MBIA INC
Form 10-K
February 29, 2016
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United States

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

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	**06-1185706**
(State of incorporation)	**(I.R.S. Employer Identification No.)**
1 Manhattanville Road, Suite 301, Purchase, New York	**10577**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $1 per share	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2015 was $880,396,155.

As of February 25, 2016, 136,600,851 shares of Common Stock, par value $1 per share, were outstanding.

Documents incorporated by reference:

Portions of the Definitive Proxy Statement of the Registrant for its 2015 Annual Meeting, which will be filed on or before March 31, 2016, are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This annual report of MBIA Inc. (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 , looking forward , or will continue and similar expr 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 this annual report on Form 10-K. The Company encourages readers to review these risk factors in their entirety.

This annual 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.

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Part I

Item 1. Business

As used in this Annual Report on Form 10-K, (i) MBIA, the Company, we, our and us refer to MBIA Inc., a Connecticut corporation incorporated in 1986 and (ii) unless otherwise indicated or the context otherwise requires, references to MBIA Insurance Corporation are to MBIA Insurance Corporation on a stand-alone basis and references to MBIA Corp. are to MBIA Insurance Corporation, together with its subsidiaries, MBIA UK Insurance Limited (MBIA UK) and MBIA Mexico S.A. de C.V. (MBIA Mexico).

OVERVIEW

MBIA s primary business is to provide financial guarantee insurance to the United States public finance markets through our indirect, wholly-owned subsidiary, National Public Finance Guarantee Corporation (National). National was established in February of 2009 when we restructured our business through several intercompany transactions (Transformation) and transferred the ownership of National from a subsidiary of MBIA Inc. to a newly established holding company, National Public Finance Guarantee Holdings, Inc., another wholly-owned subsidiary of MBIA Inc.

National s financial guarantee insurance policy provides investors with unconditional and irrevocable guarantees of the payment of the principal, interest or other amounts owing on insured obligations when due. The principal economic value of our financial guarantee insurance for capital markets issuers is to lower the interest cost of an insured obligation relative to the interest cost on the same obligation issued on an uninsured basis. In addition, for complex financings and for obligations of issuers that are not well-known by investors, insured obligations have historically received greater market acceptance than uninsured obligations. For investors, our insurance provides not only an additional level of credit protection but also the benefit of our portfolio monitoring and remediation skills throughout the life of the insurance policy.

MBIA also provides financial guarantee insurance in the international and structured finance markets. We continue to manage the insured portfolio of MBIA Corp. which has been reduced substantially from $331.2 billion as of December 31, 2007 to $41.6 billion as of December 31, 2015. We do not expect MBIA Corp. to write any new policies in the foreseeable future in light of current ratings, accumulated losses and non-policy claims related to our subordinate preferred stock holders and surplus note holders. As of December 31, 2015, MBIA Corp. had statutory capital of $885 million, approximately $662 million of loss reserves on its insured credits and outstanding surplus notes with $953 million of outstanding principal and $392 million of unpaid interest. See Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Resources in Part II, Item 7 of this Form 10-K for a further discussion of MBIA Corp. s insurance statutory capital.

Given MBIA Corp. s capital structure and business prospects, we do not expect its financial performance to have a material impact on MBIA Inc., except for any impact it may have on the consolidated deferred tax asset relating to the Company s net operating loss carryforwards. See Note 11: Income Taxes in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K for a further discussion of income taxes. We do not expect MBIA Corp. to have sufficient capital to fully pay the outstanding principal and accrued interest on the surplus notes. Furthermore, any payments on the surplus notes would require the prior approval of the New York State Department of Financial Services (the NYSDFS). If the NYSDFS does not approve a payment of principal or interest on the surplus notes, then, under the terms of the surplus notes, any failure to make that payment of principal or interest on the surplus notes will not constitute a default under the notes.

MBIA Insurance Corporation owns MBIA UK and MBIA Mexico, and together, the three companies manage our legacy global structured finance and non-U.S. public finance financial guarantee insurance portfolios. MBIA UK is a financial guarantee insurance company located in the United Kingdom which wrote structured and public finance debt obligations in selected international markets, and MBIA Mexico is a financial guarantee insurance company located in Mexico which wrote a limited number of structured finance policies in Mexico.

We also own MBIA Services Corporation (MBIA Services), a service company which provides support services such as surveillance, risk management, legal, accounting, treasury and information technology, among others, to our businesses on a fee-for-service basis.

MBIA completed the previously announced sale of its asset management advisory services business operated under Cutwater Holdings LLC, during the first quarter of 2015.

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Item 1. Business (continued)

OUR BUSINESS STRATEGY

National Ratings and New Business Opportunities

National is the largest U.S. public finance-only bond insurer in the financial guarantee industry as measured by total gross insured par outstanding of $161.0 billion as of December 31, 2015. Our primary activity is to insure new issue and secondary market municipal bonds while providing ongoing surveillance of National s existing insured portfolio. National s ability to write new business and to compete with other financial guarantors is largely dependent on the financial strength ratings assigned to National by the rating agencies. As of December 31, 2015, National was rated AA+ with a stable outlook by Kroll Bond Rating Agency (Kroll), AA- with a stable outlook by Standard & Poor s Financial Services LLC (S&P), and A3 with a negative outlook by Moody s Investors Services, Inc. (Moody s).

National pursues opportunities for new business in most municipal sectors. Based on our underwriting and pricing criteria, the majority of our new business is in the general obligation, tax-backed and revenue bond sectors. In addition to the new issue market, we are pursuing opportunities in the secondary market with respect to bonds issued in recent years that were not insured and that meet our underwriting criteria.

National seeks to generate shareholder value at appropriate risk-adjusted pricing; however, current market conditions and the competitive landscape limit National s new business opportunities and our ability to price and underwrite risk with attractive returns.

For the issuer, the value of financial guarantee insurance is largely determined by the spread between the interest rate on insured versus uninsured debt. The current environment of low interest rates and narrow spreads between insured and uninsured debt reduces the value of insurance to a level which may be unattractive to the issuer (insufficient reduction in interest costs) as well as the guarantor (insufficient revenue relative to the risk assumed and capital deployed). Furthermore, investors may choose to purchase uninsured bonds to increase returns. An environment of higher interest rates and/or wider spreads would likely enhance the new business opportunities for National. We also believe the current stress in certain sectors of the municipal bond market reinforces the value of National s guarantee of timely payment of interest and principal.

MBIA Inc. Capital Management

The Company manages its capital and liquidity in order to ensure that it can service its debt and other financial obligations and pay its operating costs while maintaining an adequate cushion against adverse events. The stabilization of the liquidity position at the holding company as a result of consistent dividends from National and releases from the tax escrow account allows the Company more strategic flexibility in deploying its capital.

In 2015, the Company repurchased 31.9 million shares at a cost of $233 million under repurchase authorizations in October of 2014 and July of 2015. In addition, National purchased eight million shares at a cost of $70 million under a one-time Board authorization in May of 2015. On October 28, 2015, the Company s Board of Directors authorized the repurchase of up to $100 million additional of its outstanding shares. Subsequent to December 31, 2015, we exhausted all of the remaining capacity under the October 28, 2015 repurchase program by repurchasing an additional 14.9 million common shares of MBIA Inc. at an average share price of $6.30. Management and the Board views these repurchases as the best use of capital available at the holding company compared with available alternatives.

Our strategy is to balance leverage by: (i) the repurchase of outstanding MBIA Inc. common shares when management deems appropriate; and (ii) reducing our unsecured debt through calls and repurchases, while continuing to move toward an investment-grade capital structure. Unsecured debt includes MBIA Inc. s senior notes and medium-term notes (MTNs) issued by MBIA Global Funding, LLC (GFL). During the fourth quarters of 2015 and 2014, National declared and paid dividends of $114 million and $220 million, respectively, to its ultimate parent, MBIA Inc. In addition, during the first quarters of 2015 and 2016, MBIA Inc. received a total of $333 million in cash from an escrow account held by MBIA Inc. under the MBIA group s tax sharing agreement as described further under Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity MBIA Inc. Liquidity. During 2015, we repurchased $50 million of debt issued by MBIA Inc. or its subsidiary GFL. In addition, $78 million of debt issued by GFL matured during 2015.

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Item 1. Business (continued)

MBIA Corp. Risk Mitigation

MBIA Corp. has not written a meaningful amount of new business since 2008 as a result of declining financial capacity, ratings downgrades and regulatory limitations placed on its business. Since that time it has experienced considerable stress as a result of unprecedented levels of delinquency and loss in its structured finance business, primarily in its residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) pools, commercial real estate (CRE) and collateralized debt obligation (CDO) portfolios. As a result, since 2008, MBIA Corp. s strategy has focused primarily on recovering losses on insured RMBS transactions related to the failure of certain RMBS sellers/servicers to honor their contractual obligations to repurchase ineligible mortgage loans from securitizations MBIA Corp. insured, reducing future expected economic losses in the insured portfolio through commutations and other risk mitigation strategies, and managing liquidity. To date, MBIA has settled the majority of the Company s claims related to the inclusion of ineligible mortgage loans in insured securitizations, except with claims against Credit Suisse totaling $396 million. See Note 6: Loss and Loss Adjustment Expense in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K for further information regarding loss reserves and recoveries.

Our liquidity and capital forecasts for MBIA Insurance Corporation and projected collections of the remaining put-back recoverable and excess spread (the difference between interest inflows on assets and interest outflows on liabilities in our insured RMBS transactions) reflect adequate resources to pay expected claims. However, there are risks to these forecasts, as recoveries from the projected collections of excess spread and the remaining put-back recoverable, and the amount and timing of potential claims from our remaining insured exposures, and in particular potential claims with respect to Zohar II 2005-1, Limited (Zohar II), which matures in January of 2017, are potentially volatile. See Risk Factor Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured RMBS transactions as well as certain other factors may materially and adversely affect MBIA Insurance Corporation s ability to meet liquidity needs and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if it is not able to pay expected claims under MBIA Corp. Risk Factors . Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any material intercompany lending agreements or cross defaults between the entities, and the lack of reliance by MBIA Inc. on MBIA Corp. for the receipt of dividends, we do not believe that a rehabilitation or liquidation proceeding of MBIA Insurance Corporation by the NYSDFS would have any significant long-term liquidity impact on MBIA Inc. or result in a liquidation or similar proceeding of MBIA UK or MBIA Mexico.

OUR INSURANCE OPERATIONS

Our U.S. public finance insurance business is conducted through National, and our international and structured finance insurance portfolios are managed through MBIA Corp. We anticipate that for the foreseeable future virtually all of our new insurance business will be written through National in the U.S. public finance sector. We expect the credit ratings of MBIA Insurance Corporation and its subsidiaries will continue to constrain their ability to write new business in the foreseeable future.

We are compensated for our insurance policies by insurance premiums paid upfront or on an installment basis. Our financial guarantee insurance is offered in both the new issue and secondary markets. Transactions in the new issue market may be sold either through negotiated offerings or competitive bidding. We also issue insurance policies to guarantee the payment of principal and interest on municipal obligations being traded in the secondary market upon the request of a broker or an existing holder of uninsured bonds, where the premium is generally paid by the owner of the obligation. In addition, we have provided financial guarantees or sureties to debt service reserve funds. The primary risk in our insurance operations is that of adverse credit performance in the insured portfolio. We seek to maintain a diversified insured portfolio and have insured transactions with the aim of managing and diversifying risk based on a variety of criteria including revenue source, issue size, type of asset, industry concentrations, type of bond and geographic area. Despite this objective, there can be no assurance that we will avoid losses on multiple credits as a result of a single event or series of events.

Because we generally guarantee to the holder of an underlying obligation the timely payment of amounts due on the obligation in accordance with its original payment schedule, in the case of a default or other triggering event on an insured obligation, payments under the insurance policy generally cannot be accelerated against us unless we consent to the acceleration. In the event of a default, however, we may have the right, in our sole discretion, to accelerate the obligations and pay them in full. Otherwise, we are required to pay principal, interest or other amounts only as scheduled payments come due, even if the holders are permitted by the terms of the insured obligations to have the full amount of principal, accrued interest or other amounts due, declared due and payable immediately in the event of a default.

Item 1. Business (continued)

Our payment obligations after a default vary by deal and by insurance type. Our public finance insurance generally insures scheduled interest and principal. Our structured finance policies generally insure (i) timely interest and ultimate principal; (ii) ultimate principal only at final maturity; or, (iii) payments upon settlement of individual collateral losses as they occur after any deductible or subordination has been exhausted. With respect to the insurance of credit default swap (CDS) contracts written in the international and structured finance insurance segment, in certain circumstances, including the occurrence of certain insolvency or payment defaults under the CDS contracts, the CDS contracts may be subject to termination by the counterparty, triggering a claim for the fair value of the contract. Our U.S. public finance segment did not write insurance in CDS form and therefore does not have this potential trigger.

In the event of a default in payment of principal, interest or other insured amounts by an issuer, the insurance company will make funds available in the insured amount generally within one to three business days following notification. Longer timeframes may apply for international transactions. Generally, our insurance companies provide for this payment upon receipt of proof of ownership of the obligations due, as well as upon receipt of instruments appointing the insurer as agent for the holders and evidencing the assignment of the rights of the holders with respect to the payments made by the insurer or other appropriate documentation.

National Insured Portfolio

National s insured portfolio consists of municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions and territories, as well as utilities, airports, health care institutions, higher educational facilities, student loan issuers, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. Municipal bonds and privately issued bonds used for the financing of public purpose projects are generally supported by taxes, assessments, user fees or tariffs related to the use of these projects, lease payments or other similar types of revenue streams.

National s portfolio is primarily comprised of (i) MBIA Corp. s U.S. public finance financial guarantee policies ceded by MBIA Corp. to National pursuant to the Quota Share Reinsurance Agreement, effective January 1, 2009 (the MBIA Corp. Reinsurance Agreement), executed in connection with Transformation, and (ii) certain public finance financial guarantee policies of Financial Guaranty Insurance Company (FGIC) which were originally reinsured by MBIA Corp. pursuant to the FGIC Reinsurance Agreement, subsequently assigned to and reinsured by National in connection with Transformation, and ultimately novated to National pursuant to a novation agreement between National and FGIC effective August of 2013 (the FGIC Novation Agreement).

Portfolio Profile

As of December 31, 2015, National had $161.0 billion of insured gross par outstanding on U.S. public finance obligations covering 8,662 policies and diversified among 4,523 credits, which we define as any group of issues supported by the same revenue source. Insurance in force, which includes all insured debt service, as of December 31, 2015 was $267.6 billion.

All of the policies were underwritten on the assumption that the insurance will remain in force until maturity of the insured obligations. National estimates that the average life of its domestic public finance insurance policies in force as of December 31, 2015 was 10 years. The average life was determined by applying a weighted average calculation, using the remaining years to contractual maturity and weighting them on the basis of the remaining debt service insured. No assumptions were made for any future refundings, early redemptions or terminations of insured issues. Average annual insured debt service on the portfolio as of December 31, 2015 was $16.1 billion.

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Item 1. Business (continued)

The table below shows the diversification by type of U.S. public finance insurance that was outstanding as of December 31, 2015:

National U.S. Public Finance Gross Par Amount Outstanding by Bond Type as of December 31, 2015

In millions	Gross Par Amount
Bond Type	
Public finance: United States	
General fund obligation	$ 56,069
General fund obligation Lease	13,968
Municipal utilities	27,760
Tax backed	22,250
Transportation	15,337
Health care	4,108
Higher education	8,775
Municipal housing	987
Military housing	7,497
Investor-owned utilities	3,374
Other	892
Total United States public finance	$ 161,017

National s underwriting guidelines limit the insurance in force for any one insured credit, and for other categories such as geography. In addition, National is subject to regulatory single-risk limits and its ratings are subject to rating agency single-risk limits with respect to any insured bond issue. See the Insurance Regulation section below for a description of these regulatory requirements. As of December 31, 2015, National s gross par amount outstanding for its ten largest insured U.S. public finance credits totaled $13.1 billion, representing 8.2% of National s total U.S. public finance gross par amount outstanding.

MBIA Corp. Insured Portfolio

MBIA Corp. s insured portfolio consists of policies that insure various types of international public finance and structured finance obligations that were sold in the new issue and secondary markets or are referenced in CDS contracts. International public finance obligations include bonds and loans extended to entities located outside of the U.S., including utilities, infrastructure projects and sovereign-related and sub-sovereign issuers, such as regions, departments or their equivalent as well as sovereign owned entities that might be supported by a sovereign state, region or department. Sovereign-related includes Private Finance Initiative transactions that involve private entities that receive contractual payments for providing services to public sector entities. Structured finance obligations include asset-backed transactions and financing of commercial activities that are typically secured by undivided interests or collateralized by the related assets or cash flows or, in the case of certain CDS transactions, reference the underlying obligations. Certain policies include payments due under CDS and other derivatives, including termination payments that may become due in certain circumstances, including the occurrence of certain insolvency or payment defaults under the CDS contracts or by the guarantor. See Risk Factor Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured RMBS transactions as well as certain other factors may materially and adversely affect MBIA Insurance Corporation s ability to meet liquidity needs and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if it is not able to pay expected claims under MBIA Corp. Risk Factors , for further information.

As of December 31, 2015, MBIA Corp. had 539 policies outstanding in its insured portfolio. In addition, MBIA Corp. had 104 insurance policies outstanding relating to liabilities issued by MBIA Inc. and its subsidiaries, which are described further under the section Other Financial Obligations below. MBIA Corp. s total policies in its insured portfolio are diversified among 346 credits, which we define as any group of policies supported by the same revenue source.

Portfolio Profile

As of December 31, 2015, the gross par amount outstanding of MBIA Corp. s insured obligations (excluding $1.5 billion of MBIA insured investment agreements and MTNs, and $4.3 billion of U.S. public finance debt ceded to National), was $41.6 billion. Insurance in force for the above portfolio, which includes all insured debt service, as of December 31, 2015 was $59.1 billion.

Item 1. Business (continued)

MBIA Corp. underwrote its policies on the assumption that the insurance would remain in force until maturity of the insured obligations. MBIA Corp. estimates that the average life of its international and structured finance insurance policies in force as of December 31, 2015 was 9 years. The average life was determined by applying a calculation using the remaining years to contractual maturity for international public finance obligations and estimated maturity for structured finance obligations and weighting them on the basis of the remaining debt service insured. No assumptions were made for any future refundings, early redemptions or terminations of insured issues. Average annual insured debt service on the portfolio as of December 31, 2015 was $4.2 billion.

The table below shows the diversification by type of insurance that was outstanding as of December 31, 2015:

MBIA Corp. Gross Par Amount Outstanding for the International and Structured Finance

Portfolio by Bond Type as of December 31, 2015 (1)

In millions	Gross Par Amount
Bond Type	
Public finance: non-United States	
Sovereign-related and sub-sovereign	$ 8,928
International utilities	7,549
Transportation	5,562
Local governments(2)	194
Tax backed	80
Total public finance non-United States	22,313
Global structured finance:	
Collateralized debt obligations(3)	6,008
Mortgage-backed residential	6,030
Mortgage-backed commercial	454
Consumer asset-backed	1,098
Corporate asset-backed(4)	5,741
Total global structured finance	19,331
Total	$ 41,644

(1) Excludes $1.5 billion relating to investment agreements and MTNs issued by affiliates of the Company and are guaranteed by MBIA Corp.

(2) Includes municipal-owned entities backed by the sponsoring local government.

(3) Includes transactions (represented by structured pools of primarily investment grade corporate credit risks, CMBS or other CRE assets) that may not include typical CDO structuring characteristics, such as tranched credit risk, cash flow waterfalls, or interest and over-collateralization coverage tests.

(4) Includes $3.3 billion of structured insurance securitizations.

MBIA Corp. is subject to regulatory single-risk limits. See the Insurance Regulation section below. As of December 31, 2015, MBIA Corp. s gross par amount outstanding for its ten largest non-U.S. public finance credits insured totaled $11.2 billion, representing 26.9% of MBIA Corp. s total international and structured finance gross par amount outstanding, and the gross par outstanding for its ten largest structured finance credits (without aggregating issues of common issuers), was $7.7 billion, representing 18.5% of the total.

