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

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 1-9583

MBIA INC.
(Exact name of registrant as specified in its charter)

Connecticut **(State of incorporation)**	**06-1185706** **(I.R.S. Employer Identification No.)**
1 Manhattanville Road, Suite 301, Purchase, New York **(Address of principal executive offices)**	**10577** **(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	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**MBI**	**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 ☒ 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 ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of June 30, 2021 was $522,602,641.

As of February 21, 2022, 54,604,940 shares of Common Stock, par value $1 per share, were outstanding.

Documents incorporated by reference:

Portions of the Registrant's Definitive Proxy Statement for its Annual Shareholders Meeting to be held in May of 2022 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., together with its consolidated subsidiaries, (collectively, “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 expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. 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 that National Public Finance Guarantee Corporation (“National”) insures 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 loss reserve estimates are not adequate to cover potential claims;
- a disruption in the cash flow from National 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;
- the possibility that MBIA Insurance Corporation will have inadequate liquidity or resources to timely pay claims as a result of higher than expected losses on certain insured transactions or as a result of a delay or failure in collecting expected recoveries, which could lead the New York State Department of Financial Services (“NYSDFS”) to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation’s policyholders;
- the impact on our insured portfolios or business operations caused by the global spread of the novel coronavirus COVID-19;
- 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.

Item 1. Business

PART I

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, together with its subsidiaries, and (ii) unless otherwise indicated or the context otherwise requires, references to “MBIA Corp.” are to MBIA Insurance Corporation together with MBIA Mexico S.A. de C.V. (“MBIA Mexico”).

OVERVIEW

The Company’s operating subsidiaries are focused on running off their insured portfolios. Today, the Company’s primary objectives are ensuring that adequate liquidity exists at the holding company to satisfy all of its outstanding obligations, mitigating losses at National Public Finance Guarantee Corporation (“National”) and MBIA Corp., including National’s exposures to insured debt obligations of the Commonwealth of Puerto Rico and certain of its instrumentalities (“Puerto Rico”), and maximizing recoveries on paid insurance claims. We do not expect National or MBIA Corp. to write significant new business. The Company may also pursue strategic alternatives that could enhance shareholder value.

MBIA’s primary business has been to provide financial guarantee insurance to the United States’ public finance markets through our indirect, wholly-owned subsidiary, National, whose financial guarantee insurance policies provide investors with unconditional and irrevocable guarantees of the payment of the principal, interest or other amounts owing on insured obligations when due. National ceased pursuing the writing of new financial guarantee policies in 2017, and its primary activity today is to provide ongoing surveillance, including remediation activity where warranted, of its existing insured portfolio of $36.5 billion gross par outstanding as of December 31, 2021. The Company has also provided financial guarantee insurance in the international and structured finance markets through its subsidiary MBIA Corp. As of December 31, 2021, MBIA Corp.’s total insured gross par outstanding was $5.2 billion. As a result of MBIA Corp.’s capital structure and business prospects, we do not expect its financial performance to have a material economic impact on MBIA Inc. Refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” in Part II, Item 7 of this Form 10-K for a further discussion of MBIA Corp.’s insurance statutory capital.

MBIA Services Corporation (“MBIA Services”), also owned by MBIA Inc., is 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 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 expenses while maintaining an adequate cushion against potential adverse events. MBIA Inc. has received annual dividends from National. The Company maintains a stable liquidity position which is expected to allow it to service its obligations over the next several years without needing to access the capital markets. Our capital management strategies include (i) having the Company or National purchase or repurchase outstanding MBIA Inc. common shares to enhance shareholder value when management deems such actions are appropriate, taking into account regulatory capacity constraints, the price of the stock, anticipated liquidity needs, and other relevant factors and (ii) retiring our unsecured and MBIA Global Funding, LLC (“GFL”) debt through calls and repurchases at prices that create economic benefit to the Company.

Currently, MBIA Inc. and National do not have an authorization approved by the Company’s Board of Directors to repurchase or purchase outstanding MBIA Inc. common shares. Neither MBIA Inc. nor National repurchased or purchased any MBIA Inc. common shares during 2021. During 2020, the Company or National purchased or repurchased 26.4 million shares at a cost of $198 million under the repurchase authorization approved by the Company’s Board of Directors (the “Board”) in May 2020 and November 2017 and exhausted these share repurchase authorizations. During 2019, the Company or National purchased or repurchased 11.1 million shares at a cost of $101 million under the repurchase authorization approved by the Board in November 2017.

As of December 31, 2021, $897 million of unsecured debt, which includes MBIA Inc.'s senior notes and medium-term notes ("MTNs") issued by its subsidiary, GFL, was outstanding. During 2021, MBIA Corp. purchased $5 million principal amount of MBIA Inc. 6.625% Debentures due 2028 and $1 million principal amount of MBIA Inc. 7.150% Debentures due 2027 and the Company repurchased $111 million par value outstanding of GFL MTNs. During 2020, the Company redeemed the remaining $115 million principal amount of the Company's 6.400% Senior Notes due 2022 at par plus accrued interest. During 2019, the Company redeemed $150 million principal amount of the Company's 6.400% Senior Notes due 2022 at par plus accrued interest and paid $57 million par value related to GFL debt maturities.

In each of the fourth quarters of 2021 and 2020, National declared and paid dividends of $60 million and $81 million, respectively, to its ultimate parent, MBIA Inc.

National Risk Mitigation

National's most significant risk is credit risk in its large and diverse insured portfolio of domestic public finance credits. National's risk mitigation strategy is premised on proactive portfolio management, including surveillance of financial performance and covenant compliance, the exercise of creditor rights, remediation and—in select cases—workouts of distressed credits. National's approach generally focuses on the early detection of stress and proactive intervention, though its rights and its ability to take certain actions on a particular credit will always be case-specific. As part of its remediation efforts, National may elect to facilitate and participate in refinancings of existing credit exposures where the new transaction will have the anticipated effect of improving the issuer's ability to service its debt and strengthen National's legal security or covenant package. National may also seek to purchase its own insured obligations as part of an overall risk mitigation strategy, subject to internal and regulatory limitations.

Presently, the most distressed credits in National's portfolio are obligations issued by Puerto Rico. As described further herein, two of these credits, the Puerto Rico Highways and Transportation Authority ("PRHTA") and the Puerto Rico Electric Power Authority ("PREPA") are in bankruptcy-like processes under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"). The Puerto Rico Sales Tax Financing Corporation ("COFINA") has exited the bankruptcy-like process and National's exposure to the credit has been reduced to zero. The Commonwealth of Puerto Rico and the Public Building Authority ("PBA") Title III cases have been confirmed by the Bankruptcy Court and are expected to exit their bankruptcy-like processes before the end of the first quarter of 2022. For additional information relating to the risks arising from National's Puerto Rico exposures, refer to the "Insured Portfolio Loss Related Risk Factors" section in Part I, Item 1A of this Form 10-K.

MBIA Corp. Risk Mitigation

MBIA Corp.'s strategy is focused primarily on recovering losses on insured transactions, reducing future expected economic losses in the insured portfolio through commutations and other risk mitigation strategies, and managing liquidity primarily for the benefit of its policyholders and senior creditors. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for further information regarding loss reserves and recoveries.

Our liquidity and capital forecasts, and projected collections of recoveries for MBIA Corp., reflect resources that we expect to be adequate to pay expected insurance claims. However, there can be no assurance that MBIA Corp. will realize its expected recoveries in full or on its projected timeframe. Refer to "Risk Factors-MBIA Corp. Risk Factors-Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured transactions may materially and adversely affect MBIA Corp.'s statutory capital and its ability to meet liquidity needs and could cause the New York State Department of Financial Services (the "NYSDFS") to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if the NYSDFS concludes that MBIA Insurance Corporation will not be able to pay expected insurance claims," in Part I, Item 1A of this Form 10-K. Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any 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 material economic impact on MBIA Inc.

OUR INSURANCE OPERATIONS

Our U.S. public finance insurance portfolio is managed through National, and our international and structured finance insurance portfolios are managed through MBIA Corp. We do not expect National or MBIA Corp. to write new financial guarantee policies outside of remediation related activities. We have been compensated for our insurance policies by insurance premiums that were paid upfront or on an installment basis. Our financial guarantee insurance was offered in both the new issue and secondary markets. 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. When writing new business we sought to maintain a diversified insured portfolio 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 location. 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. In particular, while such has not yet occurred, the global outbreak of the novel coronavirus COVID-19 ("COVID-19") could in time and under adverse circumstances have an adverse impact on our financial condition, results of operations and other aspects of our business. For additional information relating to the risks arising from COVID-19, refer to the "Legal, Regulatory and Other Risk Factors" section in Part I, Item 1A of this Form 10-K.

Because we generally guarantee to the holder of an insured obligation the timely payment of amounts due in accordance with its insurance policy terms, in the case of a default or other triggering event, 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.

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.

In the event of a default in the 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, 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.

As of December 31, 2021, National had $36.5 billion of insured gross par outstanding on U.S. public finance obligations covering 2,118 policies and diversified among 1,279 "credits," which we define as any insured obligations secured by the same revenue source. Insurance in force, which includes all gross insured debt service, as of December 31, 2021 was $71.7 billion.

All of the policies were underwritten on the assumption that the insurance will remain in force until maturity or early retirement of the insured obligations. National estimates that the average life of its domestic public finance insurance policies in force as of December 31, 2021 was 9 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, 2021 was $4.9 billion. National's underwriting guidelines limited 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 with respect to any insured bond issue. See the "Insurance Regulation" section below for a description of these regulatory requirements. As of December 31, 2021, National's gross par amount outstanding for its ten largest insured U.S. public finance credits totaled $8.5 billion, representing 23.3% of National's total U.S. public finance gross par amount outstanding. Refer to "Note 13: Insurance in Force" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for further information regarding the Company's insured portfolio.

MBIA Corp. Insured Portfolio

MBIA Corp.'s insured portfolio consists of policies that insure various types of international public finance and global structured finance obligations that were sold in the new issue and secondary markets. 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, authorities or their equivalent as well as sovereign owned entities that might be supported by a sovereign state, region or authority. Global 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.

As of December 31, 2021, MBIA Corp. had 222 policies outstanding in its insured portfolio. In addition, MBIA Corp. had 35 insurance policies outstanding relating to liabilities issued by MBIA Inc. and its subsidiaries, which are described further under the section "Affiliated Financial Obligations Insured by MBIA Corp." below. MBIA Corp.'s total policies in its insured portfolio are diversified among 154 credits.

As of December 31, 2021, the gross par amount outstanding of MBIA Corp.'s insured obligations (excluding $0.8 billion of insured affiliated financial obligations and $22.9 billion of U.S. public finance debt ceded to National), was $5.2 billion. Insurance in force for the above portfolio, which includes all gross insured debt service, as of December 31, 2021 was $6.8 billion.

MBIA Corp. estimates that the average life of its international and structured finance insurance policies in force as of December 31, 2021 is 6 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, 2021 was $0.7 billion. Refer to "Note 13: Insurance in Force" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for further information regarding the Company's insured portfolio.

Affiliated Financial Obligations Insured by MBIA Corp.

Prior to 2008, MBIA Inc. provided customized investment agreements and one of its subsidiaries, GFL, issued MTNs with varying maturities. 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 MTNs or investment agreements. The investment agreements are currently fully collateralized with high quality assets. We believe the outstanding investment agreements and MTNs and corresponding asset balances will continue to decline over time as the liabilities mature, terminate, or are repurchased by the Company.

