAL POLICY AND WHAT PROCEDURES DO WE USE TO IMPLEMENT IT?

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

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

Our Audit Committee charter requires our Audit Committee to review and approve or disapprove all proposed transactions with any person owning more than 5% of any class of our voting securities that, if entered into, would be required to be disclosed pursuant to Item 404 of Regulation S-K. In addition, our Audit Committee charter requires the Audit Committee to review reports regarding such transactions, which our General Counsel provides to the Audit Committee periodically, and not less often than annually, regarding transactions with any persons owning more than 5% of any class of the voting securities of AGL that have resulted, or could result, in expenditures that are not required to be disclosed pursuant to Item 404 of Regulation S-K. Our Audit Committee charter also requires the Audit Committee to review other reports and disclosures of insider and affiliated party transactions which our General Counsel provides periodically, and not less often than annually.

Our General Counsel identifies related party transactions requiring committee review pursuant to our committee charters from transactions that are:

disclosed in director and officer questionnaires (which must also be completed by nominees for director) or in certifications of Code of Conduct compliance

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

reported by our Chief Financial Officer based on a list of directors, executive officers and known 5% shareholders. If we have a related person transaction that requires committee approval in accordance with the policies set forth in our committee charters, we either seek that approval before we enter into the transaction or, if that timing is not practical, we ask the appropriate committee to ratify the transaction.

WHAT RELATED PERSON TRANSACTIONS DO WE HAVE?

From time to time, institutional investors, such as large investment management firms, mutual fund management organizations and other financial organizations become beneficial owners (through aggregation of holdings of their affiliates) of 5% or more of a class of our voting securities and, as a result, are considered related persons under the SEC's rules. These organizations may provide services to us. In 2016, the following transactions occurred with investors who reported beneficial ownership of 5% or more of our voting securities.

As indicated in "Which Shareholders Own More Than 5% of Our Common Shares," Wellington Management Group LLP (Wellington Management) and BlackRock, Inc. (BlackRock) own approximately 8.29% and 5.35% of AGL's Common Shares outstanding, respectively, as of March 8, 2017, based on the amount of Common Shares they reported in their Schedule 13G.

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What Related Person Transactions Do We Have?

filings. We appointed both Wellington Management and BlackRock as investment managers to manage certain of our investment accounts prior to their reaching such ownership thresholds. As of December 31, 2016, Wellington Management managed approximately \$2.3 billion of our investment assets, which is approximately 21% of our total fixed maturity and short-term investment portfolio, and BlackRock managed approximately \$2.4 billion of our investment assets, which is approximately 22% of our total fixed maturity and short-term investment portfolio. In 2016, we incurred expenses of approximately \$1.9 million related to our investment management agreement with Wellington Management and \$2.3 million with respect to our investment management and investment reporting agreements with BlackRock.

In addition, as previously disclosed, we repurchased 297,131 common shares from our CEO and 23,062 common shares from our General Counsel on January 6, 2017 at a per share price equal to \$38.73, the closing price of one of our Common Shares on the New York Stock Exchange on such date, with our CEO receiving aggregate proceeds of \$11,507,883.63 and our General Counsel receiving aggregate proceeds of \$893,191.26 from such repurchases. Our CEO and General Counsel also separately received 297,131 and 23,062 Common Shares, respectively, on January 6, 2017 in settlement of 297,131 share units and 23,062 share units which such officers held in the employer stock fund of the Assured Guaranty Ltd. Supplemental Employee Retirement Plan that were required to be distributed in January 2017 to comply with requirements of IRC Sections 409A and 457A.

DID OUR INSIDERS COMPLY WITH SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING IN 2016?

Our executive officers and directors are subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. We believe that all of our executive officers and directors complied with all filing requirements imposed by Section 16(a) of the Exchange Act on a timely basis during fiscal year 2016, except that due to an administrative error, Mr. Borges was late in reporting four purchase transactions, which have subsequently been reported.

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PROPOSAL NO. 1: ELECTION OF DIRECTORS

GENERAL

Our Bye-Laws provide for a maximum of 21 directors and empower our Board of Directors to fix the exact number of directors and appoint persons to fill any vacancies on the Board until the next Annual General Meeting. The Board may appoint any person as a director to fill a vacancy on the Board occurring as the result of any existing director being removed from office pursuant to the Bye-Laws or prohibited from being director by law; being or becoming bankrupt or making any arrangement or composition with his or her creditors generally; being or becoming disqualified, of unsound mind, or dying; or resigning. The Board may also appoint a person as a director to fill a vacancy resulting from an increase in the size of the Board or a vacancy left unfilled at an Annual General Meeting.

Our Board currently consists of 10 members. Following the recommendation of the Nominating and Governance Committee, our Board of Directors has nominated Francisco L. Borges, G. Lawrence Buhl, Dominic J. Frederico, Bonnie L. Howard, Thomas W. Jones, Patrick W. Kenny, Alan J. Kreczko, Simon W. Leathes, Michael T. O Kane and Yukiko Omura as directors of AGL. Proposal No. 1 is Item 1 on the proxy card.

Our directors are elected annually to serve until their respective successors shall have been elected.

It is the intention of the persons named as proxies, subject to any direction to the contrary, to vote in favor of the candidates nominated by the Board of Directors. We know of no reason why any nominee may be unable to serve as a director. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected.

We have set forth below information with respect to the nominees for election as directors. There are no arrangements or understandings between any director and any other person pursuant to which any director was or is selected as a director or nominee.

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Nominees for Director

NOMINEES FOR DIRECTOR

Francisco L. Borges

Chairman of the Board

Director Since: 2007

Committee Memberships:

Nominating and Governance (Chair),

Executive (Chair)

Qualifications:

Mr. Borges has expertise in finance arising from his experience structuring and marketing financial guaranty insurance. In addition, his public service background has given him insight on public finance. His current position gives Mr. Borges insights into the financial markets in which our Company operates. Each of these areas is important to our business.

Biography:

Mr. Borges, age 65, became a director of AGL in August 2007, and has been Chairman of our Board of Directors since May 2015. He is Chairman of Landmark Partners, LLC, an alternative investment management firm where he has been employed since 1999. Prior to joining Landmark, Mr. Borges was managing director of GE Capital's Financial Guaranty Insurance Company and capital markets subsidiaries. Mr. Borges is a former Treasurer for the State of Connecticut and a former Deputy Mayor of the City of Hartford, Connecticut. Mr. Borges serves on the board of directors for Connecticut Public Broadcasting Network, the Knight Foundation, and Millbrook School. He is also a

member of the board of directors of Davis Selected Funds, where he serves on the Pricing Committee, and Leucadia National Corporation, where he serves on the Audit Committee and the Nominating and Governance Committee.

G. Lawrence Buhl

Independent Director

Director Since: 2004

Committee Memberships:

Audit (Chair),

Compensation

Qualifications:

Mr. Buhl's insurance and Board experience and his knowledge of specific financial reporting requirements applicable to financial guaranty companies and familiarity with compliance, finance, governance, control environment and risk management requirements and processes for public companies and the financial guaranty industry benefit the Board in its deliberations and oversight.

Biography:

Mr. Buhl, age 70, became a director of AGL upon completion of our 2004 initial public offering. Through 2003, Mr. Buhl served as the Regional Director for Insurance Services in Ernst & Young LLP's Philadelphia, New York and Baltimore offices and as audit engagement partner for insurance companies, including those in the financial guaranty industry. Mr. Buhl began in 2004 to serve as a director for Harleysville Group, Inc. (NASDAQ: HGIC) and its majority shareholder, Harleysville Mutual Insurance Company, through their 2012 merger/combination with Nationwide Mutual Insurance Company and served on an Advisory Board to Nationwide through April 2014. Mr. Buhl has been a member of the Board of Directors of Penn National Insurance Group in Harrisburg, PA since April 2015 and is also an emeritus member of the Board of Sponsors of the Sellinger School of Business and Management of Loyola University Maryland.

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Dominic J. Frederico

Chief Executive Officer

Director Since: 2004

Committee Memberships:

Executive

Qualifications:

Mr. Frederico has the most comprehensive knowledge of all aspects of our operations as well as executive experience. He also has extensive industry experience, which makes him valuable both as an officer and as a director of AGL.

Biography:

Mr. Frederico, age 64, has been a director of AGL since our 2004 initial public offering, and the President and Chief Executive Officer of AGL since 2003. Mr. Frederico served as Vice Chairman of ACE Limited from 2003 until 2004 and served as President and Chief Operating Officer of ACE Limited and Chairman of ACE INA Holdings, Inc. from 1999 to 2003. Mr. Frederico was a director of ACE Limited from 2001 through May 2005. From 1995 to 1999 Mr. Frederico served in a number of executive positions with ACE Limited. Prior to joining ACE Limited, Mr. Frederico spent 13 years working for various subsidiaries of the American International Group.

Bonnie L. Howard

Independent Director

Director Since: 2012

Committee Memberships:

Risk Oversight (Chair),

Nominating and Governance

Qualifications:

Ms. Howard's background in audit, finance and enterprise risk management is valuable to the Board in its oversight of our financial reporting and credit and risk management policies.

Biography:

Ms. Howard, age 63, became a director of AGL in August 2012. Ms. Howard has more than 30 years of experience in credit, risk management and financial reporting policies. She worked at Citigroup, Inc. from 2003 to 2011, serving as Chief Auditor from 2004 to 2011 and Global Head of Control and Emerging Risk from 2010 to 2011, leading a team of over 1,500 professionals covering \$1.9 trillion of assets in over 100 countries, until her retirement in 2011. She was previously Managing Director of Capital Markets Audit at Fleet Boston Financial and a Managing Director at JPMorgan in the roles of Deputy Auditor and head of Global Markets Operational Risk Management. Ms. Howard is a certified public accountant in the United States and has over a decade of experience with KPMG and Ernst and Young. Ms. Howard currently serves on the board of directors of BMO Financial Corp., where she is a member of the Audit Committee. She is also a member of the board of directors of BMO Harris Bank N.A., where she chairs the Directors' Trust Committee and the Audit Committee.

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Nominees for Director

Thomas W. Jones

Independent Director

Director Since: 2015

Committee Memberships:

Audit,

Finance

Qualifications:

Mr. Jones' background has given him extensive experience in investment management and in the operations of large financial institutions, which is valuable to the Board. His previous service on the boards of other financial services companies and the Federal Reserve Bank of New York adds value to the Board and Board committee deliberation.

Biography:

Mr. Jones, age 67, became a director of AGL in August 2015. Mr. Jones is the founder and senior partner of venture capital firm TWJ Capital LLC. Prior to founding TWJ Capital in 2005, he was the chief executive officer of Global Investment Management at Citigroup, which included Citigroup Asset Management, Citigroup Alternative Investments, Citigroup Private Bank and Travelers Life & Annuity. Earlier, he held a series of positions at TIAA-CREF, including vice chairman and director, president and chief operating officer, and executive vice president and chief financial officer, and at John Hancock Mutual Life Insurance Company, where he rose to senior vice president and treasurer. He began his career in public accounting and management consulting, primarily at Arthur Young & Company (predecessor to Ernst & Young).

Mr. Jones is a current director of Altria Group, where he is a member of the Compensation, Finance and Audit committees. A trustee emeritus of Cornell University, Mr. Jones has served on numerous boards in the past, including

those of the Federal Reserve Bank of New York (where he was vice chairman), Freddie Mac, Travelers Group, Fox Entertainment Group, Pepsi Bottling Group and TIAA-CREF.

Patrick W. Kenny

Independent Director

Director Since: 2004

Committee Memberships:

Compensation (Chair),

Nominating and Governance, Executive

Qualifications:

Mr. Kenny has extensive insurance industry experience, including executive experience within the industry. In addition, the Board benefits from Mr. Kenny's experience as an accountant.

Biography:

Mr. Kenny, age 74, became a director of AGL upon completion of our 2004 initial public offering. He served as the President and Chief Executive Officer of the International Insurance Society in New York, an organization dedicated to fostering the exchange of ideas through a program of international seminars and sponsored research, from 2001 to 2009. From 1998 to 2001, Mr. Kenny served as executive vice president of Frontier Insurance Group, Inc. From 1995 to 1998, Mr. Kenny served as senior vice president of SS&C Technologies. From 1988 to 1994, Mr. Kenny served as Group Executive, Finance & Administration and Chief Financial Officer of Aetna Life & Casualty. Mr. Kenny serves on the board of directors of several Voya funds. Until December 2009, Mr. Kenny was a director and member of the Audit and the Compensation committees of Odyssey Re Holdings Corp. Mr. Kenny was also a director of the Independent Order of Foresters from 1997 to 2009.

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Alan J. Kreczko

Independent Director

Director Since: 2015

Committee Memberships:

Audit,

Finance

Qualifications:

Mr. Kreczko's lengthy service in senior legal and policy positions both in the federal government and in the insurance industry and the global and governmental perspective he has gained are valuable to the Board.

Biography:

Mr. Kreczko, age 65, became a director of Assured Guaranty Ltd. in August 2015. Mr. Kreczko retired from The Hartford Financial Services Group, Inc. (The Hartford) on December 31, 2015, where he served as executive vice president and general counsel from June 2007 until June 2015. In that capacity, Mr. Kreczko oversaw the law department, government affairs, compliance and communications. Additionally he chaired The Hartford's Environment Committee. From June 2015 until December 2015, he served as Special Advisor to the CEO.

