

MBIA INC
Form 10-Q
August 08, 2007
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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 June 30, 2007

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)

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

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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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 July 30, 2007, 125,581,825 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)

	June 30, 2007	December 31, 2006
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$30,384,811 and \$27,327,315)(2007 includes hybrid financial instruments at fair value \$678,963)	\$ 30,398,657	\$ 27,755,667
Investments held-to-maturity, at amortized cost (fair value \$5,345,917 and \$5,187,766)	5,368,999	5,213,464
Investment agreement portfolio pledged as collateral, at fair value (amortized cost \$551,253 and \$176,179)	541,266	175,834
Short-term investments, at amortized cost (which approximates fair value)	2,879,689	2,960,646
Other investments	919,700	971,707
Total investments	40,108,311	37,077,318
Cash and cash equivalents	418,332	269,277
Accrued investment income	565,490	526,468
Deferred acquisition costs	459,942	449,556
Prepaid reinsurance premiums	337,052	363,140
Reinsurance recoverable on unpaid losses	48,078	46,941
Goodwill	79,406	79,406
Property and equipment, at cost (less accumulated depreciation of \$127,903 and \$124,919)	99,240	105,950
Receivable for investments sold	102,030	77,593
Derivative assets	710,528	521,278
Other assets	225,425	246,103
Total assets	\$ 43,153,834	\$ 39,763,030
Liabilities and Shareholders Equity		
Liabilities:		
Deferred premium revenue	\$ 3,096,434	\$ 3,129,620
Loss and loss adjustment expense reserves	520,080	537,037
Investment agreements	13,361,280	12,482,976
Commercial paper	714,591	745,996
Medium-term notes (2007 includes hybrid financial instruments at fair value \$364,196)	13,799,029	10,951,378
Variable interest entity floating rate notes	1,381,603	1,451,928
Securities sold under agreements to repurchase	524,101	169,432
Short-term debt	13,383	40,898
Long-term debt	1,214,134	1,215,289
Current income taxes	43,629	6,970
Deferred income taxes, net	398,451	476,189
Deferred fee revenue	14,991	14,862
Payable for investments purchased	231,187	319,640
Derivative liabilities	528,295	400,318
Other liabilities	528,812	616,243
Total liabilities	36,370,000	32,558,776

Commitments and contingencies (See Note 8)

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Shareholders' 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 160,169,947 and 158,330,220	160,170	158,330
Additional paid-in capital	1,627,913	1,533,102
Retained earnings	6,719,357	6,399,333
Accumulated other comprehensive income, net of deferred income tax of \$93,178 and \$172,798	164,630	321,293
Treasury stock, at cost (shares 33,625,513 and 23,494,806)	(1,888,236)	(1,207,804)
Total shareholders' equity	6,783,834	7,204,254
Total liabilities and shareholders' equity	\$ 43,153,834	\$ 39,763,030

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

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

(In thousands except per share amounts)

	Three months ended June 30 2007	2006	Six months ended June 30 2007	2006
Insurance				
Revenues:				
Gross premiums written	\$ 247,562	\$ 251,476	\$ 465,188	\$ 424,348
Ceded premiums	(26,525)	(27,166)	(47,894)	(51,071)
Net premiums written	221,037	224,310	417,294	373,277
Scheduled premiums earned	174,732	169,130	345,433	336,845
Refunding premiums earned	45,935	47,606	85,732	85,790
Premiums earned (net of ceded premiums of \$36,982, \$37,086, \$73,443 and \$74,064)	220,667	216,736	431,165	422,635
Net investment income	146,185	144,636	292,291	283,752
Fees and reimbursements	4,634	4,019	14,802	12,193
Net realized gains (losses)	31,052	15,415	32,044	8,371
Net gains (losses) on financial instruments at fair value and foreign exchange	(14,058)	1,305	(12,211)	6,062
Total insurance revenues	388,480	382,111	758,091	733,013
Expenses:				
Losses and loss adjustment	20,968	20,295	41,452	40,421
Amortization of deferred acquisition costs	17,433	17,122	34,062	33,388
Operating	35,043	35,684	67,612	72,224
Interest expense	20,711	18,786	42,447	31,704
Total insurance expenses	94,155	91,887	185,573	177,737
Insurance income	294,325	290,224	572,518	555,276
Investment management services				
Revenues	390,330	294,299	752,409	552,505
Net realized gains (losses)	(6,097)	(295)	4,024	5,233
Net gains (losses) on financial instruments at fair value and foreign exchange	6,412	6,258	(11,617)	3,308
Total investment management services revenues	390,645	300,262	744,816	561,046
Interest expense	341,514	249,921	656,009	466,668
Expenses	22,795	18,461	45,458	36,051
Total investment management services expenses	364,309	268,382	701,467	502,719
Investment management services income	26,336	31,880	43,349	58,327

Corporate

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Net investment income	7,739	3,508	13,729	7,072
Insurance recoveries	3,000		6,400	
Net realized gains (losses)	(9,437)	841	(8,495)	1,467
Net gains (losses) on financial instruments at fair value and foreign exchange	(303)	138	(166)	138
Interest expense	20,182	20,170	40,361	40,301
Corporate expenses	8,461	3,360	16,916	5,668
Corporate loss	(27,644)	(19,043)	(45,809)	(37,292)
Income from continuing operations before income taxes	293,017	303,061	570,058	576,311
Provision for income taxes	81,186	83,138	159,616	158,185
Income from continuing operations	211,831	219,923	410,442	418,126
Income (loss) from discontinued operations, net of tax		1,439		2,230
Net income	\$ 211,831	\$ 221,362	\$ 410,442	\$