MBIA Corp. is a party to a financing facility (the "Refinanced Facility") between MZ Funding LLC ("MZ Funding") and certain purchasers, pursuant to which the purchasers or their affiliates agreed to refinance the outstanding insured senior notes of MZ Funding, and MBIA Inc. received amended subordinated notes of MZ Funding (the "MZ Junior Note"). The Refinanced Facility is secured by a first priority security interest in all of MBIA Corp.'s right, title and interest in the recovery of its claims from the assets of Zohar CDO 2003-1, Limited and Zohar II 2005-1 CDO which include, among other things, loans made to, and equity interests in certain portfolio companies. During 2021, MBIA Corp. repaid in full the outstanding amount of the Refinanced Facility's senior notes. Subsequent to December 31, 2021, MBIA Inc. agreed to extend the maturity date of the MZ Junior Note, with an aggregate principal amount of $68 million, until April 20, 2022, at a reduced interest rate. Refer to "Note 10: Debt" in the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for information on the Refinanced Facility.

Risk Management

Our largest risk is the credit exposure in our insured portfolio. The Company's credit risk management and remediation functions are managed through committees and units that oversee risks in ongoing portfolio surveillance and remediation. The Company's Insured Portfolio Management Divisions ("IPM") monitor and remediate domestic and international public finance and structured risks. In addition, National and MBIA Corp. each has its own risk committee that, as appropriate, reviews certain portfolio decisions. Additionally, each subsidiary has its own investment committee that reviews its respective investment portfolio and investment-related decisions.

The Company's Risk Oversight Committee (the "Risk Oversight Committee") reviews material transactions and provides firm-wide review of policies and decisions related to credit, market, operational, legal, financial and business risks. The Company and its subsidiaries' respective Loss Reserve Committees review loss reserving activity.

The Company's Board of Directors and related Committees, including Audit, and Finance and Risk, oversee risks faced by the Company and its subsidiaries. The Board regularly evaluates and discusses emerging risks and risks associated with strategic initiatives. On an annual basis, the Board also evaluates and approves the Company's risk tolerance policy. The purpose of the risk tolerance policy is to define the types and amounts of risks the Company is prepared to accept. The assessment includes risks associated with credit, capital adequacy, market, liquidity, legal, operations, cybersecurity and technology. This policy provides the basis upon which risk criteria and procedures are developed and seeks to have these applied consistently across the Company.

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, including cybersecurity risk. 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, independence and performance of the Company's independent auditor, (iii) the performance of the Company's internal audit function, (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. In connection with its oversight of cybersecurity risk, the Audit Committee receives semi-annual, or more frequent as appropriate, briefings from the Company's senior management and Enterprise Security Council concerning, among other topics, the implementation of the Company's Cybersecurity Policy, its ongoing training to prevent, identify and react to security incidents, periodic vulnerability assessments performed by outside vendors, and Internal Audit's periodic reviews of MBIA's data security policies and procedures.

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) capital and liquidity, (ii) proprietary investment portfolios, (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 has a designated Model Governance Team. Given the significance of models in the Company's surveillance and remediation activities, financial reporting and corporate treasury operations, the Company established a Model Governance Policy to enhance the consistency, reliability, maintenance and transparency of its models so that model risk can be mitigated on an enterprise-wide basis. The Model Governance Team is responsible for the Model Governance Policy as well as other Model Governance related initiatives.

Insurance Surveillance and Remediation

We surveil and remediate our 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 potential losses under stress.

- *U.S. Public Finance:* For U.S. public finance, our ongoing credit surveillance 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 credit, 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 obligors/credits and across a sector, as well as regulatory issues. U.S. public finance credits/exposures 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 MBIA personnel.
- *International Public Finance:* International public finance credits 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.
- *Global Structured Finance Transactions:* For global structured finance credits, 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 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, IPM may use various quantitative tools and qualitative analyses to test for credit quality, correlation, liquidity and capital sensitivity within the insured portfolio.

A key to our ongoing monitoring is early detection of deterioration in either obligor 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 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 rank 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 cash flows, 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.

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 claims payments, 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 include changes in interest rates, credit spreads and foreign exchange rates. 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. See "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of this Form 10-K for additional information on our market risk exposure. 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.

Environmental & Social Responsibility Risk Management

MBIA recognizes and embraces its responsibilities to the environment and to the promotion of social welfare. The Company's operations are analytical and administrative in nature and it has no other material locations or operations away from its limited headquarters in an Energy Star certified office complex in Purchase, New York. Thus, while we regularly assess the impact of environmental risk on our insured portfolios, and have demonstrated a strong commitment to environmental and social responsibility, we believe that the nature of our business, small size and current operations provide us with limited opportunities to improve upon that record. Our Risk Oversight Committee nevertheless regularly reviews and implements policies and decisions related to environmental and social governance risks.

As part of its Enterprise Risk Management framework, MBIA has identified climate change as an emerging risk to its insured portfolio of public finance credits. While the Company's insurance subsidiaries are no longer writing new business and therefore do not need to assess climate risk in the context of underwriting decisions, its existing insured portfolios will take decades to run off and remain exposed to the impact of climate change.

The significant majority of MBIA's outstanding insured exposure is to U.S. municipalities, which are subject to both direct and indirect effects of climate change including an increasing risk to severe weather events, flooding and droughts. The direct effects include costs to repair storm damage and flooding and to mitigate the impact of future events. Indirect impacts include potential deterioration of tax bases as populations move away from areas prone to severe weather and flooding. The impact of climate change on MBIA's insured portfolio is real but likely to manifest itself over a long period of time. It is as yet unclear what impact attempts to reduce carbon emissions will have. The expense to municipalities of mitigating climate risk may result in financial strain depending upon the nature of the risk being mitigated and the availability of state and/or federal funding.

In response to these threats, MBIA's risk management and insured portfolio management groups have identified the sectors of the insured portfolio that are particularly vulnerable to the impacts of climate change and factor these risks into internal ratings, frequency of review and potential remedial action. Sectors at increased risk to climate-driven events include water and sewer systems, single site/revenue generating assets, bridge and road infrastructure, electric utilities and housing.

MBIA is committed to promoting social welfare—for its employees, the communities in which they live and work, and the citizens in the municipalities that benefit from its insurance. It is MBIA's policy to ensure equal employment opportunity for all job applicants and employees with regard to all personnel-related matters, including, but not limited to recruitment, hiring, placement, promotion, compensation, benefits, transfers and training and all other terms and conditions of employment. In all such activities, MBIA prohibits and will not tolerate discrimination or harassment against any persons because of age, gender (including gender identity or gender expression), sex, race, color, religion, creed, marital status, sexual orientation, pregnancy, disability, veteran status, national origin, alien or citizenship status, genetic predisposition or carrier status, military or veteran status, or any other characteristic protected by law.

MBIA's Equal Employment Opportunity and Non-Discrimination and Anti-Harassment Policy applies to all applicants and employees, and other non-employee third-parties and individuals working for or on behalf of MBIA. It prohibits harassment, discrimination and retaliation whether engaged in by, or directed toward, fellow employees, a supervisor or manager, or third-parties. MBIA prohibits retaliation or adverse employment action against any individual who, in good faith, reports discrimination or harassment or participates in an investigation of such reports.

MBIA reasonably accommodates employees and applicants with disabilities (including temporary disabilities), those who are pregnant, nursing mothers, and those with sincerely held religious beliefs, in accordance with applicable law. If an employee suffers from a disability, is pregnant, or has a sincerely held religious belief that interferes with the employee's ability to perform his or her job, the employee can contact Human Resources to inquire whether a reasonable accommodation may be available and appropriate under the circumstances.

All employees are subject to the Company's Standard of Conduct, which serves as a critical guide for the manner in which it conducts business. All employees are required to read the Standard of Conduct and complete an on-line compliance training program annually.

MBIA offers its employees a comprehensive compensation and benefits package that includes a competitive salary and an annual cash performance bonus, paid time-off benefits, health and welfare voluntary benefits that include medical and dental insurance, a health savings account that includes a company match to employee contributions, and supplemental life insurance. Senior management also receives an annual long-term incentive award linked to shareholders' interests. The Company also provides a qualified defined contribution pension, a qualified 401(k) plan and a voluntary non-qualified deferred compensation plan that accepts contributions that exceed limitations established by federal regulations. In addition, the Company provides paid and unpaid employee leave of absences such as Safe Time Leave, Family Medical Leave, Parental Leave, Bereavement Leave, Military and Jury Duty Leave.

MBIA's corporate mission has long included enhancing the strength and vitality of communities, whether through offering its insurance product, which reduces the borrowing cost of towns, cities and municipalities, or through the sponsorship of many diverse philanthropic efforts. In 2001, MBIA formed the MBIA Foundation, a 501(c)(3) tax-exempt organization, whose mission is to help improve the quality of life in the communities where the Company conducts business and where its employees live and work. Since inception, the MBIA Foundation has paid out over $21 million in matching gifts, over $12 million in grants to community organizations and almost $400,000 in service grants in support of employees' volunteer efforts. The MBIA Foundation has also been active in supporting disaster relief efforts through direct donations from the Foundation and by increasing the customary match of 2:1 to 3:1 to further encourage employees donations.

Additionally, MBIA promotes employee volunteerism through its annual company-wide days of service, volunteer initiatives and special grants to organizations where employees volunteer or serve as board members. Through the Volunteer Initiatives Committee, the Foundation promotes a number of in-kind donation drives each year, including clothing and food drives.

COVID-19 Pandemic Risk Management

In response to the COVID-19 pandemic and in an effort to protect the health and well-being of its employees, the Company implemented its business continuity plans in early March of 2020. All employees worked remotely in 2021 until returning to the office in September, and have continued to operate in-office aside from a pause in January 2022 at the height of the spread of the Omicron variant. At all times, management will exercise its best judgment and operate consistently with federal, state and local guidance.

MBIA is committed to fostering the physical, emotional and financial health and well-being of its employees. The Company offers its employees a variety of wellness events on an ongoing basis, which include exercise classes, nutrition seminars, financial counseling, biometric screenings, flu vaccines, annual physical exam incentives and more.

Losses and Reserves

Loss and loss adjustment expense ("LAE") reserves are established by Loss Reserve Committees in each of our operating insurance companies 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, 2021 represent case basis reserves and estimates for LAE to be incurred. Case basis reserves represent the Company's estimate of expected losses to be paid under its insurance contracts, net of potential recoveries and discounted using a current risk-free interest rate, for contracts where the estimated loss amount exceeds the 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 generally accepted in the United States for financial guarantee contracts. We record case basis loss reserves on insured obligations which have defaulted or are expected to default during the remaining life of the obligation.

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 and "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements in Part II Item 8 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.

Reinsurance

We currently have third-party reinsurance agreements in place covering 2% of our insured par outstanding. At this time we do not intend to utilize reinsurance to decrease the insured exposure in our portfolio; 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

MBIA Corp. and National are parties to a reinsurance agreement pursuant to which National reinsures certain public finance financial guarantee policies originally written by MBIA Corp. In addition, National entered into a second-to-pay policy covering the reinsurance agreement.

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.

Insurance Regulation

National and MBIA Insurance Corporation are incorporated in and subject to primary insurance regulation and supervision by the State of New York. MBIA Corp.'s Spanish Branch is subject to local regulation in Spain. MBIA Mexico is organized and subject to primary regulation and supervision in Mexico. The Company's insurance subsidiaries are also licensed to issue financial guarantee policies in multiple jurisdictions as needed to conduct their business activities.

The extent of state and national insurance regulation and supervision varies by jurisdiction, but New York, Spain, 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. Among other regulated conduct, these laws and regulations 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. 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 and Capital Resources—Corporate Liquidity" in Part II, Item 7 of this Form 10-K, MBIA Inc. and its operating 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.