He joined The Hartford in 2003 after 27 years in public service at the United States Department of State, where he held various senior positions. As the Acting Assistant Secretary of State for Population, Refugees and Migration, he led the department's response to humanitarian crises in conflict situations, including Afghanistan, Timor, and West Africa. Before that, Mr. Kreczko served as special assistant to President Clinton and legal advisor to the National Security Council. Earlier, he participated in sensitive bilateral and multilateral negotiations as deputy general counsel to the Department of State and as legal advisor to the personal representatives for Middle East negotiations of Presidents Carter and Reagan. Mr. Kreczko is the Executive Vice Chair of the Boys and Girls Clubs of Hartford and serves on the board of directors of the Mark Twain House.

Simon W. Leathes

Independent Director

Director Since: 2013

Committee Memberships:

Compensation,

Risk Oversight,

Executive

Qualifications:

Mr. Leathes' considerable experience in investment and risk management, as well the institutional knowledge gained through his directorships of our Company's U.K. affiliates, is valuable to the Board and its committees.

Biography:

Mr. Leathes, age 69, joined the Board of AGL in May 2013. Since 2012, Mr. Leathes has been a non-executive director of HSBC Bank plc and is a member of its Risk Committee and its Audit Committee; he is also a non-executive director and member of the Audit and Risk Committees of HSBC Trinkaus & Burkhardt AG. In December 2011, he became an independent, non-executive director of our Company's U.K. insurance subsidiaries, Assured Guaranty (Europe) Ltd. and Assured Guaranty (UK) Ltd.; in January 2017 he was appointed to the same non-executive director role with Assured Guaranty (London) Ltd. after it was acquired by our Company. Since 1996, Mr. Leathes has served as a non-executive director of HSB-Engineering Insurance Ltd., a U.K. subsidiary of Munich Re, where he is the chairman of the Audit and Finance committee.

Mr. Leathes served as Vice Chairman and Managing Director of Barclays Capital, the investment banking subsidiary of Barclays plc, from January 2001 until his retirement in December 2006. In addition, he served from 2001 to 2010 as a non-executive director of Kier Group plc, a company listed on the London Stock Exchange, where he also served as chairman of the Audit Committee and a member of the Remuneration and Nominations committees. Until June 2014, Mr. Leathes served as the chairman of the trustees of the Kier Group Pension Scheme.

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Nominees for Director

Michael T. O Kane

Independent Director

Director Since: 2005

Committee Memberships:

Finance (Chair),

Audit

Qualifications:

Mr. O Kane s background has given him considerable experience in investment and risk management, both of which are key aspects of our business and are important to the Board and Board committee deliberation.

Biography:

Mr. O Kane, age 71, became a director of AGL in August 2005. From 1986 until his retirement in August 2004, Mr. O Kane was employed at TIAA-CREF (financial products) in a number of different capacities, most recently as Senior Managing Director, Securities Division. In that capacity, he oversaw approximately \$120 billion of fixed income assets and approximately \$3.5 billion of private equity fund investments. Since 2006, Mr. O Kane served as a director of Jefferies Group, Inc., where he was a member of the Audit, Compensation and Governance committees. In March 2013, Jefferies merged into Leucadia National Corporation, where Mr. O Kane now serves as the lead director and as a member of the Compensation and the Nominating and Governance committees.

Yukiko Omura

Independent Director

Director Since: 2014

Committee Memberships:

Finance,

Risk Oversight

Qualifications:

Ms. Omura brings more than 30 years of international professional experience in the financial sector working in all major financial centers of the world. Her global experience adds considerable value to the Board.

Biography:

Ms. Omura, age 61, joined the Board of AGL in May 2014. She is a non-executive member of the Board of Directors of GuarantCo (established by the Private Infrastructure Development Group organization), where she is chair of the Asset and Liability Management Committee and a member of the Audit, Credit and New Business committees; a Supervisory Board Member of Amatheon Agri Holding N.V.; and an Advisory Board Member of CG/LA Infrastructure. Ms. Omura is also a non-executive director of Nishimoto HD Co. Ltd. She served as Undersecretary General and Vice President of the International Fund for Agricultural Development (IFAD) and, prior to that, as Executive Vice President and CEO of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group.

Ms. Omura began her career as a project economist with the Inter-American Development Bank, then worked in senior positions at several major investment banks in Tokyo, New York and London over the course of her career, including JP Morgan, Lehman Brothers, UBS and Dresdner Bank. At UBS and Dresdner Bank, she was the Managing Director and Head of Global Markets and Debt Office, Japan.

In 2002, Ms. Omura created the HIV/AIDS Prevention Fund, a charitable company based in London.

Table of Contents**INFORMATION ABOUT OUR COMMON SHARE OWNERSHIP****HOW MUCH STOCK IS OWNED BY DIRECTORS AND EXECUTIVE OFFICERS?**

The following table sets forth information, as of March 8, 2017, the record date for our Annual General Meeting, except as otherwise expressly provided, regarding the beneficial ownership of our Common Shares by our directors and executive officers whose compensation is reported in the compensation tables that appear later in this proxy statement, to whom we refer as our named executive officers, and by our directors and executive officers as a group. Unless otherwise indicated, the named individual has sole voting and investment power over the Common Shares under the column Common Shares Beneficially Owned. The Common Shares listed for each director and executive officer constitute less than 1% of our outstanding Common Shares, except that Mr. Frederico beneficially owns approximately 1.31% of our Common Shares. The Common Shares beneficially owned by all directors and executive officers as a group constitute approximately 2.62% of our outstanding Common Shares.

Name of Beneficial Owner	Common Shares Beneficially Owned	Unvested Restricted Common Shares ⁽¹⁾	Restricted Share Units ⁽²⁾	Common Shares Subject to Option ⁽³⁾
Robert A. Bailenson	112,429		155,051	53,558
Francisco L. Borges	192,878	14,275		7,658
Russell B. Brewer II	99,327		108,196	29,362
G. Lawrence Buhl	47,262	4,693		7,026
Dominic J. Frederico	1,108,659 ⁽⁴⁾		520,388	512,055
Bonnie L. Howard	19,197	4,693		
Thomas W. Jones	8,844	4,693		
Patrick W. Kenny	48,136	5,866		13,561
Alan J. Kreczko	7,623	10,559		
Simon W. Leathes	8,388	4,693		
James M. Michener	287,266		101,558	
Michael T. O Kane	43,126	4,693		7,026
Yukiko Omura	4,964	4,693		
Bruce E. Stern	90,809		69,918	24,925
All directors and executive officers as a group (15 individuals)	2,174,377	58,858	1,049,955	694,590

(1) The reporting person has the right to vote (but not dispose of) the Common Shares listed under Unvested Restricted Common Shares.

(2) The Common Shares associated with restricted share units are not deliverable as of March 8, 2017 or within 60 days of March 8, 2017 and therefore cannot be voted or disposed of within such time period. As a result, these shares are not considered beneficially owned under SEC rules. We include them in the table above, however, because we view them as an integral part of share ownership by our executive officers. The restricted share units held by our executive officers vest on specified anniversaries of the date of the award,

with Common Shares delivered upon vesting.

This column includes 37,907 share units allocated to Mr. Bailenson and 28,872 share units allocated to another executive officer, due to their elections to invest a portion of their AG US Group Services Inc. Supplemental Executive Retirement Plan accounts in an employer stock fund.

- (3) Represents Common Shares which the reporting person has the right to acquire as of March 8, 2017 or within 60 days of March 8, 2017 pursuant to options. The options have terms of either ten years or seven years from the date of grant.
- (4) Includes shares owned by Mr. Frederico's spouse and daughter, and shares owned by a family trust, over which Mr. Frederico has the power to direct the voting and disposition.

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Which Shareholders Own More Than 5% of Our Common Shares?

WHICH SHAREHOLDERS OWN MORE THAN 5% OF OUR COMMON SHARES?

The following table shows all persons we know to be direct or indirect owners of more than 5% of our Common Shares as of the close of business on March 8, 2017, the record date for the Annual General Meeting, except to the extent indicated. On March 8, 2017, 124,130,784 Common Shares were outstanding, including 58,858 unvested restricted Common Shares. Our information is based on reports filed with the SEC by each of the firms listed in the table below. You may obtain these reports from the SEC.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	12,243,914 ⁽¹⁾	9.86%
Wellington Management Group LLP 280 Congress Street Boston, MA 02210	10,290,880 ⁽²⁾	8.29%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	6,640,618 ⁽³⁾	5.35%

(1) Based on a Schedule 13G/A filed by The Vanguard Group on February 9, 2017, reporting the amount of securities beneficially owned as of December 31, 2016. The Vanguard Group has sole voting power over 78,968 shares, shared voting power over 15,544 shares, sole dispositive power over 12,156,935 shares and shared dispositive power over 86,979 shares.

(2) Based on a Schedule 13G/A filed by Wellington Management Group LLP on February 9, 2017, reporting the amount of securities beneficially owned as of December 30, 2016. Wellington Management Group LLP has shared voting power over 8,059,437 shares and shared dispositive power over 10,290,880 shares.

- (3) Based on a Schedule 13G/A filed by BlackRock, Inc. on January 30, 2017, reporting the amount of securities beneficially owned as of December 31, 2016. BlackRock, Inc. has sole voting power over 5,963,827 shares and sole dispositive power over 6,640,618 shares.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

CD&A ROADMAP

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SUMMARY

Our executive compensation program is designed to attract and retain talented and experienced business leaders who drive our corporate strategies and build long-term shareholder value.

The Guiding Principles of Our Program are:

Pay for performance,	Accountability,	Alignment,	Retention,
by providing an incentive for exceptional performance and the possibility of reduced compensation if executives are unable to successfully execute our strategies	for short-and long-term performance	with shareholder interests	of highly qualified executives with financial guaranty experience

We assess performance using pre-established measures of success that are tied to our key business strategies. We encourage balanced performance, measured relative to financial, non-financial and share price goals, and discourage excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term results.

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Compensation Discussion and Analysis Summary

2016 Highlights

In 2016, we earned net income of \$881 million, or \$6.56 per share, and operating income (non-GAAP)* of \$895 million, or \$6.68 per share. Our net income per share was the second-highest since we went public in 2004, and our operating income (non-GAAP) per share was the highest since we went public. We increased our shareholders equity per share, non-GAAP operating shareholder's equity per share* and non-GAAP adjusted book value per share* to record levels, of \$50.82, \$49.89 and \$66.46, respectively. We also increased our financial strength by deleveraging our insured portfolio; in 2016, we terminated \$7.2 billion of insured exposure. We have reduced our ratio of GAAP net par outstanding to non-GAAP operating shareholders' equity from 157:1 at December 31, 2009 to 46:1 at December 31, 2016.

These results were driven in part by our accomplishment of the following key objectives:

We increased new business production, with contributions from our U.S. public finance, international infrastructure and global structured finance business.

Our gross written premium, at \$154 million, was the second highest in four years.

The present value of our premium production (PVP)*, a non-GAAP financial measure we use to measure our new business production, at \$214 million, was the highest it has been in four years.

In the U.S. public finance market, we continued to lead the market with a 56% share of all insured new-issue par and 48% of the insured transactions. We guaranteed 18 U.S. public finance transactions where we provided \$100 million or more of bond insurance, for a total of \$2.8 billion in gross par written.

We further managed our capital, primarily by returning excess capital to our shareholders through repurchases of our Common Shares and quarterly dividends.

We returned approximately \$375 million during 2016 through repurchasing shares (\$306 million) and dividends (\$69 million).

In 2016, we obtained regulatory approval for, and effectuated, a \$300 million stock redemption by our subsidiary Assured Guaranty Municipal Corp., which we refer to as AGM, which enables our Company to have additional capacity to repurchase shares and manage our capital.

Over the last four years we have distributed approximately \$2.0 billion to our shareholders through share repurchases and dividends, representing over 73% of our market capitalization at December 31, 2012.

We improved our financial results by using alternative strategies, including making acquisitions.

We closed our acquisition of the parent of CIFG Assurance North America, Inc., which we refer to as CIFG. In 2016, the acquisition contributed net income and operating income (non-GAAP) of approximately \$2.41 per share and \$2.38 per share, respectively. Shareholders' equity and non-GAAP operating shareholders' equity benefited by \$2.23 per share, and non-GAAP adjusted book value benefited by \$3.85 per share, as of the acquisition date. Through this transaction, we acquired an insured portfolio of \$4.2 billion of net par.

We signed a purchase agreement for, and subsequently consummated in 2017, the purchase of MBIA UK Insurance Limited (MBIA UK), which we have renamed Assured Guaranty (London) Ltd. Through Assured Guaranty (London), we acquired a guaranteed portfolio of \$12 billion of net par.

We formed an alternative investments group to focus on deploying a portion of our excess capital to pursue acquisitions and develop new business opportunities that complement our financial guaranty business, are in line with our risk profile and benefit from our core competencies.

*Non-GAAP operating shareholder's equity per share, non-GAAP adjusted book value per share, operating income (non-GAAP) and PVP are non-GAAP financial measures. An explanation of these measures, which are considered when setting executive compensation, and a reconciliation to the most comparable GAAP measures, may be found on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

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We created value from our insured portfolio through loss mitigation and other loss recovery strategies.