Other MBIA Inc. Financial Obligations

Prior to 2008, MBIA Inc. and its subsidiaries raised funds for investment through the issuance of customized investment agreements by MBIA Inc. and one of its subsidiaries and the issuance of MTNs with varying maturities issued by our subsidiary, GFL. Each of these obligations is guaranteed by MBIA Corp. GFL lent the proceeds of its GFL MTN issuances to MBIA Inc. As a result of ratings downgrades of MBIA Corp. MBIA Inc. is required to post collateral for the remaining investment agreements. Since the ratings downgrades of MBIA Corp. that began in 2008, we have not issued new MTN s or investment agreements. The investment agreements are currently fully collateralized with high quality assets. We believe the outstanding investment agreements and MTN s and corresponding asset balances will continue to decline over time as the liabilities mature, terminate, or are repurchased by the Company.

Item 1. Business (continued)

Risk Management

Our largest risk is the credit exposure in our insured portfolio. MBIA s credit risk management and remediation functions are comprised of different committees and units that oversee risks at transaction origination and in ongoing portfolio monitoring, surveillance and remediation. MBIA s Insured Portfolio Management Division monitors and remediates structured finance and international infrastructure risks while National s portfolio surveillance group performs this function with respect to U.S. public finance transactions. A Restructuring and Remediation Group is responsible for certain transactions that require intensive remediation. National, MBIA Insurance Corporation and MBIA UK each have a risk committee to review certain prescribed underwriting decisions. On an enterprise-wide basis, several executive committees provide risk oversight.

The Company s Risk Oversight Committee (the Risk Oversight Committee) reviews transactions not otherwise reviewable by the subsidiary risk committees, firm-wide risk review, policies and decisions related to credit, market, operational, legal, financial and business risks; the Loss Reserve Committees review reserve activity; and the Investment Committees review specific investment decisions and portfolios.

The Board of Directors and its Committees oversee risks faced by the Company and its subsidiaries. The Board regularly evaluates and discusses risks associated with strategic initiatives. On an annual basis, the Board also evaluates and approves the Company s risk tolerance guidelines. The purpose of the risk tolerance guidelines is to delineate the types and amounts of risks the Company is prepared to accept. This policy provides the basis upon which risk criteria and procedures are developed and applied consistently across the Company. The Board s Audit Committee and its Finance and Risk Committee play an important role in overseeing different types of risks.

The Audit Committee oversees risks associated with financial and other reporting, auditing, legal and regulatory compliance, and risks that may otherwise result from the Company s operations. The Audit Committee oversees these risks by monitoring (i) the integrity of the financial statements of the Company and of other material financial disclosures made by the Company, (ii) the qualifications and independence of the Company s independent auditor, (iii) the performance of the Company s internal audit function and independent auditor, (iv) the Company s compliance policies and procedures and its compliance with legal and regulatory requirements and (v) the performance of the Company s operational risk management function.

The Finance and Risk Committee oversees the Company s credit risk governance framework, market risk, liquidity risk and other material financial risks. The Finance and Risk Committee oversees these risks by monitoring the Company s: (i) proprietary investment portfolios, (ii) capital and liquidity, (iii) exposure to changes in the market value of assets and liabilities, (iv) credit exposures in the Insured Portfolios and (v) financial risk policies and procedures, including regulatory requirements and limits.

The Company s Risk Oversight Committee has designated a Models Governance Team. Given the significance of models in the Company s insurance underwriting, surveillance and financial reporting operations, corporate treasury operations, among other activities, the Company has established a Models Risk Governance Policy to enhance the reliability, maintainability and transparency of its models so that models risk can be mitigated on an enterprise-wide basis. The Models Governance Team is responsible for the Models Governance policy as well as other Models Governance related initiatives.

At each regular meeting of the Board, the Chairs of each of these committees report to the full Board regarding the meetings and activities of their respective committees.

Item 1. Business (continued)

Insurance, Monitoring and Remediation

We monitor and remediate our existing insured portfolios on an ongoing basis. Although our monitoring and remediation activities vary somewhat by sector and bond type, in all cases we focus on assessing event risk and possible losses under stress.

U.S. Public Finance: For U.S. public finance, our underwriting at origination and ongoing monitoring focuses on economic and political trends, issuer or project debt and financial management, construction and start up risk, adequacy of historical and anticipated cash flows under stress, satisfactory legal structure and bond security provisions, viable tax and economic bases, including consideration of tax limitations and unemployment trends, adequacy of stressed loss coverage and project feasibility, including satisfactory reports from consulting engineers, traffic advisors and others, if applicable. Depending on the transaction, specialized cash flow analyses may be conducted to understand loss sensitivity. In addition, specialized credit analysts consider the potential event risk of natural disasters or headline events on both single transactions and across a sector, as well as regulatory issues. U.S. public finance transactions are monitored by reviewing trustee, issuer and project financial and operating reports as well as reports provided by technical advisors and counsel. Projects may be periodically visited by National personnel.

International Public Finance: International public finance transactions are monitored and remediated in a manner relatively consistent with U.S. public finance transactions. In addition, credit analysts consider country risk, including economic and political factors, the type and quality of local regulatory oversight, the strength of the legal framework in each country and the stability of the local institutional framework. Analysts also monitor local accounting and legal requirements, local financial market developments, the impact of exchange rates and local demand dynamics. Furthermore, exposures are reviewed periodically; the frequency and scope of review is often increased when an exposure is downgraded. MBIA personnel may periodically visit projects or issuers to meet with management.

Structured Finance Transactions: For structured finance transactions, we focus on the historical and projected cash flows generated by the assets, the credit and operational strength of the originator, servicer, manager and/or operator of the assets, and the nature of the transaction s structure (including the degree of protection from bankruptcy of the originator or servicer). We may use both probability modeling and cash flow sensitivity analysis (both at the transaction and asset specific levels) to test asset performance assumptions and performance covenants, triggers and remedies. In addition, the Insured Portfolio Management Division may use various quantitative tools and qualitative analyses to test for credit quality, correlation, liquidity and capital sensitivity within the insured portfolio.

Key to our ongoing monitoring is early detection of deterioration in either transaction credit quality or macroeconomic or market factors that could adversely impact an insured credit. If deterioration is detected, analysts generally evaluate possible remedial actions and, in the event of significant stress, we may involve a dedicated workout unit, the Restructuring and Remediation Group, to assess and monitor the credit and, if necessary, help develop and implement a remediation strategy. The nature of any remedial action is based on the type of insured issue and the nature and scope of the event giving rise to the remediation. In most cases, as part of any such remedial activity, we work with the issuer, trustee, legal counsel, financial advisors, servicer, other creditors, underwriters and/or other related parties to reduce chances of default and the potential severity of loss if a default should occur.

We use an internal credit rating system to monitor credits, with frequency of review based on risk type, internal rating, performance and credit quality. Credits with performance issues are designated as Caution List-Low, Caution List-Medium or Caution List-High based on the nature and extent of our concerns, but these categories do not require establishment of any case basis reserves. In the event we determine that a claim for payment is expected with respect to an insured issue using probability-weighted expected cash flows based on available information, including market data, we place the issue on the Classified List and establish a case basis loss reserve for that insured issue. See Losses and Reserves below for information on our loss reserving process.

Item 1. Business (continued)

Credit Risk Models

We use credit risk models to test qualitative judgments, to design appropriate structures and to understand sensitivity within transactions and across broader portfolio exposure concentrations. Models are updated to reflect changes in both portfolio and transaction data and also in expectations of stressed future outcomes. For portfolio monitoring we use internal and third-party models based on individual transaction attributes and customized structures and these models are also used to determine case basis loss reserves and, where applicable, to mark-to-market any insured obligations as may be required for financial reporting. When using third-party models, we generally perform the same review and analyses of the collateral, transaction structure, performance triggers and cash flow waterfalls as when using our internal models. See Risk Factors Insured Portfolio Loss Related Risk Factors Financial modeling involves uncertainty over ultimate outcomes which makes it difficult to estimate liquidity, potential paid claims, loss reserves and fair values in Part I, Item 1A of this Form 10-K.

Market Risk Assessment

We measure and assess market risk on a consolidated basis as well as at the holding company and subsidiaries on a stand-alone basis. Key market risks are changes in interest rates, credit spreads and foreign exchange. We use various models and methodologies to test exposure under market stress scenarios, including parallel and non-parallel shifts in the yield curve, changes in credit spreads, and changes in foreign exchange rates. We also analyze stressed liquidity scenarios and stressed counterparty exposures. The analyses are used in testing investment portfolio guidelines. The Risk Oversight Committee and the Finance and Risk Committee of the Company s Board of Directors receive periodic reports on market risk.

Operational Risk Assessment

The Operational Risk function assesses potential economic loss or reputational impact arising from processes and controls, systems, or staff actions and seeks to identify vulnerabilities to operational disruptions caused by external events. The Operational Risk framework is generally managed using a self-assessment process across our business units, with controls associated with the execution of key processes monitored through Internal Audit reviews. The Operational Risk function reports periodically to the Risk Oversight Committee and the Audit Committee of the Company s Board of Directors. The Audit Committee reviews the Company s operational risk profile, risk event activity and ongoing risk mitigation efforts.

Losses and Reserves

Loss and loss adjustment expense (LAE) reserves are established by Loss Reserve Committees in each of our major operating insurance companies (National, MBIA Insurance Corporation and MBIA UK) and are reviewed by our executive Loss Reserve Committee, which consists of members of senior management. The Company s loss and LAE reserves as of December 31, 2015 represent case basis reserves and accruals for LAE incurred. Case basis reserves represent the Company s estimate of expected losses to be paid under an insurance contract, net of potential recoveries and discounted using a current risk-free interest rate, when this amount exceeds unearned premium revenue on the related insurance contract. The Company estimates expected losses net of potential recoveries using the present value of probability-weighted estimated loss payments and recoveries, discounted at a rate equal to the risk-free rate applicable to the currency and weighted average remaining life of the insurance contract as required by accounting principles for financial guarantee contracts. We record case basis loss reserves on insured obligations which have defaulted or are expected to default.

For a further discussion of the methodology used by the Company for determining when a case basis reserve is established, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates Loss and Loss Adjustment Expense Reserves in Part II, Item 7 of this Form 10-K. Management believes that our reserves are adequate to cover the ultimate net cost of claims. However, because the reserves are based on management s judgment and estimates, there can be no assurance that the ultimate liability will not exceed such estimates or that the timing of claims payments and the realization of recoveries will not create liquidity issues for the corresponding insurance company.

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Item 1. Business (continued)

Reinsurance

We currently have third-party reinsurance agreements in place covering 3% of our insured par outstanding. At this time we do not intend to utilize reinsurance to decrease the insured exposure in our portfolio or increase our capacity to write new business; however, we may, from time to time, look to enter into transactions to reduce risks embedded in our insured portfolios on an individual and portfolio-wide basis.

Intercompany Reinsurance Arrangements

Under the Transformation, MBIA Corp. and National entered into the MBIA Corp. Reinsurance Agreement as well as an assignment agreement under which MBIA Corp. assigned its rights and obligations under the FGIC Reinsurance Agreement. In addition, National entered into second-to-pay policies covering the policies covered by each of these agreements. The FGIC Reinsurance Agreement was terminated in 2013 in connection with the novation of the policies covered by the FGIC Reinsurance Agreement to National pursuant to the FGIC Novation Agreement. Each of these transactions and the terms of those documents are further described under the Our Insurance Operations National Insured Portfolio section above.

MBIA Insurance Corporation maintains a reinsurance agreement and net worth maintenance agreement with MBIA Mexico pursuant to which MBIA Insurance Corporation reinsures 100% of the business underwritten by MBIA Mexico and agrees to maintain the amount of capital in MBIA Mexico required by applicable law or regulation, subject to certain New York State regulatory requirements as well as certain contract restrictions. In December of 2015, MBIA Insurance Corporation terminated its reinsurance agreement and its net worth maintenance agreement with MBIA UK by mutual consent.

Insurance Regulation

National and MBIA Insurance Corporation are incorporated and subject to primary insurance regulation and supervision by the State of New York. MBIA UK and MBIA Mexico are organized and subject to primary regulation and supervision in the U.K. and Mexico, respectively. MBIA UK is authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA in the U.K. The Company s insurance subsidiaries are also licensed to issue financial guarantee policies in multiple jurisdictions as needed to conduct their business activities. During 2013, MBIA UK was placed in run-off and varied its scope of permissions such that it is no longer authorized to write new financial guarantee business. It also filed a related scheme of operations with the PRA and the FCA, which they have approved.

The extent of state and national insurance regulation and supervision varies by jurisdiction, but New York, the U.K., Mexico and most other jurisdictions have laws and regulations prescribing minimum standards of solvency, including minimum capital requirements, and business conduct which must be maintained by insurance companies, and if our insurance companies fail to meet such requirements our regulators may impose certain remedial actions on us. These laws prescribe permitted classes and concentrations of investments. In addition, some state laws and regulations require the approval or filing of policy forms and rates. MBIA Insurance Corporation and National each are required to file detailed annual financial statements with the NYSDFS and similar supervisory agencies in each of the other jurisdictions in which it is licensed. MBIA UK makes similar filings with the PRA and the FCA. The operations and accounts of the insurance companies are subject to examination by regulatory agencies at regular intervals. In addition to being subject to the insurance laws in the jurisdictions in which we operate, as a condition to obtaining required insurance regulatory approvals to enter into certain transactions and take certain other corporate actions, including the release of excessive contingency reserves in MBIA Insurance Corporation described below under Contingency Reserves and entry into the asset swap between MBIA Inc. and National described under Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity MBIA Inc. Liquidity in Part II, Item 7 of this Form 10-K, MBIA Inc. and its insurance subsidiaries have and may in the future agree to provide notice to the NYSDFS or other applicable regulators prior to entering into transactions or taking other corporate actions (such as paying dividends when applicable statutory tests are satisfied) that would not otherwise require regulatory approval.

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Item 1. Business (continued)

New York Insurance Regulation

Our domestic insurance companies are licensed to provide financial guarantee insurance under Article 69 of the New York Insurance Law (the NYIL). Article 69 defines financial guarantee insurance to include any guarantee under which loss is payable upon proof of occurrence of financial loss to an insured as a result of certain events. These events include the failure of any obligor or any issuer of any debt instrument or other monetary obligation to pay principal, interest, premium, dividend or purchase price of or on such instrument or obligation when due. Under Article 69, our domestic insurance companies are permitted to transact financial guarantee insurance, surety insurance and credit insurance and such other kinds of business to the extent necessarily or properly incidental to the kinds of insurance which they are authorized to transact. In addition, they are empowered to assume or reinsure the kinds of insurance described above. Since 2009, both the NYSDFS and the New York legislature have proposed enhanced regulation of financial guarantee insurers which would impose limits on the manner and amount of business written by the Company. The timing of any amendments to the statutes or regulations governing financial guarantee insurers is uncertain.

New York State Dividend Limitations

The laws of New York regulate the payment of dividends by National and MBIA Corp. and provide that a New York domestic stock property/casualty insurance company may not declare or distribute dividends except out of statutory earned surplus. New York law provides that the sum of (i) the amount of dividends declared or distributed during the preceding 12-month period and (ii) the dividend to be declared may not exceed the lesser of (a) 10% of policyholders surplus, as shown by the most recent statutory financial statement on file with the NYSDFS, or (b) 100% of adjusted net investment income for such 12-month period (the net investment income for such 12-month period plus the excess, if any, of net investment income over dividends declared or distributed during the two-year period preceding such 12-month period), unless the New York Superintendent of Insurance approves a greater dividend distribution based upon a finding that the insurer will retain sufficient surplus to support its obligations and writings.

National declared and paid a dividend of $114 million to its ultimate parent, MBIA Inc., in the fourth quarter of 2015.

Due to its significant negative earned surplus, MBIA Corp. has not had the statutory capacity to pay dividends since December 31, 2009 and is not expected to have any statutory capacity to pay any dividends for the foreseeable future. In connection with MBIA Corp. obtaining approval from the NYSDFS to release excessive contingency reserves as of September 30, 2011, December 31, 2011 and March 31, 2012, MBIA Corp. agreed that it would not pay any dividends without prior approval from the NYSDFS.

The foregoing dividend limitations are determined in accordance with statutory accounting principles (U.S. STAT), which generally produce statutory earnings in amounts less than earnings computed in accordance with accounting principles generally accepted in the U.S. (GAAP). Similarly, policyholders surplus, computed on a U.S. STAT basis, will normally be less than net worth computed on a GAAP basis.

Dividend limitations on MBIA UK

MBIA UK accounts for approximately 50% of MBIA Corp. s investments as of December 31, 2015. MBIA UK is currently in run-off and would require prior approval from the PRA to pay dividends to MBIA Insurance Corporation.

There is no certainty such approval will be given for the foreseeable future.

Item 1. Business (continued)

Contingency Reserves

As financial guarantee insurers, our domestic insurance companies are required by the laws and regulations of New York, California, Connecticut, Florida, Illinois, Iowa, Maryland, New Jersey and Wisconsin to maintain, as applicable, contingency reserves on their municipal bond, asset-backed securities (ABS) or other financial guarantee liabilities. Under New Jersey, Illinois and Wisconsin regulations, contributions by an insurance company to its contingency reserves are required to equal 50% of earned premiums on its municipal bond business. Under New York law, a financial guarantee insurance company is required to contribute to contingency reserves 50% of premiums as they are earned on policies written prior to July 1, 1989 (net of reinsurance), and, with respect to policies written on and after July 1, 1989, such an insurer must make contributions over a period of 15 or 20 years (based on issue type), or until the contingency reserve for such insured issues equals the greater of 50% of premiums written for the relevant category of insurance or a percentage of the principal guaranteed, varying from 0.6% to 2.5%, depending upon the type of obligation guaranteed (net of collateral, reinsurance, refunding, refinancings and certain insured securities). California, Connecticut, Florida, Iowa and Maryland laws impose a generally similar requirement, and in California the insurance commissioner can require an insurer to maintain additional reserves if the commissioner determines that the insurer s reserves are inadequate. The contribution to, and maintenance of, the contingency reserve limit the amount of earned surplus that might otherwise be available for the payment of dividends. In each of these states, our domestic insurance companies may apply for release of portions of their contingency reserves in certain circumstances.

Risk Limits

Insurance laws and regulations also limit both the aggregate and individual securities risks that our domestic insurance companies may insure on a net basis based on the type of obligations insured. The individual limits are generally on the amount of insured par and/or annual debt service for a given insured issue, entity or revenues source and stated as a percentage of the insurer s policyholders surplus and contingency reserves. The aggregate risk limits limit the aggregate amount of insured par to a stated multiple of the insurer s policyholders surplus and contingency reserves based on the types of obligations insured. The aggregate risk limits can range from 300:1 for certain municipal obligations to 50:1 for certain non-municipal obligations.

National is in compliance with the relevant aggregate and single risk limits. In 2015 and 2014, MBIA Corp. reported single risk limit overages to the NYSDFS due to changes in its statutory capital. In addition, MBIA Corp. is currently in compliance with its aggregate risk limits as of December 31, 2015. If MBIA Corp. is not in compliance with its aggregate risk limits, the NYSDFS may prevent MBIA Corp. from transacting any new financial guarantee insurance business until it no longer exceeds the limitations.

Holding Company Regulation

MBIA Inc., National and MBIA Corp. also are subject to regulation under the insurance holding company statutes of New York. The requirements of holding company statutes vary from jurisdiction to jurisdiction but generally require insurance companies that are part of an insurance holding company system to register and file certain reports describing, among other information, their capital structure, ownership and financial condition. The holding company statutes also generally require prior approval of changes in control, of certain dividends and other inter-corporate transfers of assets, and of certain transactions between insurance companies, their parents and affiliates. The holding company statutes impose standards on certain transactions with related companies, which include, among other requirements, that all transactions be fair and reasonable and those transactions not in the ordinary course of business exceeding specified limits receive prior regulatory approval.

Change of Control

Prior approval by the NYSDFS is required for any entity seeking to acquire, directly or indirectly, control of National or MBIA Corp. In many states, including New York, control is presumed to exist if 10% or more of the voting securities of the insurer are owned or controlled, directly or indirectly, by an entity, although the insurance regulator may find that control in fact does or does not exist when an entity owns or controls either a lesser or greater amount of securities. The PRA and FCA also require prior approval of changes to any controlling person of MBIA Inc., MBIA Insurance Corporation or MBIA UK. MBIA Corp. would require the prior approval of MBIA Mexico s regulator in order to transfer the shares it currently holds in MBIA Mexico. To the Company s knowledge, each MBIA Inc. shareholder which owns 10% or more of MBIA Inc. s outstanding common stock as of December 31, 2015 has received appropriate approvals or determinations of non-control in connection with its investment.