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. Amendments to the statutes or regulations governing financial guarantee insurers are possible, but the adoption or timing of any such amendments is uncertain.

New York State Dividend Limitations

The laws of New York regulate the payment of dividends by National and MBIA Insurance Corporation 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 Superintendent of Financial Services of the State of New York (the "Superintendent") approves a greater dividend distribution based upon a finding that the insurer will retain sufficient surplus to support its obligations and writings.

Due to its significant earned surplus deficit, MBIA Insurance Corporation has not had the statutory capacity to pay dividends since December 31, 2009, is not expected to have any statutory capacity to pay dividends, and has agreed that it will not pay any dividends without receiving prior approval from the NYSDFS in connection with certain prior approvals to release excessive contingency reserves. The foregoing dividend limitations are determined in accordance with statutory accounting principles ("U.S. STAT").

Contingency Reserves

As financial guarantee insurers, our domestic insurance companies are required by the laws and regulations of New York and other states to maintain, as applicable, contingency reserves on their municipal bond, asset-backed securities ("ABS") or other financial guarantee liabilities. Under New York Insurance Law (the "NYIL"), 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 0.55% to 2.5%, depending upon the type of obligation guaranteed (net of collateral, reinsurance, refunding, refinancings and certain insured securities). Other states maintain similar requirements. The contribution to, and maintenance of, the contingency reserve limits the amount of earned surplus that might otherwise be available for the payment of dividends. In each state, our domestic insurance companies may apply for release of portions of their contingency reserves in certain circumstances.

During the second quarter of 2021, MBIA Corp. received a non-disapproval from the NYSDFS, and in accordance with the NYIL and the National Association of Insurance Commissioners' statutory accounting principles, to release to surplus $125 million of contingency reserves that were deemed excessive in relation to MBIA Corp.'s outstanding obligations under its financial guarantees. In connection with this release, MBIA Corp. modified its remaining contingency reserves as follows:

- Third-party policies subject to contingency reserving primarily have investment grade ratings and a track record of satisfactory performance with no past or anticipated incurred losses. Based on a probability-weighted stress case scenario, MBIA Corp. maintains fixed contingency reserves on these policies.
- MTNs issued by GFL are insured by MBIA Corp. For these policies, contingency reserves, which represent 2.5% of the principal guaranteed, were established over a 15 year period.
- Investment agreements issued by MBIA Inc. and insured by MBIA Corp. are fully collateralized with high-quality collateral, primarily U.S. Treasuries. Consequently, MBIA Corp. no longer maintains any contingency reserves on these policies.

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.

During 2021 and 2020, National and MBIA Insurance Corporation reported single risk limit overages to the NYSDFS due to changes in their statutory capital. National and MBIA Insurance Corporation were in compliance with their aggregate risk limits as of December 31, 2021 and 2020.

Holding Company Regulation

MBIA Inc., National and MBIA Insurance Corporation 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 Insurance Corporation. 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. MBIA Insurance Corporation would require the prior approval of MBIA Mexico's regulator in order to transfer the shares it currently holds in MBIA Mexico.

Insurance Guarantee Funds

National and MBIA Insurance Corporation 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.

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 and approval by the respective Investment Committee of their Boards of Directors or similar body.

Insight North America, LLC manages the 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 right to manage the fixed-income investment portfolios of the Company and its subsidiaries until December 31, 2022 and guarantee certain minimum revenues thereunder. The agreements are subject to early termination.

To continue to optimize capital resources and provide for claims-paying capabilities, the investment objectives and policies of our operations are tailored to reflect their various strategies and operating conditions. 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 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 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.

RATING AGENCIES

The Company does not maintain a contractual relationship with Moody's Investor Services ("Moody's"), Standard & Poor's Financial Services LLC, or Kroll Bond Rating Agency, other than a required contract that MBIA Mexico maintains with Moody's. Moody's, at its discretion and in the absence of a contract with the Company, continues to maintain ratings on MBIA Inc. and its other subsidiaries.

CAPITAL FACILITIES

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

FINANCIAL INFORMATION

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

EMPLOYEES AND HUMAN CAPITAL MANAGEMENT

As of December 31, 2021, MBIA had 87 employees at our single corporate headquarters located at 1 Manhattanville Road, Purchase, New York, none of whom are covered by collective bargaining agreements. In recent years, we have experienced only modest employee turnover and consider our employee relations to be satisfactory. MBIA's human capital focus has been on identifying and retaining key personnel as the Company runs off its portfolios. MBIA has a succession plan in place and has identified internal candidates that could fill senior management and mid-level management positions as the need arises. The Company's senior management team and senior employee relations professionals work together on employee-related issues and initiatives, and on an annual basis conduct a full review of personnel to enable managers to provide meaningful feedback and growth opportunities, and to award promotions within the Company where warranted. The Company continues to rely on compensation components (such as salary, cash bonus awards and long-term incentive plan awards) to support employee retention. The Company incorporates performance metrics as part of the annual bonus offering with increased bonus potential for exceptional results. We utilize third-party benchmark data to establish market-based compensation levels. We believe that our current compensation and incentive levels reflect high performance expectations as part of our merit pay philosophy. The targeted use of long-term incentive plan awards for key talent is an important element of MBIA's long-term retention strategy.

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.

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 28, 2022 are set forth below:

Name	Age	Position and Term of Office
William C. Fallon	62	Chief Executive Officer and Director (executive officer since July 2005)
Anthony McKiernan	52	Executive Vice President and Chief Financial Officer (executive officer since August 2011)
Jonathan C. Harris	50	General Counsel and Secretary (executive officer since September 2017)
Daniel M. Avitabile	48	Assistant Vice President, and President and Chief Risk Officer of MBIA Corp. (executive officer since September 2017)
Adam T. Bergonzi	58	Assistant Vice President and Chief Risk Officer of National (executive officer since September 2017)
Christopher H. Young	49	Assistant Vice President, and Chief Financial Officer of National (executive officer since September 2017)
Joseph R. Schachinger	53	Controller (executive officer since May 2017)

Item 1. Business (continued)

William C. Fallon was elected as a Director of the Company in May 2017, and appointed as Chief Executive Officer in September 15, 2017. Prior to being named Chief Executive Officer and Director, Mr. Fallon served as President, Chief Operating Officer, and 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.

Anthony McKiernan was named Executive Vice President and Chief Financial Officer on May 1, 2012 and March 11, 2016, respectively. Immediately prior to those appointments Mr. McKiernan was Vice President and Chief Portfolio Officer of the Company. Mr. McKiernan is also Chairman and Chief Financial 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.

The Board of Directors of MBIA Inc. appointed Mr. Fallon to the office set forth opposite his name above on September 15, 2017 and appointed Mr. McKiernan to the offices set forth opposite his name above on May 1, 2012 and March 11, 2016.

Jonathan C. Harris is General Counsel and Secretary of the Company. Prior to being named General Counsel and Secretary, Mr. Harris served as Assistant Vice President and Head of Litigation. Mr. Harris joined the Company as Head of Litigation in 2009. Prior to joining the Company, Mr. Harris was litigation counsel at Lehman Brothers, and practiced in the litigation department of Willkie Farr & Gallagher. The Board of Directors of MBIA Inc. appointed Mr. Harris to the offices set forth opposite his name above on May 3, 2017.

Daniel M. Avitabile is an Assistant Vice President of the Company and President and Chief Risk Officer of MBIA Corp. Prior to being named Chief Risk Officer in 2016, Mr. Avitabile managed MBIA Corp.'s Special Situations Group, which was responsible for remediation and commutation activity. Mr. Avitabile has worked at MBIA since 2000, where he has held positions in insured portfolio management, remediation, corporate strategy and structured finance new business. Prior to joining MBIA, he held positions at The Chase Manhattan Bank and State Street Bank. The Board of Directors of MBIA Inc. and MBIA Insurance Corporation appointed Mr. Avitabile to the offices set forth opposite his name above on February 13, 2018, September 15, 2017 and March 11, 2016, respectively.

Adam T. Bergonzi is an Assistant Vice President of the Company and Chief Risk Officer of National, overseeing all of National's risk and insured portfolio management activities. Prior to being named Chief Risk Officer of National in 2010 when he rejoined the Company, Mr. Bergonzi was employed at Municipal and Infrastructure Assurance Corporation, which he co-founded and served as its Chief Risk Officer, from 2008 to 2010. The Board of Directors of MBIA Inc. and National Public Finance Guarantee Corporation appointed Mr. Bergonzi to the offices set forth opposite his name above on May 3, 2016 and November 15, 2010, respectively.

Christopher H. Young is an Assistant Vice President of the Company and Chief Financial Officer of National. Prior to being named National's Chief Financial Officer in March of 2009, Mr. Young worked at MBIA Insurance Corporation, from 2001 to 2009, in a variety of Structured Finance positions and in Corporate Strategy. The Board of Directors of MBIA Inc. and National Public Finance Guarantee Corporation appointed Mr. Young to the offices set forth opposite his name above on February 13, 2018 and March 5, 2009, respectively.

Joseph R. Schachinger is the Company's Controller. Prior to being named Controller in May of 2017, since 2009 Mr. Schachinger served as Deputy Controller. The Board of Directors of MBIA Inc. appointed Mr. Schachinger to the office set forth opposite his name above on May 3, 2017.

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", "Legal, Regulatory and Other Risk Factors", "Capital, Liquidity and Market Related Risk Factors", "MBIA Corp. Risk Factors", and "General Risk Factors". Risk Factors are generally 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 issued public finance obligations we insured are experiencing fiscal stress that could result in increased credit losses or impairments on those obligations.

Certain issuers are reporting fiscal stress that has resulted in a significant increase in taxes and/or a reduction in spending or other measures in efforts to satisfy their financial 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, or increase other revenues, cut spending, reduce liabilities, and/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.

In particular, the Commonwealth of Puerto Rico and several of its public corporations and instrumentalities ("Puerto Rico"), which have reported significant fiscal stress, are currently in bankruptcy-like proceedings in the United States District Court for the District of Puerto Rico, pursuant to the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA").

The extent and duration of any aid from the Federal Emergency Management Agency and other federal agencies that may be offered to Puerto Rico is uncertain. Further, greater involvement of the federal government through its action to deliver disaster relief and support services to Puerto Rico heightens the political risk already inherent in the legacy debt restructuring. This risk could lead the independent oversight board created by PROMESA to oversee Puerto Rico's debt restructuring (the "Oversight Board"), Puerto Rico itself, or the federal government to seek to extract greater concessions from creditors based on the uncertainty of Puerto Rico's long term recovery prospects. In this event, losses at National on select Puerto Rico exposures could increase materially.

As of December 31, 2021, National had 2.6 billion of debt service outstanding related to Puerto Rico. Since 2016, Puerto Rico has been unable or unwilling to pay its obligations as and when due, and National has been required to pay claims of unpaid principal and interest when due under its insurance policies as a consequence. Puerto Rico may continue to fail to make payments when due, which could cause National to make additional claims payments which could be material. During 2021, Puerto Rico defaulted on scheduled debt service for certain National insured bonds and National paid gross claims in the aggregate of $277 million. On January 1, 2022, Puerto Rico also defaulted on scheduled debt service for certain National insured bonds and National paid gross claims in the aggregate of $47 million. While National will 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 would experience losses on those obligations, which could materially and adversely affect our business, financial condition and results of operations.

