REPORT ON EXAMINATION

OF

MBIA INSURANCE CORPORATION

AS OF

DECEMBER 31, 2011

DATE OF REPORT	JUNE 28, 2013
EXAMINER	JUNJIE PAN

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

June 28, 2013

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law (NYIL), and in compliance with the instructions contained in Appointment Number 30830 dated February 14, 2012, attached hereto, I have made an examination into the condition and affairs of MBIA Insurance Corporation as of December 31, 2011, and submit the following report thereon.

Wherever the designation “the Company” or “MBIA Corp.” appears herein without qualification, it should be understood to indicate MBIA Insurance Corporation.

Wherever the term “Department” appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company’s home office located at 113 King Street, Armonk, NY 10504.

1. SCOPE OF EXAMINATION

The Department has performed an individual examination of MBIA Corp., a multi-state insurer. The previous examination was conducted as of December 31, 2008. This examination covered the three-year period from January 1, 2009 through December 31, 2011. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which provides that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company's own internal control environment assessment and an evaluation based upon the Company's Sarbanes Oxley documentation and testing. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings and a listing of the following items as called for in the Handbook:

Company history
Corporate records
Management and control
Loss experience
Financial statements
Significant subsequent events
Summary of comments and recommendations including significant prospective risks

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

MBIA Insurance Corporation was incorporated as the National Bonding and Accident Insurance Company under the laws of the state of New York on March 23, 1967. On December 10, 1982, the MBL Corporation, a wholly-owned subsidiary of the Mutual Benefit Life Insurance Company in Newark, New Jersey, purchased all of the outstanding capital stock of National Bonding and Accident Insurance Company. In December 1986, the Company was sold to MBIA Inc. adopting the name of Municipal Bond Investors Assurance Corporation. In April 1995, the Company changed its name to MBIA Insurance Corporation.

MBIA Corp. is the successor to the business of the Municipal Bond Insurance Association ("Association"), a consortium of five multi-line insurers, which began writing municipal bond insurance in 1974. Four of the five member companies, the Aetna Casualty and Surety Company, Fireman's Fund Insurance Company, Aetna Insurance Company, and the Continental Insurance Company, participated in the formation of the Company. The Travelers Indemnity Company - the fifth member - elected not to join. MBIA Corp. assumed the four predecessor member companies' entire outstanding municipal bond insurance portfolio. In 1993, MBIA Corp. assumed the remaining business from the fifth member of the Association.

In 1990, MBIA Inc., the Company's parent company, formed MBIA Assurance S.A., a wholly-owned French subsidiary, to write financial guaranty insurance in the international community. The stock of MBIA Assurance S.A. was contributed to the Company in 1991.

On January 5, 1990, MBIA Inc. acquired all of the outstanding stock of Bond Investors Group, Inc., the parent company of Bond Investors Guaranty Insurance Company, whose name was subsequently changed to MBIA Insurance Corp. of Illinois. MBIA Inc. then contributed the common stock of Bond Investors Group, Inc. to the Company, making the Company the direct parent of MBIA Insurance Corp. of Illinois.

In early 1998, MBIA Inc. consummated a merger with CapMac Holdings, Inc. After the merger, MBIA Inc. made a capital contribution to MBIA Corp. of Capital Markets Assurance Corporation ("CMAC"), a subsidiary of CapMac Holdings. In September 2010, MBIA Corp.'s investment in CMAC was liquidated, all operations of CMAC were finalized and CMAC was merged into MBIA Corp. The Agreement and Plan of Merger was filed with and approved by the New York State Insurance Department. CMAC has not written any new insurance business since the acquisition and CMAC's net insured exposure was 100% reinsured by MBIA Corp.

In 2004, MBIA UK Insurance Limited ("MBIA UK"), a wholly-owned subsidiary of MBIA Corp. incorporated in the United Kingdom, was established to write financial guaranty insurance in the international markets.

In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA Mexico, S.A. de C.V. ("MBIA Mexico"), through which it writes financial guaranty insurance in Mexico. MBIA Mexico is licensed to do insurance business in, and is subject to, the insurance regulation and supervision by the Mexican Ministry of Finance and Public Credit (Secretaria de Hacienda y Credito Public or "SHCP") and the Mexican Insurance and Bonds Commission (Comision Nacional de Seguros y Fianzas or "CNSF").

On December 28, 2007, MBIA Assurance S.A., the French subsidiary, was restructured with MBIA UK (by way of dissolution or winding-up without liquidation) and governed by the terms of article 1844-5 of the French Civil Code. The transaction involved (i) the transfer of all of MBIA Assurance S.A.'s assets and liabilities to MBIA UK; (ii) the simultaneous transfer of the portfolio of MBIA Assurance S.A.'s financial guaranties to MBIA UK; and (iii) the dissolution without liquidation of MBIA Assurance S.A. Consequently, all previously insured MBIA Assurance S.A. policies are now insured by MBIA UK.

On February 17, 2009, the New York State Insurance Department approved a restructuring of MBIA Corp. by which a separate U.S. public finance financial guaranty insurance company was established using MBIA Insurance Corp. of Illinois, which was then a subsidiary of the Company, and was later redomesticated to New York and renamed National Public Finance Guarantee Corporation ("National" or "NPFG"). Ownership of National was transferred from the Company to a newly established intermediate holding company, National Public Finance Guarantee Holdings, Inc. a Delaware company, which is a subsidiary of MBIA Inc. National was capitalized with approximately

$2.1 billion from funds distributed by the Company to MBIA Inc. as a dividend and return of capital, which MBIA Inc. contributed to National through National Public Finance Guarantee Holdings, Inc.

On March 1, 2010, MBIA Corp. sold its interest in real estate to National Real Estate Holdings of Armonk, LLC ("NREHA"), a wholly owned subsidiary of National. The sales price of $65 million was based on the fair value of the real estate as determined by third parties. The sale by MBIA Corp. and the purchase by NREHA were non-disapproved by the Department.