Item 1. Business (continued)

Insurance Guarantee Funds

National and MBIA Corp. are exempt from assessments by the insurance guarantee funds in the majority of the states in which they do business. Guarantee fund laws in most states require insurers transacting business in the state to participate in guarantee associations, which pay claims of policyholders and third-party claimants against impaired or insolvent insurance companies doing business in the state. In most states, insurers licensed to write only municipal bond insurance, financial guarantee insurance and other forms of surety insurance are exempt from assessment by these funds and their policyholders are prohibited from making claims on these funds.

Insured Credit Default Swaps

Certain of our insurance policies guarantee payments due under CDS and other derivatives. In July of 2010, the Dodd-Frank Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law for the purpose of enacting broad financial industry regulatory reform, including by enhancing regulation of the over-the-counter derivatives markets. Among other reforms, the Dodd-Frank Act requires swap dealers and major swap participants to register with either or both of the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), and to be subject to enhanced regulation, including capital requirements. Previously, MBIA Corp. was registered with the CFTC as a major swap participant and had been required to comply with the CFTC s business conduct rules as applied to portfolios in place prior to the enactment of the Dodd-Frank Act. In May of 2015, MBIA Corp. de-registered as a major swap participant as the notional amount and fair value of its CDS exposures declined below the registration thresholds.

OUR ADVISORY SERVICES

Until January of 2015, we conducted our asset management advisory services business through two registered investment adviser subsidiaries of Cutwater Holdings, LLC (together, Cutwater), a wholly-owned subsidiary of MBIA Inc. The Company had $21.3 billion in institutional assets under management as of December 31, 2014, including $10.1 billion from the Company and its subsidiaries. Effective January 1, 2015, we completed the sale of Cutwater to the Bank of New York Mellon Corporation. This transaction had a positive but immaterial impact on the Company s financial position and results of operations. In connection with the sale, the Company and its subsidiaries entered into investment management agreements with Cutwater (now known as Insight Investment) to manage their respective fixed-income investment portfolios for the next five years.

Other Advisory Services

In 2014, we exited the advisory and asset management services business in the European Union.

OUR CONDUIT BUSINESS

In 2014, our conduit segment was operated primarily through Meridian Funding Company, LLC (Meridian). Meridian was used by banks and other financial institutions to raise funds through MTN issuances. The proceeds from these issuances were used to either make loans to customers that were secured by certain assets or to purchase assets from customers. During 2014, we retired Meridian s remaining $129 million outstanding MTNs, and completed the liquidation of Meridian.

INVESTMENTS AND INVESTMENT POLICY

Investment objectives, policies and guidelines related to the Company s businesses are generally subject to review and approval by the Finance and Risk Committee of the Board of Directors. Investment objectives, policies and guidelines related to investment activity on behalf of our insurance companies are also subject to review by the respective Investment Committee of their Boards of Directors or similar body.

Insight Investment manages the proprietary investment portfolios of the Company and its subsidiaries in accordance with the guidelines adopted for each such portfolio. The agreements with Insight Investment provide generally that Insight Investment will have the exclusive right to manage the fixed-income investment portfolios of the company and its subsidiaries until 2020 and guarantee certain minimum revenues thereunder. The agreements are subject to early termination under certain conditions including if certain performance objectives are not met.

Item 1. Business (continued)

To continue to optimize capital resources and provide for claims-paying capabilities, the investment objectives and policies of our insurance operations are tailored to reflect their various strategies and operating conditions. The investment objectives of MBIA Corp. are primarily to maintain adequate liquidity to meet claims-paying and other corporate needs and secondarily to maximize after-tax income within defined investment risk limits. The investment objectives of National set preservation of capital as the primary objective, subject to an appropriate degree of liquidity, and optimization of after-tax income and total return as secondary objectives. The investment objectives of the corporate segment are to provide sufficient liquidity to meet maturing liabilities and, in the case of the investment agreement business collateral posting obligations, while maximizing the total long-term return. The investment portfolio of each subsidiary is managed by Insight Investment under separate investment services agreements.

COMPETITION

National competes with other monoline insurance companies, as well as other forms of credit enhancement, in writing financial guarantee business. We anticipate that for the foreseeable future virtually all of our new insurance business will be written through National in the U.S. public finance sector.

Our ability to attract and compete for U.S. public finance financial guarantee business is largely dependent on the financial strength ratings assigned to National by the rating agencies. See Rating Agencies below for information on the Company s current financial strength ratings.

There are currently two other bond insurers actively engaged in the U.S. public finance insurance market. We have observed significant competition for business between these financial guarantors, and as a result opportunities to write new business with attractive returns have been limited. In addition, National s rating differential from its competitors and absence from the municipal market for several years resulting in the need to rebuild National s name recognition has also affected its ability to write new business. We expect the impact of this factor on National s ability to attract new business to decline as National writes more new business. In addition, the percentage of new public finance issuances with financial guarantee insurance remains significantly lower than before the financial crisis, and the inability of financial guarantee insurers to maintain or achieve high ratings could diminish acceptance of the product and enhance the appeal of other forms of credit enhancement.

Financial guarantee insurance competes with other forms of credit enhancement. Commercial banks provide letters of credit as a means of credit enhancement for municipal securities. In 2015, the use of letters of credit as an alternative to financial guarantee insurance within the U.S. municipal market was far below its peak in 2009; however, letters of credit have remained a presence in the market. Direct lending by banks to municipal issuers also reduces demand for credit enhancement. Other highly rated institutions, including pension funds and government sponsored entities, also offer third-party credit enhancement on municipal obligations. Financial guarantee insurance and other forms of credit enhancement also compete in nearly all instances with the issuer s alternative of foregoing credit enhancement. If the interest savings from insurance or another form of credit enhancement are not greater than the cost of such credit enhancement, the issuer will generally choose to issue bonds without third-party enhancement. All of these alternative forms of credit enhancement or alternative executions could also affect our ability to write new business with attractive returns.

We expect that MBIA Corp. s credit ratings will continue to constrain its ability to write new business in the foreseeable future. It remains uncertain how or when the Company may re-engage in the international and structured finance insurance markets.

RATING AGENCIES

Rating agencies perform periodic reviews of our insurance companies and other companies providing financial guarantee insurance. In rating financial guarantee companies, rating agencies focus on qualitative and quantitative characteristics in certain key areas, including: (1) franchise value and business strategy; (2) insurance portfolio characteristics; (3) capital adequacy; (4) profitability; (5) financial flexibility; and (6) risk management framework. Each agency has its own ratings criteria for financial guarantors and employs proprietary models to assess our risk adjusted leverage, risk concentrations and financial performance relative to the agency s standards. The agencies also assess our corporate governance and factor this into their rating assessment.

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Item 1. Business (continued)

Our ability to attract and compete for U.S. public finance financial guarantee business is largely dependent on the financial strength ratings assigned to National by the rating agencies. As of December 31, 2015, National maintains a AA+ with a stable outlook rating from Kroll, a AA- with a stable outlook from S&P, and an A3 with negative outlook from Moody s. With these ratings National seeks to support the credit enhancement needs of municipal debt issuers across the U.S.

There can be no assurance that National will be able to maintain its ratings. The absence of high ratings from S&P, Moody s or Kroll could adversely impact our ability to write new insurance business and the premiums we can charge, and could diminish the future acceptance of our financial guarantee insurance products. See Risk Factors Strategic Plan Related Risk Factors An inability to maintain high stable insurer financial strength ratings for National or to generate investor demand for our financial guarantees may adversely affect our results of operations and business prospects. in Part I, Item 1A of this Form 10-K.

National s, MBIA Insurance Corporation s, MBIA UK s and MBIA Inc. s current financial strength ratings from Kroll, S&P, and Moody s, as applicable, are summarized below:

Agency	**Rating / Outlook**			
	National	MBIA Insurance Corporation	MBIA Inc.	MBIA UK
Kroll	AA+ /Stable outlook	Not rated	Not rated	Not rated
S&P	AA- / Stable outlook	B / Stable outlook	A- / Stable outlook	BB /Stable outlook
Moody s	A3 / Negative outlook	B3 / Review for possible downgrade	Ba1 / Negative outlook	Ba2 / Stable outlook

CAPITAL FACILITIES

The Company does not currently maintain a capital facility. For a discussion of the Company s capital resources see Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Resources in Part II, Item 7 of this Form 10-K.

FINANCIAL INFORMATION

For information on the Company s financial information by segment and premiums earned by geographic location, see Note 12: Business Segments in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K.

EMPLOYEES

As of December 31, 2015, the Company had 170 employees, including 102 in MBIA Services, 42 in National, 14 in MBIA Corp. and 12 in Trifinium Services Limited, our services company in the U.K. None of the Company s employees are covered by collective bargaining agreements. The Company considers its employee relations to be satisfactory.

AVAILABLE INFORMATION

The Company maintains a website at www.mbia.com. The Company is not including the information on its website as a part of, nor is it incorporating such information by reference into, this Form 10-K. The Company makes available through its website under the SEC Filings tab, free of charge, all of its SEC filings, including annual reports on Form 10-K, quarterly filings on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as is reasonably practicable after these materials have been filed with or furnished to the SEC.

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Item 1. Business (continued)

As a courtesy, the Company posts on its website under the section Legal Proceedings, selected information and documents in reference to selected legal proceedings in which the Company is the plaintiff or the defendant. The Company will not necessarily post all documents for each proceeding and undertakes no obligation to revise or update them to reflect changes in events or expectations. The complete official court docket can be publicly accessed by contacting the clerk s office of the respective court where each litigation matter is pending.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company and their present ages and positions with the Company as of February 29, 2016 are set forth below:

Name	Age	Position and Term of Office
Joseph W. Brown	67	Chief Executive Officer and Director (officer since February 2008)
C. Edward Chaplin	59	President, Chief Financial Officer and Chief Administrative Officer (officer since June 2006)
William C. Fallon	56	President and Chief Operating Officer (officer since July 2005)
Ram D. Wertheim	61	Executive Vice President, Chief Legal Officer and Secretary (officer since January 2000)
Anthony McKiernan	46	Executive Vice President and Chief Portfolio Officer (officer since August 2011)

Joseph W. Brown is Chief Executive Officer and a director of the Company. Mr. Brown assumed the roles of Chairman, CEO and director in February of 2008 after having retired as Executive Chairman of MBIA in May of 2007. In May of 2009, the Company s Board of Directors accepted Mr. Brown s recommendation to separate the roles of Chairman and CEO and elected Daniel P. Kearney as Non-Executive Chairman, with Mr. Brown continuing in the roles of CEO and director. Mr. Brown also serves as Chairman of MBIA Corp. Until May of 2004, Mr. Brown had served as Chairman and CEO of MBIA and MBIA Corp. Mr. Brown originally joined the Company as CEO in January of 1999 after having been a director since 1986, and became Chairman in May of 1999.

Prior to joining MBIA in 1999, Mr. Brown was Chairman and CEO of Talegen Holdings, Inc., an insurance holding company. Before his election as Chairman and CEO of Talegen, Mr. Brown was President and CEO of Fireman s Fund Insurance Company. Mr. Brown joined Fireman s Fund in 1974. He held numerous executive positions including Chief Financial Officer at the time of its IPO in 1985 from American Express and President and Chief Operating Officer at the time of its sale to Allianz AG in 1990.

Mr. Brown served on the board of Oxford Health Plans from 2000 to 2004 and on the Board of Fireman s Fund Holdings prior to the sale of its insurance subsidiary to Allianz. He served on the Safeco Corporation board from 2001 to September of 2008 and was elected Non-executive Chairman in January of 2006.

The Board of Directors of MBIA Inc. appointed Messrs. Chaplin, Fallon, and Wertheim to the offices set forth opposite their names above on November 6, 2008 and appointed Mr. McKiernan to the offices set forth opposite his name above on May 1, 2012.

Prior to being named President, Chief Financial Officer and Chief Administrative Officer, C. Edward Chaplin was Vice President and Chief Financial Officer of the Company. Mr. Chaplin also serves as Chief Financial Officer of MBIA Corp. and President, Chief Executive Officer and Chief Administrative Officer of MBIA Services Corporation. Prior to becoming an officer of the Company in June of 2006, Mr. Chaplin had served as a director of the Company from December of 2002 to May of 2006 and as Senior Vice President and Treasurer of Prudential Financial Inc. since November of 2000, responsible for Prudential s capital and liquidity management, corporate finance, and banking and cash management. Mr. Chaplin had been with Prudential since 1983. On January 22, 2016, the Company announced that Chuck Chaplin will be retiring from the Company effective January 1, 2017. In connection with his retirement, the Company entered into a Separation Agreement with Mr. Chaplin (the Separation Agreement). Under the Separation Agreement, Mr. Chaplin will step down from his position as Co-President, Chief Financial Officer and Chief Administrative Officer effective March 11, 2016 but will remain an employee of the Company with the title of Executive Vice President until January 1, 2017. Mr. Anthony McKiernan, currently an Executive Vice President and the Chief Portfolio Officer of the Company, will replace Mr. Chaplin as Chief Financial Officer effective March 11, 2016.

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Item 1. Business (continued)

Prior to being named President and Chief Operating Officer, William C. Fallon was Vice President of the Company and head of the Global Structured Finance Division. Mr. Fallon also serves as President and Chief Executive Officer of National. From July of 2005 to March 1, 2007, Mr. Fallon was Vice President of the Company and head of Corporate and Strategic Planning. Prior to joining the Company in 2005, Mr. Fallon was a partner at McKinsey & Company and co-leader of that firm s Corporate Finance and Strategy Practice.

Prior to being named Executive Vice President, Chief Legal Officer and Secretary, Ram D. Wertheim was Vice President, General Counsel and Secretary of the Company. Mr. Wertheim also serves as General Counsel and Secretary of MBIA Corp. and MBIA Services Corporation. From February of 1998 until January of 2000, he served in various capacities in the Global Structured Finance Division. Mr. Wertheim was, until February of 1998, the General Counsel of CMAC Holdings Inc.

Prior to being named Executive Vice President and Chief Portfolio Officer on May 1, 2012, Anthony McKiernan was appointed Vice President and Chief Portfolio Officer of the Company on August 3, 2011. Mr. McKiernan is also the President, Chief Operating Officer and Chief Risk Officer of MBIA Corp. Mr. McKiernan joined MBIA in 2000 as a vice president in the Credit Analytics Group, and managed the Corporate Insured Portfolio Management Group prior to becoming the Head of the Structured Finance Insured Portfolio Management Group in 2007. Before working at MBIA, Mr. McKiernan was with Fleet Financial Group where he began his career as a Credit Analyst/ Lender in asset-based lending. Effective March 11, 2016, Mr. Anthony McKiernan will serve as Executive Vice President and Chief Financial Officer.

Item 1A. Risk Factors

References in the risk factors to the Company are to MBIA Inc., together with its domestic and international subsidiaries. References to we, our and us are to MBIA Inc. or the Company, as the context requires. Our risk factors are grouped into categories and are presented in the following order: Insured Portfolio Loss Related Risk Factors , Strategic Plan Related and Other Risk Factors , Capital, Liquidity and Market Related Risk Factors and MBIA Corp. Risk Factors. Risk factors are listed in order of significance within each category.

Insured Portfolio Loss Related Risk Factors

Some of the state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that issue public finance obligations we insure are experiencing unprecedented fiscal stress that could result in increased credit losses or impairments on those obligations

Although the financial conditions of many state, local and territorial governments and finance authorities that issue the obligations we insure have improved since the financial crisis, some issuers continue to report unprecedented fiscal stress that has required them to significantly raise taxes or cut spending in order to satisfy their obligations. In particular, certain jurisdictions have significantly underfunded pension liabilities which are placing additional stress on their finances and are particularly challenging to restructure either through negotiation or under Chapter 9 of the United States Bankruptcy Code. If the issuers of the obligations in our public finance portfolio are unable to raise taxes, cut spending, or receive state or federal assistance, we may experience losses or impairments on those obligations, which could materially and adversely affect our business, financial condition and results of operations. The financial stress experienced by certain municipal issuers could result in the filing of Chapter 9 proceedings in states where municipal issuers are permitted to seek bankruptcy protection. In these proceedings, which remain rare, the resolution of bondholder claims (and by extension, those of bond insurers) may be subject to legal challenge by other creditors.

Item 1A. Risk Factors (continued)

Puerto Rico is experiencing fiscal stress and constrained liquidity due to, among other things, Puerto Rico s structural budget imbalance, limited access to the capital markets, a stagnating local economy, net migration of people out of Puerto Rico and a high debt burden. Although Puerto Rico has tried to address its significant financial challenges through various fiscal policies and by the passage of a balanced general fund budget, it continues to experience significant fiscal stress. The Governor of Puerto Rico has stated that the island s approximately $70 billion in debt is not payable and has actively lobbied the US Congress for bankruptcy reform and other Federal support. Furthermore, the Governor formed a working group to study and make recommendations regarding Puerto Rico s short- and long-term challenges. In September of 2015, this working group released a report that projected a sizable deficit of available cash resources to expenses and debt service over the next five years absent meaningful fiscal and structural reform, and concluded that a voluntary adjustment of the terms of the Commonwealth s debt is necessary.

We continue to believe, based on our analysis of Puerto Rico s fiscal and structural circumstances, the details of our insured exposures, and our legal and contractual rights, that all of our insured Puerto Rico related debt will ultimately be substantially repaid. As of December 31, 2015, National had $3.9 billion of gross par outstanding ($4.3 billion of gross par outstanding when including accreted interest on capital appreciation bonds (CABs)) related to the Commonwealth of Puerto Rico and certain of its instrumentalities (Puerto Rico). Puerto Rico is experiencing fiscal stress due to, among other things, Puerto Rico s structural budget imbalance, a stagnating local economy, net migration of people and a high debt burden. However, it has attempted to address its significant economic challenges by passing a balanced general fund budget for the fiscal year ending June 30, 2016 and approving a proposed tax reform bill. In addition, in December of 2015, National and other stakeholders entered into a restructuring support agreement with Puerto Rico Electric Power Authority (PREPA) addressing, among other things, the treatment of approximately 65% of $8.1 billion of outstanding PREPA bonds, including approximately $1.4 billion of PREPA bonds insured by National. Refer to the U.S. Public Finance Insurance Puerto Rico Exposures section in Part II, Item 7 of this Form 10-K for additional information on our Puerto Rico exposures. Nevertheless, the Commonwealth and/or its instrumentalities may be unable or unwilling to pay their obligations as and when due, in which case National would be required to pay claims of unpaid principal and interest when due under its insurance policies, which could be material. While National would seek to recover any claim payments it makes under its guarantees, there is no assurance that it will be able to recover such payments. To the extent that its claims payments are ultimately substantially greater than its claims recoveries, National may experience material losses on those obligations, which could materially and adversely affect our business, financial condition and results of operations. Finally, if the Commonwealth and/or certain of its instrumentalities were granted access to Chapter 9 under the federal Bankruptcy law, as has been proposed by various federal legislators and recommended by the Obama administration, any such filing could result in substantial delays in payments on the National insured bonds issued by such instrumentalities and could provide a mechanism to bind National and other creditors to a plan of reorganization that results in an impairment of the National insured debt for such instrumentalities. Similar risks exist if Puerto Rico is ultimately able to adopt its own bankruptcy regime, which federal courts have thus far deemed to be unconstitutional but which issue is presently before the Supreme Court of the United States.

Loss reserve estimates and credit impairments are subject to additional uncertainties and loss reserves may not be adequate to cover potential claims.

Our insurance companies issue financial guarantee policies that insure the financial performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, and which are unconditional and irrevocable. Under substantially all of our policies, we do not have a right to cancel the policy. We do not use traditional actuarial approaches to determine our loss reserves. The establishment of the appropriate level of loss reserves is an inherently uncertain process involving numerous assumptions, estimates and subjective judgments by management, and therefore, there can be no assurance that actual paid claims in our insured portfolio will not exceed its loss reserves. If our loss reserves are not adequate to cover actual paid claims, our results of operations and financial condition could be materially adversely affected. We use financial models to project future paid claims on our insured portfolio, including insured credit derivatives, and to establish loss reserves and estimate impairments on insured credit derivatives. There can be no assurance that the future loss projection and impairments based on these models will ultimately reflect the actual losses and impairment that we experience. Additionally, small changes in the assumptions underlying these estimates could significantly impact loss expectations. For example, our loss reserves are discounted to a net present value reflecting our general obligation to pay claims over time and not on an accelerated basis. Risk-free rates are used to discount our loss reserves under accounting principles generally accepted in the U.S., and the yield-to-maturity of each insurer s investment portfolio as of year-end is used to discount each insurer s loss reserves under statutory accounting principles. Accordingly, changes in the risk-free rates or the yield in our insurers investment portfolios may materially impact loss reserves.

