ASSIGNMENT OPERATIONS

The Company is actively-seeking to sell or otherwise dispose of the remaining assets and operations of Singer Asset Finance Company, L.L.C. ("Singer"), an entity acquired in connection with the purchase of Financial Guaranty. During this process, any net servicing expenses will be charged against an existing servicing liability and any gains or losses on assets will be charged against an existing asset reserve. If and when these reserves become depleted, future results will be charged to current operations.

Singer and another subsidiary, Enhance Consumer Services LLC ("ECS") which had been engaged in the purchase, servicing and securitization of assets including state lottery awards, structured settlement payments and viatical settlements, are currently operating on a run-off basis. Their operations consist of servicing the prior originations of non-consolidated special purpose vehicles containing approximately $600.0 million and $568.0 million of off-balance sheet assets and liabilities, respectively. The Company's investment in the non-consolidated special purpose vehicles at December 31, 2001 is $32.0 million and the results of these subsidiaries are not material to the financial results of the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued two new pronouncements: SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 is effective as follows: a) use of the pooling-of-interest method is prohibited for business combinations initiated after June 30, 2001; and b) the provisions of SFAS 141 also apply to all business combinations accounted for by the purchase method that are completed after June 30, 2001 (that is, the date of the acquisition is July 2001 or later). There are also transition provisions that apply to business combinations completed before July 1, 2001, that were accounted for by the purchase method. SFAS 142 is effective for fiscal years beginning after December 15, 2001, to all goodwill and other intangible assets recognized in an entity's statement of financial position at that date, regardless of when those assets were initially recognized. The Company has adopted the provisions of SFAS 141 and SFAS 142 as of January 1, 2002. The adoption of SFAS 141 and SFAS 142 did not have a material impact on the Company's financial position or results of operations.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" which replaces, in its entirety, SFAS No. 125. Although SFAS No. 140 has changed many of the rules regarding securitizations, it continues to require an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and derecognize financial assets when control has been surrendered in accordance with the criteria provided in the statement. The Company previously adopted the provisions of SFAS No. 140 that related to applicable disclosures of securitization transactions, and adopted the remaining provisions of the new statement in the second quarter of 2001. The adoption of SFAS No. 140 did not have a material impact on the financial position or results of operations of the Company.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. This statement supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for disposal of a segment of a business. This statement is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 did not have a material impact on the financial position or results of operations of the Company.

RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform with the current year's presentation.

2. INVESTMENTS

Fixed maturity and equity investments at December 31, 2001 and 2000 consisted of (in thousands):

	December 31, 2001			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
Fixed maturities held to maturity at amortized cost:				
Bonds and notes:				
United States government	$ 9,730	$ 9,592	$ —	$ 137
State and municipal obligations	432,468	452,370	20,415	514
	$ 442,198	$ 461,962	$20,415	$ 651
Fixed maturities available for sale:				
Bonds and notes:				
United States government	$ 102,781	$ 102,174	$ 995	$ 1,602
State and municipal obligations	1,952,650	1,956,321	25,103	21,432
Corporate	231,893	247,648	23,299	7,544
Asset-backed securities	149,670	149,700	637	607
Private placements	89,090	84,544	—	4,546
Redeemable preferred stock	25,382	25,360	1,352	1,374
Other	1,464	1,453	—	11
	$2,552,930	$2,567,200	$51,386	$37,116
Equity securities available for sale	$ 116,978	$ 120,320	$14,394	$11,052