Capital paid in of $290.9 million is comprised of approximately $15 million of common stock and approximately $276 million of preferred stock. MBIA Corp. has 67,936 common shares authorized, issued and outstanding as of December 31, 2011, with a par value of $220.80 per share. MBIA Corp. has 2,759 shares of Series A preferred stock issued and outstanding as of December 31, 2011, with a par value of $1,000 and a liquidation preference of $100,000 per share. Gross paid in and contributed surplus is $780.3 million. Gross paid in and contributed surplus decreased by $1.1 billion during the examination period, as follows:

Year	Description	Amount
2009	Beginning gross paid in and contributed surplus	$ 1,899,851,368
2009	Surplus contribution	(1,122,631,579)
2010	Surplus contribution	1,179,973
2011	Surplus contribution	1,882,635
	Total change in surplus	(1,119,568,971)
2011	Ending gross paid in and contributed surplus	$ 780,282,397

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than 7 members or more than 25 members. The board meets 4 times during each calendar year. At December 31, 2011, the board of directors was comprised of the following 7 members:

Name and Residence	Principal Business Affiliation
Joseph W. Brown Bedford Corners, NY	Chairman MBIA Insurance Corporation

Name and Residence	Principal Business Affiliation
Gail D. Makode Pleasantville, NY	Assistance Vice President, Chief Compliance Officer, Deputy General Counsel and Secretary MBIA Insurance Corporation
Joseph Ralph Schachinger Eastchester, NY	Assistant Vice President MBIA Insurance Corporation
Charles E. Chaplin Greenwich, CT	Assistant Vice President and Chief Financial Officer MBIA Insurance Corporation
Alfred C. Pastore Ramsey, NJ	Chief Investment Officer, Treasurer and Assistant Vice President MBIA Insurance Corporation
Anthony M. McKiernan Ridgefield, CT	Chief Risk Officer and Managing Director MBIA Insurance Corporation
John Dare Croton on Hudson, NY	Assistant Vice President and Head of Structured Finance MBIA Insurance Corporation

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2011, the principal officers of the Company were as follows:

Name	Title
Joseph W. Brown	Chairman
Charles E. Chaplin	Assistant Vice President and Chief Financial Officer
Alfred C. Pastore	Chief Investment Officer, Treasurer and Assistant Vice President
Ram D. Wertheim	General Counsel, Assistant Secretary and Assistant Vice President
William C. Fallon	President and Chief Operating Officer
Douglas C. Hamilton	Controller and Assistant Vice President
Anthony M. McKiernan	Chief Risk Officer and Managing Director

B. Territory and Plan of Operation

As of December 31, 2011, the Company was licensed to write business in all fifty states, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Northern Mariana Islands. MBIA Corp.'s two subsidiaries are MBIA UK a financial guaranty insurance company licensed in the United Kingdom, which writes financial guaranty insurance in the member countries of the European Union and other regions outside the United States, and MBIA Mexico, which writes financial guaranty insurance in Mexico.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
16	Fidelity and surety
17	Credit
25	Financial guaranty

Based on the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 69 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $66,400,000.

The following schedule shows the premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York State	Total Direct Premiums Written	Direct Premiums Written in New York State as a percentage of Total Premium
2009	$264,240,931*	$407,062,266	64.91%
2010	$232,806,080*	$352,340,484	66.07%
2011	$183,657,076*	$275,356,801	66.70%

(- approximately 99% of the premiums written consist of installment premiums.)*

MBIA Corp. has been unable to write meaningful amounts of new insurance business since 2008 and does not expect to write significant new insurance business prior to an upgrade of its credit ratings. However, the Company receives installment premium for polices issued in prior years. Prior to 2009, MBIA Corp. issued financial guaranties on municipal bonds, asset-backed and mortgage-backed securities, investor-owned utility bonds, bonds backed by publicly or privately funded public-purpose projects, bonds issued by sovereign and sub-sovereign entities, obligations collateralized by diverse pools of corporate loans and pools of corporate and asset-backed bonds and bonds backed by other revenue sources such as corporate franchise revenues. MBIA Corp.'s guaranties extended to both new and secondary market issues. MBIA Corp. has also insured credit default swaps primarily on pools of collateral, which it considered part of its core financial guaranty business. The Company's core platform was in the public and structured finance sectors. The financial guaranties issued by MBIA Corp. provide an unconditional and irrevocable guarantee of the payment of the principal of, and interest or other amounts owing on, insured obligations when due in the event of default or impairment of such obligations.

The financial crisis and economic downturn of 2007 and 2008, and its effect on the commercial and residential real estate sectors, negatively affected the Company's exposure to the structured finance capital markets. MBIA Corp.'s credit ratings were downgraded beginning in mid-year 2008 and substantial insurance losses began to occur during that time. MBIA Corp. believes a substantial part of the incurred insurance losses were due to defaults on ineligible mortgages placed in second-lien mortgage securitizations; however losses were also sustained in collateralized debt obligations comprising asset-backed collateral ("ABS CDOs"), and starting in the fourth quarter of 2010, in commercial mortgage-backed securities ("CMBS") pools.

These losses had a negative impact on MBIA Corp.'s statutory capital (policyholders' surplus and contingency reserves). Citing significant deterioration in MBIA Corp.'s commercial mortgage-backed securities portfolio, Standard & Poor's Financial Services, LLC ("S&P") lowered its financial strength rating on MBIA Corp. to CCC from B with a negative outlook as of February 28, 2013. On November 19, 2012, Moody's Investor Service ("Moody's") downgraded the financial strength of MBIA Corp. to Caa2 from B3. The Company initiated several lawsuits to recover losses arising from the inclusion of allegedly ineligible loans in the Company's insured securitizations ("put-back litigation"). Based on its analysis of the forensic review and the potential success of its put-back litigation, MBIA Corp. recorded estimated recoveries of $3.1 billion as of December 31, 2011 related to insured second-lien RMBS transactions.