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Item 1A. Risk Factors (continued)

Political and economic conditions in the United States, the Eurozone and elsewhere may materially adversely affect our business and results of operations.

As a financial guarantee company, our insured exposures and our results of operations can be materially affected by general economic conditions, both in the U.S. and around the world. General global unrest, fraud, terrorism, catastrophic events, natural disasters, pandemics or similar events could disrupt the economy in the U.S. and other countries where we have insured exposure or operate our businesses. In certain jurisdictions outside the U.S. we face higher risks of governmental intervention through nationalization or expropriation of assets, changes in regulation, an inability to enforce our rights in court or otherwise and corruption, which may cause us to incur losses on the exposures we insure or reputational harm. For a discussion of the Company s exposure to sovereign debt, see Management s Discussion and Analysis of Financial Condition and Results of Operations European Sovereign Debt Exposure in Part II, Item 7 of this Form 10-K.

Budget deficits at all levels of government in the U.S., recessions, increases in corporate, municipal, sovereign, sub-sovereign or consumer default rates and other general economic conditions may adversely impact the Company s prospects for future business, as well as the performance of our insured portfolios and the Company s investment portfolio. In addition, we are exposed to correlation risk as a result of the possibility that multiple credits will experience losses as a result of any such event or series of events, in particular exposures that are backed by revenues from business and personal travel, such as aircraft securitizations and bonds backed by hotel taxes and car rental fleet securitizations.

Financial modeling involves uncertainty over ultimate outcomes, which makes it difficult to estimate liquidity, potential paid claims, loss reserves and fair values.

The Company uses third-party and internal financial models to estimate liquidity, potential paid claims, loss reserves and fair values. We use internal financial models to conduct liquidity stress-scenario testing to ensure that we maintain cash and liquid securities in an amount in excess of all stress scenario payment requirements. These measurements are performed on a legal entity and operating segment basis. We also rely on financial models, generated internally and supplemented by models generated by third parties, to estimate factors relating to the highly complex securities we insure, including future credit performance of the underlying assets, and to evaluate structures, rights and our potential obligations over time. We also use internal models for ongoing portfolio monitoring and to estimate case basis loss reserves and, where applicable, to report our obligations under our contracts at fair value. We may supplement such models with third-party models or use third-party experts to consult with our internal modeling specialists. Both internal and external models are subject to model risk and information risk, and there can be no assurance that the inputs into the models received from third parties will be accurate or that the models themselves are accurate or comprehensive in estimating our liquidity, potential future paid claims, related loss reserves and fair values or that they are similar to methodologies employed by our competitors, counterparties or other market participants. Estimates of our future paid claims, in particular, may materially impact our liquidity position. We may make changes to our paid claims, loss reserve or fair value models from time to time. These changes could materially impact our financial results.

Our risk management policies and procedures may not detect or prevent future losses.

We assess our risk management policies and procedures on a periodic basis. As a result of such assessment, we may take steps to change our internal risk assessment capabilities and procedures, portfolio management policies, systems and processes and our policies and procedures for monitoring and assessing the performance of our insured portfolio in changing market conditions. There can be no assurance, however, that these steps will be adequate to avoid future losses. In some cases, losses can be substantial, particularly if a loss occurs on a transaction in which we have a large notional exposure or on a transaction structured with large, bullet-type principal maturities.

Item 1A. Risk Factors (continued)

Strategic Plan Related and Other Risk Factors

An inability to maintain high stable insurer financial strength ratings for National or to generate investor demand for our financial guarantees may adversely affect our results of operations and business prospects.

There is no assurance that we will be able to maintain or improve National s ratings. Many requirements imposed by the rating agencies in order for National to maintain high insurer financial strength ratings are outside of our control, and such requirements may necessitate raising additional capital or taking other remedial actions in a relatively short time frame in order to achieve or maintain the ratings necessary to attract new business and compete with other financial guarantee insurers, which could make the conduct of the business uneconomical or materially adversely affect our business prospects. Furthermore, there is no assurance that we will successfully comply with rating agency requirements, that these requirements or the related models and methodologies will not change or that, even if we comply with these requirements, a rating agency will not lower or withdraw its financial strength ratings with respect to any of our insurance companies.

In addition, there is no assurance that investor demand for our guarantees will increase regardless of our ratings. Finally, our inability to comply with any rating agency and regulatory single risk limits tests may also prevent us from writing future new business in the categories of risks that are exceeded in the case of the regulatory limits, or result in an inability to achieve or maintain our desired ratings, in the case of rating agency limits, and may adversely affect our business prospects.

Future demand for National s financial guarantee insurance depends on market and other factors that we do not control.

The demand for financial guarantee insurance depends upon many factors, some of which are beyond the control of the Company. Our ability to attract and compete for financial guarantee business in the municipal market is largely dependent on the financial strength ratings assigned to National by one or more of the rating agencies. It is also affected by the overall amount of new municipal bonds issued as well as level of interest rates and the spread between insured and uninsured bonds. In addition, the perceived financial strength of other financial guarantee insurers also affects demand for financial guarantee insurance. The impact of the financial crisis on certain participants in the financial guarantee industry may have eroded investors confidence in the benefits of bond insurance. Based on current market penetration levels and overall market conditions, we do not expect the demand for municipal financial guarantee insurance to regain its pre-financial crisis level in the near term, if ever.

In addition, various investors may, due to regulatory or internal guidelines, lack additional capacity to purchase securities insured by certain financial guarantors, which may provide a competitive advantage to guarantors with fewer insured obligations outstanding. Differentials in trading values or investor capacity constraints that do not favor us would have an adverse effect on our ability to attract new business at appropriate pricing levels.

Competition may have an adverse effect on our businesses.

National faces competition from other financial guarantee insurance companies and other forms of credit enhancement, including senior-subordinated structures, credit derivatives, letters of credit and guarantees (for example, mortgage guarantees where pools of mortgage loans secure debt service payments) provided by banks and other financial institutions. We have observed increased competition for business among the active financial guarantors, and opportunities to write new business with attractive returns may be limited. Increased competition, either in terms of price, alternative structures, or the emergence of new providers of credit enhancement, could have an adverse effect on our insurance companies business prospects.

We believe that issuers and investors distinguish among financial guarantors on the basis of various factors, including rating agency assessment, capitalization, size, insured portfolio concentration and financial performance. These distinctions may result in differentials in trading levels for securities insured by particular financial guarantors which, in turn, may provide a competitive advantage to those financial guarantors with better trading characteristics.

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Item 1A. Risk Factors (continued)

Downgrades of the ratings of securities that we insure may materially adversely affect our business, results of operations and financial condition.

Individual credits in our insured portfolio (including potential new credits) are assessed a rating agency capital charge based on a variety of factors, including the nature of the credits risk types, underlying ratings, tenor and expected and actual performance. In the event of an actual or perceived deterioration in creditworthiness, a reduction in the underlying rating or a change in the rating agency capital methodology, we may be required to hold more capital in reserve against credits in the insured portfolio, regardless of whether losses actually occur, or against potential new business. Significant reductions in underlying ratings of credits in an insured portfolio can produce significant increases in assessed capital charges. There can be no assurance that each of our insurance companies capital position will be adequate to meet any increased rating agency reserve requirements or that each insurance company will be able to secure additional capital necessary to support increased reserve requirements, especially at a time of actual or perceived deterioration in creditworthiness of new or existing credits. Also, while MBIA Corp. does not presently intend to write new business, if National suffered material increases in capital charges and was unable to increase capital, this could result in inadequate capital to support its ratings, which could have an adverse effect on its ability to write new business.

Regulatory change could adversely affect our businesses, and regulations limit investors ability to effect a takeover or business combination that shareholders might consider in their best interests.

The financial guarantee insurance industry has historically been and will continue to be subject to the direct and indirect effects of governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules affecting asset-backed and municipal obligations, as well as changes in those laws. Also, the failure to comply with applicable laws and regulations could expose our insurance companies, their directors or shareholders to fines, the loss of their insurance licenses, and the inability to engage in certain business activity, as the case may be. In addition, future legislative, regulatory or judicial changes could adversely affect National s ability to pursue business, materially impacting our financial results. These laws also limit investors ability to affect a takeover or business combination without the approval of our insurance regulators.

Changes to laws and regulations or the interpretation thereof could subject us to further restrictions on the type of business that we are authorized to insure. Any such restrictions could have a material effect on the amount of premiums that we earn in the future. Additionally, any changes to such laws and regulations could subject our insurance companies to increase reserving and capital requirements or more stringent regulation generally, which could materially adversely affect our financial condition, results of operations and future business. Finally, changes to accounting standards and regulations may require modifications to our accounting methodology, both prospectively and for prior periods; and such changes could have an adverse impact on our reported financial results and/or make it more difficult for investors to understand the economics of our business, and may thus influence the types or volume of business that we may choose to pursue.

Our insurance companies could become subject to regulatory action.

Our insurance companies are subject to various statutory and regulatory restrictions that require them to maintain qualifying investments to support their reserves and minimum surplus. Furthermore, our insurance companies may be restricted from making commutation or other payments if doing so would cause them to fail to meet such requirements, and the NYSDFS may impose other remedial actions on us as described further below to the extent our insurance companies do not meet such requirements.

Item 1A. Risk Factors (continued)

Under New York Insurance law, the Superintendent of the NYSDFS may apply for an order directing the rehabilitation or liquidation of a domestic insurance company under certain circumstances, including upon the insolvency of the company, if the company has willfully violated its charter or New York Insurance law or if the company is found, after examination, to be in such condition that further transaction of business would be hazardous to its policyholders, creditors or the public. The Superintendent of the NYSDFS may also suspend an insurer s license, restrict its license authority, or limit the amount of premiums written in New York if, after a hearing, the Superintendent of the NYSDFS determines that the insurer s surplus to policyholders is not adequate in relation to its outstanding liabilities or financial needs. If the Superintendent of the NYSDFS were to take any such action, it could result in the reduction or elimination of the payment of dividends to MBIA Inc. See Risk Factor An MBIA Insurance Corporation rehabilitation or liquidation proceeding could accelerate certain of the Company s other obligations and have other adverse consequences under MBIA Corp. Risk Factors for the potential impacts of an MBIA Insurance Corporation rehabilitation or liquidation proceeding.

In addition to the Superintendent s authority to commence a rehabilitation or liquidation proceeding, if the Superintendent finds that the liabilities of MBIA Insurance Corporation exceed its admitted assets, the Superintendent could use its authority under Section 1310 of the NYIL to order MBIA Insurance Corporation to cease making claims payments (a 1310 Order). See Risk Factor Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured RMBS transactions as well as certain other factors may materially and adversely affect MBIA Insurance Corporation s ability to meet liquidity needs and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if it is not able to pay expected claims under MBIA Corp. Risk Factors for the potential impacts of a 1310 Order.

Interruption in information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, could harm our business.

We depend heavily on our information technology and other operational systems and on the integrity and timeliness of data we use to run our businesses. These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our control. Further, we face the risk of operational and technology failures by others, including various financial intermediaries and of vendors and parties to which we outsource the provision of services or business operations. If this risk is realized, we may experience operational difficulties, increased costs and other adverse effects on our business.

Despite our implementation of a variety of security measures, our information technology and other systems could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, confidentiality or privacy of sensitive data.

Interruption in information technology and other operational systems, or a failure to maintain the security, confidentiality or privacy of sensitive data residing on such systems, whether due to actions by us or others, could delay or disrupt our ability to do business, harm our reputation, subject us to regulatory sanctions and other claims, lead to a loss of clients and revenues and otherwise adversely affect our business.

Any impairment in the Company s future taxable income can materially affect the recoverability of our deferred tax assets.

The recoverability of a deferred tax asset is based on an assessment of the existence of future taxable income of appropriate character. To the extent that the Company s ability to recognize future taxable income from its existing insurance portfolio through scheduled premium earnings and net investment income becomes impaired, the recoverability of certain deferred tax assets may be materially affected by a corresponding increase to its valuation allowance.

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Item 1A. Risk Factors (continued)

Private litigation claims could materially adversely affect our reputation, business, results of operations and financial condition.

As further set forth in Note 21: Commitments and Contingencies in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K, the Company and/or its subsidiaries are named as defendants in certain litigations, and in the ordinary course of business, may be a defendant in or party to a new or threatened legal action. Although the Company intends to vigorously defend against any current or future action, any adverse ultimate outcome could result in a loss and/or have a material adverse effect on our reputation, business, results of operations or financial condition.

The Company is dependent on key executives and the loss of any of these executives, or its inability to retain other key personnel, could adversely affect its business.

The Company s success substantially depends upon its ability to attract and retain qualified employees and upon the ability of its senior management and other key employees to implement its business strategy. The Company believes there are only a limited number of available qualified executives in the business lines in which the Company competes. Except for the departure of Mr. Chaplin, which was announced on January 22, 2016, the Company is not aware of any other planned departures. The Company relies substantially upon the services of Joseph W. Brown, Chief Executive Officer, and other senior executives. There is no assurance that the Company will be able to retain the services of key executives. The loss of the services of any of these individuals or other key members of the Company s management team could adversely affect the implementation of its business strategy.

A different view of the Internal Revenue Service from our current tax treatment of realized losses relating to insured CDS contracts can adversely affect our financial position.

As part of the Company s financial guarantee business, we have insured certain credit derivative contracts. We treat these insured derivative contracts as insurance contracts for statutory accounting purposes, which is the basis for computing U.S. federal taxable income. As such, the realized losses in connection with an insured event are considered loss reserve activities for tax purposes. Because the federal income tax treatment of CDS contracts is an unsettled area of tax law, in the event that the Internal Revenue Service takes a different view with respect to the tax treatment, our results of operations and financial condition could be materially adversely affected.

Ownership Change under Section 382 of the Internal Revenue Code can have adverse tax consequences.

In connection with transactions in our shares from time to time, we may in the future experience an ownership change within the meaning of Section 382 of the Internal Revenue Code. In general terms, an ownership change may result from transactions increasing the aggregate ownership of certain stockholders in our stock by more than 50 percentage points over a testing period (generally three years). If an ownership change were to occur, our ability to use certain tax attributes, including certain losses, credits, deductions or tax basis, may be limited. Calculating whether a Section 382 ownership change has occurred is subject to uncertainties, including the complexity and ambiguity of Section 382 and limitations on a publicly traded company s knowledge as to the ownership of, and transactions in, its securities. The Company performs detailed calculations during each quarter to determine if an ownership change has occurred and, based on the Company s current methodology of calculation, a Section 382 ownership change has not taken place.

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Item 1A. Risk Factors (continued)

Capital, Liquidity and Market Related Risk Factors

We are a holding company and rely to a significant degree on cash flow from our principal operating subsidiaries and access to third party capital. A disruption in the cash flow from our subsidiaries or an inability to access capital could adversely affect our business, operating results and financial condition and ultimately adversely affect liquidity.

As a holding company, MBIA Inc. is largely dependent on dividends, payments under our tax sharing agreement and advances in the form of intercompany loans from its subsidiaries to pay principal and interest on our indebtedness, make capital investments in our subsidiaries and pay dividends, to the extent payable, on our capital stock, among other items. We expect that for the foreseeable future National will be the primary source of dividends and tax sharing agreement payments. National is subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that it may pay. See New York State Dividend Limitations in Part 1, Item 1 and Note 14: Insurance Regulations and Dividends in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K for a further discussion of dividends.

We may also from time to time seek to raise capital from external sources. The Company s access to external sources of financing, as well as the cost of such financing, is dependent on various factors, including (i) the long-term debt ratings of the Company, (ii) expected dividends from our subsidiaries, (iii) the insurance financial strength ratings, financial condition and long-term business prospects of our insurance companies, (iv) the perceptions of the financial strength of our insurance companies and MBIA Inc. and (v) the outcome of our undertakings to collect excess spread and recoveries in connection with ineligible mortgage loans in our insured RMBS securitizations. Our debt ratings are influenced by numerous factors, either in absolute terms or relative to our peer group, such as financial leverage, balance sheet strength, capital structure and earnings trends. If we cannot obtain adequate capital on favorable terms or at all, our business, future growth, operating results and financial condition could be adversely affected.

To the extent that we are unable to access external capital necessary to support our insurance companies, our insurance companies may not have sufficient liquidity to meet their obligations, may have less capacity to write business and may not be able to pay dividends to us without experiencing adverse rating agency action. Consequently, our inability to maintain access to capital on favorable terms could have an adverse impact on our ability to pay losses and debt obligations, to pay dividends on our capital stock, to pay principal and interest on our indebtedness, to pay our operating expenses and to make capital investments in our subsidiaries. In addition, future capital raises for equity or equity-linked securities could result in dilution to the Company s shareholders. In addition, some securities that the Company could issue, such as preferred stock or securities issued by the Company s operating subsidiaries may have rights, preferences and privileges that are senior to those of its common shares.

We have substantial indebtedness and may incur substantial additional indebtedness, which could adversely affect our financial condition, and our ability to obtain financing in the future, react to changes in our business and satisfy our obligations.

As of December 31, 2015, we had $1.9 billion of consolidated long-term debt, $1.0 billion of consolidated medium-term note liabilities and $462 million of consolidated investment agreement liabilities. Our substantial indebtedness and other liabilities could have material consequences because:

we may be unable to obtain additional financing, should such a need arise, which may limit our ability to satisfy obligations with respect to our debt;

a large portion of MBIA Inc. s financial resources must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to us for other purposes;

it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such debt;

we may be more vulnerable to general adverse economic and industry conditions;

our ability to refinance debt may be limited or the associated costs may increase;

our flexibility to adjust to changing market conditions could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins of our businesses; and

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Item 1A. Risk Factors (continued)

we are exposed to the risk of fluctuations in interest rates and foreign currency exchange rates because a portion of our liabilities are at variable rates of interest or denominated in foreign currencies.

Adverse developments in the credit markets may materially and adversely affect MBIA Inc.   s ability to post collateral and meet other liquidity needs.

Currently, the majority of the cash and securities of MBIA Inc. is pledged against investment agreement liabilities, intercompany financing arrangements and derivatives, which limit its ability to raise liquidity through asset sales. If the market value or rating eligibility of the assets which are pledged against MBIA Inc.   s obligations were to decline, we would be required to pledge additional eligible assets in order to meet minimum required collateral amounts against these liabilities. In such event, we may sell assets, potentially with substantial losses, finance unencumbered assets through intercompany facilities, or use free cash or other assets, although there can be no assurance that these strategies will be available or adequate to meet liquidity requirements.

The level of interest rates and foreign currency exchange rates could adversely affect our financial condition and future business.

Increases in prevailing interest rate levels can adversely affect the value of MBIA   s investment portfolio and, therefore, our financial condition. In the event that investments must be sold in order to make payments on insured exposures or other liabilities, such investments would likely be sold at discounted prices. Increases in interest rates also adversely affect the values of investments collateralizing our interest rate swap contracts in our corporate operations, which would require the Company to post additional collateral to its counterparties. Additionally, in the insurance operations, increasing interest rates could lead to increased credit stress on transactions in our insured portfolio, while a decline in interest rates could result in larger loss reserves on a present value basis. Finally, increased interest rates could also decrease attractiveness for issuers to enter into capital markets transactions, which could also result in a corresponding decreasing demand for financial guarantee insurance in the future.

Lower interest rates can result in lower net interest income since a substantial portion of assets are now held in cash and cash equivalents given the increased focus on liquidity. Additionally, since prevailing interest rate levels can affect demand for financial guarantee insurance, lower interest rates are typically accompanied by narrower spreads between insured and uninsured obligations. The purchase of insurance during periods of relatively narrower interest rate spreads will generally provide lower cost savings to the issuer than during periods of relatively wider spreads. These lower cost savings could be accompanied by a corresponding decrease in demand for financial guarantee insurance.

