

MBIA INC
Form 10-Q
May 12, 2008
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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 Quarter Ended March 31, 2008

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.)

113 King Street, Armonk, New York
(Address of principal executive offices)

10504
(Zip Code)

Registrant's telephone number, including area code: (914) 273-4545

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 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. (Check one):

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 Exchange Act). Yes No

As of May 5, 2008, 273,382,066 shares of Common Stock, par value \$1 per share, were outstanding.

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Table of Contents**MBIA INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In thousands except per share amounts)

| | March 31, 2008 | December 31, 2007 |
|---|----------------------|----------------------|
| Assets | | |
| Investments: | | |
| Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$29,873,383 and \$30,199,471) (includes hybrid financial instruments at fair value of \$346,477 and \$596,537) | \$ 28,407,120 | \$ 29,589,098 |
| Investments held-to-maturity, at amortized cost (fair value \$4,514,780 and \$5,036,465) | 4,544,549 | 5,053,987 |
| Investments pledged as collateral, at fair value (amortized cost \$1,145,845 and \$1,243,245)(2008 includes hybrid financial instruments of \$9,490) | 1,085,245 | 1,227,153 |
| Short-term investments, at amortized cost (which approximates fair value) | 7,082,189 | 5,464,708 |
| Other investments | 664,749 | 730,711 |
| Total investments | 41,783,852 | 42,065,657 |
| Cash and cash equivalents | 290,287 | 263,732 |
| Accrued investment income | 576,207 | 590,060 |
| Deferred acquisition costs | 442,012 | 472,516 |
| Prepaid reinsurance premiums | 312,142 | 318,740 |
| Reinsurance recoverable on unpaid losses | 107,783 | 82,041 |
| Goodwill | 79,406 | 79,406 |
| Property and equipment, at cost (less accumulated depreciation of \$135,509 and \$132,930) | 103,007 | 104,036 |
| Receivable for investments sold | 449,364 | 111,130 |
| Derivative assets | 2,323,098 | 1,722,696 |
| Current income taxes | | 142,763 |
| Deferred income taxes, net | 2,873,131 | 1,173,658 |
| Other assets | 346,436 | 288,639 |
| Total assets | \$ 49,686,725 | \$ 47,415,074 |
| Liabilities and Shareholders Equity | | |
| Liabilities: | | |
| Deferred premium revenue | \$ 3,045,903 | \$ 3,107,833 |
| Loss and loss adjustment expense reserves | 1,542,378 | 1,346,423 |
| Investment agreements | 15,998,310 | 16,107,909 |
| Commercial paper | 362,478 | 850,315 |
| Medium-term notes (includes hybrid financial instruments at fair value of \$354,097 and \$399,061) | 11,353,744 | 12,830,777 |
| Variable interest entity floating rate notes | 1,353,045 | 1,355,792 |
| Securities sold under agreements to repurchase | 1,019,155 | 1,163,899 |
| Short-term debt | 7,158 | 13,383 |
| Long-term debt | 2,247,140 | 1,225,280 |
| Current income taxes | 33,583 | |
| Deferred fee revenue | 15,115 | 15,059 |
| Payable for investments purchased | 504,916 | 41,359 |
| Derivative liabilities | 9,134,441 | 5,037,112 |
| Other liabilities | 1,009,185 | 664,128 |
| Total liabilities | 47,626,551 | 43,759,269 |
| Commitments and contingencies (See Note 10) | | |
| Shareholders Equity: | | |

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| | | |
|---|----------------------|----------------------|
| 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 271,755,013 and 160,244,614 | 271,755 | 160,245 |
| Additional paid-in capital | 3,082,349 | 1,649,511 |
| Retained earnings | 1,895,148 | 4,301,880 |
| Accumulated other comprehensive loss, net of deferred income tax of (\$678,624) and (\$275,291) | (1,224,136) | (490,829) |
| Treasury stock, at cost 34,897,262 and 34,872,515 shares | (1,964,942) | (1,965,002) |
| Total shareholders equity | 2,060,174 | 3,655,805 |
| Total liabilities and shareholders equity | \$ 49,686,725 | \$ 47,415,074 |

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

(3)