The put-back litigation with Bank of America and Flagstar, and litigation relating to the Company’s 2009 restructuring that was originally brought by a group of eighteen domestic and international financial institutions, was settled in May 2013. As a result of settlements with Flagstar, Bank of America and Société Générale, S.A. (discussed in more detail in the Subsequent Events section of this Report), S&P and Moody’s have both upgraded their financial strength ratings of MBIA Corp. Subsequent to these settlements, MBIA Corp. also agreed to the terms of a comprehensive plan support agreement with the Residential Capital, LLC estate, its other major creditors and Ally Financial Inc. to support a Chapter 11 plan in ResCap's Chapter 11 cases that, if approved, will resolve MBIA Corp.’s put-back claims against the ResCap estate and Ally.

On May 8, 2013, S&P raised its financial strength rating on the Company to B from CCC with an outlook of stable. The rating upgrade reflects S&P’s view that potential stress on the Company’s liquidity position was lessened as a result of the settlement with Bank of America and that the company is unlikely to come under regulatory control during the next 12 months. The stable outlook reflects S&P’s view that the Company’s capital and liquidity is adequate to meet claim payments for the next 12 months. On May 21, 2013, Moody’s raised the insurance financial strength of MBIA Corp. to B3 from Caa2 with a positive outlook. This rating action reflects Moody’s view of the Company’s improved capital and liquidity profile following settlements of its put-back litigation and insured claims with major counterparties.

C. <u>Reinsurance</u>

Assumed reinsurance accounted for 2% of the Company’s gross premium written at December 31, 2011. During the period covered by this examination, the Company’s assumed reinsurance business has decreased since the last examination. The Company utilizes reinsurance accounting as defined in Statement of Statutory Accounting Principle (“SSAP”) No. 62 for all of its reinsurance business.

The Company maintains a reinsurance agreement with MBIA UK, providing for MBIA Corp.’s reimbursement of the losses incurred by MBIA UK in excess of a specified threshold, and a net worth maintenance agreement in which MBIA Corp. agrees to maintain the net worth of MBIA UK, to remain its sole shareholder and not to pledge its shares. Under the reinsurance agreement, MBIA Corp. has agreed to reimburse MBIA UK on excess-of-loss basis for losses incurred in each calendar year for net retained insurance liability, subject to certain contract limitations.

The Company maintains reinsurance and net worth maintenance agreements with MBIA Mexico effective September 14, 2007. Pursuant to the terms of the reinsurance agreement, the Company agrees to assume from MBIA Mexico 100% of its net liability on financial guaranty business.

The Company has structured its ceded reinsurance program as follows:

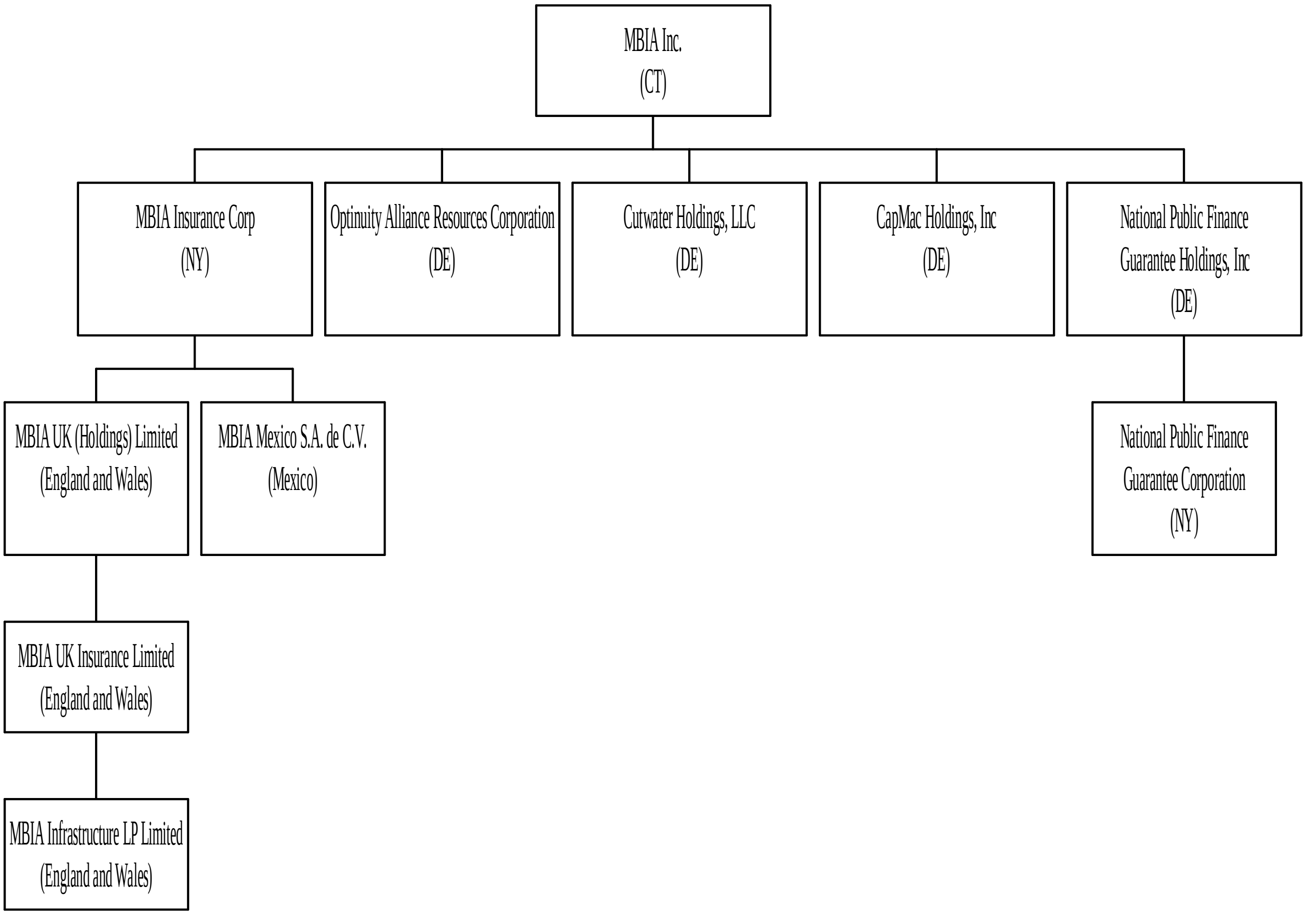
MBIA Corp. entered into a quota share reinsurance agreement effective January 1, 2009, pursuant to which it ceded all of its U.S. public finance exposure to National, including assigning its rights and obligations with respect to the U.S. public finance business that MBIA Corp. assumed from Financial Guaranty Insurance Company. It was noted that all affiliated reinsurance agreements were filed with the Department pursuant to the provisions of Section 1505 of the New York Insurance Law.