In addition, the Company is exposed to foreign currency exchange rate fluctuation risk in respect of assets and liabilities denominated in currencies other than U.S. dollars. In addition to insured liabilities denominated in foreign currencies, some of the remaining liabilities in our corporate segment are denominated in currencies other than U.S. dollars and the assets of our corporate segment are predominantly denominated in U.S. dollars. Accordingly, the weakening of the U.S. dollar versus foreign currencies could substantially increase our potential obligations and statutory capital exposure. Conversely, the Company makes investments denominated in a foreign currency and the weakening of the foreign currency versus the U.S. dollar will diminish the value of such non-U.S. dollar denominated asset. Exchange rates have fluctuated significantly in recent periods and may continue to do so in the future, which could adversely impact the Company   s financial position, results of operations and cash flows.

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Item 1A. Risk Factors (continued)

MBIA Corp. Risk Factors

Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured RMBS transactions as well as certain other factors may materially and adversely affect MBIA Insurance Corporation s ability to meet liquidity needs and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if it is not able to pay expected claims.

As an insurance company, MBIA Insurance Corporation is particularly sensitive to the risk that it will not have sufficient resources to meet contractual payment obligations when due or to make settlement payments in order to terminate insured exposures to avoid losses. Management s expected liquidity and capital forecasts for MBIA Insurance Corporation for 2016 reflect adequate resources to pay expected claims. However, there is risk to the liquidity forecast as the Company s remaining insured exposures are potentially volatile. There are risks to the capital forecast due to those potential liabilities, potential volatility in the collection of excess spread and the remaining put-back recoverable, and potential volatility associated with the remaining insured portfolio that could deteriorate and result in loss reserves and claim payments, including claims on insured exposures that in some cases may require large bullet payments. In particular, MBIA Insurance Corporation insures $776 million gross par outstanding of notes issued by Zohar II, which matures in January of 2017. While we continue to work with our advisors on remediation strategies for Zohar II, if a significant claim is presented for this insured transaction, MBIA Insurance Corporation may not have sufficient liquid assets to pay such claim. In addition, MBIA Insurance Corporation insured the class A-1 and A-2 notes issued by Zohar I 2003-1, Limited (Zohar I), which matured on November 20, 2015. Zohar I failed to pay the amounts due on the A-1 and A-2 notes, and MBIA Insurance Corporation paid a claim of approximately $149 million on such insured notes on their maturity date. MBIA Insurance Corporation is entitled to seek reimbursement of such claim plus interest and expenses and to exercise certain rights and remedies. On November 22, 2015, an involuntary bankruptcy petition (the Involuntary Petition) was filed with respect to Zohar I by Patriarch Partners XV, LLC (Patriarch) in its capacity as a holder of the A-3 notes issued by Zohar I. On February 7, 2016, Patriarch filed a motion to dismiss the Involuntary Petition. To the extent the petition is ultimately not dismissed or a similar petition is filed with respect to Zohar II, MBIA s ability to exercise its rights and remedies and to liquidate collateral supporting the notes insured by MBIA may be restricted.

If MBIA Insurance Corporation experiences higher than expected claims payments or is unable collect expected recoveries, it may ultimately have insufficient resources to continue paying claims, which could cause the NYSDFS, under Article 74 of the NYIL, to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding. The determination to commence such a proceeding is not within the control of the Company. Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any material intercompany lending agreements or cross defaults between the entities, and the lack of reliance by MBIA Inc. on MBIA Corp. for the receipt of dividends, we do not believe that a rehabilitation or liquidation proceeding of MBIA Insurance Corporation by the NYSDFS would have any significant long-term liquidity impact on MBIA Inc. or result in a liquidation or similar proceeding of MBIA UK or MBIA Mexico. An MBIA Insurance Corporation rehabilitation or liquidation proceeding could accelerate certain of the Company s other obligations and have other adverse consequences, such as the loss of control of MBIA Insurance Corporation and the imposition of unplanned expenses.

In addition to the Superintendent s authority to commence a rehabilitation or liquidation proceeding, the Superintendent could, should the Superintendent find that the liabilities of MBIA Insurance Corporation exceed its admitted assets, use its authority under Section 1310 of the NYIL to order MBIA Insurance Corporation to cease making claims payments (a 1310 Order). The issuance of a 1310 Order could result in material adverse consequences for MBIA Insurance Corporation, including that holders of some or all of the CDS insured by MBIA Insurance Corporation may potentially seek to terminate one or more of such swaps on the basis of such order (or the findings by the Superintendent underlying such order s issuance) and assert claims for market-based termination payments with respect to such terminations (which claims MBIA Insurance Corporation may not be able to pay).

Item 1A. Risk Factors (continued)

MBIA Corp. insures certain transactions that continue to perform poorly, in particular RMBS transactions that include a substantial number of ineligible mortgage loans, and increased losses or a delay or failure in collecting expected recoveries may materially and adversely affect its financial condition and results of operations.

MBIA Corp. insures certain structured finance transactions that remain volatile and could result in additional losses, which could be substantial, including RMBS, CDOs, CMBS pools and CRE transactions.

With respect to RMBS transactions, MBIA Corp. has recorded reserves on a number of transactions, in part due to ongoing poor performance of ineligible loans included in its insured second-lien RMBS transactions, including transactions where it has reached settlements with the sellers/servicers but continues to insure the transactions. Unpredicted losses on these transactions and in other transactions due to the inclusion of ineligible loans could occur. MBIA Corp. has also recorded significant loss reserves on its first-lien RMBS and CDO exposures, and there can be no assurance that these reserves will be sufficient, in particular if the economy deteriorates. These transactions are also subject to servicer risk, which relates to problems with the transaction servicer that could affect performance of the underlying assets. Furthermore, MBIA Corp. has recorded substantial expected recoveries on certain second-lien RMBS, and the timing and amount of those recoveries are subject to risk. Any delay or failure in collecting expected recoveries may materially and adversely affect MBIA Corp. s financial condition and results of operations. As of December 31, 2015, it recorded expected receipts of $406 million (on a present value basis) from excess spread (the difference between interest inflows on assets and interest outflows on liabilities) in our second-lien RMBS transactions, in reimbursement of our past and future expected claims. Of this amount, $382 million is included in Insurance loss recoverable and $24 million is included in Loss and loss adjustment expense reserves on the Company s consolidated balance sheets. The amount of excess spread depends on future interest rates, borrower refinancing and defaults and mortgage insurance payments. There can be no assurance that this recovery will be received in its entirety or in the expected timeframe. In addition, the Company has recorded a recovery on a transaction containing ineligible loans securitized by Credit Suisse. The Company is pursuing recovery of its losses on this transaction in a litigation in which its assessment of the ineligibility of individual mortgage loans has been challenged by Credit Suisse, and there is no assurance that the Company s determinations will prevail, or that the Company will be successful in timely collecting its estimated recoveries. The litigation may take several years to resolve, during which time we will continue to be required to pay losses on the subject transaction, which may exceed the reserves established for the transaction.

With respect to insured CMBS pools and CRE CDOs, MBIA Corp. has experienced ratings erosion in the CMBS collateral underlying its insured static pools. Since 2013, MBIA Corp. has paid claims on a CMBS pool transaction which experienced deterioration such that all of the deductible was eliminated, and we expect to experience additional claims on this transaction in the future. Ultimate loss rates on these transactions remain uncertain. It is possible that MBIA Corp. will experience severe losses or near-term liquidity needs on its insured commercial real estate transactions, in particular if the economy does not continue to improve, there is a new recession, increased delinquencies, higher levels of liquidations of delinquent loans, or higher severities of loss upon liquidation.

An MBIA Insurance Corporation rehabilitation or liquidation proceeding could accelerate certain of the Company s other obligations and have other adverse consequences.

MBIA Insurance Corporation faces a number of significant risks and contingencies, which could, if realized, result in MBIA Insurance Corporation being placed into a rehabilitation or liquidation proceeding by the NYSDFS. In the event of an MBIA Insurance Corporation rehabilitation or liquidation proceeding, the Company may be subject to, among other things, the following:

- MTNs issued by GFL, which are insured by MBIA Insurance Corporation, would accelerate. To the extent GFL failed to pay the accelerated amounts under the GFL MTNs, the MTN holders would have policy claims against MBIA Insurance Corporation for scheduled payments of interest and principal;

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Item 1A. Risk Factors (continued)

An MBIA Insurance Corporation proceeding may accelerate certain investment agreements issued by MBIA Inc., including, in some cases, with make-whole payments. While the investment agreements are fully collateralized with high quality collateral, the settlements of these amounts could reduce MBIA Inc. s liquidity resources, and to the extent MBIA Inc. fails to pay the accelerated amounts under these investment agreements or the collateral securing these investment agreements is deemed insufficient to pay the accelerated amounts due, the holders of the investment agreements would have policy claims against MBIA Insurance Corporation;

CDS counterparties may seek to terminate CDS contracts insured by MBIA Insurance Corporation and make market-based damage claims (irrespective of whether actual credit-related losses are expected under the underlying exposure), which claims could aggregate up to $185 million as of December 31, 2015;

The Company may be unable to carry out its tax planning strategies as a result of an MBIA Insurance Corporation proceeding. This may cause the Company to record allowances against a portion or all of its deferred tax assets. Refer to Note 11: Income Taxes in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K for information about the Company s deferred tax assets. In addition, the Company currently files a consolidated tax return. An MBIA Insurance Corporation proceeding could result in challenges to the tax sharing arrangement among the MBIA affiliates that might adversely affect the Company s ability to manage taxes efficiently;

The rehabilitator or liquidator would replace the Board of Directors of MBIA Insurance Corporation and take control of the operations and assets of MBIA Insurance Corporation (subject to, with respect to MBIA UK, regulatory oversight and related controls provided by the PRA and FCA, which would stay in effect following such occurrence), which would result in MBIA Inc. losing control of MBIA Insurance Corporation and possible changes to MBIA Insurance Corporation s strategies and management; and

An MBIA Insurance Corporation proceeding may impose unplanned costs on MBIA Inc. In addition, MBIA Insurance Corporation would be subject to significant additional expenses arising from the appointment of a rehabilitator or liquidator, as receiver, and payment of the fees and expenses of the advisors to such rehabilitator or liquidator.

Revenues and liquidity would be adversely impacted by a decline in realization of installment premiums.

Due to the installment nature of a significant percentage of its premium income, MBIA Corp. has an embedded future revenue stream. The amount of installment premiums actually realized by MBIA Corp. could be reduced in the future due to factors such as early termination of insurance contracts, accelerated prepayments of underlying obligations, commutation of existing financial guarantee insurance policies or non-payment. Such a reduction would result in lower revenues and reduced liquidity.

Item 1B. Unresolved Staff Comments

The Company from time to time receives written comments from the staff of the SEC regarding its periodic or current reports under the Securities Exchange Act of 1934, as amended. There are no comments that remain unresolved that the Company received more than 180 days before the end of the year to which this report relates.

Item 2. Properties

The Company maintains office space located in Purchase, New York, in which the Company, National, MBIA Corp., and MBIA Services Corporation have their headquarters. The Company also leases office space in New York, New York; San Francisco, California; Mexico City, Mexico; and London, England. The Company generally believes that these facilities are adequate and suitable for its current needs.

Item 3. Legal Proceedings

For a discussion of the Company s litigation and related matters, see Note 21: Commitments and Contingencies in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8. In the normal course of operating its businesses, MBIA Inc. may be involved in various legal proceedings. As a courtesy, the Company posts on its website under the section Legal Proceedings, selected information and documents in reference to selected legal proceedings in which the Company is the plaintiff or the defendant. The Company will not necessarily post all documents for each proceeding and undertakes no obligation to revise or update them to reflect changes in events or expectations. The complete official court docket can be publicly accessed by contacting the clerk s office of the respective court where each litigation is pending.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s common stock is listed on the New York Stock Exchange under the symbol MBI. As of February 23, 2016 there were 446 shareholders of record of the Company s common stock. The Company did not pay cash dividends on its common stock during 2015 or 2014. For information on the ability for certain subsidiaries of the Company to transfer funds to the Company in the form of cash dividends or otherwise, see Item 1. Business Insurance Regulation in this annual report.

The high and low sales stock prices with respect to the Company s common stock for the last two years are presented below:

	2015 Stock Price		2014 Stock Price	
Quarter Ended	**High**	**Low**	**High**	**Low**
March 31	$ 9.73	$ 7.92	$ 15.26	$ 10.68
June 30	9.98	4.94	14.08	10.71
September 30	7.75	5.29	11.44	9.03
December 31	8.37	5.26	10.54	8.41

Repurchases of common stock may be made from time to time in the open market or in private transactions as permitted by securities laws and other legal requirements. We believe that share repurchases can be an appropriate deployment of capital in excess of amounts needed to support our liquidity and maintain the claims-paying ratings of MBIA Corp. and National as well as other business needs.

During the year ended December 31, 2015, certain investment funds affiliated with Warburg Pincus LLC (Warburg) sold all of their 45.7 million shares of MBIA Inc. common stock. At the time of each sale, Warburg was the largest holder of the Company s common stock. In connection with the sales, National and the Company repurchased 8 million shares and 7.6 million shares, respectively.

On July 29, 2015, the Company s Board of Directors authorized the repurchase by the Company or its subsidiaries of up to $100 million of its outstanding shares under a new share repurchase authorization, which superseded and terminated the prior authorization. The prior authorization had $61 million available for future repurchase at the time it was terminated. As of December 31, 2015, there was no remaining authorized capacity under the July 29, 2015 repurchase program.

On October 28, 2015, the Company s Board of Directors authorized the repurchase by the Company or its subsidiaries of up to $100 million of its outstanding shares under a new share repurchase authorization. During the fourth quarter of 2015, the Company repurchased 965,736 common shares of MBIA Inc. at an average share price of $6.50. Subsequent to December 31, 2015, we exhausted all of the remaining capacity under the October 28, 2015 repurchase program by repurchasing an additional 14.9 million common shares at an average share price of $6.30.

On February 23, 2016, the Company s Board of Directors authorized the repurchase by the Company or its subsidiaries of up to $100 million of its outstanding shares under a new share repurchase authorization.

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Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities (continued)

The table below presents repurchases made by the Company in each month during the fourth quarter of 2015. See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in Part III for a further discussion of securities authorized for issuance under long-term incentive plans.

Month	**Total Number of Shares Purchased(1)**	**Average Price Paid Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plan**	**Maximum Amount That May Be Purchased Under the Plan (in millions)(2)**
October	951	$ 7.06		$ 100
November	1,021	6.74		100
December	1,437,765	6.46	965,736	94

(1) Includes 4,787 shares purchased in open market transactions as investments in the Company s non-qualified deferred compensation plan and 469,214 shares were repurchased by the Company in open market transactions for settling awards under the Company s long-term incentive plans.

(2) In the fourth quarter of 2015, the Company s Board of Directors authorized the repurchase of common stock up to $100 million under a new share repurchase program.

As of December 31, 2015, 281,833,618 shares of Common Stock of the Company, par value $1 per share, were issued and 151,530,377 shares were outstanding.

Stock Performance Graph The following graph compares the cumulative total shareholder return (rounded to the nearest whole dollar) of our common stock, the S&P 500 Index (S&P 500 Index) and the S&P 500 Financials Sector Index (S&P Financials Index) for the last five fiscal years. The graph assumes a $100 investment at the closing price on December 31, 2010 and reinvestment of dividends in the security/index on the respective dividend payment dates without commissions. This graph does not forecast future performance of our common stock.

	2010	**2011**	**2012**	**2013**	**2014**	**2015**
MBIA Inc. Common Stock	100.00	96.66	65.47	99.58	79.57	54.05
S&P 500 Index	100.00	102.11	118.43	156.77	178.21	180.66
S&P Financials Index	100.00	82.94	106.78	144.78	166.75	164.15

Source: Bloomberg Finance L.P.

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Item 6. Selected Financial Data

In millions except per share amounts	2015	2014	2013	2012	2011
Summary Statement of Operations Data:					
Premiums earned	$ 372	$ 397	$ 457	$ 605	$ 605
Net investment income	152	179	166	214	383
Net change in fair value of insured derivatives	129	459	232	1,464	(2,812)
Net gains (losses) on financial instruments at fair value and foreign exchange	63	78	69	55	(99)
Net investment losses related to other-than-temporary impairments	(13)	(15)		(105)	(101)
Revenues of consolidated variable interest entities	128	101	233	134	392
Total revenues	853	1,270	1,209	2,435	(1,557)
Losses and loss adjustment	123	133	117	50	(80)
Operating	140	195	338	381	308
Interest	199	210	236	284	300
Expenses of consolidated variable interest entities	52	47	56	72	91
Total expenses	564	629	793	837	682
Income (loss) before income taxes	289	641	416	1,598	(2,239)
Net income (loss)	180	569	250	1,234	(1,319)
Net income (loss) per common share:					
Basic	$ 1.06	$ 2.94	$ 1.30	$ 6.36	$ (6.85)
Diluted	$ 1.06	$ 2.76	$ 1.29	$ 6.33	$ (6.85)
Summary Balance Sheet Data:					
Fixed-maturity investments	$ 5,613	$ 5,744	$ 5,615	$ 5,172	$ 7,015
Short-term investments	721	1,069	1,204	669	1,571
Other investments	16	17	16	21	107
Total assets of consolidated variable interest entities	5,378	5,041	5,592	8,334	10,893
Total assets	14,855	16,284	16,953	21,724	26,873
Unearned premium revenue	1,591	1,986	2,441	2,938	3,515
Loss and loss adjustment expense reserves	516	506	641	853	836
Long-term debt	1,908	1,810	1,702	1,732	1,910
Medium-term notes	1,016	1,201	1,427	1,598	1,656
Investment agreements	462	547	700	944	1,578
Derivative liabilities	314	437	1,152	2,934	5,164
Total liabilities of consolidated variable interest entities	5,096	4,804	5,297	7,286	9,883
Total equity	3,741	3,950	3,299	3,194	1,723
Book value per share	$ 24.61	$ 20.47	$ 17.05	$ 16.22	$ 8.80
Insurance Statistical Data:					
Debt service outstanding	$ 326,612	$ 437,778	$ 554,296	$ 679,074	$ 840,078
Gross par amount outstanding	202,661	277,481	357,246	449,487	551,721

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Item 6. Selected Financial Data (continued)

Quarterly Financial Information (unaudited):

In millions except per share amounts	First	Second	Third	Fourth	Full Year[1]
			2015		
Premiums earned	$ 101	$ 91	$ 84	$ 96	$ 372
Net investment income	37	37	38	40	152
Net change in fair value of insured derivatives	28	60	3	38	129
Net gains (losses) on financial instruments at fair value and foreign exchange	30	45	(55)	43	63
Net investment losses related to other-than-temporary impairments		(7)	(3)	(3)	(13)
Revenues of consolidated variable interest entities	2	19	25	82	128
Total revenues	219	245	92	297	853
Losses and loss adjustment	(6)	46	39	44	123
Operating	35	32	35	38	140
Interest	50	50	49	50	199
Expenses of consolidated variable interest entities	14	12	13	13	52
Total expenses	106	153	147	158	564
Income (loss) before income taxes	113	92	(55)	139	289
Net income (loss)	69	64	(35)	82	180
Net income (loss) per common share:					
Basic	$ 0.37	$ 0.36	$ (0.23)	$ 0.54	$ 1.06
Diluted	$ 0.37	$ 0.36	$ (0.23)	$ 0.54	$ 1.06

(1) May not cross-foot due to rounding.

In millions except per share amounts	First	Second	Third	Fourth	Full Year[1]
			2014		
Premiums earned	$ 88	$ 89	$ 116	$ 104	$ 397
Net investment income	50	42	44	43	179
Net change in fair value of insured derivatives	469	(47)	24	13	459
Net gains (losses) on financial instruments at fair value and foreign exchange	(55)	61	57	15	78
Net investment losses related to other-than-temporary impairments			(14)	(1)	(15)
Revenues of consolidated variable interest entities	19	36	17	29	101
Total revenues	577	187	291	215	1,270
Losses and loss adjustment	50	12	20	51	133
Operating	46	49	46	54	195

Interest	54	52	52	52	210
Expenses of consolidated variable interest entities	13	11	12	11	47
Total expenses	173	132	143	181	629
Income (loss) before income taxes	404	55	148	34	641
Net income (loss)	256	120	173	20	569
Net income (loss) per common share:					
Basic	$ 1.33	$ 0.61	$ 0.90	$ 0.10	$ 2.94
Diluted	$ 1.32	$ 0.45	$ 0.80	$ 0.10	$ 2.76

(1) May not cross-foot due to rounding.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations of MBIA Inc. should be read in conjunction with the consolidated financial statements and notes thereto included in this Form 10-K. In addition, this discussion and analysis of financial condition and results of operations includes statements of the opinion of MBIA Inc. s management which may be forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. Refer to Forward-Looking Statements and Risk Factors in Part I, Item 1A of this Form 10-K for a further discussion of risks and uncertainties.