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

(In thousands except per share amounts)

| | Three months ended March 31 | |
|--|--------------------------------|-------------------|
| | 2008 | 2007 |
| Gross premiums written | \$ 114,711 | \$ 188,174 |
| Ceded premiums | (17,450) | (16,872) |
| Net premiums written | 97,261 | 171,302 |
| Revenues: | | |
| Scheduled premiums earned | \$ 147,520 | \$ 146,599 |
| Refunding premiums earned | 7,795 | 39,592 |
| Premiums earned (net of ceded premiums of \$25,421 and \$32,159) | 155,315 | 186,191 |
| Net investment income | 514,904 | 510,949 |
| Fees and reimbursements | 7,453 | 20,057 |
| Realized gains and other settlements on insured derivatives | 33,758 | 21,152 |
| Unrealized losses on insured derivatives | (3,577,103) | (1,792) |
| Net change in fair value of insured derivatives | (3,543,345) | 19,360 |
| Net realized gains (losses) | (167,009) | 13,902 |
| Net gains (losses) on financial instruments at fair value and foreign exchange | 76,562 | (23,917) |
| Insurance recoveries | | 3,400 |
| Total revenues | (2,956,120) | 729,942 |
| Expenses: | | |
| Losses and loss adjustment | 287,608 | 20,484 |
| Amortization of deferred acquisition costs | 15,552 | 16,629 |
| Operating | 63,487 | 60,711 |
| Interest expense | 377,070 | 355,077 |
| Total expenses | 743,717 | 452,901 |
| Income (loss) before income taxes | (3,699,837) | 277,041 |
| Provision (benefit) for income taxes | (1,293,105) | 78,430 |
| Net income (loss) | \$ (2,406,732) | \$ 198,611 |
| Net income (loss) per common share: | | |
| Basic | \$ (13.03) | \$ 1.50 |
| Diluted | \$ (13.03) | \$ 1.46 |
| Weighted-average number of common shares outstanding: | | |
| Basic | 184,708,960 | 131,972,954 |
| Diluted | 184,708,960 | 136,090,503 |

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

Table of Contents**MBIA INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)****For the three months ended March 31, 2008**

(In thousands)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | | Treasury Stock | | Shareholders Equity |
|--|--------------|------------|----------------------------------|----------------------|--|----------|----------------|--------------|------------------------|
| | Shares | Amount | | | Shares | Amount | | | |
| Balance, January 1, 2008 | 160,245 | \$ 160,245 | \$ 1,649,511 | \$ 4,301,880 | \$ (490,829) | (34,873) | \$ (1,965,002) | \$ 3,655,805 | |
| Comprehensive loss: | | | | | | | | | |
| Net loss | | | | (2,406,732) | | | | (2,406,732) | |
| Other comprehensive loss: | | | | | | | | | |
| Change in unrealized depreciation of investments net of change in deferred income taxes of \$(296,700) | | | | | (542,193) | | | (542,193) | |
| Change in fair value of derivative instruments net of change in deferred income taxes of \$(108,850) | | | | | (202,151) | | | (202,151) | |
| Change in foreign currency translation net of change in deferred income taxes of \$2,217 | | | | | 11,037 | | | 11,037 | |
| Other comprehensive loss | | | | | | | | (733,307) | |
| Total comprehensive loss | | | | | | | | (3,140,039) | |
| Issuance of common stock | 110,779 | 110,779 | 1,448,908 | | | | | 1,559,687 | |
| Share-based compensation net of change in deferred income taxes of \$(2,948) | 731 | 731 | (16,070) | | | (24) | 60 | (15,279) | |
| Balance, March 31, 2008 | 271,755 | \$ 271,755 | \$ 3,082,349 | \$ 1,895,148 | \$ (1,224,136) | (34,897) | \$ (1,964,942) | \$ 2,060,174 | |
| | | | | | | | | | 2008 |
| Disclosure of reclassification amount: | | | | | | | | | |
| Change in unrealized depreciation of investments arising during the period, net of taxes | | | | | | | | \$ (575,596) | |
| Reclassification adjustment, net of taxes | | | | | | | | 33,403 | |
| Change in net unrealized depreciation, net of taxes | | | | | | | | \$ (542,193) | |

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