On July 19, 2010, MBIA Corp. acquired all of the common stock of Channel Reinsurance Ltd. ("Channel Re") and its parent Channel Re Holdings, Ltd. that it did not previously own for $40 million in cash. Channel Re is a financial guaranty reinsurance company formed in 2004 to provide committed reinsurance capacity to MBIA Corp. During the third quarter of 2010, MBIA Corp. and MBIA UK commuted all of their reinsurance with Channel Re and MBIA Corp. then liquidated Channel Re and Channel Re Holdings Ltd. In connection with the commutation, MBIA Corp., National and MBIA UK reassumed insured exposure of $21.6 billion, $7.8 billion and $2.1 billion of par outstanding, respectively. This transaction, including the commutation and liquidation, resulted in an increase in MBIA Corp.'s statutory capital of $132 million.

D. Holding Company System

The Company is a wholly-owned subsidiary of MBIA Inc., a Connecticut corporation, with its principal executive offices in Armonk, New York. A review of the Holding Company Registration Statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is a chart of certain entities in the holding company system at December 31, 2011:


MBIA Inc.
(CT)
MBIA Insurance Corp
(NY)
Optinuity Alliance Resources Corporation
(DE)
Cutwater Holdings, LLC
(DE)
CapMac Holdings, Inc
(DE)
National Public Finance
Guarantee Holdings, Inc
(DE)
MBIA UK (Holdings) Limited
(England and Wales)
MBIA Mexico S.A. de C.V.
(Mexico)
National Public Finance
Guarantee Corporation
(NY)
MBIA UK Insurance Limited
(England and Wales)
MBIA Infrastructure LP Limited
(England and Wales)

At December 31, 2011, the Company was party to the following agreements, among others,[1] with other members of its holding company system:

Investment Services Agreement and Assignment Agreement with Cutwater Asset Management Corp. (“Cutwater”)

Effective April 28, 1995, MBIA Corp. entered into an investment services agreement with Cutwater (formerly known as MBIA Capital Management Corp.). Pursuant to the terms of the agreement, Cutwater provides administrative and securities services related to the management of the Company’s investment activities.

Effective January 4, 2011, the Company entered into an “Assignment Agreement” with Cutwater and Cutwater Investor Services Corp. (“CISC”) by which the Company consented to the transfer of the investment advisory services to CISC. In connection with the transfer, the Company also agreed to the assignment to CISC of all of Cutwater’s rights, interests, and obligations that it had with the Company under the 1995 investment service agreement. The Assignment Agreement was amended effective March 17, 2011, to state that the agreement may not be assigned, modified or amended without prior non-disapproval of the Department. The Assignment Agreement and amendment were submitted and non-disapproved pursuant to Article 15 of the New York Insurance Law.

Administrative Services Agreement (Investment services) with Cutwater Asset Management Group, formerly known as MBIA Capital Management Corporation (“MBIA CMC”)

An administrative services agreement became effective September 30, 2007 in which MBIA Corp. appointed MBIA CMC to consult with and provide instructions to Bancomer concerning the investment of assets in capital accounts of MBIA Mexico pursuant to an agreement between MBIA Mexico and Bancomer. Amendment 1 to the agreement, which became effective December 24, 2009 states that MBIA Corp. will pay the adjusted rate to MBIA CMC for services under the agreement. Because the agreement allows for the appointment of an affiliate, the Company did not submit the assignment to the Department for approval.

[1] Also guarantees of GICs and MTNs, advances agreements, intercompany reinsurance agreements and lease.

This agreement was also assigned on January 4, 2011 when the Company entered into an "Assignment Agreement" with Cutwater and CISC by which the Company consented to the transfer of the investment advisory services to CISC. In connection with the transfer, the Company also agreed to the assignment to CISC of all Cutwater's rights, interests, and obligations that it had with the Company under the 2007 administrative agreement.

Master Repurchase Agreement with MBIA Inc.

During the fourth quarter of 2008, an intercompany secured loan was established between MBIA Inc. and MBIA Corp. for up to $2.0 billion to support the projected liquidity needs of the asset/liability products segment of MBIA Inc. Pursuant to the loan, MBIA Inc. may transfer securities in its portfolio to MBIA Corp. in exchange for $2.0 billion in cash. The amount outstanding under this agreement was $300 million and $975 million, as of December 31, 2011 and 2010, respectively. The loan is 19% of admitted assets at December 31, 2011 and has been approved by the Department in accordance with Section 1505 of the New York Insurance Law. It is noted that all outstanding borrowings under the loan were repaid in May 2012 and the facility terminated in May 2013 as described further in the Subsequent Event section of this report.