On February 22, 2021, National agreed to join a plan support agreement, dated as of February 22, 2021 (the "GO PSA"), among the Oversight Board, certain holders of GO Bonds and PBA Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp, and Syncora Guarantee Inc. in connection with the GO and PBA Title III cases. The GO PSA provides that, among other things, National shall receive a pro rata share of allocable cash, newly issued General Obligation bonds, a contingent value instrument and certain fees. The GO PSA was amended on January 30, 2022 (the "Amended GO PSA") to move the termination date from January 31, 2022 to March 15, 2022.

On April 12, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board reached an agreement in principle settling certain clawback claims and providing for a distribution of cash, bonds and a contingent value instrument to bondholders in the Puerto Rico Highway and Transportation Authority ("HTA") Title III case subject to completing negotiations on a plan support agreement in respect of an HTA plan of adjustment (the "HTA PSA"). On May 5, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board entered into the HTA PSA. The Disclosure Statement was approved on July 27, 2021.

The Confirmation Hearing for the Commonwealth Title III case concluded on November 23, 2021. On January 14, 2022, the Oversight Board filed its final draft of the Modified Eighth Amended Plan of Adjustment for the Commonwealth of Puerto Rico and, on January 18, 2022, the Court signed the confirmation order. There can be no assurance that the plan will become effective within the time permitted under the Amended GO PSA, currently March 15, 2022, or by the Bankruptcy Court.

On May 3, 2019, PREPA, the Oversight Board, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Ad Hoc Group of PREPA bondholders (the "Ad Hoc Group"), and Assured Guaranty Corp. and Assured Guaranty Municipal Corp. entered into a Definitive Restructuring Support Agreement which was amended on September 9, 2019 to include National and Syncora Guarantee, Inc. as supporting parties (as amended, the "RSA"). The Rule 9019 hearing to approve the RSA has been delayed several times, and most recently was adjourned due to the coronavirus crisis until further notice. The debt restructuring contemplated by the RSA will not be effective until (i) confirmation of a plan of adjustment under PROMESA, (ii) negotiation and consummation of definitive documentation and legal opinions, (iii) enactment and implementation of supportive Puerto Rico legislation and (iv) receipt of Puerto Rico regulatory approval, each of which outcome is uncertain and subject to varying degrees of risk. In addition, the restructuring the RSA contemplates has received criticism from various parties including members of the Puerto Rico government and other stakeholders. This opposition could adversely affect the ability of the Oversight Board and RSA Parties to obtain the Rule 9019 Order and approve the RSA.

On February 18, 2022, the Ad Hoc Group of PREPA Bondholders filed an urgent motion to compel mediation and impose deadlines for a PREPA Plan, and on February 22, 2022, National filed a joinder to the motion. The Court agreed to set an expedited briefing schedule on the urgent motion, and will consider the pleadings on submission not before March 1, 2022.

Refer to the "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—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.

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 issued financial guarantee policies that insure the financial performance of the obligations guaranteed over a long period of time 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 actuarial approaches that are customarily used by other types of insurance companies 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 future net claims in our insured portfolio will not exceed our loss reserves. If our loss reserves are not adequate to cover actual losses, our results of operations and financial condition could be materially and adversely affected. We use financial models to project future net claims on our insured portfolio, including insured derivatives, and to establish loss reserves and estimate impairments and related recoveries. There can be no assurance that the future loss projection and impairments based on these models will ultimately reflect the actual losses and impairment and recovery 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 fixed-income portfolio (excluding cash and cash equivalents and other investments not intended to defease long-term liabilities) 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 insurance companies' fixed-income investment portfolios may materially impact loss reserves.

Political and economic conditions in the United States 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 political and economic conditions, both in the U.S. and around the world. General global unrest, including fraud, terrorism, catastrophic events, natural disasters, pandemics such as the novel coronavirus COVID-19 ("COVID-19"), or similar events could disrupt the economy in the U.S. and other countries where we have insured exposure or operate our businesses. See Risk Factor "The pandemic caused by the spread of COVID-19 could have an adverse impact on our financial condition and results of operations and other aspects of our business" under "Legal, Regulatory and Other Risk Factors" for additional information on COVID-19. 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.

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 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 bonds backed by hotel taxes.

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

The Company uses third-party and internal financial models to estimate liquidity, potential claims payments, 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 sufficient to meet our 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 insurance 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 claims payments, in particular, may materially impact our liquidity position. We may make changes to our estimated claims payments, loss reserves or fair value models from time to time. These changes could materially impact our financial results.

Our risk management policies and procedures may not adequately 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 maturities.

Legal, Regulatory and Other Risk Factors

Regulatory change could adversely affect our businesses, and regulations limit investors' ability to affect 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. Failure to comply with applicable laws and regulations could expose our insurance companies and/or their constituents, to fines, the loss of their insurance licenses, and the inability to engage in certain business activity, as the case may be. 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 our insurance companies to increased loss reserves and capital requirements or more stringent regulation generally, which could materially adversely affect our financial condition and results of operations. Finally, changes to accounting standards and regulations may require modifications to our accounting methodology, both prospectively and for prior periods; 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 required 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 New York State Department of Financial Services ("NYSDFS") may impose other remedial actions on us as described further below to the extent our insurance companies do not meet such requirements.

Under New York Insurance Law ("NYIL"), the Superintendent of Financial Services (the "Superintendent") 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 the NYIL, 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 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 determines that the insurer's surplus to policyholders is not adequate in relation to its outstanding liabilities or financial needs. If the Superintendent were to take any such action as to National, it could result in the reduction or elimination of the payment of dividends to MBIA Inc.

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"). Continuing elevated loss payments and delay or failure in realizing expected recoveries as well as certain other factors may materially and adversely affect MBIA Insurance Corporation's liquidity and its ability to timely meet its insurance obligations, and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding, or issue a 1310 Order, if it does not believe MBIA Insurance Corporation will be able to pay expected claims. 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, or a 1310 Order.

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

As further set forth in "Note 19: 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, there can be no assurance that it will prevail in any such action, and 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.

An ownership change under Section 382 of the Internal Revenue Code could have materially 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. On May 2, 2018, MBIA Inc.'s shareholders ratified an amendment to the Company's By-Laws, which had been adopted earlier by MBIA Inc.'s Board of Directors. The amendment places restrictions on certain acquisitions of Company stock that otherwise may have increased the likelihood of an ownership change within the meaning of Section 382. The amendment generally prohibits a person from becoming a "Section 382 five-percent shareholder" by acquiring, directly or by attribution, 5% or more of the outstanding shares of the Company's common stock and will generally restrict existing "Section 382 five-percent shareholders" from increasing their ownership interest under Section 382 by more than one percentage point over their percentage stock ownership immediately prior to the effective date of the amendment or, if lower, their percentage thereafter. Nevertheless, there can be no assurance that MBIA Inc. will not undergo an ownership change at a time when these limitations could have a materially adverse effect on the Company's financial condition.

Changes in U.S. federal income tax law could materially adversely affect the value of the Company's net deferred tax asset.

MBIA Inc. carries a net deferred tax asset whose value is calculated by application of the federal corporate taxation rates in effect at the time of determination. Changes in applicable U.S. tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our net deferred tax asset. As a result of the Company having established a full valuation allowance against its net deferred tax asset in 2017, any adjustment to the Company's net deferred tax asset, will likely result in a corresponding change to the Company's valuation allowance, resulting in no impact to the Company's balance sheet or income statement.

Ineffective internal controls, including internal control over financial reporting, could materially and adversely affect our business, financial condition, results of operations and reputation.

We cannot be certain that we will not identify control deficiencies or material weaknesses in the future. If we fail to remediate a material weakness or fail to otherwise maintain effective internal control over financial reporting in the future, such failure could result in a material misstatement of our annual or quarterly financial statements that would not be prevented or detected on a timely basis and which could cause investors and other users to lose confidence in our financial statements, limit our ability to raise capital and have a negative effect on the trading price of our common stock. Additionally, failure to remediate a material weakness or otherwise failing to maintain effective internal control over financial reporting may materially and adversely affect our business, financial condition, results of operations and reputation, and could impair our ability to timely file our periodic reports with the SEC, subject us to litigation and regulatory actions and cause us to incur substantial additional costs in future periods relating to the implementation of remedial measures.

The pandemic caused by the spread of COVID-19 could have an adverse impact on our financial condition and results of operations and other aspects of our business.

COVID-19 continues to be an ongoing pandemic. While efforts to contain COVID-19 in the United States have been effective (distribution of vaccines and boosters, promotion of and use of masks, and social distancing), the current and longer-term impacts of COVID-19 remains uncertain. The existence or extent of any impact on our insured or investment portfolios, or general business operations, will depend on future developments which are highly uncertain, including but not limited to the future severity of the pandemic, and the effectiveness of financial and regulatory actions taken at the state and federal levels to contain or address its impact. We also cannot predict how political, legal and regulatory responses to the pandemic, such as the nature of and conditions to aid to states or municipalities, tax policy, or programs designed to assist impacted individuals, will impact our business.

Federal legislation passed to combat the economic impact of the pandemic has been significant, including the $2.7 trillion Coronavirus Aid, Relief, and Economic Security (“CARES”) Act in 2020, which included significant aid to offset COVID-19 related expenditures of public sector issuers including states, territories, healthcare, higher education and transportation issuers. Also, the Federal Reserve has shown willingness to promote the stability of the financial system that is directly supportive of the municipal market, such as the Municipal Lending Facility created in 2020. In March of 2021, Congress passed the American Rescue Plan Act of 2021, a $1.9 trillion economic stimulus package designed to further stabilize the financial system. This law allocated nearly $350 billion of aid to state and local governments to replace lost revenues resulting from the pandemic with relatively few restrictions on use of said funds. While the unprecedented amount of federal aid directed to state and local municipalities has blunted the impact of the pandemic, not all of the issuers of the obligations in National’s insured portfolio were eligible to receive it. Further, if issuers are unable to raise taxes, reduce spending, or receive federal assistance, the Company may experience new or additional losses or impairments on those obligations, which could materially and adversely affect its business, financial condition and financial results.

Any adverse developments on macroeconomic factors resulting from COVID-19, including without limitation reduced economic activity and certainty, increased unemployment, increased loan defaults or delinquencies, and increased stress on municipal budgets, including due to reduced tax revenues and the inability to raise taxes or limit spending, could materially and adversely affect the performance of our insured portfolio and our business, financial condition and results of operations. Specifically, such adverse effects could impact whether the individual municipal or structured finance credits we insure will be able to continue to meet their debt service obligations or avoid long term impairment, and could therefore result in an increase in defaults and on the amount of claims we will be obligated to pay on the related insurance policies. Such increases could cause us to revise our loss projections or other guidance we have previously provided. In particular, certain insured municipal credits, including those relating to Puerto Rico, could come under stress depending in part on the nature of the taxes, fees and revenues pledged to debt repayment and their sensitivity to the related slowdown in economic activity. Further, those structured finance policies in which the underlying principal obligations are comprised of residential or commercial mortgages and mortgage-backed securities, could be negatively impacted by delays or failures of borrowers to make payments of principal and interest when due, or delays or moratoriums on foreclosures or enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities. These transactions are also subject to servicer risks, which relate to problems with the transaction’s servicer that could adversely impact performance of the underlying assets. Additionally, several of our credits, particularly within our international public finance sector, feature large, near term debt-service payments, and there can be no assurance that the liquidity position of MBIA Insurance Corporation will enable it to satisfy any claims that arise if the issuers of such credits are unable or unwilling to refinance or repay their obligations. Further, any national recession that may result from the pandemic and its aftermath could present additional but yet unknown credit risks to all of our insured portfolios.