INTRODUCTION

MBIA Inc. (MBIA , the Company , we , us , or our) operates one of the largest financial guarantee insurance busin in the industry. MBIA manages its business within three operating segments: 1) United States (U.S.) public finance insurance; 2) corporate; and 3) international and structured finance insurance. Our U.S. public finance insurance business is primarily operated through National Public Finance Guarantee Corporation (National), our corporate segment is operated through MBIA Inc. and several of its subsidiaries, including our service company, MBIA Services Corporation (MBIA Services) and is generally referred to as (MBIA Inc.), and our international and structured finance insurance business is primarily operated through MBIA Insurance Corporation and its subsidiaries (MBIA Corp.). Unless otherwise indicated or the context otherwise requires, references to MBIA Corp. are to MBIA Insurance Corporation, together with its subsidiaries, MBIA UK Insurance Limited (MBIA UK) and MBIA Mexico S.A. de C.V (MBIA Mexico).

The primary activities of our U.S. public finance insurance segment are to generate new insurance business in National, consistent with our portfolio management and return requirements, and to maximize the economics of our existing insured portfolio through effective surveillance and remediation. Our corporate segment consists of general corporate activities, including providing general support services to MBIA s other operating businesses and asset and capital management. The primary objectives of our international and structured finance insurance segment are to preserve value, maintain adequate liquidity, reduce stressed insured exposure and mitigate insurance loss. We do not expect to write new business in our international and structured finance insurance segment for the foreseeable future.

Prior to 2015, MBIA managed two other operating segments, advisory services and conduit. Our advisory services segment was operated primarily through Cutwater Holdings, LLC and its subsidiaries (Cutwater). Effective on January 1, 2015, we exited our advisory business through the sale of Cutwater. In the second quarter of 2014, we exited our conduit business through the liquidation of Meridian Funding Company, LLC (Meridian).

EXECUTIVE OVERVIEW

2015 Key Developments

The following is a summary of our 2015 accomplishments:

- New business writings increased to $597 million of gross par exposure with 59 insurance policies in 2015 compared with $343 million of gross par exposure with 8 insurance policies in 2014;

a restructuring agreement, the implementation of which remains subject to certain conditions, was agreed to with the Puerto Rico Electric Power Authority (PREPA) addressing, among other things, the treatment of approximately $1.4 billion of PREPA bonds insured by National;

the repurchase of 39.9 million shares of MBIA Inc. common stock in 2015 compared with 3.3 million shares of MBIA Inc. common stock in 2014;

consolidated operating expenses were reduced by 28% for 2015 compared with 2014 and 59% for 2015 compared with 2013;

we exited our advisory business through the sale of our asset management subsidiary, Cutwater; and

we sold our Armonk, New York facility.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

EXECUTIVE OVERVIEW (continued)

These items were accomplished while we continued to experience several challenges within our businesses. A low interest rate environment with relatively narrow spreads between insured and uninsured obligations and the competitive environment continued to suppress demand for our bond insurance. In addition, continued financial stress of some municipal bond issuers, including Puerto Rico, inhibited us from seeking to redeploy excess capital in National. Finally, MBIA Corp. continued to face liquidity and capital stress as a result of ongoing exposure to several structured finance insurance policies, including two high yield corporate collateralized debt obligations (CDOs), one of which we paid a claim of $149 million. Refer to the following Results of Operations section for a further discussion of our 2015 key developments and challenges.

Financial Highlights

The following tables present our financial highlights. A detailed discussion of our financial results is presented within the Results of Operations section included herein. Refer to the Capital Resources Insurance Statutory Capital section for a discussion of National s and MBIA Corp. s capital positions under statutory accounting principles (U.S. STAT).

	Years Ended December 31,		
In millions except for per share amounts and policies	**2015**	**2014**	**2013**
Net income (loss)	$ 180	$ 569	$ 250
Net income (loss) per diluted share	1.06	2.76	1.29
Combined operating income (loss)(1)	87	185	(15)
Combined operating income (loss) per diluted share(1)	0.52	0.97	(0.08)
Gross par exposure insured	597	343	
Number of policies written	59	8	

(1) Combined operating income (loss) and combined operating income (loss) per diluted share are non-GAAP measures. Refer to the following Results of Operations section for a discussion of operating income (loss) and operating income (loss) per diluted share and a reconciliation of GAAP net income to operating income (loss) and GAAP net income per diluted share to operating income (loss) per diluted share.

	As of December 31,	
In millions except for per share amounts	**2015**	**2014**
Shareholders equity of MBIA Inc.	$ 3,729	$ 3,929
Book value per share	24.61	20.47
Adjusted book value per share(1)	29.69	24.87

(1) Adjusted book value per share is a non-GAAP measure. Refer to the following Results of Operations section for a discussion of adjusted book value and a reconciliation of GAAP book value per share to adjusted book value per share.

National

National is the largest U.S. public finance-only bond insurer in the financial guarantee industry as measured by total insured gross par outstanding of $161.0 billion as of December 31, 2015. Our primary activity is to insure new issue and secondary market municipal bonds while providing ongoing surveillance of National s existing insured portfolio. National s ability to write new business and to compete with other financial guarantors is largely dependent on the financial strength ratings assigned to National by the rating agencies. As of December 31, 2015, the rating agencies have assigned the following ratings to National: AA+ with a stable outlook by Kroll Bond Rating Agency; AA- with a stable outlook by Standard & Poor s Financial Services LLC (S&P); and A3 with a negative outlook by Moody s Investors Service, Inc. (Moody s).

National pursues opportunities for new business in most municipal sectors. Based on our underwriting and pricing criteria, the majority of our new business is in the general obligation, tax-backed and revenue bond sectors. In addition to the new issue market, we are pursuing opportunities in the secondary market with respect to bonds issued in recent years that were not insured and that meet our underwriting criteria.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

EXECUTIVE OVERVIEW (continued)

National seeks to generate shareholder value at appropriate risk-adjusted pricing; however, current market conditions and the competitive landscape limit National s new business opportunities and our ability to price and underwrite risk with attractive returns.

For the issuer, the value of financial guarantee insurance is largely determined by the spread between the interest rate on insured versus uninsured debt. The current environment of low interest rates and narrow spreads between insured and uninsured debt reduces the value of insurance to a level which may be unattractive to the issuer (insufficient reduction in interest costs) as well as the guarantor (insufficient revenue relative to the risk assumed and capital deployed). Furthermore, investors may choose to purchase uninsured bonds to increase returns. An environment of higher interest rates and/or wider spreads would likely enhance the new business opportunities for National. We also believe the current stress in certain sectors of the municipal bond market reinforces the value of National s guarantee of timely payment of interest and principal. Refer to the U.S. Public Finance Insurance section for additional information on National s new business.

Overall our U.S. public finance insured portfolio continues to perform satisfactorily against a backdrop of relatively stable domestic economic activity. While a stable or growing economy will generally benefit the tax revenues and fees charged for essential municipal services which secure the credits in our insured bond portfolio, some state, local governments and territory obligors we insure remain under financial and budgetary stress. This could lead to defaults by such entities on the payment of their obligations and insurance losses or claim payments on a greater number of our insured transactions. We continue to monitor and analyze these situations and other stressed credits closely, and the overall extent and duration of this stress is uncertain.

Exposure to Puerto Rico

As of December 31, 2015, National had $3.9 billion of gross par outstanding ($4.3 billion of gross par outstanding when including accreted interest on capital appreciation bonds (CABs)) related to the Commonwealth of Puerto Rico and certain of its instrumentalities (Puerto Rico). Puerto Rico is experiencing fiscal stress and constrained liquidity due to, among other things, Puerto Rico s structural budget imbalance, limited access to the capital markets, a stagnating local economy, net migration of people out of Puerto Rico and a high debt burden. Although Puerto Rico has tried to address its significant financial challenges through various fiscal policies and by the passage of a balanced general fund budget, it continues to experience fiscal stress. In December of 2015, National and other stakeholders entered into a restructuring support agreement with PREPA addressing, among other things, the treatment of approximately 65% of $8.1 billion of outstanding PREPA bonds, including approximately $1.4 billion of PREPA bonds insured by National. Refer to the U.S. Public Finance Insurance Puerto Rico Exposures section for additional information on our Puerto Rico exposures.

MBIA Inc.

Our medium-term strategy is to reduce our leverage at the holding company to a level consistent with a mid-investment grade capital structure. To achieve this strategy, we are balancing what is most beneficial to our shareholders either by reducing unsecured debt through calls and repurchases or repurchasing outstanding MBIA Inc. common shares. Unsecured debt includes medium-term notes (MTNs) issued by MBIA Global Funding, LLC (GFL) and MBIA Inc. s senior notes. The following table presents our reductions in MBIA Inc. common shares outstanding, MTNs and MBIA Inc. senior notes for the years ended December 31, 2015, 2014 and 2013. Refer to the Capital Resources section for further information on our share and debt repurchases.

In millions	**2015**	**2014**	**2013**
Amount of shares repurchased	$ 303	$ 35	$
MTNs repurchased, redeemed or matured	118	300	722
MBIA Inc. Senior Notes repurchased or received	10		136

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

EXECUTIVE OVERVIEW (continued)

In addition to the unsecured debt in the preceding table, MBIA Inc. and MBIA Investment Management Corp. (IMC) issued investment agreements to which we have pledged high-quality securities as collateral. All of our MTNs, MBIA Inc. senior notes and investment agreements are collectively managed and serviced by available liquidity. Based on MBIA Inc. s debt service requirements and expected operating expenses, we expect that MBIA Inc. will have sufficient cash to satisfy its debt obligations and its general corporate needs over time from expected subsidiary dividends, additional anticipated releases under the MBIA group s tax sharing agreement (the Tax Escrow Account), investment income and potential securities issuance; however, there can be no assurance that such sources will be adequate or that we will have access to the capital markets when needed. Refer to the Liquidity MBIA Inc. Liquidity section for information on MBIA Inc. s liquidity.

MBIA Corp.

MBIA Corp. s primary objective is to maximize the margin of safety for its policyholders and the future recoveries of its subordinate preferred stock holders and surplus note holders. We intend to execute this strategy by reducing and mitigating potential losses on MBIA Corp. s insurance exposures and maximizing the collection of recoveries.

In the event that MBIA Corp. experiences unexpected liquidity requirements, MBIA Corp. may have insufficient resources to continue to meet its obligations and may seek to secure liquidity through financing transactions. There can be no assurance that MBIA Corp. will be successful in generating sufficient cash to meet its obligations. In particular, MBIA Corp. insures $776 million of gross par outstanding, as of February of 2016, of notes issued by Zohar II 2005-1, Limited (Zohar II), a high yield corporate CDO, which matures in January of 2017. If cash flows generated by Zohar II are insufficient to pay the insured amount in full, MBIA Corp. will be called upon to make the unpaid insured amount at maturity. Unless a substantial amount of the insured exposure is paid at maturity, or if we are unsuccessful at reaching an agreed upon restructuring of the insured exposure, MBIA Corp. may ultimately have insufficient resources to continue to pay claims. Such failure could cause the New York State Department of Financial Services (NYSDFS) to put MBIA Insurance Corporation, exclusive of MBIA UK and MBIA Mexico, into a rehabilitation or liquidation proceeding or to order MBIA Corp. to cease paying any claims under its policies. Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any material intercompany lending agreements or cross defaults between the entities, and the lack of reliance by MBIA Inc. on MBIA Corp. for the receipt of dividends, we do not believe that a rehabilitation or liquidation proceeding of MBIA Insurance Corporation by the NYSDFS would have any significant long-term liquidity impact on MBIA Inc. or result in a liquidation or similar proceeding of MBIA UK or MBIA Mexico. For the same reasons, we believe MBIA Corp. does not provide significant economic or shareholder value to MBIA Inc. Refer to the Liquidity MBIA Corp. Liquidity section for additional information on MBIA Corp. s liquidity position.

MBIA Corp. has significant negative statutory earned surplus and therefore no current capacity to pay dividends. In addition, since July 15, 2012, the NYSDFS has not approved any payments on MBIA Insurance Corporation s outstanding surplus notes. MBIA Corp. has contributed to the Company s net operating loss carryforward (NOL), which is used in the calculation of our consolidated income taxes. MBIA Corp. maintains a notional NOL carryforward, and as a result of its NOL, when and if MBIA Corp. is profitable, it is not expected to make any tax payments to the Tax Escrow Account. Based on MBIA Corp. s current projected earnings and our expectation that it will not write new business for the foreseeable future, we believe it is unlikely that MBIA Corp. will generate sufficient income to fully use its NOL. Refer to the Capital Resources MBIA Insurance Corporation section for additional information on MBIA Insurance Corporation s surplus notes and statutory capital.

Other

During 2015, certain investment funds affiliated with Warburg Pincus LLC (Warburg) sold all of their 45.7 million shares of MBIA Inc. common stock. At the time of each sale, Warburg was the largest holder of the Company s common stock. In connection with the sales, National and MBIA Inc. repurchased 8 million shares and 7.6 million shares, respectively.

In May of 2015, we sold our Armonk, New York facility. Refer to Note 1: Business Developments and Risks and Uncertainties in the Notes to Consolidated Financial Statements for a further discussion of this transaction.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

EXECUTIVE OVERVIEW (continued)

Economic and Financial Market Trends

The U.S. economy grew at a modest pace during 2015 supported by strong job growth leading to an eight-year low in the unemployment rate, despite flat wage growth and a low labor force participation rate. In addition to job growth, lower energy prices have helped bolster housing and consumer spending, but growth was hindered by China s slowing economy and the strengthening of the U.S. dollar. In December of 2015, the Federal Open Market Committee increased the federal funds rate by 25 basis points for the first time since the financial crisis; however, this increase has not had a significant impact on long-term rates.

During 2015, the European Central Banks Quantitative Easing program continued to have a generally positive impact throughout much of Europe as deflationary concerns showed signs of receding and economic growth, employment and bank lending mostly improved. These positive signs, however, are somewhat offset by concerns over the slowing growth in China and other emerging markets, the migrant crisis and the global impact of weak commodity prices. In the aggregate, conditions in Europe, China and other key markets remain uncertain and any material adverse impact on these economies may have implications for continued U.S. growth.

Economic and financial market trends could impact MBIA s business outlook and its financial results. Many states and municipalities have experienced growing tax collections and appreciation in local level assessed valuations which drive property taxes. The consistent gradual improvement of economic indicators at the state and local levels that strengthen the credit quality of the issuers of our insured municipal bonds is expected to improve the performance of our insured U.S. public finance portfolio and could reduce the amount of National s incurred losses. A decrease in oil prices which benefits consumers could have a positive impact on certain sales taxes to the extent consumer spending increases as a result. However, some states and municipalities will experience a decrease in revenues where their economies are reliant on the oil and gas industries.

CRITICAL ACCOUNTING ESTIMATES

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires the use of estimates and assumptions. The following accounting estimates are viewed by management to be critical because they require significant judgment on the part of management. Management has discussed and reviewed the development, selection, and disclosure of critical accounting estimates with the Company s Audit Committee. Financial results could be materially different if other methodologies were used or if management modified its assumptions.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expense (LAE) reserves are established by loss reserve committees in each of our major operating insurance companies (National, MBIA Insurance Corporation, and MBIA UK) and reviewed by our executive Loss Reserve Committee, which consists of members of senior management. Loss and LAE reserves include case basis reserves and accruals for LAE incurred with respect to non-derivative financial guarantees. Case basis reserves represent our estimate of expected losses to be paid under insurance contracts, net of expected recoveries, on insured obligations that have defaulted or are expected to default. These reserves require the use of judgment and estimates with respect to the occurrence, timing and amount of paid losses and recoveries on insured obligations. Given that the reserves are based on such estimates and assumptions, there can be no assurance that the actual ultimate losses will not be greater than or less than such estimates resulting in the Company recognizing additional or reversing excess loss and LAE reserves through earnings.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

CRITICAL ACCOUNTING ESTIMATES (continued)

We take into account a number of variables in establishing specific case basis reserves for individual policies that depend primarily on the nature of the underlying insured obligation. These variables include the nature and creditworthiness of the issuers of the insured obligations, expected recovery rates on unsecured obligations, the projected cash flow or market value of any assets pledged as collateral on secured obligations, and the expected rates of recovery, cash flow or market values on such obligations or assets. Factors that may affect the actual ultimate realized losses for any policy include economic conditions and trends, political developments, the extent to which sellers/servicers comply with the representations or warranties made in connection therewith, levels of interest rates, rates of inflation, borrower behavior, the default rate and salvage values of specific collateral, and our ability to enforce contractual rights through litigation and otherwise. Our remediation strategy for an insured obligation that has defaulted or is expected to default may also have an impact on our loss reserves.

In establishing case basis loss reserves, we calculate the present value of probability-weighted estimated loss payments, net of estimated recoveries, using a discount rate equal to the risk-free rate applicable to the currency and the weighted average remaining life of the insurance contract. Yields on U.S. Treasury offerings are used to discount loss reserves denominated in U.S. dollars, which represent the majority of our loss reserves. Similarly, yields on foreign government offerings are used to discount loss reserves denominated in currencies other than the U.S. dollar.

Refer to Note 6: Loss and Loss Adjustment Expense Reserves in the Notes to Consolidated Financial Statements for a comprehensive discussion of our loss reserves and recoveries, including critical accounting estimates used in the determination of these amounts.

Valuation of Financial Instruments

We have categorized our financial instruments measured at fair value into the three-level hierarchy according to accounting guidance for fair value measurements and disclosures based on the significance of pricing inputs to the measurement in its entirety. Fair value measurements of financial instruments that use quoted prices in active markets for identical assets or liabilities are generally categorized as Level 1, fair value measurements of financial instruments that use quoted prices in markets that are not active where significant inputs are observable are generally categorized as Level 2, and fair value measurements of financial instruments where significant inputs are not observable are generally categorized as Level 3. We categorize our financial instruments based on the lowest level category at which we can generate reliable fair values. The determination of reliability requires management to exercise judgment. The degree of judgment used to determine the fair values of financial instruments generally correlates to the degree that pricing is not observable.

The fair value measurements of financial instruments held or issued by the Company are determined through the use of observable market data when available. Market data is obtained from a variety of third-party sources, including dealer quotes. If dealer quotes are not available for an instrument that is infrequently traded, we use alternate valuation methods, including either dealer quotes for similar contracts or modeling using market data inputs. The use of alternate valuation methods generally requires considerable judgment in the application of estimates and assumptions and changes to these variables may produce materially different values.

The fair value pricing of assets and liabilities is a function of many components which include interest rate risk, market risk, liquidity risk and credit risk. For financial instruments that are internally valued by the Company, as well as those for which the Company uses broker quotes or pricing services, credit risk is typically incorporated by using appropriate credit spreads or discount rates as inputs. Substantially all of the Company s investments carried and reported at fair value are priced by independent third parties, including pricing services and brokers.

Instruments that trade infrequently and, therefore, have little or no price transparency are classified within Level 3 of the fair value hierarchy. Also included in Level 3 are financial instruments that have significant unobservable inputs deemed significant to the instrument s overall fair value. Level 3 assets represented approximately 19% and 20% of total assets measured at fair value on a recurring basis as of December 31, 2015 and 2014, respectively. Level 3 liabilities represented approximately 52% and 35% of total liabilities measured at fair value on a recurring basis as of December 31, 2015 and 2014, respectively.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

CRITICAL ACCOUNTING ESTIMATES (continued)

Refer to Note 7: Fair Value of Financial Instruments in the Notes to Consolidated Financial Statements for further information about the Company s financial assets and liabilities that are accounted for at fair value, including valuation techniques and significant inputs.

Deferred Income Taxes

Deferred income taxes are recorded with respect to the temporary differences between the tax bases of assets and liabilities and the reported amounts in our consolidated financial statements that will result in deductible or taxable amounts in future years when the reported amounts of assets and liabilities are recovered or settled. Our temporary differences relate principally to premium revenue recognition, deferred acquisition costs, unrealized gains or losses on investments and insured derivatives, asset impairments, deferred cancellation of indebtedness income, and net operating losses.