We continued to manage our exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations, including by lobbying Congress to approve the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) legislation and continuing dialogue with the PROMESA Oversight Board, the Commonwealth governor and other creditors and stakeholders.

We reduced the total amount of below investment grade exposure in the insured portfolio by \$2.1 billion (14%).

We terminated \$7.2 billion of insured net par outstanding, which helped increase our excess capital.

We reduced our total collateral posting under derivatives to \$116 million against \$690 million of par, compared to year-end 2015, when we were posting \$305 million against \$3.8 billion of par.

We achieved these results despite a persistently challenging business environment.

Over the last several years, municipal bond yields have been at historically low levels and credit spreads have been tight, making our product less attractive to issuers.

We continued to face competition in an already tight market from a second financial guaranty insurer that focuses on a smaller portion of the market than we do and provides price competition in those markets where we overlap.

The achievements described in this section were important considerations in determining the compensation of our named executive officers for the year.

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Compensation Discussion and Analysis Summary

Our Total Shareholder Return

For the fourth year in a row, the price of our Common Shares continued to improve, closing at \$37.77 on December 31, 2016. The table and chart below depicts the dollar change in the total shareholder return (TSR) on our Common Shares from December 31, 2012 through December 31, 2016 as compared to the cumulative total return of the Standard & Poor's 500 Stock Index and the cumulative total return of the Standard & Poor's 500 Financials Index over the same period. The table and chart depict the value on December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015 and December 31, 2016 of a \$100 investment made on December 31, 2012, with all dividends reinvested:

	Assured Guaranty	S&P 500 Index	S&P 500 Financial Index
12/31/2012	100.00	100.00	100.00
12/31/2013	168.84	132.37	135.59
12/31/2014	189.42	150.48	156.17
12/31/2015	196.05	152.54	153.74
12/31/2016	285.45	170.77	188.71

On an annual basis, our 46% TSR significantly exceeded the S&P 500 Index's 12% return and the S&P 500 Financial Index's 23% return.

Our TSR also exceeded the average TSR of our comparison group over all the periods measured. Our comparison group is described on page 42 under Executive Compensation Comparison Group.

Total Shareholder Return Comparison

	Comparison Group	
	Average TSR	Assured Guaranty TSR
1 Year	31.6%	45.6%
2 Years	33.8%	69.1%
3 Years	167.7%	217.4%

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2016 Results Against Targets

In November 2015, the Compensation Committee established targets for five financial performance goals for our executive officers for the 2016 performance year. The financial performance goals are the same as those that the Compensation Committee used when assessing the executive officers' achievements for the 2015 and 2014 performance years. The targets are based on the business plan that the Board of Directors reviewed and approved in November 2015.

Page 30 under "Executive Compensation Program Structure and Process" contains a detailed description of the financial performance goals, and why the Compensation Committee considers them to be important in assessing our Company and our executive officers' performance. All of these are non-GAAP financial measures. We refer to four of these financial measures as "core" to distinguish them from other similar non-GAAP financial measures that have not been adjusted to exclude the impact of consolidating financial guaranty variable interest entities, which we refer to as FG VIEs. The four "core" measures have been adjusted to exclude the impact of consolidating FG VIEs. Page 45 under "Non-GAAP Financial Measures" contains a description of the adjustments we make to most comparable GAAP financial measures to arrive at these measures.

The table below summarizes our 2016 results against the targets.

2016 RESULTS	BELOW TARGET
ion \$214 million	
\$6.58	
\$49.95	
14.3%	
\$66.64	

The Compensation Committee viewed all of the 2016 targets for the financial performance goals as challenging in light of current market conditions, particularly interest rate levels. It had set all of the 2016 targets above the comparable 2015 targets and, with the exception of core operating income per diluted share and core operating return on equity (ROE), above the comparable 2015 actual results.

The 2016 targets for core operating income and core operating ROE took into account the Compensation Committee's belief that those measures were likely to be lower in 2016 than in 2015 due to:

the anticipated decline of earned premium resulting from the projected amortization of our insured portfolio reduced opportunities for recoveries stemming from third party breaches of representations and warranties in residential mortgage-backed securities transactions we insured
uncertainty over our ability to consummate acquisition transactions, such as the purchase of Radian Asset Assurance Inc. in 2015, which significantly impacted core operating income and core operating ROE in that year
The Compensation Committee was aware that, given the anticipated decline of earned premium and reduced opportunities for recoveries on residential mortgage-backed bond representations and warranties, the executive officers also would be required to manage losses and control expenses to meet all of the targets except for PVP.

In 2016, we achieved or exceeded all but one of the targets for the financial performance goals.

We exceeded our goal for core operating income per diluted share by 110%; our core operating income per diluted share of \$6.58 was a new record. Operating income was higher than target due primarily to our acquisition of CIFG and higher net earned premiums and credit derivative revenues, offset in part by higher loss expense. The increase in net earned premiums and credit derivative revenues was due to transactions that the issuers refunded and termination of insured exposure, as well as our acquisition of CIFG.

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Compensation Discussion and Analysis Summary

Core operating shareholders' equity per share and core adjusted book value (ABV) per share reached their highest levels in our history, propelled by our efficient management of capital, our acquisition of CIFG, our loss mitigation activities, and the generation of PVP through the underwriting of new business.

We exceeded our goal for core operating ROE by 104%. Core operating ROE was higher than target due primarily to the increase in core operating income. Our returning excess capital to our shareholders through repurchases of our Common Shares also had a favorable impact on core operating ROE.

We missed the PVP financial performance goal, but only by 8%. Our 2016 PVP exceeded by 20% our 2015 PVP, and exceeded by 50% our 2013 PVP. This represents the third time that PVP increased year over year since our combination with Financial Security Assurance. In the U.S. public finance market, we estimate we wrote 56% of the total insured par and 48% of the total number of insured transactions in 2016. The achievement is significant in light of our maintaining our underwriting and pricing principles despite the challenging business environment we continue to face.

The weighted average achievement score resulting from the Company's success in exceeding all but one of its financial performance goals in 2016 was 90.45%, as described under "CEO Performance Review - Cash Incentive", and constituted two-thirds of each executive officer's total achievement score used to calculate that executive officer's cash incentive compensation amount.

Our executive officers achieved these results despite a persistently challenging business environment that included low interest rates, tight credit spreads and competition in some markets.

Average municipal interest rates were extremely low during 2016, with the benchmark AAA 30-year Municipal Market Data index published by Thomson Reuters (MMD Index), at times below 2%, a threshold not previously crossed. In this environment, investors have been more willing to purchase lower rated municipal bonds at tighter credit spreads (that is, the difference in yield between a municipal bond with a rating of less than triple-A and that of an index of triple-A municipal bonds of similar maturity) than was typical in other environments, driving down credit spreads. Our financial guaranty insurance reduces the cost of issuance for an issuer by reducing the credit spread an investor demands to buy the insured bond rather than a comparable uninsured bond. With absolute interest rates so low and credit spreads so tight, some issuers are less willing to pay a premium for us to insure their bonds because the insurance may not substantially reduce their cost of issuance.

Based on third-party compilations, we estimate that we insured approximately 56% of the par of insured U.S. public finance bonds issued in the primary market in 2016. In comparison, a second financial guaranty insurer that focuses on a smaller portion of the market than we do provided price competition in those markets where we overlap, and insured 40% of the par. This competitor is effective in competing with us for small to medium-sized U.S. public finance transactions in certain sectors, and its pricing and underwriting strategies have a negative impact on the

amount of premium we are able to charge for our insurance for such transactions. A third financial guaranty insurer insured the remaining 4% balance. We expect the continued presence of these competitors in the market will affect our insured volume as well as the amount of premium we are able to charge, especially in the current environment of low interest rates and tight credit spreads.

Snapshot of Our CEO's 2016 Compensation

For 2016, approximately 90% of Mr. Frederico's compensation constituted incentive compensation: 40% was in the form of a performance-based cash incentive that was awarded based on measuring performance against financial performance goals and non-financial objectives set at the beginning of the year, and 49% was in the form of a long-term equity-based incentive, with half of that award subject to achieving pre-established share price hurdles.

Based on Mr. Frederico's achievements over 2016, including especially our Company's success in exceeding all but one of the financial performance goals established by the Compensation Committee, in certain cases, by a wide margin; our continuing to write new business (with contributions from our U.S. public finance, international infrastructure and global structured finance businesses) despite a challenging interest rate environment; our success in acquiring CIFG and in reaching an agreement to acquire MBIA UK; and the prominent role our Company continues to assume in the restructuring of the debt of Puerto Rico and its related authorities and public corporations, the Compensation Committee in February 2017 granted Mr. Frederico more incentive compensation for the 2016 performance year than in the prior performance year. Mr. Frederico's base salary had not been increased for 2016.

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Mr. Frederico received a compensation package for the 2016 performance year 9.8% higher than he received for the 2015 performance year, composed of the following:

EXECUTIVE COMPENSATION PROGRAM STRUCTURE AND PROCESS

Overview of Philosophy and Design

Our executive compensation program is designed to recognize and reward outstanding achievement and to attract, retain and motivate the talented individuals needed to lead and grow our Company's business. We maintain an ongoing dialog with our shareholders and incorporate their feedback into our program so that the program is aligned with their interests.

We Align Pay With Performance

Our program rewards performance by having more variable and performance-based compensation at the most senior levels. We use a mix of variable at-risk compensation with different time horizons and payout forms to provide an incentive for both annual and long-term sustained performance, in order to maximize shareholder value in a manner consistent with our Company's risk parameters. The Compensation Committee assesses the performance of our executive officers from both a financial and a non-financial perspective, using pre-established goals.

Our executive officers can receive a cash incentive, which is performance-based. They can also receive a long-term equity incentive, 50% of which is performance-based and cliff vests at the end of a three-year performance period if we achieve particular average share price targets, and 50% of which is time-based and cliff vests at the end of a three-year period. The long-term equity incentive is structured to encourage retention and a long-range mindset.

Executive Compensation Is Closely Tied To Long-Term Performance

The compensation program is structured with upside potential for superior executive achievements, but also the possibility of reduced compensation if executives are unable to successfully execute our Company's strategies. By increasing management's motivation to enhance shareholder value over the long term, our compensation program aligns executive officer and shareholder interests.

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Compensation Discussion and Analysis Structure and Process

For the 2016 performance year, the compensation package for the executive officers contains three principal elements.

Principal Elements of Executive Compensation Package	Performance Measures
Base Salary	Based on responsibilities, skill set and experience, and market measures
Cash Incentive Compensation	Cash reward for performance against annual financial performance goals and progress against strategic non-financial objectives that we expect to drive our growth over the moderate to long term
Long-Term Equity Incentives	50% in performance share units that may be earned over a 3-year performance period based on share price targets, and are paid at the end of the 3-year performance period if particular share price targets are achieved
	50% in restricted stock units that cliff vest at the end of a 3-year period

Shareholder Outreach on Our Executive Compensation Program

For the past several years, we have been actively engaging with our shareholders in order to obtain their feedback on our executive compensation program. Beginning in the fall, we contact our large shareholders to invite them to speak directly with the chairman of the Compensation Committee.

We believe our shareholders support our executive compensation program. At each of our last two Annual General Meetings, investors holding over 98% of the Common Shares voting approved our say-on-pay proposal. Both of the proxy advisory firms of Institutional Shareholder Services Inc. and Glass, Lewis & Co. LLC also recommended that our investors vote in support of our say-on-pay proposal.

Even with the strong support that our executive compensation program received at our two most recent advisory votes, as the Compensation Committee began to determine compensation for the 2016 performance year, we again sought to engage with our shareholders to discuss their concerns and recommendations. We contacted holders of an aggregate of 66% of our Common Shares and invited them to speak with Mr. Kenny, the chairman of the Compensation Committee. Mr. Kenny spoke with investors holding approximately 23% of our Common Shares; holders of another approximately 4% specifically responded that they did not need to speak with us because they were comfortable with the executive compensation program. The investors we spoke to indicated they were generally pleased with the executive compensation program and with management's performance, and on the whole found the

program to reward management appropriately. Most shareholders were not prescriptive about plan design, and instead were more interested in seeing that results were aligned appropriately with performance. Certain shareholders supported tying long-term incentive compensation to the price of our Common Shares while others supported looking at other performance measures.

Our Compensation Committee took the feedback from our shareholders into consideration when making its compensation decisions.

The Decision-Making Process

The Compensation Committee, composed solely of independent directors, is responsible for all decisions about our executive officer compensation. The Compensation Committee works closely with Cook, the Chairman of the Board and management to examine pay and performance matters throughout the year, and consults with the Board prior to making final compensation decisions.

The Compensation Committee conducts in-depth reviews of performance and then applies judgment to make compensation decisions. The Compensation Committee believes its process, described below, is an effective way to assess the quality of performance, risk management and leadership demonstrated by Mr. Frederico and the senior management team.

In August and November, the Compensation Committee reviews our corporate performance for the year to date, as well as progress of each executive officer against individual performance goals. The chairman of the Compensation Committee seeks feedback from our shareholders on our executive compensation program.

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In November, the Compensation Committee reviews and approves the metrics and goals in our performance framework and certain of the executive officer performance goals for the upcoming year, and begins to formulate its compensation decisions with respect to current year performance.

