

MBIA INC  
Form 10-Q  
August 08, 2016  
Table of Contents

**United States**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Number 1-9583

**MBIA INC.**

(Exact name of registrant as specified in its charter)

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**Connecticut**  
(State of incorporation)

**06-1185706**  
(I.R.S. Employer

Identification No.)

**1 Manhattanville Road, Suite 301, Purchase, New York**  
(Address of principal executive offices)

**10577**  
(Zip Code)

**(914) 273-4545**

(Registrant's telephone number, including area code)

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of August 2, 2016, 135,650,806 shares of Common Stock, par value \$1 per share, were outstanding.

**Table of Contents**

	<b>PAGE</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<b>Item 1.</b> <u>Financial Statements MBIA Inc. and Subsidiaries (Unaudited)</u>	
<u>Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015 (Unaudited)</u>	1
<u>Consolidated Statements of Operations for the three and six months ended June 30, 2016 and 2015 (Unaudited)</u>	2
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2016 and 2015 (Unaudited)</u>	3
<u>Consolidated Statement of Changes in Shareholders' Equity for the six months ended June 30, 2016 (Unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the six months ended June 30, 2016 and 2015 (Unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	6
<b>Item 2.</b> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	55
<b>Item 3.</b> <u>Quantitative and Qualitative Disclosures About Market Risk</u>	90
<b>Item 4.</b> <u>Controls and Procedures</u>	92
<b><u>PART II OTHER INFORMATION</u></b>	
<b>Item 1.</b> <u>Legal Proceedings</u>	93
<b>Item 1A.</b> <u>Risk Factors</u>	93
<b>Item 2.</b> <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	95
<b>Item 6.</b> <u>Exhibits</u>	96
<b><u>SIGNATURES</u></b>	97

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**Table of Contents**

**FORWARD-LOOKING AND CAUTIONARY STATEMENTS**

This quarterly report of MBIA Inc., together with its consolidated subsidiaries, (collectively, MBIA, the Company, we, us or our) includes statements that are not historical or current facts and are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words believe, anticipate, project, plan, expect, estimate, intend, will likely result, forward, or will continue and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. MBIA cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the general factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company's forward-looking statements:

increased credit losses or impairments on public finance obligations we insure issued by state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that are experiencing fiscal stress;

the possibility that MBIA Corp. will have inadequate liquidity or resources to pay claims as a result of higher than expected losses on certain structured finance transactions or as a result of a delay or failure in collecting expected recoveries;

the possibility that loss reserve estimates are not adequate to cover potential claims;

a disruption in the cash flow from our subsidiaries or an inability to access the capital markets and our exposure to significant fluctuations in liquidity and asset values in the global credit markets as a result of collateral posting requirements;

our ability to fully implement our strategic plan, including our ability to maintain high stable credit ratings for National Public Finance Guarantee Corporation and generate investor demand for our financial guarantees;

deterioration in the economic environment and financial markets in the United States or abroad, real estate market performance, credit spreads, interest rates and foreign currency levels; and

the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules.

The above factors provide a summary of and are qualified in their entirety by the risk factors discussed under Risk Factors in Part I, Item 1A of MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015. In addition, refer to Risk Factors in Part II, Item 1A and Note 1: Business Developments and Risks and Uncertainties in the Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a discussion of certain risks and uncertainties related to our financial statements.

This quarterly report of MBIA Inc. also includes statements of the opinion and belief of MBIA management which may be forward-looking statements subject to the preceding cautionary disclosure. Unless otherwise indicated herein, the basis for each statement of opinion or belief of MBIA management in this report is the relevant industry or subject matter experience and views of certain members of MBIA's management. Accordingly, MBIA cautions readers not to place undue reliance on any such statements, because like all statements of opinion or belief they are not statements of fact and may prove to be incorrect. We undertake no obligation to publicly correct or update any statement of opinion or belief if the Company later becomes aware that such statement of opinion or belief was not or is not then accurate. In addition, readers are cautioned that each statement of opinion or belief may be further qualified by disclosures set forth elsewhere in this report or in other disclosures by MBIA.