Valuation allowances are established to reduce deferred tax assets to an amount that more likely than not will be realized. Changes in the amount of a valuation allowance are reflected within our provision for income taxes in our consolidated statements of operations. Determining whether to establish a valuation allowance and, if so, the amount of the valuation allowance requires management to exercise judgment and make assumptions regarding whether such tax benefits will be realized in future periods.

All evidence, both positive and negative, needs to be identified and considered in making this determination. Future realization of the existing deferred tax asset ultimately depends on management s estimate of the future profitability and existence of sufficient taxable income of appropriate character (for example, ordinary income versus capital gain) within the carryforward period available under the tax law. Capital losses may only be offset by capital gains and any capital loss not utilized in the year generated can only be carried forward five years.

Refer to Note 11: Income Taxes in the Notes to Consolidated Financial Statements for additional information about the Company s deferred income taxes.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to Note 3: Recent Accounting Pronouncements in the Notes to Consolidated Financial Statements for a discussion of accounting guidance recently adopted by the Company.

RESULTS OF OPERATIONS

Summary of Consolidated Results

The following table presents a summary of our consolidated financial results for the years ended December 31, 2015, 2014 and 2013:

In millions except for per share amounts	Years Ended December 31, 2015	2014	2013
Total revenues (losses)	$ 853	$ 1,270	$ 1,209
Total expenses	564	629	793
Income (loss) before income taxes	289	641	416
Provision (benefit) for income taxes	109	72	166
Net income (loss)	$ 180	$ 569	$ 250
Net income (loss) per common share:			
Basic	$ 1.06	$ 2.94	$ 1.30
Diluted	$ 1.06	$ 2.76	$ 1.29
Weighted average number of common shares outstanding:			
Basic	163,936,318	188,171,503	189,071,011
Diluted	164,869,788	190,898,627	190,312,913

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

Consolidated total revenues for the year ended December 31, 2015 included $129 million of net gains on insured derivatives compared with $459 million and $232 million of net gains for 2014 and 2013, respectively. The net gains on insured derivatives in 2015 were principally the result of refining the credit rating of underlying collateral, partially offset by claim payments. The net gains on insured derivatives in 2014 were principally the result of commuting derivative liabilities at prices below their fair values, partially offset by settlement and claim payments. The net gains on insured derivatives in 2013 were principally the result of changes in the weighted average life of transactions, commuting derivative liabilities at prices below their fair values and favorable changes in spreads and pricing on collateral, partially offset by the favorable effects of changes in the market s perception of MBIA Corp. s nonperformance risk on its derivative liabilities.

Consolidated total expenses for the year ended December 31, 2015 included $123 million of net insurance loss and LAE compared with $133 million and $117 million for 2014 and 2013, respectively. The decrease in net insurance loss and LAE in 2015 compared with 2014 was principally related to decreases in certain first-lien residential mortgage-backed securities (RMBS) exposures, partially offset by an increase in losses related to certain U.S. public finance transactions. The increase in net insurance loss and LAE in 2014 compared to 2013 was principally related to an increase in loss on certain RMBS exposures, partially offset by a decrease in losses related to certain U.S. public finance transactions.

Operating Income (Loss)

In addition to our results prepared in accordance with GAAP, we also analyze the operating performance of the Company using operating income (loss) and operating income (loss) per diluted common share, both non-GAAP measures. Since operating income (loss) is used by management to assess performance and make business decisions, we consider operating income (loss) and operating income (loss) per diluted common share fundamental measures of periodic financial performance which are useful in understanding our results. Operating income (loss) and operating income (loss) per diluted common share are not substitutes for net income (loss) and net income (loss) per diluted common share determined in accordance with GAAP, and our definitions of operating income (loss) and operating income (loss) per diluted common share may differ from those used by other companies.

Operating income (loss) and operating income (loss) per diluted common share include the combined after-tax results of our U.S. public finance insurance and corporate segments and remove the after-tax results of activities that are not part of our ongoing business strategy. This includes the activities of our international and structured finance insurance, advisory services and conduit segments (collectively, Non-Core Segments). We do not expect to write new business in our international and structured finance insurance segment. We exited our advisory services segment through the sale of Cutwater effective January 1, 2015, and in the second quarter of 2014, we liquidated our conduit segment.

In addition to removing our Non-Core Segments, operating income (loss) is adjusted for the following:

Elimination of the after-tax impact of mark-to-market gains (losses) on financial instruments that primarily include interest rate swaps and hybrid financial instruments. Also eliminated are the mark-to-market gains (losses) on warrants issued by the Company. All of these amounts fluctuate based on market interest rates, credit spreads, MBIA Inc. s common stock price and other market factors.

Elimination of the after-tax impact of foreign exchange gains (losses) on the remeasurement of certain assets and liabilities and transactions in non-functional currencies. Given the possibility of volatility in foreign exchange markets, we exclude the impact of foreign exchange gains (losses) to provide a measurement of comparability of operating income (loss).

Elimination of the after-tax impact of gains (losses) on the sale of investments, net investment losses related to other-than-temporary impairments (OTTI) and net gains (losses) on extinguishment of debt since the timing of these transactions are subject to management s assessment of market opportunities and capital liquidity positions.

Elimination of the after-tax impact of the gain on the sale of Cutwater.

Elimination of deferred income tax valuation allowance on these adjustments.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

The following table presents our combined operating income (loss) and operating income (loss) per diluted common share (both non-GAAP measures) and provides reconciliations of GAAP net income (loss) to operating income (loss) and GAAP net income (loss) per diluted common share to operating income (loss) per diluted common share for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
In millions, except per share	**2015**	**2014**	**2013**
Net income (loss)	$ 180	$ 569	$ 250
Less: net income of Non-Core Segments, including eliminations	10	230	192
Less: after-tax adjustments:			
Mark-to-market gains (losses) on financial instruments(1)	29	(15)	42
Foreign exchange gains (losses)(1)	39	62	(3)
Net gains (losses) on sales of investments(1)	12	28	15
Net investment losses related to OTTI	(8)	(10)	
Net gains (losses) on extinguishment of debt		2	14
Other net realized gains (losses)(2)	11		
Tax valuation allowance on adjustments(3)		87	5
Operating income (loss)	$ 87	$ 185	$ (15)
Operating income (loss) per diluted common share(4)	$ 0.52	$ 0.97	$ (0.08)
Weighted average diluted shares used in calculation	165	191	190

(1) Gross amounts are reported within Net gains (losses) on financial instruments at fair value and foreign exchange and the corresponding tax effects are reported within Provision (benefit) for income taxes on the Company s consolidated statements of operations.

(2) Primarily relates to the after-tax gain on the sale of Cutwater.

(3) Reported within Provision (benefit) for income taxes on the Company s consolidated statements of operations.

(4) Operating income (loss) per diluted common share is calculated by taking operating income (loss) divided by GAAP weighted average number of diluted common shares outstanding.

Adjusted Book Value

In addition to book value per share, we also analyze adjusted book value (ABV) per share, a non-GAAP measure. We consider ABV a measure of fundamental value of the Company and the change in ABV an important measure of financial performance. ABV adjusts GAAP book value to remove the after-tax results of activities in our Non-Core Segments. In addition, ABV adjusts for certain items which the Company believes will reverse from GAAP book value through GAAP earnings and other comprehensive income, as well as 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. We have 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 and value. ABV is not a substitute for and should not be viewed in isolation of GAAP book value, and our definition of ABV may differ from that used by other companies.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

As of December 31, 2015, ABV per share was $29.69, an increase from $24.87 as of December 31, 2014. The increase in ABV per share was primarily driven by a decrease in common shares outstanding from the share repurchases made by the Company during 2015. The following table provides a reconciliation of consolidated book value per share to consolidated ABV per share:

In millions except share and per share amounts	As of December 31, 2015	2014
Total shareholders equity of MBIA Inc.	$ 3,729	$ 3,929
Common shares outstanding	151,530,377	191,942,895
Book value per share	$ 24.61	$ 20.47
Reverse book value of Non-Core Segments (after-tax)(1)	1.61	1.16
Reverse net unrealized (gains) losses included in other comprehensive income (after-tax)	0.20	(0.15)
Add net unearned premium revenue (after-tax)(2)	3.27	3.39
Total adjustments per share	5.08	4.40
Adjusted book value per share	$ 29.69	$ 24.87

(1) The book value for Non-Core Segments, primarily the international and structured finance insurance segment, does not provide significant economic or shareholder value to MBIA Inc. Amounts are net of any deferred taxes available to MBIA Inc.

(2) Consists of financial guarantee premiums, net of deferred acquisition costs. The discount rate on financial guarantee installment premiums was the risk-free rate as defined by the accounting principles for financial guarantee insurance contracts.

U.S. Public Finance Insurance

Our U.S. public finance insurance business is primarily conducted through National. The financial guarantees issued by National provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, insured obligations when due or, in the event National has exercised, at its discretion, the right to accelerate insured obligations upon default or otherwise. National s guarantees insure municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utilities, airports, healthcare institutions, higher educational facilities, student loan issuers, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. Municipal bonds and privately issued bonds used for the financing of public purpose projects are generally supported by taxes, assessments, user fees or tariffs related to the use of these projects, lease payments or other similar types of revenue streams.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

The following table presents our U.S. public finance insurance segment results for the years ended December 31, 2015, 2014 and 2013:

In millions	Years Ended December 31, 2015	2014	2013	Percent Change 2015 vs. 2014	2014 vs. 2013
Net premiums earned	$ 304	$ 289	$ 366	5%	-21%
Net investment income	116	119	142	-3%	-16%
Fees and reimbursements	3	9	7	-67%	29%
Realized gains (losses) and other settlements on insured derivatives		1	3	-100%	-67%
Net gains (losses) on financial instruments at fair value and foreign exchange	14	26	29	-46%	-10%
Net investment losses related to other-than-temporary impairments	(10)	(15)		-33%	n/m
Other net realized gains (losses)	(4)	14	(29)	-129%	-148%
Total revenues	423	443	518	-5%	-14%
Losses and loss adjustment	5	(10)	105	-150%	-110%
Amortization of deferred acquisition costs	65	61	78	7%	-22%
Operating	62	55	84	13%	-35%
Total expenses	132	106	267	25%	-60%
Income (loss) before income taxes	291	337	251	-14%	34%
Provision (benefit) for income taxes	100	115	82	-13%	40%
Net income (loss)	$ 191	$ 222	$ 169	-14%	31%

n/m Percent change not meaningful.

National supports the credit enhancement needs of municipal debt issuers across the U.S. National maintains underwriting criteria for most municipal risk types and pursues opportunities for new business across the spectrum of municipal sectors. During the year ended December 31, 2015, National insured $597 million of gross par exposure in the primary and secondary markets and the related net premiums written was $5 million. The majority of its new business is in the general obligation, tax-backed and revenue bond sectors. Low interest rates and competitive pricing levels continue to limit new business opportunities.

OPERATING INCOME (LOSS) In addition to the above results, we also analyze the operating performance of our U.S. public finance insurance segment using operating income (loss), a non-GAAP measure. We believe operating income (loss), as used by management, is useful for an understanding of the results of operations of the Company. Operating income (loss) is not a substitute for net income (loss) determined in accordance with GAAP, and our definition of operating income (loss) may differ from that used by other companies.

The following table presents a reconciliation of GAAP net income (loss) to operating income (loss) for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,		
In millions	**2015**	**2014**	**2013**
Net income (loss)	$ 191	$ 222	$ 169
Less: after-tax adjustments:			
Net gains (losses) on sales of investments[1]	9	11	18
Net investment losses related to OTTI	(6)	(10)	
Operating income (loss)	$ 188	$ 221	$ 151

(1) Gross amounts are reported within Net gains (losses) on financial instruments at fair value and foreign exchange and the corresponding tax effects are reported within Provision (benefit) for income taxes on the Company s consolidated statements of operations.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

NET PREMIUMS EARNED Net premiums earned on financial guarantees represent gross premiums earned net of premiums ceded to reinsurers, and include scheduled premium earnings and premium earnings from refunded issues. The increase in net premiums earned for 2015 compared with 2014 resulted from an increase in refunded premiums earned of $50 million, partially offset by a decrease in scheduled premiums earned of $35 million. The decrease in net premiums earned for 2014 compared with 2013 resulted from decreases in refunded premiums earned of $39 million and scheduled premiums earned of $38 million. Scheduled premium earnings declined due to the refunding and maturity of insured issues within our U.S. public finance portfolio. Refunding activity over the past several years has accelerated premium earnings in prior periods and reduced the amount of scheduled premiums that would have been earned in the current period.

NET INVESTMENT INCOME The decrease in net investment income for 2014 compared with 2013 was primarily due to lower yields on investment assets as a result of the repayment of a higher yielding secured loan to MBIA Corp. in May of 2013.

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE The unfavorable changes in net gains (losses) on financial instruments at fair value and foreign exchange for 2015 compared with 2014 and 2013 were principally due to decreases in net realized gains from the sales of securities from the ongoing management of our U.S. public finance insurance investment portfolio and unfavorable mark-to-market fluctuations on financial instruments.

NET INVESTMENT LOSSES RELATED TO OTHER-THAN-TEMPORARY IMPAIRMENTS Net investment losses related to OTTI for 2015 and 2014 were primarily related to one impaired security for which a loss was recognized as the difference between its amortized cost and the net present value of its projected cash flows. This OTTI resulted from liquidity concerns and other adverse financial conditions affecting the issuer. Refer to the Liquidity section included herein for additional information about impaired investments.

OTHER NET REALIZED GAINS (LOSSES) Other net realized losses for 2015 related to an impairment charge on our Armonk, New York facility to adjust the carrying amount to its sales price less costs to sell. Other net realized gains for 2014 related to an insurance recovery on an errors and omissions liability policy of $18 million, partially offset by an additional impairment charge on our Armonk, New York facility of $3 million. Other net realized losses for 2013 related to an impairment charge of $29 million on our Armonk, New York facility.

LOSS AND LOSS ADJUSTMENT EXPENSES National s portfolio surveillance group is responsible for monitoring our U.S. public finance segment s insured obligations. The level and frequency of monitoring of any insured obligation depends on the type, size, rating and performance of the insured issue.

Refer to Note 2: Significant Accounting Policies and Note 6: Loss and Loss Adjustment Expense Reserves in the Notes to Consolidated Financial Statements for a description of the Company s loss reserving policy and additional information related to its loss reserves.

The following table presents information about our U.S. public finance insurance loss and LAE expenses for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,			Percent Change	
In millions	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Loss and LAE related to expected payments	$ 8	$ (30)	$ 29	-127%	n/m
Recoveries of expected payments	(3)	20	76	-115%	-74%
Gross losses incurred	5	(10)	105	-150%	-110%
Reinsurance				%	%
Losses and loss adjustment expenses	$ 5	$ (10)	$ 105	-150%	-110%

n/m Percent change not meaningful.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

The losses and LAE for the year ended December 31, 2015 primarily related to increases in reserves for Puerto Rico exposures, partially offset by decreases in reserves for certain municipal utilities. The benefit in losses and LAE for the year ended December 31, 2014 primarily related to decreases in reserves for certain general obligation bonds, partially offset by increases in reserves for Puerto Rico exposures. The losses and LAE for the year ended December 31, 2013 primarily related to certain general obligation bonds and a loss related to the difference in the value of a salvage receivable recorded and the fair market value of the marketable securities received in the third quarter of 2013 in connection with the restructuring of a gaming revenue transaction.

The following table presents information about our U.S. public finance insurance loss and LAE reserves and recoverables as of December 31, 2015 and 2014:

In millions	December 31, 2015	December 31, 2014	Percent Change
Assets:			
Insurance loss recoverable	$ 4	$ 4	%
Reinsurance recoverable on paid and unpaid losses[1]	1	1	%
Liabilities:			
Gross loss and LAE reserves	66	70	-6%
Expected recoveries on unpaid losses	(21)	(25)	-16%
Loss and LAE reserves	$ 45	$ 45	%

(1) Reported within Other assets on our consolidated balance sheets.

Included in our U.S. public finance loss and LAE reserves are both reserves for insured obligations for which a payment default has occurred and National has already paid a claim and also for which a payment default has not yet occurred, but a claim is expected in the future. The following table includes LAE reserves, but excludes par outstanding, as of December 31, 2014 for one issue that had no expected future claim payments, but for which National was obligated to pay LAE incurred in prior periods. As of December 31, 2015 and 2014, loss and LAE reserves comprised the following:

$ in millions	Number of Issues[1]	Loss and LAE Reserve	Par Outstanding

	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Gross of reinsurance:						
Issues with defaults	3	4	$ 13	$ 19	$ 52	$ 123
Issues without defaults	5	7	32	26	1,430	1,501
Total gross of reinsurance	8	11	$ 45	$ 45	$ 1,482	$ 1,624

(1) An issue represents the aggregate of financial guarantee policies that share the same revenue source for purposes of making debt service payments.

POLICY ACQUISITION COSTS AND OPERATING EXPENSES U.S. public finance insurance segment expenses for the years ended December 31, 2015, 2014 and 2013 are presented in the following table:

	Years Ended December 31,			Percent Change	
In millions	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Gross expenses	$ 63	$ 56	$ 84	13%	-33%
Amortization of deferred acquisition costs	$ 65	$ 61	$ 78	7%	-22%
Operating	62	55	84	13%	-35%
Total insurance operating expenses	$ 127	$ 116	$ 162	9%	-28%

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

Gross expenses represent total insurance expenses before the deferral of any policy acquisition costs. Gross expenses increased for the year ended December 31, 2015 compared with 2014 primarily due to increases in compensation expense due to new business staffing and rating agency fees, partially offset by a decrease in legal costs. Gross expenses decreased for the year ended December 31, 2014 compared with 2013 due to decreases in consulting fees, legal and litigation related costs. Operating expenses increased for 2015 compared with 2014 and decreased for 2014 compared with 2013 due to changes in gross expenses.

Amortization of deferred acquisition costs increased for the year ended December 31, 2015 compared with 2014 due to higher refunding activity in 2015. Amortization of deferred acquisition costs decreased for the year ended December 31, 2014 compared with 2013 due to lower refunding activity in 2014. We did not defer a material amount of policy acquisition costs during 2015, 2014 or 2013.

INSURED PORTFOLIO EXPOSURE Financial guarantee insurance companies use a variety of approaches to assess the underlying credit risk profile of their insured portfolios. MBIA uses both an internally developed credit rating system as well as third-party rating sources in the analysis of credit quality measures of its insured portfolio. In evaluating credit risk, we obtain, when available, the underlying rating of the insured obligation before the benefit of its insurance policy from nationally recognized rating agencies, Moody s and S&P. Other companies within the financial guarantee industry may report credit quality information based upon internal ratings that would not be comparable to our presentation. We maintain internal ratings on our entire portfolio, and our ratings may be higher or lower than the ratings assigned by Moody s or S&P.

The following table presents the credit quality distribution of MBIA s U.S. public finance outstanding gross par insured as of December 31, 2015 and 2014. CABs are reported at the par amount at the time of issuance of the insurance policy. All ratings are as of the period presented and represent S&P ratings. If transactions are not rated by S&P, a Moody s equivalent rating is used. If transactions are not rated by either S&P or Moody s, an internal equivalent rating is used.

	Gross Par Outstanding			
In millions	**December 31, 2015**		**December 31, 2014**	
Rating	**Amount**	**%**	**Amount**	**%**
AAA	$ 6,721	4.2%	$ 11,364	5.1%
AA	77,081	47.9%	107,399	48.3%
A	56,890	35.3%	80,744	36.3%
BBB	13,947	8.6%	17,131	7.7%
Below investment grade	6,378	4.0%	5,655	2.6%
Total	$ 161,017	100.0%	$ 222,293	100.0%

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

U.S. Public Finance Insurance Puerto Rico Exposures

The following is a summary of exposures within the insured portfolio of our U.S. public finance insurance segment related to Puerto Rico as of December 31, 2015.