In February, after discussion with other Board members, the Compensation Committee makes final decisions with respect to the executive compensation for the previous year's performance and on the executive officer performance goals for the upcoming year.

In making its compensation decisions, the Compensation Committee follows a five-step approach:

<p>Step 1:</p> <p>Establishment of financial performance goals and non-financial objectives.</p> <p>At or prior to the beginning of each performance year, the Compensation Committee discusses the Company's business plan at length and establishes corporate financial goals for the upcoming performance year. The Compensation Committee also discusses the strategic direction of the Company and establishes non-financial objectives it expects to drive our growth</p>	<p>Step 2:</p> <p>Assess Company Performance.</p> <p>The Compensation Committee reviews the corporate financial performance goals for the performance year and discusses the full-year financial and strategic performance at length, seeking to understand what was accomplished relative to established objectives, how it was accomplished, and the quality of the financial results.</p>	<p>Step 3:</p> <p>Review each executive's individual performance and contributions.</p> <p>The Compensation Committee reviews the individual performance objectives for the CEO and the other executive officers, and assesses each person's performance and contributions. For the executive officers other than the CEO, the Compensation Committee considers individual performance assessments and compensation recommendations from the CEO, as well as succession planning and</p>	<p>Step 4:</p> <p>Analyze trends among comparison companies.</p> <p>The Compensation Committee considers market pay levels and trends based on information Cook provides about comparison companies.</p>	<p>Step 5:</p> <p>Seek input from the independent consultant concerning CEO pay.</p> <p>The role of Cook is described in more detail under Compensation Governance the Role of the Independent Consultant below.</p>
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over the moderate to long term.



retention issues in this unique segment of the insurance industry.



Components of Our Executive Compensation Program

For the 2016 performance year, the compensation package for the executive officers consists of three principal elements: base salary, cash incentive compensation and long-term equity incentives. Our practice is to review the components of our executive officer compensation separately and monitor the total of the various components. We consider each component and the total against our compensation objectives described in Overview of Philosophy and Design. Decisions related to one compensation component (e.g., cash incentive compensation) generally do not materially affect decisions regarding any other component (e.g., long-term equity incentives) because the objectives of each element differ. Positions at higher levels generally have a greater emphasis on variable pay elements, although no specific formula, schedule or structure is currently applied in establishing the percentage of total compensation delivered through any compensation element.

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Compensation Discussion and Analysis Structure and Process

The Compensation Committee considers Cook's analysis of the compensation paid to executive officers in our comparison group when evaluating the compensation of our executive officers. According to Cook, for the 2015 performance year, which is the most recent data available, on average, both the target and the actual total direct compensation for our named executive officers approximated the comparable median amounts for the named executive officers of our comparison group.

Base Salary

The Compensation Committee establishes each executive officer's base salary in consultation with Cook. We believe base salary is necessary to attract and retain key executives by providing appropriate compensation that is based on position, experience, scope of responsibility and performance. Base salary provides liquidity to our executive officers and balances the levels of guaranteed pay with at-risk pay to properly manage our compensation-related risk. The amount is based on the executive officer's responsibilities, skills and experience, as well as market measures. The level of an executive officer's base salary reflects the Compensation Committee's view of the contribution that executive officer has consistently made to our Company's success over several years, the continuing importance of that executive officer to our Company's future, and the difficulty and expense of replacing the executive officer with one of a similar caliber. The Compensation Committee does not guarantee salary adjustments on an annual basis. Base salary is set at the beginning of the year and is paid to the executive officers for ongoing performance throughout the year. For the 2016 performance year, the Compensation Committee established the base salary in February 2016.

Cash Incentive Compensation

Unlike base salary, which is set at the beginning of the year in which it is paid, cash incentive compensation is determined after the end of the performance year to which such compensation relates. For the 2016 performance year, the Compensation Committee determined the amount of the cash incentive compensation in February 2017.

The Compensation Committee uses a formulaic approach to award cash incentive compensation in order to enhance the transparency of our process. The amount of cash incentive compensation is determined based on the extent to which the executives achieve certain pre-established performance targets. The Compensation Committee uses a two-step process for granting and paying annual cash incentive compensation awards to our executive officers.

For the first step, in order for the payment of cash incentive compensation to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code, the Compensation Committee annually establishes a performance goal based on performance metrics, and awards the cash incentive to the executive officers pursuant to the Assured Guaranty Ltd. 2004 Long-Term Incentive Plan, as amended (LTIP), subject to such performance goal being met. If the performance goal is not met, no cash incentive will be awarded to the executive officers for such year. If the performance goal is met, a cash pool is established pursuant to which payments can be made to the executive officers subject to limitations contained in the LTIP and to further limitations established by the Compensation Committee in the grant. For the 2016 performance year, the performance goal for this first step was established in November 2015 and the Compensation Committee determined the extent to which it had been met in

February 2017.

For the second step, if the Section 162(m) performance goal has been met for a particular performance year, the actual amount of the cash incentive compensation payable to each executive officer for such performance year is then linked 67% to financial performance goals and 33% to non-financial objectives. The Compensation Committee considers the five financial performance goals to be important in assessing our Company and our executive officers' performance; each goal has a weighting of 13.4% (for a total of 67%) and constitutes a non-GAAP financial measure that is described on page 45 under Non-GAAP Financial Measures. Similar to the financial performance goals, the non-financial objectives also relate to matters that are important to our business. The Compensation Committee believes the qualitative objectives are necessary to fully evaluate the annual achievements that benefit our shareholders, and it does not individually weight the non-financial objectives because it believes it is more appropriate to evaluate the level of achievement of all of the objectives in their totality. Of the companies in our comparison group, an analysis by Cook revealed that:

13 of the 14 comparison group companies disclose metrics used for annual incentive plan payouts among the companies that disclose metrics, all use a combination of financial performance goals and non-financial objectives in determining annual incentive payouts among the six companies that disclose the weighting of the metrics, the median weighting is 70% financial performance goals and 30% non-financial objectives

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The Compensation Committee believes the pre-established target financial performance goals and individual non-financial objectives are the most important for assessing Assured Guaranty's performance and the value we create for our shareholders. Therefore, performance relative to the financial goals and non-financial objectives is the primary driver of the final cash incentive compensation determined by the Compensation Committee in applying its discretion.

The financial performance goals for 2016 for all the executive officers and the non-financial objectives for 2016 for Mr. Frederico, our CEO, are set out below. For the executive officers other than Mr. Frederico, the Compensation Committee evaluates the extent to which those executives contributed to Mr. Frederico's non-financial objectives and the extent of such executives' personal achievements of their individual non-financial objectives, which are discussed under Compensation Decisions of Other Executive Officers. For the 2016 performance year, the financial performance goals and the non-financial objectives for the named executive officers were established in February 2016 and the Compensation Committee determined the extent to which they had been satisfied in February 2017.

The financial performance goals that the Compensation Committee uses to assess our Company's performance are described in greater detail below. The financial goals are based on non-GAAP financial measures and four are labeled core to distinguish them from similar non-GAAP financial measures that have not been adjusted to exclude the impact of consolidating FG VIEs. See Non-GAAP Financial Measures on page 45 below.

PVP	represents our estimated gross future revenue stream from new business production. Specifically, PVP enables us to evaluate the value of our new business production during the year by taking into account the value of upfront and estimated future installment premiums on all new contracts underwritten in a reporting period.
Core operating income per diluted share	enables us to evaluate the amount of income we are generating in our business. Using core operating income clarifies the understanding of the underwriting results of our financial guaranty business by presenting all financial guaranty contracts (whether in a financial guaranty insurance or derivative form) on a consistent basis and removing the effects of non-economic movements in fair value as well as the impact of consolidating FG VIEs, and making certain other adjustments.
Core operating sharehold-ers equity per share	presents our equity with all financial guaranty contracts (whether in a financial guaranty insurance or derivative form) on a consistent basis and excludes non-economic fair value adjustments as well as the impact of consolidating FG VIEs. Core operating sharehold-ers equity per share is the basis of the calculation of core adjusted book value (ABV) per share, as described below.

Core operating ROE	represents core operating income for a specified period divided by the average of core operating shareholders' equity at the beginning and the end of that period. This measure enables us to evaluate our return on the capital invested in our company.
Core ABV per share	reflects our core operating shareholders' equity, plus the net present value of our in-force premiums in excess of expected losses, plus credit derivative revenues, less deferred acquisition costs. This measure enables us to measure our intrinsic value, excluding our franchise value.

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Compensation Discussion and Analysis Structure and Process

The Compensation Committee assigns each executive an Individual Target Cash Incentive Amount, which is calculated as a multiple (we call this the Individual Target Cash Incentive Multiple) of the executive officer's base salary. The amounts of the base salary and Individual Target Cash Incentive Multiples vary by individual based on the executive officer's position and level of responsibility, historic pay level, importance to the future strategic direction of our Company and Cook's advice about the compensation practices of companies in our comparison group. Since the 2014 performance year, the Compensation Committee has assigned the named executive officers the following Individual Target Cash Incentive Multiples:

Executive Officer	2016 Individual Target Cash Incentive Multiple (of Base Salary)
Dominic Frederico, Chief Executive Officer	2.50x
James M. Michener, General Counsel	2.00x
Robert A. Bailenson, Chief Financial Officer	2.00x
Russell B. Brewer II, Chief Surveillance Officer	2.00x
Bruce E. Stern, Executive Officer	1.75x

Then, for each executive, the Compensation Committee calculates and aggregates the weighted achievement scores for the financial performance goals and the individual non-financial objectives. When assessing the level of achievement and assigning scores for the year, the Compensation Committee takes into account the difficulty of achieving particular goals or objectives. The Compensation Committee has discretion to assign achievement scores of up to 200% for outstanding performance and achievement scores of down to 0% for performance below target based on its view of the level of achievement attained for each financial performance goal and each individual non-financial objective.

Based on the executive officer's achievements of these priorities, the individual payouts of the cash incentive for 2016 are calculated as follows:

Annual Individual Target Cash Incentive Amount	X	Annual Achievement Score (a percentage from 0% to 200%)	=	Annual Cash Incentive Payout
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2016	X	2016	X	2016	2016	2016 Cash
Base	Individual Target		Financial Goal		Individual Non-	Incentive
Salary	Cash Incentive		Achievement		Financial Objective	Payout
	Multiple		Score		Achievement Score	
			(weighted 67%)		(weighted 33%)	

The formula for determining cash incentive compensation has remained the same since the Compensation Committee developed the approach to calculating such amount, together with Cook. Our Company's share price performance and performance on other key financial measures has improved greatly since the formulaic approach was developed at the beginning of 2015. At year end 2014, the price of our Common Shares closed at \$25.99, compared to \$37.77 at year end 2016. Our performance in respect of the financial performance goals most important to our Company has also improved, as reflected in the table below.

	2014	2016
FINANCIAL PERFORMANCE GOALS	Results	Results
PVP	\$ 168 million	\$ 214 million
Core Operating Income per Diluted Share	\$ 2.83	\$ 6.58
Core Operating Shareholders' Equity per Share	\$ 37.48	\$ 49.95
Core Operating Return on Equity	8.1%	14.3%
Core Adjusted Book Value per Share	\$ 53.66	\$ 66.64

The progress we have made on these fronts is the result of the leadership of Mr. Frederico and the efforts of his management team. As a result, the Compensation Committee has maintained the approach and the formulas put in place for the cash incentive compensation for Mr. Frederico and the other named executive officers.

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Long-Term Equity Incentives

In addition to the cash incentive compensation, the Compensation Committee awards long-term incentive compensation in the form of our Common Shares.

Like cash incentive compensation, equity incentive compensation is awarded after the end of the performance year to which such compensation relates. For the 2016 performance year, the Compensation Committee determined the amount of equity incentive compensation in February 2017.

Half of the nominal value of the award is in the form of performance share units (which we refer to as PSUs) that may be earned over a 3-year performance period based on share price targets, and are paid at the end of the 3-year performance period if particular share price targets are achieved, and the other half is in the form of RSUs that cliff vest at the end of a 3-year period. Details about the individual awards are set out in *CEO Performance Review* and *Other Named Executive Officer Compensation Decisions*.

Performance Share Units. Each performance share unit represents a contingent right to receive up to two of our Common Shares. The Compensation Committee awards performance share units with the intent of aligning executive pay with our Company's performance, as measured by the price of our Common Shares.

The percentage of performance share units an executive can earn is based on the price of our Common Shares over a 3-year performance period. For each 40 consecutive trading day sequence that occurs during a performance period, we calculate the average price of a Common Share as traded on the New York Stock Exchange during that time. The highest average is used to determine whether a share price hurdle has been reached, and consequently, the percentage of the performance share units that has been earned.

In considering the structure of the awards for 2016 performance, the Compensation Committee and Cook considered the following elements of the performance share units that determine their value:

Methodology for calculating whether the share price hurdle has been reached

Share price hurdles and vesting percentage at each hurdle

Beginning with the performance share unit awards for the 2014 performance year, in response to shareholder feedback that the executive officers may not have an incentive to maintain the price of the Common Shares when amounts can be earned at any point during the performance period, and that the share price at the end of the performance period may be lower than the price at which the performance share units were earned, the Compensation Committee strengthened the alignment between executive pay and our Company's performance by providing that only sequences occurring in the second half of the 3-year performance period can be considered when the Compensation Committee determines the highest average share price over 40 consecutive trading days. Allowing performance share units to be earned only in the last half of the performance period mitigates concerns that short-term gains may yield payouts even if long-term performance lags.