Loan Agreement with National

On December 12, 2011, MBIA Corp. entered into a secured loan agreement with National under which MBIA Corp. borrowed $1.1 billion at a fixed annual interest rate of 7%, with a maturity date of December 2016. MBIA Corp. has the option to defer payments of interest when due by capitalizing interest amounts to the loan balance, subject to certain thresholds. MBIA Corp.'s obligation to repay the loan is fully secured by a pledge of collateral, primarily representing estimated recoveries related to MBIA Corp.'s put-back litigation. This loan has been approved by the Department in accordance with Section 1505 of the New York Insurance Law. It is noted that during the second quarter of 2013 the Company repaid this loan in its entirety to National. This transaction is described in the Subsequent Event section of this report.

Agreement with LaCrosse Financial Products, LLC ("LaCrosse")

MBIA Corp. provides credit support and issues financial guaranty policies on credit derivative instruments entered into by LaCrosse, an entity previously consolidated by MBIA Corp. under the criteria for variable interest entities. LaCrosse became an affiliate of MBIA Corp. during the fourth quarter of 2009. The outstanding notional amount of insured CDS contracts entered into by LaCrosse was $67.0

billion and $100.3 billion as of December 31, 2011 and 2010, respectively, and the gross outstanding notional amount of insured CDS contracts entered into by LaCrosse ceded to other reinsurers was zero as of December 31, 2011 and 2010.

Master Services Agreement with Optinuity Alliance Resources ("Optinuity")

Optinuity, created in the first quarter of 2010, provides support services such as management, legal, accounting, treasury, and information technology for all business written or reinsured and all other authorized activities of MBIA Corp., except services delegated to NPFG through a Master Services Agreement. The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505 of the New York Insurance Law.

Tax Allocation Agreement

The Company is party to a tax allocation agreement with members of its holding company system effective January 1, 1987. The agreement was amended and restated effective September 8, 2011 to change the method of calculating each domestic insurer's tax liability to the method permitted by paragraph 3(a) of Department Circular Letter # 33 (1979). The agreement was submitted to the Department for review and non-disapproval pursuant to Section 1505 of the New York Insurance Law.

Net Worth Maintenance Agreement with MBIA UK

Effective May 14, 2004, MBIA Corp. and its subsidiary MBIA UK entered into a net worth maintenance agreement, which was later amended and restated effective October 2, 2004. Under the terms of the agreement MBIA Corp. agrees to maintain the net worth of MBIA UK in an amount equal to the higher of its current capital required by the regulatory authorities of the United Kingdom or $100,000,000, provided that any contributions by MBIA Corp. shall not be in excess of 35% of its policyholders surplus. This agreement was submitted to and approved by the Department pursuant to Section 1505 of the New York Insurance Law.

Net Worth Maintenance Agreement with MBIA Mexico

Effective September 14, 2007, MBIA Corp. and its subsidiary MBIA Mexico entered into a net worth maintenance agreement under which MBIA Corp. agrees to maintain the net worth of MBIA Mexico in an amount equal to the higher of its current capital required by the regulatory authorities of Mexico or $10,000,000. However, any contributions made by MBIA Corp. for such purpose when added to contributions to other insurance subsidiaries for similar purposes shall in no event exceed 35% of

MBIA Corp.'s policyholders' surplus. This agreement was submitted to and approved by the Department pursuant to Section 1505 of the New York Insurance Law.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2011, based upon the results of this examination:

Net premiums written to surplus as regards policyholders	18%
Liabilities to liquid assets (cash and invested assets less investments in affiliates)	2%
Premiums in course of collection to surplus as regards policyholders	0%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

The underwriting ratios presented below are on an earned/incurred basis and encompass the three-year period covered by this examination (2009-2011):

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$3,827,652,561	328.62%
Other underwriting expenses incurred	(616,150,360)	(52.90)
Net underwriting loss	(2,046,731,669)	(175.72)
Premiums earned	$1,164,770,532	100.00%

F. Accounts and Records

There are no accounts and records recommendations.

G. Risk Management and Internal Controls

There are no adverse comments regarding risk management and internal controls.

3. FINANCIAL STATEMENTS

A Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2011 as determined by this examination and as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$692,460,193	$0	$692,460,193
Common stocks (stocks)	473,816,175	0	473,816,175
Cash, cash equivalents and short-term investments	126,401,091	0	126,401,091
Other invested assets	1,079,861	0	1,079,861
Receivables for securities	721,282	496,912	224,370
Aggregate write-ins for invested assets	300,000,000	0	300,000,000
Subtotals, cash and invested assets	$1,594,478,602	$496,912	$1,593,981,690
Investment income due and accrued	3,803,501	0	3,803,501
Uncollected premiums and agents' balances in the course of collection	2,929,629	0	2,929,629
Amounts recoverable from reinsurers	1,346,354	12,521	1,333,833
Current federal and foreign income tax recoverable and interest thereon	4,628,364	0	4,628,364
Electronic data processing equipment and software	2,332,599	2,274,757	57,842
Furniture and equipment, including health care delivery assets	42,345	42,345	0
Receivables from parent, subsidiaries and affiliates	2,726,761	86,105	2,640,656
Aggregate write-ins for other than invested assets	5,675,951	2,591,289	3,084,662
Totals	$1,617,964,106	$5,503,929	$1,612,460,177

Liabilities, surplus and other funds

Losses and Loss Adjustment Expenses	($2,334,490,517)
Other expenses (excluding taxes, licenses and fees)	25,649,193
Borrowed money and interest thereon	1,134,174,722
Unearned premiums	435,353,874
Ceded reinsurance premiums payable (net of ceding commissions)	3,800,209
Amounts withheld or retained by company for account of others	8,610,755
Payable to parent, subsidiaries and affiliates	36,351,103
Payable for securities	34,305
Aggregate write-ins for liabilities	706,420,516
Total liabilities excluding protected cell liabilities	15,904,160
Total liabilities	$15,904,160
Common capital stock	$15,000,269
Preferred capital stock	275,908,000
Surplus notes	952,655,000
Gross paid in and contributed surplus	780,282,397
Unassigned funds (surplus)	(427,289,649)
Surplus as regards policyholders	$1,596,556,017
Totals	$1,612,460,177