Additionally, our liquidity position and our investment portfolios (and, specifically, the valuations of investment assets we hold) could be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced market liquidity or a continued slowdown in U.S. or global economic conditions may also adversely affect the values and cash flows of these assets or the investment portfolio yield and income. Further, extreme market volatility may impact our ability to efficiently and effectively react to market events. Market dislocations, decreases in observable market activity or unavailability of information, in each case, arising from the spread of COVID-19, may restrict our access to key inputs used to derive certain estimates and assumptions made in connection with estimating the values of financial instruments within our financial reporting or otherwise, including estimates and changes in long term macro-economic assumptions relating to our estimate of current expected credit losses on our financial assets. Restricted access to such inputs may make our financial statement balances and estimates and assumptions used to run our business subject to greater variability and subjectivity.

Further, while we have implemented operational risk management and business continuity plans and taken preventive measures and other precautions that address the pandemic, there can be no assurance that such measures will prevent a material impact on our business operations. While our employees are no longer working remotely in general, should we once again be required, or choose, to close our offices, an extended period of remote work arrangements could introduce operational risks including but not limited to cybersecurity risk, and impair our ability to manage our business. We also outsource certain business activities to third parties, and thus rely upon the successful implementation and execution of those third parties' business continuity plans as well. If one or more of the third parties to whom we outsource certain business activities experience operational failures as a result of the impacts from the spread of COVID-19, it may have a material adverse effect on our business, financial condition, results of operations, liquidity and cash flows.

Capital, Liquidity and Market Related Risk Factors

We are a holding company and rely to a significant degree on cash flow from National. A disruption in this cash flow or an inability to access third-party capital could materially and 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 from National to pay principal and interest on our indebtedness and operating expenses, among other items. We expect that for the foreseeable future, National alone will be the source of dividends to the Company, and it 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 would be influenced by various factors, which could include (i) the long-term debt ratings of the Company, (ii) expected dividends from National, (iii) the financial condition and business prospects of our insurance companies and (iv) the perceptions of the financial strength of MBIA Inc. and our insurance companies. There can be no assurance that an inability to obtain adequate capital on favorable terms, or at all, would not adversely affect our business, operating results and financial condition.

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. Also, 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.

MBIA Inc. has substantial indebtedness, and may incur additional indebtedness, which could adversely affect our financial condition, and/or our ability to obtain financing in the future, react to changes in our business and/or satisfy our obligations.

As of December 31, 2021, MBIA Inc. had $590 million of medium-term note liabilities, $306 million of Senior Notes liabilities and $274 million of 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 use 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; and
- 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, a significant portion of the cash and securities of MBIA Inc. are 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 an 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, and the discontinuance of certain interbank offered rates, could materially and adversely affect our financial condition.

Increases in prevailing interest rate levels can adversely affect the value of our investment portfolios 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 investment agreement liabilities in our corporate operations, which would require the Company to post additional collateral to its counterparties. In the insurance operations, with respect to credit risk, increasing interest rates could lead to increased stress on transactions in our insured portfolio with floating rate liabilities. Increasing interest rates could also result in a lower present value of salvage reserves while declining interest rates could result in a higher present value of future loss payments.

Lower interest rates can result in lower net interest income since a substantial amount of assets are now held in cash and cash equivalents given the increased focus on liquidity. Lower interest rates would also adversely impact the value of our interest rate swap contracts in our corporate operations, and would require the Company to post additional collateral to its counterparties.

Further, a number of our debt issuances, interest rate swap contracts and financial investments are indexed to an interbank offered rate, including the London Interbank Offered Rate ("LIBOR"), and the assets or liabilities related to insured credit transactions may be indexed to LIBOR, as the applicable reference rate. In July 2017, The U.K. Financial Conduct Authority announced that after 2021, it will no longer persuade or require banks to submit rates for LIBOR. Subsequently, on November 30, 2020, ICE Benchmark Administration, the administrator for LIBOR, announced plans to cease publication (i) immediately after December 31, 2021 of one week and two month USD LIBOR settings and (ii) immediately following the LIBOR publication on June 30, 2023 of the remaining USD LIBOR settings i.e., overnight and one, three, six and twelve month settings. These announcements, among other developments, have resulted in uncertainty about the future of LIBOR, and the potential or actual discontinuance of LIBOR as a benchmark rate may adversely affect the value of, return on and trading market for our financial assets and liabilities that are based on or are linked to LIBOR. Furthermore, there can be no assurance that we and other market participants will be adequately prepared for an actual discontinuation of LIBOR which could have an unpredictable impact on contractual mechanics that could also produce an adverse economic impact.

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.

MBIA Corp. Risk Factors

As described further and for the reasons stated herein, we believe that MBIA Corp. will not provide significant economic or shareholder value to MBIA Inc. For additional information on MBIA Corp., refer to "Management's

Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—International and Structured Finance Insurance" in Part II, Item 7 of this Form 10-K. Additionally, also as described further herein, given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any 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 material economic impact on the financial condition or liquidity of MBIA Inc. However, there can be no assurance that the financial condition or a rehabilitation or liquidation proceeding of MBIA Insurance Corporation would not have an adverse impact on MBIA Inc. The risk factors described below with respect to MBIA Corp. are set forth for that reason, as well as for an independent understanding of the risks to MBIA Corp.

Continuing elevated loss payments and delay or failure in realizing expected recoveries on insured transactions may materially and adversely affect MBIA Insurance Corporation's statutory capital and its ability to meet liquidity needs and could cause the NYSDFS to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding if the NYSDFS concludes that MBIA Insurance Corporation will not be able to pay expected claims.

MBIA Insurance Corporation is particularly sensitive to the risk that it will not have sufficient capital or liquid resources to meet contractual payment obligations when due or to make settlement payments in order to terminate insured exposures to avoid losses. While management's expected liquidity and capital forecasts for MBIA Insurance Corporation reflect adequate resources to pay expected claims, there are risks to the capital and liquidity forecasts as MBIA Insurance Corporation's remaining insured exposures and its expected salvage recoveries are potentially volatile. Such volatility exists in salvage that MBIA Insurance Corporation may collect, including in particular recoveries on the claims it paid in respect of the insured notes issued by Zohar collateralized debt obligation ("CDO") 2003-1, Limited and Zohar II 2005-1 CDO (collectively, the "Zohar Claims Payments"), and the exposure in its remaining insured portfolio, which could deteriorate and result in significant additional loss reserves and claim payments, including claims on insured exposures that in some cases may require large bullet payments.

In July of 2019, MBIA Insurance Corporation consummated a financing facility (the "Refinanced Facility") between MZ Funding LLC ("MZ Funding") and certain purchasers, pursuant to which the purchasers or their affiliates (collectively, the "Senior Lenders"), agreed to refinance the outstanding insured senior notes of MZ Funding, and MBIA Inc. received amended subordinated notes of MZ Funding. In connection with the Refinanced Facility, the Senior Lenders purchased new senior notes issued by MZ Funding with an aggregate principal amount of $278 million. During 2021, MBIA Corp. repaid in full the outstanding amount of the insured senior notes. Subsequent to December 31, 2021, MBIA Inc. agreed to extend the maturity date of the subordinated notes of MZ Funding, which had an aggregate principal amount of $68 million, to April 20, 2022 at a reduced interest rate. The Refinanced Facility is described in more detail in "Note 10: Debt" in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part II, Item 8 of this Form 10-K.

While MBIA Insurance Corporation believes that it will receive substantial recoveries on the loans made to, and equity interests in, companies that, until late March of 2020, were purportedly controlled and managed by the sponsor and former collateral manager of the Zohar CDOs referenced above (collectively, the "Zohar Collateral"), recoveries thus far on the Zohar CDOs' interests in the portfolio companies have been below expectations, and there remains significant uncertainty with respect to the realizable value of the remaining Zohar Collateral. Further, as the monetization process at the remaining portfolio companies continues to unfold in coordination with the new directors and managers in place, and new information concerning the financial condition of the portfolio companies is disclosed, we will continue to revise our expectations for recoveries. There can be no assurance that such information will not lead to material revisions to our expectations for the recovery from any individual portfolio company.

If the amount of recoveries on the Zohar Collateral falls below our expectations, MBIA Insurance Corporation would likely incur additional and potentially substantial losses, which could materially impair its statutory capital and liquidity. Further, MBIA Insurance Corporation believes that if the NYSDFS concludes at any time that MBIA Insurance Corporation will not be able to satisfy its obligations under its other issued policies, the NYSDFS would likely put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the NYIL and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance

Corporation's policyholders. The determination to commence such a proceeding or take other such actions is within the exclusive control of the NYSDFS. The NYSDFS enjoys broad discretion in this regard, and any determination they may make would not be limited to consideration of the matters described above. As noted, however, given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any 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 material economic long-term liquidity impact on MBIA Inc.

MBIA Corp. insures certain transactions that continue to perform poorly 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. MBIA Corp. has also recorded significant loss reserves on its residential mortgage-backed securities ("RMBS") and collateralized debt obligation ("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's servicer that could adversely affect performance of the underlying assets. As of December 31, 2021, MBIA Corp. recorded expected RMBS recoveries of $88 million, including recoveries related to consolidated VIEs, on our RMBS transactions, in reimbursement of our past and future expected claims. Of this amount, $43 million is included in "Insurance loss recoverable" and $45 million is included in "Loss and loss adjustment expense reserves" on the Company's consolidated balance sheets. RMBS recoveries relate to structural features within the trust structures that allow for the Company to be reimbursed for prior claims paid. These reimbursements for specific trusts include recoveries that are generated from the excess spread of the transactions. Excess spread within insured RMBS securitizations is the difference between interest inflows on mortgage loan collateral and interest outflows on the insured RMBS notes. There can be no assurance that this recovery will be received in its entirety or in the expected timeframe.

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

As noted above, MBIA Insurance Corporation continues to face 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 MBIA Global Funding LLC ("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;
- 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;
- The payment of installment premiums due to National from MBIA Insurance Corporation under the reinsurance agreement between National and MBIA Insurance Corporation (Refer to Item 1, "Our Insurance Operations", "Reinsurance" for a description of the agreement) could be disrupted, delayed or subordinated to the claims of policyholders of MBIA Insurance Corporation;
- 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, which would result in the Company losing control of MBIA Insurance Corporation and possible changes to MBIA Insurance Corporation's strategies and management; and

- Unplanned costs on MBIA Inc., as well as significant additional expenses for MBIA Insurance Corporation 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.

General Risk Factors

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, 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 and maintenance of a cybersecurity program which includes a variety of security measures, our information technology systems, networks and data could be subject to cyber-attacks or physical break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, confidentiality or privacy of sensitive information.

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 or inactions 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 revenues and/or otherwise adversely affect our business.

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 human capital management including its ability to 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 operates. The Company relies substantially upon the services of William C. Fallon, Chief Executive Officer, and other senior executives. There is no assurance that the Company will be able to retain the services of key executives. While the Company has a succession plan for key executives and does not expect the departure of any key executives to have a material adverse effect on its operations, there can be no assurance that the loss of the services of any of these individuals or other key members of the Company's management team would not adversely affect the implementation of its business strategy.

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 Mexico City, Mexico. 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 19: 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.

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 21, 2022, there were 250 shareholders of record of the Company's common stock. The Company did not pay cash dividends on its common stock during 2021 or 2020. 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, refer to "Item 1. Business—Insurance Regulation" in this annual report.

During 2021, the Company or National did not purchase or repurchase any shares. During 2020, the Company or National purchased or repurchased 26.4 million shares at a cost of $198 million under the repurchase authorization approved by the Company's Board of Directors (the "Board") in May 2020 and November 2017 and exhausted these share repurchase authorizations. During 2019, the Company or National purchased or repurchased 11.1 million shares at a cost of $101 million under the repurchase authorization approved by the Board in November 2017.