**Table of Contents****PART 1 FINANCIAL INFORMATION****Item 1. Financial Statements****MBIA INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In millions except share and per share amounts)

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$5,145 and \$5,155)	\$ 5,334	\$ 5,145
Investments carried at fair value	68	177
Investments pledged as collateral, at fair value (amortized cost \$216 and \$322)	210	291
Short-term investments held as available-for-sale, at fair value (amortized cost \$632 and \$720)	632	721
Other investments (includes investments at fair value of \$6 and \$13)	10	16
<b>Total investments</b>	<b>6,254</b>	<b>6,350</b>
Cash and cash equivalents	568	464
Premiums receivable	716	792
Deferred acquisition costs	147	168
Insurance loss recoverable	365	577
Deferred income taxes, net	966	951
Other assets	231	156
Assets of consolidated variable interest entities:		
Cash	37	58
Investments held-to-maturity, at amortized cost (fair value \$509 and \$2,401)	890	2,689
Fixed-maturity securities at fair value	281	932
Loans receivable at fair value	1,192	1,292
Loan repurchase commitments	401	396
Other assets	16	11
<b>Total assets</b>	<b>\$ 12,064</b>	<b>\$ 14,836</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 1,418	\$ 1,591
Loss and loss adjustment expense reserves	546	516
Long-term debt	1,945	1,889
Medium-term notes (includes financial instruments carried at fair value of \$161 and \$161)	991	1,016
Investment agreements	424	462
Derivative liabilities	378	314
Other liabilities	311	211
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of \$1,503 and \$2,362)	2,393	5,051
Derivative liabilities	-	45
<b>Total liabilities</b>	<b>8,406</b>	<b>11,095</b>

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Commitments and contingencies (Refer to Note 13)

Equity:

Preferred stock, par value \$1 per share; authorized shares 10,000,000; issued and outstanding none	-	-
Common stock, par value \$1 per share; authorized shares 400,000,000; issued shares 283,487,936 and 281,833,618	284	282
Additional paid-in capital	3,150	3,138
Retained earnings	2,933	3,038
Accumulated other comprehensive income (loss), net of tax of \$15 and \$51	58	(61)
Treasury stock, at cost 147,844,413 and 130,303,241 shares	(2,779)	(2,668)
<b>Total shareholders' equity of MBIA Inc.</b>	<b>3,646</b>	<b>3,729</b>
Preferred stock of subsidiary	12	12
<b>Total equity</b>	<b>3,658</b>	<b>3,741</b>
<b>Total liabilities and equity</b>	<b>\$ 12,064</b>	<b>\$ 14,836</b>

The accompanying notes are an integral part of the consolidated financial statements.

**Table of Contents****MBIA INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In millions except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 44	\$ 51	\$ 89	\$ 106
Refunding premiums earned	29	40	59	86
Premiums earned (net of ceded premiums of \$2, \$2, \$3 and \$5)	73	91	148	192
Net investment income	37	37	76	74
Fees and reimbursements	1	2	2	3
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	(2)	(3)	(16)	(12)
Unrealized gains (losses) on insured derivatives	(6)	63	(20)	100
Net change in fair value of insured derivatives	(8)	60	(36)	88
Net gains (losses) on financial instruments at fair value and foreign exchange	14	45	(55)	75
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(9)	(1)	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	2	-	2
Net investment losses related to other-than-temporary impairments	-	(7)	(1)	(7)
Net gains (losses) on extinguishment of debt	3	(1)	5	(1)
Other net realized gains (losses)	-	(1)	(1)	19
Revenues of consolidated variable interest entities:				
Net investment income	5	13	20	25
Net gains (losses) on financial instruments at fair value and foreign exchange	(7)	6	(8)	(4)
Total revenues	118	245	150	464
<b>Expenses:</b>				
Losses and loss adjustment	77	46	99	40
Amortization of deferred acquisition costs	10	13	20	26
Operating	30	32	65	67
Interest	49	50	99	100
Expenses of consolidated variable interest entities:				
Operating	3	3	7	7
Interest	4	9	16	19
Total expenses	173	153	306	259
Income (loss) before income taxes	(55)	92	(156)	205
Provision (benefit) for income taxes	(28)	28	(51)	72