The Compensation Committee also reviewed the rigor of the share price hurdles and the vesting percentage at each hurdle. For the performance share units granted for the 2016 performance year, in February 2017, the Compensation Committee established the share price hurdles and vesting percentages set out in the table below. The table shows the percentage that could be earned if the highest average share price over 40 consecutive trading days occurring in the second half of the 2017-2019 performance period reaches the stated share price hurdles.

The share price hurdles represent increases over the \$28/\$32/\$36 hurdles that applied for the grants for the 2014 and 2015 performance years.

Highest 40 consecutive trading day average share price hurdle	% Earned
\$42	50%
\$46	100%
\$50	200%

In making its decision with respect to the hurdles, the Compensation Committee asked Cook to prepare an analysis in favor of increasing the share price hurdles. Cook presented data on the one-, three- and five-year compound annual growth rates of the

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Compensation Discussion and Analysis CEO Performance Review

S&P 500 Financial Index, our Company's comparison group median stock performance, and the stock performance of a subset of certain companies within the comparison group in order to obtain hypothetical minimum and maximum ranges for the hurdles. Cook then applied the ranges to the Company's average share price over 40 consecutive trading days as of a recent date of the analysis, and utilized those results to generate proposed higher share price hurdles.

The Compensation Committee considered Cook's analysis as well as other factors, including the extent to which particular hurdles would exceed the 40 consecutive trading day average at the beginning of the performance period. In the case of the first two hurdles above, the amount of the excess over the 40 consecutive trading day average at the beginning of the performance period was greater than that of the last two grants. For the third hurdle, the amount of the excess over such average at the beginning of the performance period was greater than that of the February 2016 grant and substantially the same as that of the February 2015 grant.

The Compensation Committee also compared various proposed hurdles as a percentage of core operating shareholders' equity at the beginning of the performance period. For each of the hurdles above, when analyzed as a percentage of core operating shareholders' equity at the beginning of the performance period, that percentage was higher than the comparable measure for the February 2016 and the February 2015 grants. The \$42, \$46 and \$50 hurdles constituted more than 84%, 92% and 100% of core operating shareholders' equity at the beginning of the performance period. This indicated to the Compensation Committee that the hurdles would be difficult to achieve since the price of the Common Shares had risen to a level closer to core operating shareholders' equity.

The Compensation Committee also noted the extent of the total equity payout as a percentage above the GAAP value and above the nominal value of the equity at the time of grant, under the methodology that the committee had developed with Cook. The Compensation Committee examined the benefit of the equity grants to the executive officers compared to the cost to our Company. In addition, the Compensation Committee reviewed other relevant statistics for the performance periods, including our Company's TSR and the TSR of the S&P 500 Financial Index and our comparison group average TSR, and the growth in core operating book value and in core ABV, during those periods.

Restricted Stock Units. Each restricted stock unit represents a right to receive one of our Common Shares at the end of a three-year vesting period. The Compensation Committee awards RSUs with the intent of providing executives with long-term incentive compensation the value of which increase as our Company achieves its strategies. The Compensation Committee believes this incentivizes executives to remain with the Company and help build shareholder value over the long term.

CEO PERFORMANCE REVIEW

Overview

In light of Mr. Frederico's achievements in the 2016 performance year, as detailed below, the Compensation Committee awarded him total compensation of \$11,147,938, a 9.8% increase over his total compensation for the 2015

performance year, composed of the following:

	2016 Performance Year Compensation	2015 Performance Year Compensation
Fixed Compensation Base Salary ⁽¹⁾	\$ 1,150,000	\$ 1,150,000
Incentive Compensation		
Cash Incentive Compensation	\$ 4,497,938	\$ 4,002,000
Long-Term Performance-Based Equity	\$ 2,750,000 ⁽²⁾	\$ 2,500,000 ⁽²⁾
Long-Term Time-Based Equity	\$ 2,750,000 ⁽²⁾	\$ 2,500,000 ⁽²⁾
Total Direct Compensation	\$ 11,147,938	\$ 10,152,000

(1) Mr. Frederico's salary for the 2016 and 2015 performance year was established at the beginning of such performance year, in February.

(2) Represents the Compensation Committee's target nominal value for the relevant performance year, using the average stock price over the 40 consecutive trading days ending on the date of grant.

The compensation package presented in the table above is different from the SEC-required disclosure in the Summary Compensation Table on page 47 and is not a substitute for the information in that table. Rather, it is intended to show how the

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Compensation Committee linked Mr. Frederico's compensation and its components to our performance results and his achievements for the prior year. The base salary is paid during the performance year, while all of the components of the incentive compensation is based on achievements during the performance year and so is awarded in the first part of the following year.

Base Salary

In February 2016, the Compensation Committee chose to maintain Mr. Frederico's 2016 base salary at the same level as his 2015 base salary.

In February 2017, in light of Mr. Frederico's accomplishments in 2016 and the importance of maintaining his strategic leadership in the future, particularly in respect of managing our capital, mitigating the risks in our insured portfolio, and deciding upon appropriate alternative investments that complement our financial guaranty business and core competencies, the Compensation Committee decided to grant him an 8.9% increase in his base salary, to \$1,250,000, for the 2017 performance year.

Cash Incentive

To determine Mr. Frederico's cash incentive, as discussed above under Executive Compensation Program Structure and Process Components of Our Executive Compensation Program Cash Incentive Compensation, the Compensation Committee used a formula that involved aggregating the weighted achievement scores for certain financial performance goals and individual non-financial objectives, and multiplying the result by his Individual Target Cash Incentive Amount. The financial performance goals for 2016 were based on the business plan for the upcoming year that the Board of Directors reviewed and approved in November 2015. The non-financial objectives were established taking into account the nature of our business, which requires qualitative goals to fully evaluate the annual achievements that benefit our shareholders.

In reviewing Mr. Frederico's 2016 performance scorecard, the Compensation Committee determined that he had a very strong year. In particular, the Compensation Committee found that Mr. Frederico should be recognized for our Company's success in exceeding all but one of the targets for the financial performance goals established by the Compensation Committee, in certain cases, by a wide margin. Mr. Frederico's very strong performance was reflected in our record core operating income of \$883 million, or \$6.58 per share, and record core operating shareholders' equity per share and core adjusted book value per share of \$49.95 and \$66.64, respectively. Mr. Frederico's leadership was also credited for the growth in our new business production, with contributions from our U.S. public finance, international infrastructure and global structured finance businesses, despite a challenging business and economic environment. The Compensation Committee assigned Mr. Frederico achievement scores for his achievements against each individual financial performance goal, which averaged 135% across the five goals. The Compensation Committee weighted this score 67% in accordance with the cash incentive formula, which resulted in a weighted score of 90.45%:

2016 Targets	2016 Results	Weighting	2016 Achievement Score	Weighted Achievement Score
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		(0%-200%)			
Financial Performance Goals*					
PVP	\$ 233 million	\$214 million	13.4%	85%	11.39%
Core operating income per diluted share	\$3.13	\$6.58	13.4%	170%	22.78%
Core operating shareholders equity per share	\$47.62	\$49.95	13.4%	130%	17.42%
Core operating ROE	7.0%	14.3%	13.4%	170%	22.78%
Core ABV per share	\$65.25	\$66.64	13.4%	120%	16.08%
Total Financial Goal Score			67.0%		90.45%

* All of the financial performance goals are based on non-GAAP financial measures, which are described on page 45 under Non-GAAP Financial Measures.

The Compensation Committee also evaluated Mr. Frederico's 2016 achievements against his 2016 non-financial objectives. Highlights of those achievements include the positive financial impact from our acquisition of CIFG; our success in entering into an agreement to acquire MBIA UK; and the prominent role our Company continues to assume in the restructuring of the debt of Puerto Rico and its related authorities and public corporations. The details of Mr. Frederico's 2016 achievements against his 2016 non-financial objectives are also set out in the pages that follow.

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Compensation Discussion and Analysis CEO Performance Review

Non-Financial Objectives	2016 Results
<p>Strategy and leadership Articulate clear strategy and lead effective implementation of business plan to grow direct business and take advantage of reinsurance opportunities and other opportunities complementary to the Company's business.</p>	<p>Wrote a total of \$214 million of PVP, with contributions from U.S. public finance, International and Structured Finance.</p>
<p>Leverage Company's rating and financial strength to maintain viable public finance bond insurance market; implement a long-term program to market the value of bond insurance to existing and new distribution channels; write budgeted PVP in U.S. and U.K.</p>	<p>Closed acquisition of CIFG. In 2016, the acquisition contributed net income and core operating income of approximately \$2.41 per share and \$2.38 per share, respectively. As of the acquisition date, shareholders equity and core operating shareholders' equity benefited by \$2.23 per share and core adjusted book value benefited by \$3.85 per share.</p>
<p>Attempt to purchase bond insurance portfolios if they come on the market; recapture previously ceded portfolios.</p>	<p>Substantially completed acquisition of MBIA UK by signing share purchase agreement and obtaining all regulatory approvals we were required to obtain. Acquisition subsequently closed in January 2017.</p>
<p>Maintain regulatory authority to write infrastructure and structured finance bond insurance in U.S. and internationally.</p>	<p>Created an alternative investments group to deploy a portion of our excess capital to pursue acquisitions and develop complementary business opportunities.</p>
<p>Accumulate capital at AGL for corporate purposes, including stock repurchases.</p>	<p>Managed capital, including by seeking regulatory approval for, and implementing: a \$300 million common stock redemption by AGM; a \$380 million release of contingency reserves, which increased surplus at AGM, and at our subsidiaries Municipal Assurance Corp. and Assured Guaranty Corp., which we refer to as MAC and AGC; and the repayment by MAC of all \$400 million of its outstanding surplus notes.</p>
<p>Use alternate strategies to create shareholder value.</p>	<p>Repurchased 10.7 million Common Shares (approximately 7.8% of previous year-end outstanding share count) for approximately \$306 million.</p>
<p>Achieve, if appropriate, potential diversification by acquiring or investing in an asset or portfolio manager.</p>	

Distributed \$69 million in dividends to shareholders. Increased the quarterly dividend in February 2016 from \$0.12 to \$0.13 per Common Share and in February 2017 to \$0.1425. Total increase in quarterly dividends since November 2011 of 217%.

Closing share price of \$37.77 presented a 46% total return for the year and a 69% total return on a 3 year basis. Outperformed the S&P 500 Index, the S&P 500 Financial Index and the average of the Company's comparison group over the same periods.

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Non-Financial Objectives	2016 Results
<p>Active management of all potential loss transactions, including proactive minimization of losses from Puerto Rico exposure.</p> <p>Ratings Maintain strong financial strength ratings in order to facilitate implementation of business plan. Periodically assesses the value of each rating assigned to each of the companies within the group and determine whether to request that a rating agency add or drop a</p>	<p>Continued to manage exposure to the Commonwealth of Puerto Rico and its related authorities and public corporations.</p> <ul style="list-style-type: none"> - Successfully lobbied to Congress to approve PROMESA legislation. - Ongoing dialogue with PROMESA Oversight Board and other creditors and stakeholders. - Provided forbearance and bridge financing to PREPA; ongoing negotiations over a consensual resolution of the treatment of insured PREPA revenue bonds in PREPA's recovery plan, including by facilitating a securitization transaction with surety capacity. - Commenced litigation challenging the constitutionality of gubernatorial executive orders diverting Puerto Rico Highways and Transportation Authority pledged toll revenues. <p>Reduced the total amount of below investment grade exposure in the insured portfolio by \$2.1 billion (or 14%).</p> <p>Terminated \$7.2 billion of insured net par outstanding, which may have helped increase excess capital in rating agency models. The terminations included reaching an agreement with a swap counterparty to terminate insurance on below investment grade RMBS insured par with no payment, as well as to terminate the obligation to post collateral to secure the exposure.</p> <p>Reduced total collateral posting to \$116 million against \$690 million of par, compared to year-end 2015, when we were posting \$305 million against \$3.8 billion of par.</p> <p>Purchased insured bonds for loss mitigation purposes. S&P rating maintained at AA (stable).</p> <p>Kroll Bond Rating Agency (KBRA) rating of AGM and MAC maintained at AA+ (stable).</p>

rating from certain companies.

KBRA rating of AA (stable) obtained for AGC.

A.M. Best rating of A+ maintained for our subsidiary Assured Guaranty Re Overseas Ltd.

Moody's ratings of AGM (A2 stable) and AGC (A3) maintained; AGC outlook upgraded from Negative to Stable.

Formally requested that Moody's withdraw AGC's financial strength rating.

No significant compliance issues.

No anticipated risk issues.

All new business within risk limits and risk appetite statement.

Proactive ongoing review of single risk limits.

Continued average rating of new business in A category.

Reviewed succession plan with Board of Directors and continued to develop such plan.

Recruited and integrated former CEO of CIFG to head our alternative investments group.

Ensure the Company has comprehensive, best-practice risk management with respect to all of its activities, emphasizing the credit quality of risks insured, enterprise risk management and compliance. All credit underwriting consistent with risk/appetite statement.