Note: The Internal Revenue Service has completed its audits of the Company’s consolidated Federal Income Tax returns through tax year 2009. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. No audits are currently under examination. A survey covering tax year 2010 has been completed and resulted in no changes. The 2010 and 2011 tax years are still open with the Internal Revenue Service. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income and Changes in Surplus

Surplus as regards policyholders decreased by $1,885,866,207 during the three-year examination period January 1, 2009 through December 31, 2011, detailed as follows:

Underwriting Income for three year period		
Premiums earned		$1,164,770,532
Deductions:		
Losses and loss adjustment expenses incurred	$3,827,652,561	
Other underwriting expenses incurred	(489,427,420)	
Aggregate write-ins for underwriting deductions	(126,722,940)	
Total underwriting deductions		3,211,502,201
Net underwriting gain or (loss)		($2,046,731,669)
Investment Income		
Net investment income earned	$23,635,017	
Net realized capital gain	2,866,237	
Net investment gain or (loss)		$26,501,254
Other Income		
Net gain or (loss) from agents or premium balances charged off	$0	
Finance and service charges not included in premiums	0	
Aggregate write-ins for miscellaneous income	193,572,262	
Total other income		$193,572,262
Net income before dividends to policyholders and before federal and foreign income taxes		($1,826,658,153)
Dividends to policyholders		0
Net income after dividends to policyholders but before federal and foreign income taxes		($1,826,658,153)
Federal and foreign income taxes incurred		(231,297,712)
Net Income (Loss)		($1,595,360,441)

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2008			$3,482,422,224
Net loss		$1,595,360,441	
Net transfers (to) from protected cell accounts			
Net unrealized capital gains or (losses)	17,150,447		
Change in net unrealized foreign exchange capital gain (loss)		2,684,004	
Change in net deferred income tax		201,045,955	
Change in nonadmitted assets	184,582,928		
Change in provision for reinsurance			
Change in surplus notes			
Surplus (contributed to) withdrawn from protected cells			
Cumulative effect of changes in accounting principles	20,000,000		
Capital changes paid in	269		
Capital changes transferred from surplus (stock dividend)			
Capital changes transferred to surplus			
Surplus adjustments paid in		1,119,568,971[1]	
Surplus adjustments transferred to capital (stock dividend)			
Surplus adjustments transferred from capital			
Net remittances from or (to) home office			
Dividends to stockholders		1,160,711,098	
Change in treasury stock			
Aggregate write-ins for gains and losses in surplus	1,971,770,618[2]		
Net increase (decrease) in surplus	$2,193,504,262	$4,079,370,469	($1,885,866,207)
Surplus as regards policyholders per report on examination as of December 31, 2011			$1,596,556,017

[1] Surplus adjustments paid in primarily consisted of $1,122,631,579 return of capital paid to MBIA Inc. as part of the restructuring of the Company in 2009.

[2] $1.9 B Aggregate write-ins for gains and losses in surplus included:

a) 2009 – Reallocation of $1.14 B of contingency reserve to surplus;
b) 2010 – $367.6 M is the combination of an increase in contingency reserve and the admissibility of deferred tax asset;
c) 2011 - $1 B decrease in contingency reserves and correction of error.

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination contra liability for the captioned items of ($2,334,490,517) is the same as reported by the Company as of December 31, 2011. The case and salvage reserves were determined to be adequate.

The Capital Markets Division utilized the assistance of an independent financial advisory firm that specializes in complex assets to review the adequacy of MBIA's modeling, assumptions and surveillance policies and procedures as of December 31, 2011, to determine MBIA's adequacy of loss reserves. For structured products, about two-thirds of policies were independently evaluated for losses, constituting about 95% of the exposure. For international public finance, upon reviewing the entire portfolio, an independent credit concern list was created, losses were evaluated based on that list and results were compared to those reported by the Company.

Among the key liabilities with potential for future adverse loss and claims development are the structured products for commercial real estate and residential mortgages, and European infrastructure obligations.

The Company's estimate of reserves for losses on its exposures is based on certain assumptions. Changes in such assumptions could materially adversely affect such reserve estimates, including but not limited to the result of more adverse macroeconomic conditions, the outcome of litigation, and the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond those assumed in the Company's reserve estimate (which may or may not result in an increase in such loss reserves) in the near to medium term. In addition, the value of its investment portfolio could change and have a materially adverse effect.

5. SUBSEQUENT EVENTS

Intercompany Loans

In May 2012, MBIA Inc. repaid in full the outstanding amount of $300 million under the MBIA Corp. secured loan. Additionally in May 2012, the Department approved an extension of the maturity of the MBIA Corp. Secured Loan facility to May 2013, with a maximum outstanding amount of $450 million, subject to MBIA Corp. obtaining prior approval from the Department for any draws under the facility. There were no draws on this facility subsequent to its repayment in May 2012 and it expired in May 2013.

During 2012, MBIA Corp. borrowed an additional $443 million under the National secured loan with the approval of the Department on the same terms as the original loan in order to fund additional commutations. The outstanding balance including capitalized interest as of December 31, 2012 was approximately $1.7 billion, although as noted below, the Company fully repaid this loan in May 2013 and the loan agreement was terminated.

Change in Capital and Surplus

During 2012 the Company experienced a significant decrease in capital and surplus as follows:

(Amounts in thousands)

Capital and Surplus:	December 31, 2012	December 31, 2011	Change in Surplus
Common stock	$ 15,000	$ 15,000	$ 0
Preferred stock	275,908	275,908	0
Surplus notes	952,655	952,655	0
Additional paid-in capital	781,784	780,283	1,501
Unassigned surplus (deficit)	(1,060,261)	(427,290)	(632,971)
Total capital and surplus	$ 965,086	$ 1,596,556	$ (631,470)

The decrease in capital and surplus was primarily due to a net statutory operating loss of $843 million during 2012. Based on a review of the 2012 Annual Statement filing, the net operating loss was primarily the result of continued incurred losses and loss adjustment expenses in commercial mortgage backed securities (CMBS).