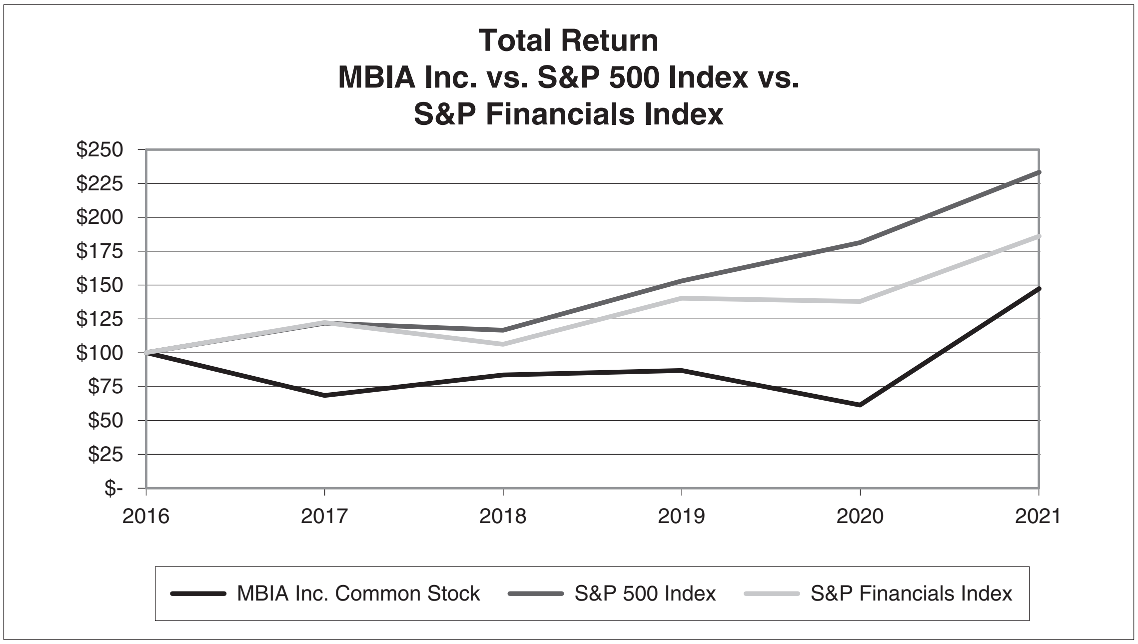
The table below presents repurchases made by the Company or National in each month during the fourth quarter of 2021. See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in Part III for a further discussion of securities authorized for issuance 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)
October	86	13.70	—	$ —
November	89	13.37	—	—
December	24,956	15.77	—	—

(1) Represents 86 shares in October, 89 shares in November and 100 shares in December repurchased in open market transactions as investments in the Company's non-qualified deferred compensation plan and 24,856 shares in December were repurchased by the Company in open market transactions for settling awards under the Company's long term incentive plan.

As of December 31, 2021, 283,186,115 shares of Common Stock of the Company, par value $1 per share, were issued and 54,556,112 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, 2021 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.



	2016	2017	2018	2019	2020	2021
MBIA Inc. Common Stock	100.00	68.41	83.36	86.92	61.50	147.57
S&P 500 Index	100.00	121.82	116.47	153.13	181.29	233.28
S&P Financials Index	100.00	122.14	106.21	140.30	137.83	185.90

Source: Bloomberg Finance L.P.

Item 6. [Reserved]

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 other sections of 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 and Cautionary Statements" and "Risk Factors" in Part I, Item 1A of this Form 10-K for a further discussion of risks and uncertainties.

This section of this Form 10-K generally discusses 2021 and 2020 items and year-to-year comparisons between 2021 and 2020 results. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 results not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

OVERVIEW

MBIA Inc., together with its consolidated subsidiaries, (collectively, "MBIA", the "Company", "we", "us", or "our") operates within the financial guarantee insurance 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 portfolio is managed through National Public Finance Guarantee Corporation ("National"), our corporate segment is managed through MBIA Inc. and several of its subsidiaries, including our service company, MBIA Services Corporation ("MBIA Services"), and our international and structured finance insurance business is primarily managed through MBIA Insurance Corporation and its subsidiary ("MBIA Corp.").

National's primary objectives are to maximize the performance of its existing insured portfolio through effective surveillance and remediation activity and effectively manage its investment portfolio. Our corporate segment consists of general corporate activities, including providing support services to MBIA's operating subsidiaries and asset and capital management. MBIA Corp.'s primary objectives are to satisfy all claims by its policyholders and to maximize future recoveries, if any, for its senior lending and surplus note holders, and then its preferred stock holders. MBIA Corp. is executing this strategy by, among other things, taking steps to maximize the collection of recoveries and reducing and mitigating potential losses on its insurance exposures. We do not expect National or MBIA Corp. to write significant new business.

COVID-19 and the Economic Environment

The novel coronavirus COVID-19 ("COVID-19") continues to be an ongoing pandemic. While efforts to contain COVID-19 in the United States have been effective (distribution of vaccines and boosters, promotion of and the use of masks, and social distancing), the current and longer-term impacts of COVID-19 remain uncertain. The existence or extent of any impact on our insured or investment portfolios, or general business operations, will depend on future developments which are highly uncertain, including but not limited to the future severity of the pandemic, and the effectiveness of financial and regulatory actions taken at the state and federal levels to contain or address its impact. We also cannot predict how political, legal and regulatory responses to the pandemic, such as the nature of and conditions to aid to states or municipalities, tax policy, or programs designed to assist impacted individuals, will impact our business.

Federal legislation passed to combat the economic impact of the pandemic has been significant, including the $2.7 trillion Coronavirus Aid, Relief, and Economic Security ("CARES") Act in 2020, which included significant aid to offset COVID-19 related expenditures of public sector issuers including states, territories, healthcare, higher education and transportation issuers. Also, the Federal Reserve has shown a willingness to promote the stability of the financial system that is directly supportive of the municipal market, such as the Municipal Lending Facility created in 2020. In March of 2021, the American Rescue Plan Act of 2021 was enacted, a $1.9 trillion economic stimulus package designed to further stabilize the financial system. This law allocated nearly $350 billion of aid to state and local governments to replace lost revenues resulting from the pandemic with relatively few restrictions on use of said funds. However, economic activity, employment and inflation remain at risk as the path of economic recovery will still be significantly affected by the course of the virus, including new variants, and the continuing progress on vaccinations throughout the country. With inflation elevating, the Federal Reserve has signaled that the economy is healthy enough and in need of a tighter monetary policy that will likely entail interest rate hikes, tapering of monthly asset purchases and a reduced balance sheet.

Insured portfolios

Any adverse developments on macroeconomic factors resulting from COVID-19, including without limitation reduced economic activity and certainty, increased unemployment, increased loan defaults or delinquencies, and increased stress on municipal budgets, including due to reduced tax revenues and the ability to raise taxes or limit spending, could materially and adversely affect the performance of the Company's insured portfolios. Any impact of the pandemic on the Company's financial guarantee credits would vary based on the nature of the taxes, fees and revenues pledged to debt repayment and their sensitivity to the related slowdown in economic activity. Economic deterioration at the state and local level weakens the credit quality of the issuers of our insured municipal bonds, reduces the performance of our insured U.S. public finance portfolio and, while such has not yet occurred materially, could increase the amount of National's potential incurred losses. The duration of the pandemic, the efficacy of vaccines, spending of federal aid to state and local governments, and the breadth and speed of economic recovery will determine the degree of economic stress, if any, incurred by the credits in the Company's insured portfolios. While the unprecedented amount of federal aid directed to state and local municipalities has blunted the impact of the pandemic, not all of the issuers of the obligations in National's insured portfolio were eligible to receive it. Further, if issuers are unable to raise taxes, reduce spending, or receive federal assistance, while such has not yet occurred materially, the Company may experience new or additional losses or impairments on those obligations, which could materially and adversely affect its business, financial condition and financial results.

Certain of MBIA Corp.'s structured finance policies, including those in which the underlying principal obligations are comprised of residential or commercial mortgages and mortgage-backed securities ("MBS"), could be negatively impacted by delays or failures of borrowers to make payments of principal and interest when due, or delays or moratoriums on foreclosures or enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities. MBIA Corp. has recorded significant loss reserves on its residential mortgage-backed securities ("RMBS") and collateralized debt obligations ("CDO") exposures, and there can be no assurance that these reserves will be sufficient if the pandemic causes further deterioration to the economy. These transactions are also subject to servicer risks, which relate to problems with the transaction's servicer that could adversely impact performance of the underlying assets. Additionally, several of our credits, particularly within our international public finance sector, feature large, near term debt-service payments, while there can be no assurance that the liquidity position of MBIA Corp. will enable it to satisfy any claims that arise if the issuers of such credits are unable or unwilling to refinance or repay their obligations. MBIA Corp. has recorded expected recoveries on certain RMBS transactions, and the forbearance options that mortgage borrowers who were facing financial difficulties took advantage of under the CARES Act may continue to delay or impair collections on these recoveries.

Liquidity

The Company continues to monitor its cash and liquid asset resources using cash forecasting and stress-scenario testing. Members of the Company's senior management meet regularly to review liquidity metrics, discuss contingency plans and establish target liquidity levels. While liquidity levels and collateral amounts have normalized since the beginning of the pandemic, any additional impact the pandemic may have on our future liquidity position remains uncertain. Declines in the market value or rating eligibility of assets pledged against the Company's obligations as a result of credit market deterioration caused by COVID-19 or other factors may require additional eligible assets to be pledged in order to meet minimum required collateral amounts against these obligations. This could require the Company to sell assets, potentially with substantial losses or use free cash or other assets to meet the collateral requirements, thus negatively impacting the Company's liquidity position. Additionally, declines in the yields in our insurance companies' fixed-income investment portfolios could materially impact investment income.

OVERVIEW (continued)

2021 Business Developments

The following is a summary of 2021 business developments:

Puerto Rico (Refer to the "U.S. Public Finance Insurance Puerto Rico Exposures" section for additional information on our Puerto Rico exposures)

- During 2021, the Commonwealth of Puerto Rico and certain of its instrumentalities ("Puerto Rico") defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $277 million. On January 1, 2022, Puerto Rico also defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $47 million. As of December 31, 2021, National had $2.6 billion of debt service outstanding related to Puerto Rico.
- In January of 2021, the reconstitution of the Oversight Board with the reappointment of three existing members and appointment of four new members for three-year terms, including the newly elected Governor sitting as an *ex officio* member, was confirmed.
- On February 22, 2021, National agreed to join a plan support agreement, dated as of February 22, 2021 (the "GO PSA"), among the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), certain holders of GO Bonds and PBA Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp, and Syncora Guarantee Inc. in connection with the GO and PBA Title III cases. The GO PSA provides that, among other things, National shall receive a pro rata share of allocable cash, newly issued General Obligation bonds, a contingent value instrument and certain fees. The GO PSA was amended on January 30, 2022 (the "Amended GO PSA") to move the termination date from January 31, 2022 to March 15, 2022.
- On April 12, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board reached an agreement in principle settling certain clawback claims and providing for a distribution of cash, bonds and a contingent value instrument to Puerto Rico Highway and Transportation Authority ("HTA") bondholders subject to completing negotiations on a plan support agreement in respect of an HTA plan of adjustment (the "HTA PSA"). On May 5, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board entered into the HTA PSA.
- The Confirmation Hearing for the Commonwealth Title III case concluded on November 23, 2021. On January 14, 2022, the Oversight Board filed its final draft of the Modified Eighth Amended Plan of Adjustment for the Commonwealth of Puerto Rico, and on January 18, 2022, the Court signed the confirmation order. There can be no assurance that the plan will become effective within the time permitted under the Amended GO PSA or by the Bankruptcy Court.
- Pursuant to the plan of adjustment, GO Bondholders were required to choose between commuting their insurance policy with National or having their insurance policy accelerated and receiving a one-time payment of par and accrued interest from National. Approximately 27% of bondholders voted by the deadline of October 18, 2021 to commute their insurance policies with National. The expected commutation and acceleration should occur shortly after Plan effectiveness and will reduce National's insured Puerto Rico Commonwealth GO ("GO") exposure to zero.
- In October of 2021 and January of 2022, National sold $199 million and $231 million, respectively, of Puerto Rico Electric Power Authority ("PREPA") bankruptcy claims related to insurance claims paid on matured National-insured PREPA bonds. These transactions represented approximately 35% of National's par claims to PREPA, monetized a portion of National's salvage asset at a discount to National's previous carrying value, and reduced potential volatility and ongoing risk of remediation around the PREPA credit. Subsequent to the sale of these PREPA bankruptcy claims, National does not have a material amount of additional par claims to PREPA that have matured and can be sold.