Management development and succession planning Attract and retain top quality senior management; develop succession plan for critical positions, including assisting the Board in further development of a CEO succession plan.

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Compensation Discussion and Analysis CEO Performance Review

Based on Mr. Frederico's 2016 achievements against his 2016 non-financial objectives, the Compensation Committee awarded him an achievement score of 200% against those objectives. Applying that score to the cash incentive formula resulted in a weighted non-financial objective score of 66%. The Compensation Committee added that weighted non-financial objective score to the weighted financial performance goal score achieved by Mr. Frederico in accordance with the cash incentive formula:

	2016 Targets	2016 Results	Weighting	2016 Achievement Score (0%-200%)	Weighted Achievement Score
Financial Performance Goals*					
PVP	\$ 233 million	\$214 million	13.4%	85%	11.39%
Core operating income per diluted share	\$3.13	\$6.58	13.4%	170%	22.78%
Core operating shareholders equity per share	\$47.62	\$49.95	13.4%	130%	17.42%
Core operating ROE	7.0%	14.3%	13.4%	170%	22.78%
Core ABV per share	\$65.25	\$66.64	13.4%	120%	16.08%
Total Financial Goal Score			67.0%		90.45%
Non-Financial Objectives					
Strategy and leadership					
Active management of all potential loss transactions					
Maintain current ratings for operating insurance company subsidiaries	Described in detail in the preceding table	Described in detail in the preceding table	33%	200%	66.0%
Best practice risk management					
Management development and succession planning					
Non-Financial Objective Score			33%		66.0%
Achievement Score					156.45%

* All of the financial performance goals are based on non-GAAP financial measures, which are described on page 45 under Non-GAAP Financial Measures.

In summary, Mr. Frederico achieved a weighted financial performance goal score of 90.5%, which counted towards two-thirds of the calculation of his cash incentive compensation, and a non-financial objective score of 66%, which counted towards the remaining one-third of the calculation. Based on Mr. Frederico's achievements, after applying the cash incentive formula, the Compensation Committee awarded him a cash incentive equal to 156.45% of his Individual Target Cash Incentive Amount, or \$4,497,938.

Equity Compensation

The Compensation Committee awarded all of Mr. Frederico's long-term incentive compensation in the form of performance share units and RSUs. The \$5.5 million target nominal amount of long-term equity constituted a \$0.5 million increase over the prior year. The Compensation Committee believed the amount was appropriate to reward Mr. Frederico for his and for our Company's very strong performance during 2016. It also reflected the Compensation Committee's desire that Mr. Frederico have a strong incentive to remain at our Company and to generate long-term, sustained growth that will enhance shareholder value and its consideration of an appropriate level of total compensation for Mr. Frederico.

The following sets forth the target nominal amount the Compensation Committee awarded Mr. Frederico on February 22, 2017, the grant date. The Compensation Committee determined the number of performance share units and RSUs to award Mr. Frederico by converting the target nominal amount of the award using \$39.70, which was the average share price over the 40 consecutive trading days ending on February 22, 2017.

When we prepare the Summary Compensation Table, we report the value of the grants using U.S. generally accepted accounting principles (which we refer to as U.S. GAAP), in accordance with the SEC's rules. Under U.S. GAAP, the value of a performance

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share unit as of February 22, 2017 was \$53.74, computed using a Monte-Carlo simulation model value and the highest average share price over 40 consecutive trading days, where the sequence of 40 days occurs in the second half of the 2017-2019 performance period. Under U.S. GAAP, the value of an RSU was \$41.37, computed using our Common Share closing price on February 22, 2017, adjusted for the delay in the payment of dividends until vesting. The aggregate value of the grants under U.S. GAAP is also set forth below.

	Compensation Committee Target Nominal Value	Equity Granted (Shares)	U.S. GAAP Value
Performance share units	\$ 2,750,000	69,270	\$ 3,722,570
RSUs	\$ 2,750,000	69,270	\$ 2,865,700
TOTAL	\$ 5,500,000		\$ 6,588,270

CEO Reported Pay Versus Realized Pay

To supplement the disclosure in the Summary Compensation Table on page 47, which is determined under SEC rules, we have included the table below, which shows the difference between Mr. Frederico's compensation as reported in the Summary Compensation Table and the compensation he actually received over the relevant period.

The primary source of the difference between the Summary Compensation Table Reported Value and the Actual Realized Value was Mr. Frederico's equity grants. Under the SEC's rules, the Summary Compensation Table for a given year must disclose the grant date value of an executive officer's long-term equity incentive compensation granted in that year. However, equity grants constitute an incentive for future performance, not current cash compensation, and will not actually be received by the executive officer until a future year, if at all. Moreover, the value of this pay when realized may differ significantly from the grant date value shown in the Summary Compensation Table.

Year	Summary Compensation Table Reported Value ⁽¹⁾	Actual Realized Value ⁽²⁾	CEO Total Compensation	
			Variation Between Actual Realized Value versus Summary Compensation Table Reported Value	% Difference
2016	\$ 12,727,315	\$ 8,536,728	-\$ 4,190,587	-33%
2015	\$ 12,179,989	\$ 15,395,726	\$ 3,215,737	26%
2014	\$ 10,774,791	\$ 8,749,276	-\$ 2,025,515	-19%

- (1) Summary Compensation Table Reported Value includes the total of all elements of compensation as reported pursuant to SEC rules, including the grant date value of equity awards granted in February 2016, February 2015 and February 2014.

- (2) Actual Realized Value represents compensation actually received by our CEO for the particular year shown. We began with the compensation shown in the Total column of the Summary Compensation Table on page 47 and made two adjustments:

Deducted the aggregate grant date fair value of RSU and performance share unit awards (reflected in the Stock Awards column of the Summary Compensation Table); and

Added the value realized from the vesting of RSUs, vesting of performance share units and the net gain from the exercise of stock options, before payment of applicable withholding taxes (reflected in the 2016 Option Exercises and Stock Vested table on page 52).

OTHER NAMED EXECUTIVE OFFICER COMPENSATION DECISIONS

Non-Financial Objectives and Achievements of the Other Named Executive Officers

The Compensation Committee made compensation awards to the other executive officers for the 2016 performance year based on its assessment of their achievements and Mr. Frederico's review of their performance as well as Mr. Frederico's compensation recommendations. The other named executive officers' achievements were evaluated based on their contributions to our achievement of our financial goals, their contributions to the achievement of Mr. Frederico's non-financial objectives, and their own achievements of the individual non-financial objectives Mr. Frederico had assigned to them, as described below.

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Compensation Discussion and Analysis Other Named Executive Officer Compensation Decisions

James M. Michener, General Counsel

Mr. Michener was responsible in the 2016 performance year for a number of important initiatives, including spearheading the CIFG and MBIA UK acquisitions from a legal perspective; managing litigation and workout activities relating to a number of distressed structured finance and U.S. public finance credits; and obtaining regulatory approval of several significant matters that enabled us to increase our net earned premium and to manage our capital more efficiently. He also oversees all of our human resource matters.

Mr. Michener was instrumental in enabling us to manage our capital more efficiently, including by obtaining the approval of our insurance regulators for AGM to redeem \$300 million of its common stock from its parent Assured Guaranty Municipal Holdings Inc. and for AGM, AGC and MAC to release contingency reserves into policyholders surplus, thereby increasing their dividend capacity.

Mr. Michener led the legal aspect of the consummation of our purchase of CIFG and of MBIA UK, quickly obtaining regulatory approvals, finalizing documentation and handling related personnel matters.

Mr. Michener oversaw and made critical decisions regarding all litigation involving the Company, resulting in the successful resolution of a number of matters during 2016.

Mr. Michener oversaw the legal support related to our loss mitigation and workout activities, including contributing to the drafting of the PROMESA legislation and litigation relating to the Commonwealth of Puerto Rico.

Robert A. Bailenson, Chief Financial Officer

Mr. Bailenson was responsible in the 2016 performance year for meeting all internal and external financial requirements, managing our capital efficiently, meeting with investors, and participating on earnings calls.

Mr. Bailenson took a leading role in negotiating the economic terms of the acquisitions of CIFG and of MBIA UK.

Mr. Bailenson led the integration of accounting policies and systems in connection with the acquisition of CIFG.

Mr. Bailenson led the financial planning process for the year and was instrumental in the continued efficient management of our capital, including by implementing AGM's share redemption plan and causing the repayment by MAC of surplus notes issued to its affiliates.

Mr. Bailenson provided significant analysis of potential alternative investments.

Mr. Bailenson was responsible for the timely and accurate filing of all financial statements and successfully resolved comment letters from the SEC.

Russell B. Brewer II, Chief Surveillance Officer

Mr. Brewer was responsible in the 2016 performance year for ensuring that all of our insured exposures are reviewed annually and assigned appropriate internal ratings, and for managing loss mitigation strategies for our troubled credits. Mr. Brewer also manages our rating agency relationships. In addition, in 2016, Mr. Brewer made significant improvements to our information technology department.

Mr. Brewer led the surveillance process for our \$296 billion net par insured portfolio and the timely review and update of internal ratings for our insured portfolio, helping to identify and intervene in deteriorating situations

before losses develop to avoid losses altogether or mitigate them if they cannot be avoided.

Mr. Brewer developed and implemented strategies on a number of transactions where we are experiencing loss or could possibly experience loss. He was active in our discussions with the Commonwealth of Puerto Rico and its advisors on potential solutions to Puerto Rico's difficult financial situation and was instrumental in helping the Company develop its approach to these credits.

Mr. Brewer led the smooth integration into our Company of surveillance oversight and information systems of the insured portfolio and financial information related to CIFG NA in connection with the consummation of the acquisition of CIFG NA and its merger into AGC.

Mr. Brewer has taken on the leadership of our information technology function, and led the reorganization and refocusing of our information technology resources, improving communication, accountability, quality and speed.

Bruce E. Stern, Executive Officer

Mr. Stern was responsible in the 2016 performance year for workouts of troubled transactions and the extraction of significant value from our insured portfolio and other relationships. Mr. Stern applied creative approaches to troubled transactions to mitigate losses. Mr. Stern is also responsible for governmental affairs and our participation in an industry group.

Mr. Stern oversaw the termination of \$7.2 billion of our insured par outstanding, and the related loss mitigation, acceleration of income and deleveraging.

During 2016, Mr. Stern led our effort to purchase insured bonds of poorly performing credits for loss mitigation and risk remediation.

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Mr. Stern was responsible for the acquisition of notes issued in the Zohar II 2005-1 transaction that facilitated our purchase of MBIA UK.

Mr. Stern has been instrumental in advocating our viewpoint to various government officials in connection with Puerto Rico's efforts to obtain legislative authority to restructure its debt as well as various more technical issues relating to bond insurance.

Compensation Decisions for the Other Named Executive Officers

In the case of the other named executive officers, for the 2016 performance year the Compensation Committee calculated and aggregated the weighted achievement scores for the financial performance goals (which were the same as Mr. Frederico's) and their non-financial objectives (which were a combination of their contribution to Mr. Frederico's non-financial objectives and their achievement of their own individual non-financial objectives), taking into account the level of difficulty of achieving particular goals or objectives. Based on their achievements, after applying the formula, the Compensation Committee awarded them the cash incentives calculated as shown in the table below.

	2016 Individual Target Cash 2016 Base Salary	X Incentive Multiple	Financial Goal Achievement Score (weighted 67%)	Individual Non- Financial Objective Achievement Score (weighted 33%)	2016 Cash Incentive Payout
James M. Michener	\$ 600,000	2.00x	90.45%	49.5%	\$ 1,679,400
Robert A. Bailenson	\$ 600,000	2.00x	90.45%	49.5%	\$ 1,679,400
Russell B. Brewer II	\$ 450,000	2.00x	90.45%	46.2%	\$ 1,229,850
Bruce E. Stern	\$ 450,000	1.75x	90.45%	33.0%	\$ 972,169

The Compensation Committee awarded all of the other named executive officers' long-term incentive compensation in the form of performance share units and RSUs. The target nominal amount of long-term equity reflected the Compensation Committee's desire that each of the other named executive officers have a strong incentive to help generate long-term, sustained growth for our Company. The amounts of performance share units and RSUs awarded to each other named executive officer vary by individual and are based on their respective positions and levels of responsibility, historic compensation levels and Cook's advice about the compensation practices of companies in our comparison group. In summary, the Compensation Committee approved the following compensation decisions for the named executive officers other than Mr. Frederico for the 2016 performance year:

James M. Michener	Robert A. Bailenson	Russell B. Brewer II	Bruce E. Stern
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Fixed Compensation Base Salary ⁽¹⁾	\$ 600,000	\$ 600,000	\$ 450,000	\$ 450,000
Incentive Compensation				
Cash Incentive Compensation	\$ 1,679,400	\$ 1,679,400	\$ 1,229,850	\$ 972,169
Long-Term Performance-Based Equity and Time-Based Equity Target Values ⁽²⁾	\$ 1,000,000	\$ 1,300,000	\$ 1,100,000	\$ 700,000
Total Direct Compensation	\$ 3,279,400	\$ 3,579,400	\$ 2,779,850	\$ 2,122,169

- (1) The Compensation Committee increased the base salaries for these named executive officers for the 2017 performance year to the following levels: Mr. Michener, \$625,000; Mr. Bailenson, \$625,000; Mr. Brewer, \$500,000 and Mr. Stern, \$470,000.
- (2) Half of the award consists of performance share units and the other half consists of RSUs. The U.S. GAAP values of the awards are: Mr. Michener, \$1,197,815; Mr. Bailenson, \$1,557,236; Mr. Brewer, \$1,317,654 and Mr. Stern, \$838,490.

