

MBIA INC  
Form 8-K  
July 25, 2017

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of**  
**the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): July 25, 2017**

**MBIA INC.**

**(Exact name of registrant as specified in its charter)**

**Connecticut**  
**(State or other jurisdiction**

**of incorporation)**

**1 Manhattanville Road, Suite 301**

**1-9583**  
**(Commission**

**File Number)**

**06-1185706**  
**(IRS Employer**

**Identification No.)**

**10577**

**Purchase, New York**  
**(Address of principal executive offices)** **(Zip Code)**  
**Registrant's telephone number, including area code:**

**914-273-4545**

**Not Applicable**

**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))  
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.06 MATERIAL IMPAIRMENTS and Item 7.01 REGULATION FD DISCLOSURE.**

As previously disclosed, on June 26, 2017, Standard & Poor's Financial Services LLC (S&P) downgraded the financial strength rating of National Public Finance Guarantee Corporation (National) to A-. As discussed in the Company's July 11, 2017 Letter to Owners, that downgrade led the Company to cease for now its efforts to actively pursue writing new insurance policies at National. The same Letter to Owners also preannounced that National's statutory losses and loss adjustment expenses were expected to increase, in the range of \$250 million to \$275 million, for the second quarter of 2017, as a result of recent developments in Puerto Rico.

In light of National's cessation for now of its pursuit of new insurance business, its increased loss and loss adjustment expenses and the consideration of relevant accounting standards for valuing a deferred tax asset, the Company has determined that it is required to establish a full valuation allowance on its deferred tax asset as of June 30, 2017. The valuation allowance will result in a \$1.1 billion charge to consolidated net income for the second quarter of 2017 and a \$1.1 billion reduction in GAAP book value at June 30, 2017. As a result, Adjusted Book Value, a non-GAAP measure defined below, will be reduced by the full valuation allowance, partially offset by the impact of applying a zero effective tax rate to National's unearned premium revenue used in the calculation of Adjusted Book Value.

Notwithstanding the establishment of the valuation allowance on its deferred tax asset, the Company believes that it may be able to use most or all of its deferred tax asset before the expirations associated with that asset based upon the expected earnings at National and potential future sources of taxable income to be identified by the Company. Accordingly, the Company will continue to re-evaluate its deferred tax asset on a quarterly basis. There is no assurance that the Company will reverse any of its valuation allowance on its deferred tax asset in the future.

**Adjusted Book Value:** Adjusted Book Value (ABV), a non-GAAP measure, is used by the Company to supplement its analysis of GAAP book value. The Company uses ABV as a measure of fundamental value and considers the change in ABV an important measure of periodic financial performance. ABV adjusts GAAP book value by removing the GAAP book value amounts for items that are not expected to impact shareholder value and to add in the impact of certain items which the Company believes will be realized in GAAP book value in future periods. The Company has limited such adjustments to those items that it deems to be important to fundamental value and performance and which the likelihood and amount can be reasonably estimated. ABV assumes no new business activity. The Company has presented ABV to allow investors and analysts to evaluate the Company using the same measure that MBIA's management regularly uses to measure financial performance. ABV is not a substitute for and should not be viewed in isolation from GAAP book value.

## Forward-Looking Statements

The information contained in this Current Report should be read in conjunction with our filings made with the Securities and Exchange Commission. This report 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, intend, will, will likely result, 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, including, among other risks and uncertainties, the possibility that the Company will experience increased credit losses or impairments on public finance obligations we insure issued by state, local and territorial governments and finance authorities that are experiencing unprecedented fiscal stress, the possibility that MBIA Insurance Corporation will have inadequate liquidity to pay expected claims as a result of increased losses on certain structured finance transactions, in particular residential mortgage-backed securities transactions that include a substantial number of ineligible mortgage loans, or 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 capital and our exposure to significant fluctuations in liquidity and asset values within the global credit markets as a result of collateral posting requirements, our ability to fully implement our strategic plan, deterioration in the economic environment and financial markets in the United States or abroad, and adverse developments in European sovereign credit performance, real estate market performance, credit spreads, interest rates and foreign currency levels, the effects of governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules; and uncertainties that have not been identified at this time. These and other 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 are discussed under the Risk Factors section in MBIA Inc.'s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which may be updated or amended in the Company's subsequent filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. The Company undertakes no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MBIA INC.

**By:** /s/Jonathan C. Harris  
Jonathan C. Harris  
General Counsel

Date: July 25, 2017