Credit Suisse

In January of 2021, the Court overseeing MBIA Corp.'s litigation against Credit Suisse Securities (USA) LLC and DLJ Mortgage Capital, Inc. (collectively, "Credit Suisse"), involving the ineligibility of a majority of the loans in the

OVERVIEW (continued)

HEMT 2007-2 RMBS transaction sponsored by Credit Suisse, issued an order declaring that Credit Suisse was liable to MBIA for approximately $604 million in damages. In February of 2021, the parties to the litigation entered into a settlement agreement pursuant to which Credit Suisse paid MBIA Corp. $600 million, and the Court entered an order dismissing the case. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for a discussion of our Credit Suisse put-back claims.

RESULTS OF OPERATIONS

Summary of Consolidated Results

The following table presents a summary of our consolidated financial results for the years ended December 31, 2021, 2020 and 2019. Refer to the "Liquidity and Capital Resources—Capital Resources—Insurance Statutory Capital" section for a discussion of National's and MBIA Insurance Corporation's capital position under statutory accounting principles ("U.S. STAT").

In millions except for per share, percentage and share amounts	Years Ended December 31, 2021	2020	2019
Total revenues	$ 189	$ 282	$ 280
Total expenses	634	860	637
Income (loss) before income taxes	(445)	(578)	(357)
Provision (benefit) for income taxes	—	—	2
Net income (loss)	$ (445)	$ (578)	$ (359)
Net income (loss) per basic and diluted common share	$ (8.99)	$ (9.78)	$ (4.43)
Effective tax rate	0.0%	0.0%	-0.6%
Adjusted net income (loss)(1)	$ (261)	$ (173)	$ (17)
Adjusted net income (loss) per diluted share(1)	$ (5.27)	$ (2.93)	$ (0.21)
Cost of shares repurchased	$ —	$ 198	$ 101
Weighted average basic and diluted common shares outstanding	49,472,281	59,071,843	81,014,285

(1)—Adjusted net income (loss) and adjusted net income (loss) per diluted share are non-GAAP measures. Refer to the following Non-GAAP Adjusted Net Income (Loss) section for a discussion of adjusted net income (loss) and adjusted net income (loss) per diluted share and a reconciliation of GAAP net income (loss) to adjusted net income (loss) and GAAP net income (loss) per diluted share to adjusted net income (loss) per diluted share.

2021 vs. 2020 GAAP Results

Income (loss) Before Income Taxes

The decrease in consolidated total revenues was primarily due to VIE net losses in 2021 compared with net gains in 2020 and a decrease in investment-related revenues and gains, partially offset by gains on interest rate swaps and foreign exchange gains in 2021 compared with net losses in 2020. Net losses of consolidated variable interest entities ("VIEs") of $23 million during 2021 declined from net gains of $163 million during 2020. The unfavorable changes in VIE revenues were primarily due to gains in 2020 from an increase in the Credit Suisse put-back recoveries of $118 million. These put-back claims were settled and received in the first quarter of 2021. In addition, 2021 included losses of $14 million from the deconsolidation of VIEs compared with gains of $37 million in 2020 related to a reversal of an allowance for credit losses on the assets of a VIE. Also, 2020 included $18 million of net investment income of VIEs with no comparable income for the same period of 2021 due to the deconsolidation of VIEs in 2020. The decrease in investment related revenues resulted from lower average investment yields in 2021 and higher gains from sales of investments in 2020. In 2021, fair value gains were $36 million on our interest rate swaps for which we receive floating rates compared with fair value losses of $26 million during 2020.The fair value gains on our interest rate swaps in 2021 were due to favorable changes in interest rates compared with unfavorable changes in the same period of 2020. The foreign exchange gains in 2021 was due to the strengthening of the U.S. dollar compared with foreign exchange losses in 2020 on Euro-denominated liabilities.

RESULTS OF OPERATIONS (continued)

Consolidated total expenses for 2021 and 2020 included net insurance losses and loss adjustment expense ("LAE") of $350 million and $530 million, respectively. The decrease in losses and LAE was primarily due to a smaller write-down of expected salvage collections from insured CDOs in 2021 when compared with 2020 and an incurred benefit from changes in risk-free rates on first-lien RMBS in 2021. These decreases losses and LAE were partially offset by an increase in net losses and LAE on certain Puerto Rico credits. Refer to the following "Losses and Loss Adjustment Expenses" sections of National and MBIA Corp. for additional information on our insurance losses and LAE. In addition, interest expense was lower in 2021 primarily due to the redemption of corporate debt in December of 2020. Also, interest expense of consolidated VIEs decreased in 2021 compared with 2020 due to the deconsolidation of VIEs in 2020 and the repayment of the outstanding insured senior notes of MBIA Corp.'s financing facility between MZ Funding and certain purchasers ("Refinanced Facility") during 2021.

Provision for Income Taxes

For 2021 and 2020, our effective tax rate applied to our loss before income taxes was 0% compared with the U.S. statutory tax rate of 21% due to the full valuation allowance on the changes in our net deferred tax asset, which includes our net operating loss ("NOL").

As of December 31, 2021 and 2020, the Company's valuation allowance against its net deferred tax asset was $1.1 billion and $966 million, respectively. Notwithstanding the full valuation allowance on its net deferred tax asset, the Company believes that it may be able to use some of its net deferred tax asset before the expirations associated with that asset based upon expected earnings at National. Accordingly, the Company will continue to re-evaluate its net deferred tax asset on a quarterly basis. There is no assurance that the Company will reverse any of its valuation allowance on its net deferred tax asset in the future. Refer to "Note 11: Income Taxes" in the Notes to Consolidated Financial Statements for a further discussion of income taxes, including the valuation allowance against the Company's net deferred tax asset and its accounting for tax uncertainties.

The CARES Act established new tax provisions including, but not limited to: (1) five-year carryback of NOLs generated in 2018, 2019 and 2020; (2) accelerated refund of alternative minimum tax credit carryforwards; and (3) retroactive changes to allow accelerated depreciation for certain depreciable property. The legislation did not have a material impact on the Company's tax positions due to the lack of taxable income in the carryback periods.

In December of 2020, Congress passed the Consolidated Appropriations Act ("the Act") to respond to the health and economic impacts of COVID-19. The Act includes a number of tax law changes, including the expansion of the Employee Retention Credit, important changes to the Paycheck Protection Program, and extension of a variety of expiring tax provisions. On March 6, 2021, Congress passed the American Rescue Plan Act to further respond to the health and economic impacts of COVID-19. Among other changes, the legislation provided for an extension of the Employee Retention Credit through 2021. In November of 2021, the Infrastructure Investment and Jobs Act amended the law so that the Employee Retention Credit applied only to wages paid before October 1, 2021. These legislations do not have a material impact on the Company's tax positions.

Non-GAAP Adjusted Net Income (Loss)

In addition to our results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP), we also analyze the operating performance of the Company using adjusted net income (loss) and adjusted net income (loss) per diluted common share, both non-GAAP measures. Since adjusted net income (loss) is used by management to assess performance and make business decisions, we consider adjusted net income (loss) and adjusted net income (loss) per diluted common share fundamental measures of periodic financial performance which are useful in understanding our results. Adjusted net income (loss) and adjusted net 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 adjusted net income (loss) and adjusted net income (loss) per diluted common share may differ from those used by other companies.

RESULTS OF OPERATIONS (continued)

Adjusted net income (loss) and adjusted net income (loss) per diluted common share include the after-tax results of the Company and remove the after-tax results of our international and structured finance insurance segment, comprising the results of MBIA Corp. which given its capital structure and business prospects, we do not expect its financial performance to have a material economic impact on MBIA Inc., as well as the following:

- *Mark-to-market gains (losses) on financial instruments* – We remove the impact of mark-to-market gains (losses) on financial instruments that primarily include interest rate swaps and hybrid financial instruments. These amounts fluctuate based on market interest rates, credit spreads and other market factors.
- *Foreign exchange gains (losses)* – We remove 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 adjusted net income (loss).
- *Net realized investment gains (losses), impaired securities and extinguishment of debt* – We remove realized gains (losses) on the sale of investments, net investment losses related to impairment of securities and net gains (losses) on extinguishment of debt since the timing of these transactions are subject to management's assessment of market opportunities and conditions and capital liquidity positions.
- *Income taxes* – We apply a zero effective tax rate for federal income tax purposes to our pre-tax adjustments, if applicable, consistent with our consolidated effective tax rate.

The following table presents our adjusted net income (loss) and adjusted net income (loss) per diluted common share and provides a reconciliation of GAAP net income (loss) to adjusted net income (loss) for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
In millions, except share and per share amounts	**2021**	**2020**	**2019**
Net income (loss)	$ (445)	$ (578)	$ (359)
Less: adjusted net income adjustments:			
Income (loss) before income taxes of our international and structured finance insurance segment and eliminations	(283)	(391)	(369)
Adjustments to income before income taxes of our U.S. public finance insurance and corporate segments:			
Mark-to-market gains (losses) on financial instruments(1)	39	(27)	(39)
Foreign exchange gains (losses)(1)	25	(35)	7
Net realized investment gains (losses)	5	48	129
Net investment losses related to impairments of securities	—	—	(67)
Net gains (losses) on extinguishment of debt	30	—	(1)
Other net realized gains (losses)	—	—	(2)
Adjusted net income adjustment to the (provision) benefit for income tax(2)	—	—	—
Adjusted net income (loss)	$ (261)	$ (173)	$ (17)
Adjusted net income (loss) per diluted common share(3)	$(5.27)	$(2.93)	$(0.21)

(1)—Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.
(2)—Reported within "Provision (benefit) for income taxes" on the Company's consolidated statements of operations.
(3)—Adjusted net income (loss) per diluted common share is calculated by taking adjusted net income (loss) divided by GAAP weighted average number of diluted common shares outstanding.

Book Value Adjustments Per Share

In addition to GAAP book value per share, for internal purposes management also analyzes adjusted book value ("ABV") per share, changes to which we view as an important indicator of financial performance. ABV is also used by management in certain components of management's compensation. Since many of the Company's investors and analysts continue to use ABV to evaluate MBIA's share price and as the basis for their investment decisions, we present GAAP book value per share as well as the individual adjustments used by management to calculate its internal ABV metric.