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Compensation Discussion and Analysis Executive Compensation Conclusion

EXECUTIVE COMPENSATION CONCLUSION

We made changes to our executive compensation program in 2015 in response to shareholder engagement. For example, the Compensation Committee's discretion with respect to the cash incentive was reduced and the link between pay and performance was enhanced. We received advisory shareholder approval of over 98% of the compensation we paid to our named executive officers in the two years since that time, and have not made any major changes to our executive compensation program since then.

The Compensation Committee believes that our executive compensation program rewards performance and motivates the officers to increase shareholder value, and that it is therefore appropriate and in the best interests of our Company and our shareholders. Our strategy requires exceptionally qualified and experienced management in senior financial guaranty executive, finance and legal positions, including personnel with the ability to deal with adverse market conditions and take advantage of market opportunities. During this critical period in our Company's history, the Compensation Committee believes that retaining and motivating our executive officers and staff is essential, and that the various elements of total compensation have worked well to attract and properly reward management for their performance.

PAYOUT UNDER PERFORMANCE RETENTION PLAN

The Performance Retention Plan, which we refer to as the PRP, had been utilized as a form of incentive compensation for the executive officers until 2015. Its focus on adjusted book value and operating return on equity over a multi-year performance period reduced the incentive to concentrate on short-term gain and fostered a long-term view that minimized unnecessary or excessive risk taking.

In response to shareholder feedback that we should simplify our executive compensation program and emphasize equity rather than cash for incentive compensation, the Compensation Committee stopped granting our executive officers new PRP awards beginning in 2015.

However, the executive officers did receive PRP awards in February 2013 and 2014, installments of which vested on December 31, 2016, so each of the executive officers received a cash distribution in March 2017 resulting from those awards. The last PRP award to the executive officers was granted in February 2014 and the last installment of that award will vest on December 31, 2017.

The principal amount of each PRP award is divided into three installments. The portion of principal associated with each installment and the performance period relating to such installment are set out in the terms of the award.

The award payment for each installment is the product of:

- Principal amount of award
- Portion of principal associated with installment

50% of the sum of 1 and the percentage change in the core ABV per share for the relevant performance period

50% of the sum of 1 and the core operating ROE for the relevant performance period

For the executive officers, no amount is payable if our core ABV per share has declined for the applicable performance period and if our core operating ROE is not at least 3% on average for each year in the applicable performance period. However, if, in a subsequent performance period, there is either positive growth in our core ABV per share or our core operating ROE is at least 3% on average for each year in the applicable performance period, each executive officer who remains employed at our Company will receive the recalculated payment.

The following table sets forth the calculation of the returns on the installments of the PRP awards granted in February 2013 and 2014 that vested on December 31, 2016:

Grant Date	Performance Period Beginning Date	Performance Period End Date	Portion of Principal Associated with Installment	Percentage Change in Core ABV per Share	Core Operating ROE	50% of Percentage Change in Core ABV per Share + 50% of Core Operating ROE
February 2013	January 1, 2013	December 31, 2016	50%	41.3%	43.9%	42.6%
February 2014	January 1, 2014	December 31, 2016	25%	34.4%	33.0%	33.7%

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The individual PRP payouts for amounts that vested on December 31, 2016 are set forth in footnote 2 to the Summary Compensation Table. Those PRP payouts were a function of decisions made by the Compensation Committee in February 2013 and 2014 regarding the amount of PRP to award relating to the executive officers' achievements during the 2012 and 2013 performance years, as well as growth in core ABV per share and the core operating ROE during the relevant performance periods.

The strong growth in core ABV per share and the core operating ROE during the performance periods shown in the table above was driven in large part by achievements of our named executive officers during those performance periods. For example, the efficient management of capital, the CIFG acquisition, recoveries from our loss mitigation activities, gains on reassumptions of previously ceded business and the generation of PVP through the writing of new business each contributed to both the increase in core ABV per share and core operating ROE, while the core operating ROE was also impacted by terminations of insured transactions.

COMPENSATION GOVERNANCE

The Role of the Board's Compensation Committee

The Compensation Committee oversees all aspects of our executive compensation program. The Compensation Committee has responsibility for:

- Establishing executive compensation policies

- Determining the compensation of our CEO

- Reviewing our CEO's compensation recommendations regarding other senior officers and determining appropriate compensation for such officers

Our Board has adopted a Compensation Committee Charter to govern the Compensation Committee's activities. The charter, which may be found on our website at assuredguaranty.com/governance, is reviewed annually by the Compensation Committee. Under its charter, the Compensation Committee is authorized to retain compensation, legal, accounting and other expert consultants at our expense.

The Role of the Independent Consultant

Over the past ten years, including in 2016, the Compensation Committee has engaged Cook as its independent compensation consultant and considered advice and information from that firm in determining the amount and form of compensation for the executive officers. As part of its engagement, Cook advised the Compensation Committee in 2014 and 2015 about changes to our executive compensation program. Cook has not provided any additional consulting service to us beyond its role as consultant to the Compensation Committee.

In 2016, Cook's work for the Compensation Committee included analyzing our compensation practices in light of best practices, providing compensation risk assessment, reviewing our comparison group of companies, collecting and providing relevant market data, reviewing data and analyses provided by other consultants, and updating the Compensation Committee with respect to evolving governance trends.

The Compensation Committee has considered the independence of Cook in light of SEC rules and NYSE listing standards. It has requested and received a letter from Cook in 2016 affirming factors relevant to assessing Cook's independence. The Compensation Committee discussed the content of the letter and concluded that Cook's work did

not raise any independence or conflict of interest issues.

Executive Compensation Comparison Group

The Compensation Committee examines pay data for the following 14 companies to review pay practices, identify compensation trends, and benchmark its executive compensation decisions:

Allied World Assurance Company	Eaton Vance	Radian Group
Ambac Financial Group	Endurance Specialty	RenaissanceRe Holdings
Arch Capital Group	Everest Re Group	Validus
Aspen Insurance Holdings		White Mountains Insurance Group
	MBIA	
Axis Capital Holdings	MGIC Investment	

The Compensation Committee has long recognized that the comparison group has limitations. Notably, the comparison group consists primarily of mortgage finance and casualty insurance and reinsurance companies. Despite the specialized nature of our business, our Compensation Committee looks for companies domiciled in Bermuda or with a similar size, business model and compensation mix to ours. Although the factors the Compensation Committee considers for its compensation decisions and the level of compensation may differ from those for the comparison group, the Compensation Committee finds it useful to consider the pay practices at these companies.

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Compensation Discussion and Analysis Compensation Governance

In November 2016, Cook met with members of the Compensation Committee to review the comparison group from the prior year, and to discuss whether other companies should be considered for inclusion in the group. The Compensation Committee had not revised the comparison group the prior year. Cook advised the Compensation Committee that the current comparison group consists of companies that, like our Company, have a business model that involves underwriting risk, a holding company structure, and similar size as measured by revenues, assets and market capitalization. However, since November 2015, Partner Re has been acquired by Exor and Endurance Specialty announced in October 2016 that it expected it would be acquired by SOMPO Holdings, Inc. in the first quarter of 2017. Cook recommended the deletion of Partner Re but the retention of Endurance Specialty from the comparison group for time being because it may still file compensation data for 2016.

Cook recommended the addition of Ambac Financial Group to the comparison group because Ambac is similar to the Company in terms of business focus and structure, is reasonably similar from a size perspective, and is used as a comparison by MBIA and MGIC Investment, both of which are in the Company's comparison group. Although it is currently not writing new business, it has survived the financial crisis and is actively working with the Company to mitigate Puerto Rico losses. Cook advised the Compensation Committee that, with the addition of Ambac, the Company ranks at the 46th percentile in terms of latest four quarters of revenue and at the 40th percentile in market capitalization. If Endurance Specialty were removed, the Company would rank at the 50th percentile in terms of latest four quarters of revenue and at the 43rd percentile in market capitalization.

Based on Cook's recommendation, the Compensation Committee agreed that the 14 companies listed above would constitute the Company's comparison group.

Executive Officer Recoupment Policy

Our Board of Directors adopted a recoupment (or clawback) policy in February 2009 pursuant to which the Compensation Committee may rescind or recoup certain of the compensation of an executive officer if such person engages in misconduct related to a restatement of our financial results or of objectively quantifiable performance goals, and the achievement of those goals is later determined to have been overstated.

In connection with Rule 10D-1 proposed by the SEC, the Compensation Committee amended the recoupment policy in November 2015 so that it would apply, to the extent required by law, to incentive compensation received in the three year period before a determination that a material restatement is required. The amended recoupment policy allows the Company to recoup incentive compensation which is granted before the adoption and effectiveness of a final Rule 10D-1, but which may be subject to the three year look-back period of any such final rule.

Stock Ownership Guidelines

To demonstrate our commitment to building shareholder value, the Board of Directors adopted management stock ownership guidelines. Our guidelines do not mandate a time frame by which this ownership must be attained, but each executive officer must retain 100% of his after-tax receipt of Company stock until he reaches his ownership goal.

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

The chart below shows the guideline for each of our named executive officers and each executive's stock ownership as of March 8, 2017, the record date, using \$40.19, the closing price of one of our Common Shares on the NYSE on such date.

Named Executive Officer	Guideline	Current Ownership
Dominic J. Frederico	7 × Salary	35.6 × Salary
James M. Michener	5 × Salary	18.5 × Salary
Robert A. Bailenson	5 × Salary	9.7 × Salary
Russell B. Brewer II	5 × Salary	8.0 × Salary
Bruce E. Stern	5 × Salary	7.8 × Salary

These ownership levels include shares owned and, in the case of Mr. Bailenson, vested share units credited to his non-qualified retirement plan. Unvested RSUs, unvested performance share units and unexercised options do not count towards the guidelines. Some of the executive officers who have reached their share ownership goals have made gifts of shares to family or to charitable or educational institutions.

Table of Contents**Anti-Hedging Policy**

We adopted an anti-hedging policy in 2013 that explicitly prohibits employees and directors from hedging our Common Shares.

Anti-Pledging Policy

Our stock trading policy prohibits employees and directors from pledging our Common Shares without approval of both our General Counsel and the Nominating and Governance Committee. There have been no such transactions to date.

Award Timing

The Compensation Committee meets during our February board meeting to make executive compensation decisions with respect to the previous year's performance and to make its compensation recommendations to the other directors. After consulting with the Board, the Compensation Committee approves executive officer salary increases (if any), cash incentive compensation, and equity awards. Payments under existing PRP awards (if any) and cash incentives are not paid until after we file our Annual Report on Form 10-K for the previous year with the SEC.

POST-EMPLOYMENT COMPENSATION**Retirement Benefits**

We maintain tax-qualified and non-qualified defined contribution retirement plans for our executive officers and other eligible employees. We do not maintain any defined benefit pension plans. The Compensation Committee and our management believe that it is important to provide retirement benefits to employees who reach retirement in order to attract and retain key employees. All retirement benefits are more fully described under Potential Payments Upon Termination or Change in Control.

Benefit Under Defined Contribution Plans	Description
Core contribution	We contribute 6% of each employee's salary and cash bonus compensation, which we refer to as eligible compensation
Company match	We match 100% of each employee's contribution, up to 6% of eligible compensation

Severance

Under our severance policy for executive officers, following the executive's involuntary termination without cause or voluntary termination for good reason and subject to the executive signing a release of claims, the executive will receive a lump-sum payment in an amount equal to one year's salary plus his average cash incentive amount over the preceding 3-year period, plus a pro-rata annual cash incentive amount for the year of termination and an amount equal to one year of medical and dental premiums. The executive officer's receipt of severance benefits is subject to his compliance with non-competition, non-solicitation, and confidentiality restrictions during his employment and for a

period of one year following termination of employment. We, in our discretion, may choose to pay one year of base salary to an executive who terminates employment for a reason other than involuntary termination without cause or voluntary termination for good reason, in which case the executive will also be subject to non-competition, non-solicitation, and confidentiality restrictions following his termination of employment.

Change In Control Benefits

We provide change in control benefits to encourage executives to consider the best interests of shareholders by mitigating any concerns about their own personal financial well-being in the face of a change in control of our Company. Based on shareholder input and changing market trends, since 2011, in the event of a change in control:

Long-term incentive awards will vest only upon certain terminations of employment following a change in control (double-trigger)

Such awards will vest upon a change in control (single-trigger) if the acquirer does not assume the awards

We do not provide excise tax reimbursements and gross-up payments in the case of a change in control. Detailed information is provided under [Potential Payments Upon Termination or Change in Control](#).

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Compensation Discussion and Analysis Tax Treatment

TAX TREATMENT

Internal Revenue Code (IRC) Section 162(m) generally limits the deductibility of compensation paid to our CEO and three other named executive officers other than our Chief Financial Officer to \$1 million during any fiscal year unless such compensation is performance-based under Section 162(m). Generally, we intend to structure our compensation arrangements in a manner that would comply with Section 162(m). However, the Compensation Committee considers many factors when designing its compensation arrangements in addition to the deductibility of the compensation, and maintains the flexibility to grant awards or pay compensation amounts that are non-deductible if they believe it is in the best interest of our Company and our shareholders.