Litigation

In June 2009, a group of financial institutions commenced a legal proceeding challenging the actions of the Department (an Article 78 proceeding) in approving the restructuring of MBIA Corp., the related capitalization of NPFG and the reinsurance agreement pursuant to which MBIA Corp. ceded all of its U.S. public finance exposure to NPFG. In March 2013 the Supreme Court of the State of New York dismissed the Article 78 proceeding, thereby upholding the Department's decision to approve the restructuring of MBIA Corp. and NPFG. The two remaining financial institution petitioners, Bank of America and Société Générale, filed a notice of appeal of the judge's decision. The same group of financial institutions also sued MBIA Corp., National and MBIA Inc. under New York debtor creditor law alleging that certain of the terms of the transactions constituted fraudulent conveyances and a breach of the implied covenant of good faith and fair dealing under New York law ("plenary action").

On May 2, 2013, MBIA Corp. and Flagstar entered into a settlement agreement settling the put-back litigation filed by MBIA Corp. against Flagstar. Under the terms of the settlement agreement, MBIA Corp. terminated the lawsuit against Flagstar and in exchange received $110 million in cash and other consideration.

On May 6, 2013, MBIA Inc. and Bank of America agreed to the terms of a comprehensive settlement agreement pursuant to which MBIA agreed to dismiss its put-back litigation against Countrywide, and Bank of America (and its subsidiary, Merrill Lynch) agreed to withdraw from the lawsuits against MBIA Inc., MBIA Corp. and National (including the Article 78 proceeding and the plenary action). As part of the settlement, MBIA Corp. received a net payment of approximately $1.7 billion consisting of approximately $1.6 billion in cash and $136 million principal amount of MBIA Inc.'s 5.70% Senior Notes due 2034. MBIA Inc. and Bank of America also agreed to the commutation of all of the MBIA Corp. policies held by Bank of America or its subsidiaries, which have a notional insured amount of approximately $7.4 billion, of which $6.1 billion are policies insuring credit default swaps held by Bank of America referencing commercial real estate exposures. MBIA Corp. will have no further payment obligations under the commuted policies and Bank of America's obligations to repurchase ineligible mortgages in securitizations insured by MBIA Corp. were extinguished. As part of the settlement, Bank of America entered into a $500 million three-year secured revolving credit agreement (the Bank of America Secured Loan) with MBIA Corp., which can be used for general corporate purposes. Lastly, Bank of America received a five-year warrant to purchase 9.94 million shares of MBIA Inc. common stock at a price of $9.59 per share.

As a result of the settlements with Bank of America and Flagstar, the Secured Loan from National was repaid in full, the agreement was terminated, and Bank of America withdrew from the lawsuits challenging the Company's restructuring.

On May 8, 2013, MBIA Corp. entered into a settlement agreement with Société Générale under which certain insured exposures were commuted and Société Générale withdrew from the Article 78 proceeding and the plenary action.

As a result of the settlement agreements with Société Générale and Bank of America, all litigation brought originally by the group of 18 domestic and international financial institutions related to the restructuring of MBIA Corp. and NPFG have been resolved.

On May 14, 2013, MBIA Corp. agreed to the terms of a comprehensive plan support agreement with the Residential Capital, LLC estate, its other major creditors and Ally Financial Inc. to support a Chapter 11 plan in ResCap's Chapter 11 cases that, if approved, will resolve MBIA Corp.'s put-back claims against the ResCap estate and Ally. The financial terms of the settlement are consistent with the MBIA Corp.'s financial statements for the period ended March 31, 2013. The plan support agreement and ResCap Plan are subject to approval by ResCap's Bankruptcy Court.

Liquidity

A request for the approval of the January 15 and April 15, 2013 scheduled interest payments on the Company's Fixed-to-Floating Rate Surplus Notes due 2033 was denied by the Department. The deferred interest payment will be due on the first business day on or after which MBIA Corp. obtains approval to make such payment.

The Company disclosed in its 2012 Annual Statement[1] that its expected liquidity and capital forecast for 2013 reflects adequate resources to pay expected claims. Following the settlements with Flagstar, Bank of America and Société Générale, the Company reaffirmed in its March 31, 2013 Quarterly Statutory Statement that expected liquidity and capital forecasts for 2013 reflect adequate resources to pay expected claims.[2] Additionally, the Company has access to the Bank of America Secured Loan in order to pay claims. In addition MBIA Corp. expects to collect put-back recoveries as a result of the ResCap

---

[1] 2012 Annual Statement Note 21, pages 14.21 to 14.22.
[2] March 31, 2013 Quarterly Statutory Statement, Note 21 to the financial statements, page 6.9.

settlement as described above, and to ultimately collect put-back recoveries from Credit Suisse either as a result of the ongoing recovery litigation or a settlement thereof. However, the Company disclosed that there is risk to the liquidity forecast as second-lien RMBS and remaining insured CMBS pools are potentially volatile.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained 9 recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Accounts and Records	16
	Discounting:	
	It is recommended that the Company submit to the Department, on an annual basis, a justification for the discount rate it uses if such rate differs from the investment yield reported by the Insurance Regulatory Information System of the NAIC and indicate how such rate complies with Section 6903(b) of the New York Insurance Law.	
	The Company has complied with this recommendation.	
	It is recommended that the Company present its loss and loss adjustment expense reserves gross of discount in its ledgers and trial balance.	16
	The Company has complied with this recommendation.	
	Annual Statement Disclosures:	16
	It is recommended that the Company disclose its paid dividends regardless of the materiality of such dividends.	
	The Company has complied with this recommendation.	
	Loss Adjustment Expense classification:	16
	It is recommended that the Company improve its expense classification process to ensure that all expenses and costs associated with its claim obligations are properly classified and allocated as loss adjustment expenses.	
	The Company has complied with this recommendation.	
	Adjusting & Other Expenses (ULAE)	17
	It is recommended that the Company establish a reserve provision for	

Adjusting & Other Expenses to cover future expense costs associated with the adjustment and settlement of its claims liabilities as prescribed by the New York Insurance Law and SSAP No. 55.