In millions	Gross Par Outstanding	Gross Par Outstanding Plus CAB Accreted Interest	Debt Service Outstanding	National Internal Rating
Puerto Rico Electric Power Authority (PREPA)[1]	$ 1,354	$ 1,372	$ 1,994	d
Puerto Rico Commonwealth GO[1]	985	1,023	1,362	b2
Puerto Rico Highway and Transportation Authority Transportation Revenue (PRHTA)[1]	628	629	1,153	b3
Puerto Rico Sales Tax Financing Corporation (COFINA)[1]	684	1,038	4,170	a3
Puerto Rico Highway and Transportation Authority Highway Revenue (PRHTA)[1]	87	88	127	bb2
University of Puerto Rico System Revenue	89	89	134	bbb3
Inter American University of Puerto Rico Inc.	26	26	36	a3
Puerto Rico Industrial Development Company	13	13	13	bbb3
Total	$ 3,866	$ 4,278	$ 8,989[2]	

(1) Includes CABs that reflect the gross par amount at the time of issuance of the insurance policy.

(2) As a result of debt service payments made as of January 1, 2016, National s total Puerto Rico debt service outstanding declined by $86 million.

For many years Puerto Rico s economy has suffered from stagnation that has led to recurring budget deficits and increased borrowing to finance such deficits. As a result of mounting debt, deteriorating credit ratings and lack of market confidence, Puerto Rico has lost access to the capital markets. Puerto Rico s lack of liquidity and market access has led to defaults on its debt obligations, including general obligations.

Despite the liquidity concerns and lack of capital market access, Puerto Rico has predominantly met its debt obligations. On December 1, 2015, following the full repayment of the Government Development Bank of Puerto

Rico s $267 million of gross par outstanding of bonds insured by National, Puerto Rico announced that it was unable to continue to meet its public debt service payments and maintain essential services for the residents of Puerto Rico. Consequently, the Governor of Puerto Rico signed an executive order to redirect certain revenues previously allocated to select public corporation and certain other government agencies (clawback), including PRHTA. Puerto Rico made all of its debt service payments due on January 1, 2016, except for bond payments totaling $37 million relating to the Puerto Rico Infrastructure Authority (PRIFA) and Public Finance Corporation. Following the missed payment by PRIFA, certain bond insurers (not including National) filed a lawsuit against Puerto Rico that clawback of the revenues violated the U.S. constitution and the laws of Puerto Rico.

The Public Corporations Debt Enforcement and Recovery Act (the Recovery Act), which Puerto Rico wrote to establish a bankruptcy framework for certain public corporations of Puerto Rico, was determined to be unconstitutional by the U.S. District Court in Puerto Rico, and this ruling was upheld by the First Circuit Court of Appeals. Puerto Rico has sought review of these decisions by the Supreme Court of the United States, which granted its petition for certiorari on December 4, 2015. The case is expected to be argued on March 22, 2016, with a decision expected by June 30, 2016. If the U.S. Supreme Court reverses the lower court s ruling and if the Recovery Act is ultimately reinstated, certain issuers of Puerto Rico debt insured by National might be eligible to seek protection under the Recovery Act, which could result in significant delays in payments by such issuers and impede efforts to achieve a consensual restructuring.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

In the second quarter of 2015, Puerto Rico increased its sales and use tax from 7% to 11.5% and mandated the conversion to a value added tax system in April of 2016 in an effort to raise additional general fund revenues. The Governor of Puerto Rico formed a working group to address significant, projected general fund deficits over the next several years. The working group delivered its Puerto Rico Fiscal and Economic Growth Plan (the Plan) in September of 2015, which was subsequently revised (the Revised Plan) in January of 2016. The Revised Plan indicates that, absent any meaningful fiscal and structural reforms, the government will incur a $28.0 billion cumulative deficit between fiscal year 2016 and fiscal year 2020. The Plan proposes to reduce the Commonwealth s sizable deficits through a combination of revenue increases and spending cuts, as well as by realizing benefits from economic growth from spending initiatives. However, even with the implementation of these measures, the Revised Plan projects a $16.1 billion cumulative deficit, a $2.1 billion increase from the original plan. The Revised Plan extended the projection by another five years.

On December 23, 2015, National, Assured Guaranty, and the ad hoc group of bondholders (representing approximately $3.0 billion, or 37.0% of the power revenue bonds) entered into an Amended and Restated Restructuring Support Agreement (RSA) with PREPA addressing, among other things, the treatment of approximately 65% of $8.1 billion of outstanding PREPA bonds, including approximately $1.4 billion of PREPA bonds insured by National. The RSA calls for a newly formed bankruptcy remote entity (SPE) to issue securitized bonds including bonds that are equal in principal amount to the outstanding principal of the PREPA bonds insured by National and by another monoline insurer (Mirror Bonds). The Mirror Bonds will bear interest at the same rate and will amortize at the same schedule as the existing insured legacy bonds which they back. Payments on the Mirror Bonds will be used to make payment on the insured legacy bonds.

Additionally, and subject to certain market rate and rating agency conditions, the SPE may issue additional securitization bonds to refinance outstanding currently callable and non-callable insured legacy bonds (approximately $320 million of National exposure). National will issue a Surety Bond in an amount up to $344 million as partial funding of a Debt Service Reserve Fund (DSRF) for the securitization bonds which would be used after a $65 million cash funded DSRF. The Surety Bond will be amortized using cash from the SPE over seven years starting in the seventh year, but can amortize after the second year over nine years if PREPA does not refinance the currently callable and non-callable debt referenced above.

Finally, the monolines and the bondholders which are a party to the RSA entered into a Bond Purchase Agreement committing to purchase certain bonds of PREPA in the aggregate amount of $115 million, approximately $35 million of which will be purchased by National, subject to certain funding conditions precedent. The bonds will earn 10% interest, will mature on July 1, 2019 and will be supported by Mirror Bonds when the SPE issues its securitization bonds.

In September of 2015, National filed a petition with the Puerto Rico Energy Commission (the PREC) requesting (i) conclusion of a PREPA rate review within four months and (ii) an immediate 4.2 cent per kWh temporary increase in PREPA s base electricity rate. The PREC denied National s request, citing insufficient information regarding s PREPA s operations and financial performance necessary to conduct a rate review. In October of 2015, National filed an appeal of this decision with the Puerto Rico Court of Appeals. As a condition to the RSA, National and PREPA agreed to stay this litigation so long as the RSA is in effect. Also in October of 2015, National and Assured Guaranty filed a petition to intervene into the ongoing proceeding in which PREC is evaluating the Integrated Resource Plan (IRP) that PREPA submitted in final form in September of 2015. In December of 2015, the PREC announced that PREPA had not presented a sufficiently complete proposal for its IRP and has until early March of 2016 to respond.

With regard to PRHTA, legislation was passed in the first quarter of 2015 that provides for (i) an increase in the aggregate petroleum products tax from $9.25 per barrel to $15.50 per barrel, and (ii) the reallocation of a portion of the petroleum products tax from PRHTA to another entity upon the occurrence of certain events including the transfer of certain PRHTA debt obligations to another entity for repayment. While the tax increase has become effective, the transfer of certain debt obligations has not occurred.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

On January 29, 2016, the Commonwealth made a proposal to creditors holding its debt and the debt of other governmental issuers. The proposal contemplates an exchange for approximately $49 billion of currently outstanding tax-supported debt, including General Obligation guaranteed debt. Exchanging holders would receive two bonds: a Base Bond and a Growth Bond . The Base Bond is backed by certain tax revenue streams and exchanged at current market price of exchanging bond. The Growth Bond is linked to future economic growth and paid if those growth targets are met. The voluntary exchange contemplates near 100% participation levels. We believe the Commonwealth proposal fails to address Puerto Rico s need to eliminate fiscal mismanagement and implement necessary fiscal and economic reforms. Additionally, neither National nor any other creditor has the information required to properly evaluate the assumptions underlying the restructuring proposal because the government of Puerto Rico still has not issued audited financial reports. On February 16, 2016, Puerto Rico released its *unaudited* financial report for the fiscal year ended June 30, 2014.

Other than Inter American University of Puerto Rico Inc., S&P, Fitch Ratings and/or Moody s have downgraded the ratings of all Puerto Rico issuers to below investment grade with a negative outlook due to narrowing liquidity, sluggish economic growth and persistent structural deficits. Although we have downgraded our internal rating for certain Puerto Rico insured debt, including that of the Commonwealth, PREPA and PRHTA, to below investment grade, all of the insured obligations included in the preceding table are presently current on debt service payments (with PREPA using debt service reserve funds to pay its July 1, 2014, January 1, 2015, and a portion of its July 1, 2015 debt service payments). In addition, the table below reflects the cancellation of certain bonds previously purchased by the PRHTA that reduces total debt service outstanding by $333 million.

Scheduled gross debt service due on our Puerto Rico exposures as of December 31, 2015 and each of the subsequent five years ending December 31 and thereafter are presented in the following table:

	As of December 31, 2015						
In millions	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**	**Total**
Puerto Rico Electric Power Authority (PREPA)	$ 174	$ 184	$ 120	$ 177	$ 115	$ 1,224	$ 1,994
Puerto Rico Commonwealth GO	198	77	113	177	230	567	1,362
Puerto Rico Highway and Transportation Authority Transportation Revenue (PRHTA)	41	36	40	32	33	971	1,153
Puerto Rico Sales Tax Financing Corporation (COFINA)						4,170	4,170
Puerto Rico Highway and Transportation Authority Highway Revenue (PRHTA)	5	22	6	16	17	61	127
University of Puerto Rico System Revenue	7	8	7	7	7	98	134
Inter American University of Puerto Rico Inc.	3	3	3	3	3	21	36
Puerto Rico Industrial Development Company	13						13

Total	$ 441	$ 330	$ 289	$ 412	$ 405	$ 7,112	$ 8,989

Corporate

Our corporate segment consists of general corporate activities, including providing general support services to MBIA Inc. s subsidiaries, asset and capital management and other business development activities. General support services are provided by our service company, MBIA Services, including, among others, management, legal, accounting, treasury, information technology, and insurance portfolio surveillance, on a fee-for-service basis. Asset, liability and capital management includes activities related to servicing obligations issued by MBIA Inc. and its subsidiaries, GFL and IMC. MBIA Inc. issued debt to finance the operations of the MBIA group. GFL raised funds through the issuance of MTNs with varying maturities, which were in turn guaranteed by MBIA Corp. GFL lent the proceeds of these MTN issuances to MBIA Inc. IMC, along with MBIA Inc., provided customized investment agreements, guaranteed by MBIA Corp., for bond proceeds and other public funds for such purposes as construction, loan origination, escrow and debt service or other reserve fund requirements. The Company has ceased issuing these MTNs and investment agreements and the outstanding liability balances and corresponding asset balances have declined over time as liabilities mature, terminate or are retired. All of the debt within the corporate segment is managed collectively and is serviced by available liquidity.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

The following table summarizes the consolidated results of our corporate segment for the years ended December 31, 2015, 2014, and 2013:

	Years Ended December 31,			Percent Change	
In millions	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Net investment income	$ 36	$ 38	$ 40	-5%	-5%
Fees	52	58	81	-10%	-28%
Net gains (losses) on financial instruments at fair value and foreign exchange	64	53	34	21%	56%
Net investment losses related to other-than-temporary impairments	(3)			n/m	%
Net gains (losses) on extinguishment of debt	(1)	3	22	-133%	-86%
Other net realized gains (losses)	21	1		n/m	n/m
Revenues of consolidated VIEs:					
Other net realized gains (losses)		(5)	(14)	-100%	-64%
Total revenues	169	148	163	14%	-9%
Operating	82	94	163	-13%	-42%
Interest	101	109	125	-7%	-13%
Total expenses	183	203	288	-10%	-30%
Income (loss) before income taxes	(14)	(55)	(125)	-75%	-56%
Provision (benefit) for income taxes	7	(173)	(15)	-104%	n/m
Net income (loss)	$ (21)	$ 118	$ (110)	-118%	n/m

n/m Percent change not meaningful.

FEES The decreases in fees for 2015 compared with 2014 and 2013 were primarily due to decreases in fees paid by our conduit segment for administrative and other services. During the second quarter of 2014, we completed the winding down of our conduit segment.

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE The favorable change in net gains (losses) on financial instruments at fair value and foreign exchange for 2015 compared with 2014 was primarily due to gains from the termination of derivatives, partially offset by a decrease in foreign exchange gains on Euro denominated liabilities, an increase in losses from mark-to-market changes of our interest rate swaps and a decrease in gains from the changes in the fair value of the outstanding warrants issued on MBIA Inc. common stock. The changes in the fair value of outstanding warrants were primarily attributable to a decrease in MBIA Inc. s common stock price, partially offset by an increase in volatility, which are used in the valuation of the warrants. The favorable change in net gains (losses) on financial instruments at fair value and foreign exchange for 2014 compared with 2013 was primarily due to foreign currency exchange gains on Euro denominated liabilities, an increase in realized gains from asset sales and changes in fair value of outstanding warrants issued on MBIA Inc. common stock, due to decreases in MBIA Inc. s common stock price and volatility.

OTHER NET REALIZED GAINS (LOSSES) The increase in other net realized gains for 2015 compared with 2014 was primarily due to the gain from the sale of Cutwater.

REVENUES OF CONSOLIDATED VIEs For 2014 and 2013, total revenues of consolidated variable interest entities (VIEs) related to net losses as a result of the deconsolidation of VIEs.

OPERATING EXPENSES Operating expenses decreased for 2015 compared with 2014 primarily due to decreases in office related expenses as a result of the relocation of our headquarters to a leased facility in the fourth quarter of 2014, as well as a decrease in legal costs. Operating expenses for 2014 decreased compared with 2013 primarily due to decreases in expenses related to our settlement of litigation with Bank of America, which occurred in 2013, and lower compensation expense in 2014.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

INTEREST EXPENSE Interest expense decreased for 2015 compared with 2014 and 2013 primarily due to the continued maturity and repurchases of debt obligations by the Company.

PROVISION (BENEFIT) FOR INCOME TAXES The 2015 provision for income taxes was impacted by nondeductible equity-based compensation expense. The 2014 benefit for income taxes includes a favorable adjustment of $87 million for the release of the full valuation allowance against the portion of our deferred tax asset which resulted from the sales of previously impaired investments. In addition for 2014, there was a $61 million reversal in our reserve for uncertain tax positions. The 2013 benefit for income taxes was impacted by an unfavorable increase in the reserve for uncertain tax positions, additional state tax expense and the non deductibility of the valuation on warrants issued by the Company.

OPERATING INCOME (LOSS) In addition to the above results, we also analyze the operating performance of our corporate segment using operating income (loss), a non-GAAP measure. We believe operating income (loss), as used by management, is useful for an understanding of the results of operations of the Company. Operating income (loss) is not a substitute for net income (loss) determined in accordance with GAAP, and our definition of operating income (loss) may differ from that used by other companies.

The following table presents a reconciliation of GAAP net income (loss) to operating income (loss) for the years ended December 31, 2015, 2014, and 2013:

	Years Ended December 31,		
In millions	**2015**	**2014**	**2013**
Net income (loss)	$ (21)	$ 118	$ (110)
Less: after-tax adjustments:			
Mark-to-market gains (losses) on financial instruments(1)	29	(15)	42
Foreign exchange gains (losses)(1)	39	62	(3)
Net gains (losses) on sales of investments(1)	3	17	(3)
Net investment losses related to OTTI	(2)		
Net gains (losses) on extinguishment of debt		2	14
Other net realized gains (losses)(2)	11		
Tax valuation allowance on adjustments(3)		87	5
Operating income (loss)	$ (101)	$ (35)	$ (165)

(1) Gross amounts are reported within Net gains (losses) on financial instruments at fair value and foreign exchange and the corresponding tax effects are reported within Provision (benefit) for income taxes on the Company s

consolidated statements of operations.

(2) Relates to the after-tax gain on the sale of Cutwater.

(3) Reported within Provision (benefit) for income taxes on the Company s consolidated statements of operations.

International and Structured Finance Insurance

Our international and structured finance insurance business is principally operated through MBIA Corp. The financial guarantees issued by MBIA Corp. generally provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, non-U.S. public finance and global structured finance insured obligations when due or, in the event MBIA Corp. has the right, at its discretion, to accelerate insured obligations upon default or otherwise. Certain guaranteed investment contracts written by MBIA Inc. are insured by MBIA Corp., and if MBIA Inc. or such subsidiaries were to have insufficient assets to pay amounts due upon maturity or termination, MBIA Corp. would make such payments under its insurance policies. MBIA Corp. also insured debt obligations of other affiliates, including GFL and IMC. MBIA Corp. has also written insurance policies guaranteeing the obligations under credit default swap (CDS) contracts of an affiliate, LaCrosse Financial Products, LLC (LaCrosse), and certain other derivative contracts, which may include termination payments that may become due in certain events, including the insolvency or payment defaults of MBIA Corp. or LaCrosse. Currently, MBIA Insurance Corporation provides reinsurance to MBIA Mexico. In December of 2015, MBIA Insurance Corporation terminated its reinsurance agreement and its net worth maintenance agreement with MBIA UK by mutual consent.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

MBIA Corp. insures non-U.S. public finance and global structured finance, including asset-backed obligations. MBIA Corp. has insured sovereign-related and sub-sovereign bonds, utilities, privately issued bonds used for the financing of utilities, toll roads, bridges, airports, public transportation facilities, and other types of infrastructure projects serving a substantial public purpose. Global structured finance and asset-backed obligations typically are securities repayable from cash flows generated by a specified pool of assets, such as residential and commercial mortgages, insurance policies, consumer loans, corporate loans and bonds, trade and export receivables, and leases for equipment, aircraft and real estate property. We no longer insure new credit derivative contracts except for transactions related to the restructuring or reduction of existing derivative exposure.

The following table presents our international and structured finance insurance segment results for the years ended December 31, 2015, 2014, and 2013:

	Years Ended December 31,			Percent Change	
In millions	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Net premiums earned	$ 99	$ 144	$ 143	-31%	1%
Net investment income	11	16	14	-31%	14%
Fees and reimbursements	67	87	85	-23%	2%
Change in fair value of insured derivatives:					
Realized gains (losses) and other settlements on insured derivatives	(28)	(445)	(1,548)	-94%	-71%
Unrealized gains (losses) on insured derivatives	157	903	1,777	-83%	-49%
Net change in fair value of insured derivatives	129	458	229	-72%	100%
Net gains (losses) on financial instruments at fair value and foreign exchange	(9)		24	n/m	-100%
Other net realized gains (losses)		12		-100%	n/m
Revenues of consolidated VIEs:					
Net investment income	86	50	51	72%	-2%
Net gains (losses) on financial instruments at fair value and foreign exchange	42	52	165	-19%	-68%
Other net realized gains (losses)			5	%	-100%
Total revenues	425	819	716	-48%	14%
Losses and loss adjustment	118	143	12	-17%	n/m
Amortization of deferred acquisition costs	78	78	96	%	-19%
Operating	50	56	98	-11%	-43%
Interest	111	110	160	1%	-31%

Expenses of consolidated VIEs:					
Operating	13	9	12	44%	-25%
Interest	39	39	40	%	-3%
Total expenses	409	435	418	-6%	4%
Income (loss) before income taxes	16	384	298	-96%	29%
Provision (benefit) for income taxes	3	134	101	-98%	33%
Net income (loss)	$ 13	$ 250	$ 197	-95%	27%

n/m Percent change not meaningful.

For the years ended December 31, 2015, 2014, and 2013 we did not write any new international and structured finance insurance. We do not expect to write new business in our international and structured finance insurance segment in the foreseeable future due to its current ratings, accumulated losses and non-policy claims related to our subordinate preferred stock holders and surplus note holders. Furthermore, MBIA UK is no longer permitted to write new business and doing so would require regulatory approval. Our primary objectives for MBIA Corp. are risk reduction, loss mitigation and value preservation. As of December 31, 2015, MBIA Corp. s total insured gross par outstanding was $41.6 billion. Since December 31, 2007, our total insured gross par outstanding has decreased approximately 87% from $331.2 billion.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

RESULTS OF OPERATIONS (continued)

NET PREMIUMS EARNED Our international and structured finance insurance segment generates net premiums from insurance policies accounted for as financial guarantee contracts. Certain premiums may be eliminated in our consolidated financial statements as a result of the Company consolidating VIEs. In addition, we generate net premiums from insured credit derivatives that are included in Realized gains (losses) and other settlements on insured derivatives on our consolidated statements of operations. The following table provides net premiums earned from our financial guarantee contracts for the years ended December 31, 2015, 2014 and 2013:

	Years Ended December 31,			**Percent Change**	
In millions	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Net premiums earned:					