In addition, IRC Section 409A imposes restrictions on nonqualified deferred compensation plans. We maintain deferred compensation plans for the benefit of our employees, including nonqualified deferred compensation plans that provide for employee and employer contributions in excess of the IRS defined contribution plan limits. The deferred compensation plans we maintain are intended to be exempt from the requirements of Section 409A or, if not exempt, to satisfy the requirements of Section 409A, and we have reviewed and, where appropriate, have amended each of our deferred compensation plans to meet the requirements.

Finally, IRC Section 457A imposes restrictions on nonqualified deferred compensation plans maintained by a nonqualified entity (which generally includes an entity in a jurisdiction that is not subject to U.S. income tax or a comprehensive foreign income tax). The deferred compensation plans we maintain are intended to be exempt from the requirements of Section 457A for benefits accrued or awards granted on or after January 1, 2009 (the effective date of Section 457A). Also, we had amended certain deferred compensation plans in which benefits were accrued or awards granted prior to January 1, 2009 to provide that such benefits would be distributed in a single lump-sum payment in January 2017 (to the extent not previously distributed) to satisfy the requirements of Section 457A, and such benefits were distributed on January 6, 2017.

NON-GAAP FINANCIAL MEASURES

This proxy statement references financial measures that are not determined in accordance with U.S. GAAP, and are identified as core, operating, PVP or non-GAAP. Although these non-GAAP financial measures should not be considered substitutes for U.S. GAAP measures, our management and Board consider them important performance indicators and have employed them as well as other factors in determining senior management incentive compensation.

We referenced in the *Management's Discussion and Analysis* in our Annual Report on Form 10-K for the year ended December 31, 2016 certain of the non-GAAP financial measures we use in this proxy statement. The definitions for those non-GAAP financial measures, which are listed below, and how they may be calculated from the most directly comparable GAAP financial measures, may be found on pages 94 to 98 of our Annual Report on Form 10-K for the year ended December 31, 2016.

operating income (non-GAAP)

non-GAAP operating shareholders' equity

non-GAAP adjusted book value (ABV)

PVP or present value of new business production

This proxy also references certain non-GAAP financial measures, which are identified as *core*, that our management and Board also consider important performance indicators and have employed, as well as other factors, in determining senior management incentive compensation. These *core* measures, and how they are calculated from our GAAP financial statements, are as follows:

Core operating income per diluted share. After making the adjustments to net income described on pages 94 to 95 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at operating income (non-GAAP), the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

Core operating shareholders' equity per share. After making the adjustments to shareholders' equity described on pages 95 to 97 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at non-GAAP operating shareholders' equity, the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

Core ABV. After making the adjustments to shareholders' equity described on pages 95 to 97 of the Company's Annual Report on Form 10-K, *Management's Discussion and Analysis, Non-GAAP Financial Measures* to arrive at non-GAAP adjusted book value (ABV), the Company subtracts the gain (or loss) related to FG VIE consolidation, net of the tax provision, also disclosed in such section of the Form 10-K.

Core operating ROE. Core operating ROE is calculated as core operating income divided by the average of core operating shareholders' equity at the beginning and end of the period.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management and, based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Company's Annual Report on Form 10-K for the year ended December 31, 2016 and this proxy statement. The foregoing report has been approved by the Compensation Committee.

Patrick W. Kenny, Chairman

G. Lawrence Buhl

Simon W. Leathes

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2016 Summary Compensation Table

2016 SUMMARY COMPENSATION TABLE

The following table provides compensation information for 2016, 2015 and 2014 for our named executive officers.

Name and Principal Position	Year	Salary	Non-Equity			Total
			Stock Awards ⁽¹⁾	Incentive Plan Compensation ⁽²⁾	All Other Compensation ⁽³⁾	
Dominic J. Frederico, President and Chief Executive Officer	2016	\$ 1,150,000	\$ 5,090,589	\$ 5,717,851	\$ 768,875	\$ 12,727,315
	2015	\$ 1,150,000	\$ 4,708,445	\$ 5,609,813	\$ 711,731	\$ 12,179,989
	2014	\$ 950,000	\$ 3,607,088	\$ 5,580,300	\$ 637,403	\$ 10,774,791
James M. Michener, General Counsel	2016	\$ 600,000	\$ 1,018,118	\$ 2,355,089	\$ 487,858	\$ 4,461,065
	2015	\$ 550,000	\$ 941,700	\$ 2,338,881	\$ 443,359	\$ 4,273,940
	2014	\$ 500,000	\$ 706,975	\$ 2,399,400	\$ 401,974	\$ 4,008,349
Robert A. Bailenson, Chief Financial Officer	2016	\$ 600,000	\$ 1,119,915	\$ 2,207,475	\$ 230,530	\$ 4,157,920
	2015	\$ 550,000	\$ 1,046,351	\$ 1,920,375	\$ 191,279	\$ 3,708,005
	2014	\$ 475,000	\$ 673,311	\$ 1,618,772	\$ 153,900	\$ 2,920,983
Russell B. Brewer II, Chief Surveillance Officer	2016	\$ 450,000	\$ 1,119,915	\$ 1,762,939	\$ 223,481	\$ 3,556,335
	2015	\$ 400,000	\$ 941,700	\$ 1,784,931	\$ 191,288	\$ 3,317,919
	2014	\$ 390,000	\$ 706,975	\$ 1,570,130	\$ 171,000	\$ 2,838,105
Bruce E. Stern⁽⁴⁾ Executive Officer	2016	\$ 450,000	\$ 712,678	\$ 1,274,087	\$ 184,236	\$ 2,621,001
	2015	\$ 400,000	\$ 627,800	\$ 1,259,694	\$ 139,415	\$ 2,426,909

(1) This column represents the grant date value of performance share unit awards and restricted share unit awards granted in 2016, 2015 and 2014 for 2015, 2014 and 2013 performance, respectively.

(2) This column represents cash incentive compensation for 2016, 2015 and 2014 paid in 2017, 2016 and 2015, respectively, and the vesting date value of awards under our Performance Retention Plan (PRP) granted in 2014, 2013, 2012 and 2011 that vested on December 31, 2016, December 31, 2015 and December 31, 2014 and were paid in March 2017, 2016 and 2015, respectively, as further described in the table below. As discussed in Compensation Discussion and Analysis Payout Under Performance Retention Plan above,

beginning in February 2015, the executive officers no longer receive grants of PRP awards. The last PRP award to the executive officers was granted in February 2014 for the 2013 performance year and the last installment of that award will vest on December 31, 2017.

	D. Frederico	J. Michener	R. Bailenson	R. Brewer	B. Stern
2016 Cash Incentive Compensation	\$ 4,497,938	\$ 1,679,400	\$ 1,679,400	\$ 1,229,850	\$ 972,169
2016 PRP Payout	\$ 1,219,913	\$ 675,689	\$ 528,075	\$ 533,089	\$ 301,918
Total	\$ 5,717,851	\$ 2,355,089	\$ 2,207,475	\$ 1,762,939	\$ 1,274,087

- (3) All Other Compensation for 2016 consists of the benefits set forth in the table below. Contributions to defined contribution retirement plans include contributions with respect to salary and cash incentive compensation. The Miscellaneous category within All Other Compensation includes Bermuda club fees, Bermuda health insurance, gym fees, personal use of the corporate apartment, and executive physicals.

	D. Frederico	J. Michener	R. Bailenson	R. Brewer	B. Stern
Employer Contribution to Retirement Plans	\$ 618,240	\$ 247,032	\$ 220,896	\$ 186,096	\$ 161,226
Bermuda Housing Allowance	\$ 21,714	\$ 144,000			
Bermuda Car Allowance	\$ 20,000	\$ 15,000			
Bermuda Travel Allowance	\$ 15,000	\$ 15,000			
Tax Preparation/Financial Planning	\$ 42,292	\$ 29,222	\$ 1,000	\$ 19,680	
Matching Gift Donations	\$ 15,000	\$ 15,000		\$ 10,000	\$ 10,820
Business Related Spousal Travel	\$ 15,771	\$ 12,604	\$ 8,634	\$ 7,705	\$ 8,669
Miscellaneous	\$ 20,858	\$ 10,000			\$ 3,521
Total	\$ 768,875	\$ 487,858	\$ 230,530	\$ 223,481	\$ 184,236

- (4) Although Mr. Stern was an officer of our Company in 2014, he was not a named executive officer in that year.

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EMPLOYMENT AGREEMENTS

None of our named executive officers currently have any employment agreements with the Company.

PERQUISITE POLICY

Our Company has established a perquisite policy pursuant to which we provide executive officers certain perquisites that are not available to employees generally. We believe that perquisites we provide to our named executive officers meet certain business objectives and that the benefit our Company receives from providing these perquisites significantly outweighs the cost of providing them. We feel these perquisites minimize distractions to our named executive officers, thereby enabling them to perform their responsibilities more efficiently. These include tax preparation, financial planning, annual executive medical exams and, for our executive officers located in Bermuda, housing and car allowances, Bermuda club memberships, and family travel stipend. We provide tax preparation and financial planning services to maximize the value of Company-provided compensation and to assist our named executive officers with tax compliance in various jurisdictions, especially since some of our named executive officers fulfill their responsibilities to the Company by working outside their home country for a portion of their time. In light of the challenges of the Bermuda market, including travel to and from the island, and the cost of living and maintaining a residence, the Bermuda perquisites are consistent with competitive practices in the Bermuda market and have been necessary for recruitment and retention purposes. Any of these perquisites may be modified by the Compensation Committee without the consent of the executive officers.

In determining the total compensation payable to our named executive officers, the Compensation Committee considers perquisites in the context of the total compensation which our named executive officers are eligible to receive. However, given the fact that perquisites represent a relatively small portion of the executive's total compensation, the availability of these perquisites does not materially influence the decisions made by the Compensation Committee with respect to other elements of the total compensation to which our named executive officers are entitled to or which they are awarded.

SEVERANCE POLICY

Our Company has adopted a severance policy for executive officers. For further detail, see the discussion in Compensation Discussion and Analysis Post-Employment Compensation Severance and Potential Payments Upon Termination or Change of Control Change-in-Control Severance. A severance policy enables us to attract and retain top candidates for our executive positions and enables us to have good relations with those executives.

EMPLOYEE STOCK PURCHASE PLAN

We maintain a broad based employee stock purchase plan that gives our eligible employees the right to purchase our Common Shares through payroll deductions at a purchase price that reflects a 15% discount to the market price of our Common Shares on the first or last day of the relevant subscription period, whichever is lower. No participant may purchase more than \$25,000 worth of Common Shares under this plan in any calendar year. In 2016, Mr. Frederico, Mr. Stern and another executive officer participated in the employee stock purchase plan to the maximum extent possible.

INDEMNIFICATION AGREEMENTS

We enter into indemnification agreements with our directors and executive officers. These agreements are in furtherance of our Bye-Laws which require us to indemnify our directors and officers for acts done, concurred in or omitted in or about the execution of their duties in their respective offices.

The indemnification agreements provide for indemnification arising out of specified indemnifiable events, such as events relating to the fact that the indemnitee is or was one of our directors or officers or is or was a director, officer, employee or agent of another entity at our request or relating to anything done or not done by the indemnitee in such a capacity.

The indemnification agreements provide for advancement of expenses.

These agreements provide for mandatory indemnification to the extent an indemnitee is successful on the merits. To the extent that indemnification is unavailable, the agreements provide for contribution.

The indemnification agreements set forth procedures relating to indemnification claims.

The agreements also provide for maintenance of directors and officers liability insurance.

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2016 Grants of Plan-Based Awards

2016 GRANTS OF PLAN-BASED AWARDS

The following table sets forth information concerning grants of plan-based awards for our named executive officers made during 2016.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
		Target	Maximum Threshold	Target	Maximum	Stock or Units		
Dominic J. Frederico	Feb. 24, 2016 ⁽¹⁾	\$ 2,875,000	\$ 5,750,000					
	Feb. 24, 2016 ⁽²⁾			51,483	102,965	205,930		\$ 2,579,273
	Feb. 24, 2016 ⁽³⁾						102,965	\$ 2,511,316
James M. Michener	Feb. 24, 2016 ⁽¹⁾	\$ 1,200,000	\$ 2,400,000					
	Feb. 24, 2016 ⁽²⁾			10,297	20,593	41,186		\$ 515,855
	Feb. 24, 2016 ⁽³⁾						20,593	\$ 502,263
Robert A. Bailenson	Feb. 24, 2016 ⁽¹⁾	\$ 1,200,000	\$ 2,400,000					
	Feb. 24, 2016 ⁽²⁾			11,326	22,652	45,304		\$ 567,433
	Feb. 24, 2016 ⁽³⁾						22,652	\$ 552,482
Russell B. Brewer II	Feb. 24, 2016 ⁽¹⁾	\$ 900,000	\$ 1,800,000					
	Feb. 24, 2016 ⁽²⁾			11,326	22,652	45,304		\$ 567,433
	Feb. 24, 2016 ⁽³⁾							