The Company has complied with this recommendation.

Investments 17

It is recommended that the Company assign proper ratings to its assets listed in its investment schedules. It is further recommended that the Company obtain guidance from the NAIC Security Valuation Office regarding the valuation of loan backed/structured finance financial instruments to make certain that the assets it reports are properly rated and reasonably valued.

The Company has complied with this recommendation.

Receivable from parent and subsidiaries

B. The Company's balance for the captioned account was reduced by an examination adjustment, which represents a $20,000,000 write off on a receivable balance that was due from its UK subsidiary made subsequent to the examination year. 22

The Company has recorded this write off in its 2009 financial statements.

C. Loss and loss adjustment expenses 22

During 2009, the Company reported additional incurred losses and loss adjustment expenses for years 2008 and prior totaling $990,013,000. Through March 31, 2010, the additional development had increased to $1,013,222,000. During 2009, the Company recognized estimated recoveries, net of reinsurance of $1.4 billion related to a review of mortgage loan files underlying the Company's insured transactions. The actual collection of these estimated recoveries is subject to the outcome of litigation.

The Company has responded to the comment as follows:
The Company will continue to analyze and monitor its loss and loss adjustment expense reserves and estimated recoveries related to seller/servicers' obligations to replace or repurchase ineligible loans from insured securitizations.

D. Subsequent Events 25

Lane Cove:

If the Company is not able to purchase the remaining 25% of the Lane Cove bonds at a discounted price, it will be liable for 100% of the principal amount of those bonds.

The Company has acquired 100% of the bonds at discounted prices.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner reviewed and evaluated certain risks that existed as of the examination date, and also assessed certain prospective risks that are anticipated to arise or extend past the examination completion date. The company monitors on an ongoing basis the following prospective risks.

Put-Back Litigation and Recoveries

In the December 31, 2011 statutory financial statements, the Company recorded an estimated put-back recovery amount of $3.1 billion related to its insured second-lien RMBS securitizations. This $3.1 billion was offset against the loss reserve balance. The recovery estimate is related to the Company's efforts to have the sellers/servicers repurchase ineligible loans, which the sellers/servicers have rejected. The prospective risk to the Company results from the inherent uncertainty in calculating such accounting estimates. The Company calculates its put-back recovery estimate utilizing probability-weighted scenarios primarily based on the percentage of incurred losses it estimates it will collect subject to varying assumptions of litigation-related recovery delays, the financial distress of the loan sellers/servicers and other factors.

As a result of the settlements with Bank of America and Flagstar discussed above in the Subsequent Events section, MBIA Corp.'s put-back claims against those two entities have been resolved. However, there are other put-back recovery actions still ongoing. In the March 31, 2013 Quarterly Statutory Statement, the Company notes it has other put-back recoveries totaling $1.1 billion through March 31, 2013, excluding incurred losses related to claims against Bank of America and Flagstar that were settled in May 2013.[1] MBIA Corp. has also entered into a plan support agreement with the ResCap estate, its other major creditors and Ally that, if approved, will resolve MBIA Corp.'s put-back claims against the ResCap estate and Ally.

Liquidity

As of December 31, 2011, the Company stated that it believed its liquidity resources were adequate to provide for anticipated cash outflows.[2] The Company stated that its liquidity position has been stressed primarily due to the failure of sellers/servicers of RMBS transactions insured by MBIA to

---

[1] March 31, 2013 Quarterly Statutory Statement, Note 25 to the financial statements, page 6.13.
[2] Management's Discussion and Analysis, Annual Statement for the Year 2011, pages 17 to18.

repurchase ineligible mortgage loans in certain insured transactions. In the event of unexpected liquidity needs, the Company may have insufficient resources to meet its obligations or insufficient qualifying assets to support its surplus and reserves and may seek to increase its cash holdings position by selling or financing assets or raising external capital. There is the prospective risk that the Company's liquidity requirements may exceed its ability to draw on these liquidity sources.

MBIA Corp.'s expected liquidity and capital forecasts for 2013 reflect adequate resources to pay expected claims. Additionally, the Company can borrow under the Bank of America Secured Loan to pay claims. However, there is risk to the liquidity forecast as second-lien RMBS and remaining insured CMBS pools are potentially volatile.

Litigation

At the time of the examination, the Company was involved in litigation related to the restructuring of MBIA Corp. and NPFG and its put-back recoveries.

As noted above in the Subsequent Events section, as a result of settlements with Société Générale and Bank of America, all litigation brought originally by the group of 18 domestic and international financial institutions related to the restructuring of MBIA Corp. and the capitalization of National has been resolved. Furthermore, MBIA Corp., Bank of America and Flagstar reached agreements to resolve MBIA Corp.'s put-back litigation against those entities.

Respectfully submitted,

____

Junjie Pan, CPA, CFE, CPCU, FLMI
Examiner-in-Charge

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Junjie Pan, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

____

Junjie Pan

Subscribed and sworn to before me
this__________ day of ___________________, 2012.

APPOINTMENT NO. 30830

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Junji Pan

as a proper person to examine the affairs of the

MBIA INSURANCE CORPORATION

and to make a report to me in writing of the condition of said

CORPORATION

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 14th day of February, 2012

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Jean Marie Cho
Deputy Superintendent