Management adjusts GAAP book value to remove the book value of MBIA Corp. and for certain items which the Company believes will reverse from GAAP book value through GAAP earnings and comprehensive income, as well as 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 for which the likelihood and amount can be reasonably estimated. The following provides a description of management's adjustments to GAAP book value:

- *Negative Book value of MBIA Corp.* – We remove the negative book value of MBIA Corp. based on our view that given MBIA Corp.'s current financial condition, the regulatory regime in which it operates, the priority given to its policyholders, surplus note holders and preferred stock holders with respect to the distribution of assets, and its legal structure, it is not and will not likely be in a position to upstream any economic benefit to MBIA Inc. Further, MBIA Inc. does not face any material financial liability arising from MBIA Corp.
- *Net unrealized (gains) losses on available-for-sale ("AFS") securities excluding MBIA Corp.* – We remove net unrealized gains and losses on AFS securities recorded in accumulated other comprehensive income since they will reverse from GAAP book value when such securities mature. Gains and losses from sales and impairments of AFS securities are recorded in book value through earnings.
- *Net unearned premium revenue in excess of expected losses of National* – We include net unearned premium revenue in excess of expected losses. Net unearned premium revenue in excess of expected losses consists of the financial guarantee unearned premium revenue of National in excess of expected insurance losses, net of reinsurance and deferred acquisition costs. In accordance with GAAP, a loss reserve on a financial guarantee policy is only recorded when expected losses exceed the amount of unearned premium revenue recorded for that policy. As a result, we only add to GAAP book value the amount of unearned premium revenue in excess of expected losses for each policy in order to reflect the full amount of our expected losses. The Company's net unearned premium revenue will be recognized in GAAP book value in future periods, however, actual amounts could differ from estimated amounts due to such factors as credit defaults and policy terminations, among others.

Since the Company has a full valuation allowance against its net deferred tax asset and a zero consolidated effective tax rate, the book value per share adjustments reflect a zero effective tax rate.

The following table provides the Company's GAAP book value per share and management's adjustments to book value per share used in our internal analysis:

In millions except share and per share amounts	As of December 31, 2021	As of December 31, 2020
Total shareholders' equity of MBIA Inc.	$ (313)	$ 136
Common shares outstanding	54,556,112	53,677,148
GAAP book value per share	$ (5.73)	$ 2.55
Management's adjustments described above:		
Remove negative book value per share of MBIA Corp.	(35.94)	(31.97)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	2.02	2.86
Include net unearned premium revenue in excess of expected losses	3.58	4.29

U.S. Public Finance Insurance Segment

Our U.S. public finance insurance portfolio is managed 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 the payment under its policies upon the acceleration of the underlying insured obligations due to default or otherwise. National's guarantees insure municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utility districts, airports, healthcare institutions, higher educational facilities, 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. As of December 31, 2021, National had total insured gross par outstanding of $36.5 billion.

National continues to monitor and remediate its existing insured portfolio and may also pursue strategic alternatives that could enhance shareholder value. Some state and local governments and territory obligors that National insures are experiencing financial and budgetary stress which may be exacerbated by COVID-19. As a result of COVID-19, we have increased our monitoring of certain credits. Financial and budgetary stress could lead to an increase in defaults by such entities on the payment of their obligations and, while such has not yet occurred materially, losses or impairments on a greater number of the Company's insured transactions. In particular, Puerto Rico had been experiencing significant fiscal stress and constrained liquidity, and in response, Congress passed PROMESA, which established the Oversight Board vested with the sole power to certify fiscal plans for Puerto Rico. Refer to the "U.S. Public Finance Insurance Puerto Rico Exposures" section for additional information on our Puerto Rico exposures. We continue to monitor and analyze these situations and other stressed credits closely, and the overall extent and duration of stress affecting our insured credits remains uncertain.

The following table presents our U.S. public finance insurance segment results for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,			Percent Change	
In millions	**2021**	**2020**	**2019**	**2021 vs. 2020**	**2020 vs. 2019**
Net premiums earned	$ 49	$ 57	$ 66	-14%	-14%
Net investment income	58	70	98	-17%	-29%
Net realized investment gains (losses)	2	37	124	-95%	-70%
Net gains (losses) on financial instruments at fair value and foreign exchange	(2)	2	15	n/m	-87%
Net investment losses related to other-than-temporary impairments	—	—	(67)	n/m	-100%
Fees and reimbursements	3	3	3	—%	—%
Other net realized gains (losses)	—	(1)	2	-100%	-150%
Revenues of consolidated VIEs:					
Net gains (losses) on financial instruments at fair value and foreign exchange	—	—	64	n/m	-100%
Other net realized gains (losses)	—	—	(43)	n/m	-100%
Total revenues	110	168	262	-35%	-36%
Losses and loss adjustment	227	163	53	39%	n/m
Amortization of deferred acquisition costs	11	11	16	—%	-31%
Operating	51	48	49	6%	-2%
Total expenses	289	222	118	30%	88%
Income (loss) before income taxes	$ (179)	$ (54)	$ 144	n/m	-138%

n/m—Percent change not meaningful.

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. Refunding activity over the past several years has accelerated premium earnings in prior years and reduced the amount of scheduled premiums that would have been earned in the current year. Refunding activity can vary significantly from period to period based on issuer refinancing behavior. For 2021 and 2020, scheduled premiums earned were $36 million and $42 million, respectively, and refunded premiums earned were $13 million and $15 million, respectively.

NET INVESTMENT INCOME The decrease in net investment income for 2021 compared with 2020 was primarily due to a lower average invested asset base in 2021 resulting from claim payments and payments of dividends to MBIA Inc., and from purchases of MBIA Inc. common shares during 2020.

NET REALIZED INVESTMENT GAINS (LOSSES) For the year ended December 31, 2020, net realized investment gains resulted from the sales of securities from the ongoing management of our U.S. public finance investment portfolio, which includes ensuring National has adequate liquidity to pay claims.

LOSSES AND LOSS ADJUSTMENT EXPENSES Our U.S. public finance insured portfolio management 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 our assessed performance of the insured issue. As a result of COVID-19, we have increased our monitoring of certain credits. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for additional information related to the Company's loss reserves.

For 2021, losses and LAE incurred primarily related to changes in loss scenario assumptions on Puerto Rico HTA, PREPA and GO credits and the impact of an increase in risk-free rates used to discount net reserves. The loss and LAE incurred related to HTA was driven by changes in loss reserve scenario assumptions to reflect the most recent Plan of Adjustment including certain assumptions about recovery valuation on the date National expects to receive cash, bonds, and the contingent value instrument ("CVI"), which resulted in a decreased recovery value. Also in 2021, National modified its PREPA scenario assumptions to reflect actual and expected sales of recoverables on PREPA bankruptcy claims that have been fully satisfied by National's insurance claim payments, which decreased its expected PREPA recoveries, partially offset by additional expected recoveries under the PREPA RSA. In addition, during 2021, National modified its GO scenario assumptions to incorporate the final terms of the Plan of Adjustment. This included a commutation of 27% of National's outstanding insured bonds and an acceleration of National's remaining insured bonds. National also updated its GO loss reserve scenarios to include certain assumptions about recovery valuation on the date it expects to receive cash, bonds and the CVI, which resulted in an increased recovery value.

For 2020, losses and LAE primarily related to certain Puerto Rico exposures as a result of updating scenarios and assumptions as well as a change in the timing on expected settlements, and losses related to an investor owned utility exposure, partially offset by the decline in risk-free rates used to discount net reserves which caused future recoveries to increase

The following table presents information about our U.S. public finance insurance loss recoverable assets and loss and LAE reserves liabilities as of December 31, 2021 and 2020:

In millions	December 31, 2021	December 31, 2020	Percent Change
Assets:			
Insurance loss recoverable	$ 1,054	$ 1,220	-14%
Reinsurance recoverable on paid and unpaid losses(1)	3	6	-50%
Liabilities:			
Loss and LAE reserves	425	469	-9%
Insurance loss recoverable—ceded(2)	55	48	15%
Net reserve (salvage)	$ (577)	$ (709)	-19%

(1)—Reported within "Other assets" on our consolidated balance sheets.
(2)—Reported within "Other liabilities" on our consolidated balance sheets.

RESULTS OF OPERATIONS (continued)

The insurance loss recoverable as of December 31, 2021 decreased compared with December 31, 2020 primarily as a result of the sale of a portion of PREPA bankruptcy claims that have been fully satisfied by National's insurance claim payments. In January 2022, National completed the sale of its remaining PREPA bankruptcy claims. Loss and LAE reserves as of December 31, 2021 declined compared with December 31, 2020 primarily due to actual payments made related to certain Puerto Rico exposures, partially offset by an increase in expected payments and unfavorable changes in future recoveries of unpaid losses due to changes in assumptions and an increase in risk-free discount rates.

POLICY ACQUISITION COSTS AND OPERATING EXPENSES U.S. public finance insurance segment expenses for the years ended December 31, 2021, 2020 and 2019 are presented in the following table:

	Years Ended December 31,			Percent Change	
In millions	**2021**	**2020**	**2019**	**2021 vs. 2020**	**2020 vs. 2019**
Gross expenses	$ 51	$ 48	$ 49	6%	-2%
Amortization of deferred acquisition costs	$ 11	$ 11	$ 16	—%	-31%
Operating	51	48	49	6%	-2%
Total insurance expenses	$ 62	$ 59	$ 65	5%	-9%

Gross expenses represent total insurance expenses before the deferral of any policy acquisition costs. Operating expenses increased in 2021 compared with 2020 primarily due to increases in legal costs.

When an insured obligation refunds, we accelerate to expense any remaining deferred acquisition costs associated with the policy covering the refunded insured obligation. We did not defer a material amount of policy acquisition costs during 2021 or 2020 as we did not write any new insurance business in those years.

INSURED PORTFOLIO EXPOSURE Financial guarantee insurance companies use a variety of approaches to assess the underlying credit risk profile of their insured portfolios. National 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(s) of the insured obligation before the benefit of National's insurance policy from nationally recognized rating agencies, Moody's Investor Services ("Moody's") and Standard & Poor's Financial Services LLC ("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 underlying ratings assigned by Moody's or S&P.

The following table presents the credit quality distribution of National's U.S. public finance outstanding gross par insured as of December 31, 2021 and 2020. Capital appreciation bonds ("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 underlying ratings, where available. 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, 2021**		**December 31, 2020**	
Rating	**Amount**	**%**	**Amount**	**%**
AAA	$ 1,682	4.6%	$ 2,080	5.0%
AA	14,874	40.8%	16,299	39.0%
A	10,439	28.6%	12,888	30.8%
BBB	6,187	17.0%	7,019	16.7%
Below investment grade	3,269	9.0%	3,570	8.5%
Total	$36,451	100.0%	$41,856	100.0%

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, 2021.

In millions	Gross Par Outstanding	Debt Service Outstanding	National Internal Rating
Puerto Rico Electric Power Authority (PREPA)	$ 809	$ 1,085	d
Puerto Rico Commonwealth GO	224	295	d
Puerto Rico Public Buildings Authority (PBA)(1)	156	200	d
Puerto Rico Highway and Transportation Authority Transportation Revenue (PRHTA)	523	856	d
Puerto Rico Highway and Transportation Authority—Subordinated Transportation Revenue (PRHTA)	27	33	d
Puerto Rico Highway and Transportation Authority Highway Revenue (PRHTA)	39(2)	57	d
University of Puerto Rico System Revenue	70	91	d
Inter American University of Puerto Rico Inc.	17	21	a3
Total	$ 1,865	$ 2,638	

(1)—Additionally secured by the guarantee of the Commonwealth of Puerto Rico.
(2)—Includes CABs that reflect the gross par amount at the time of issuance of the insurance policy. As of December 31, 2021, gross par outstanding plus CABs accreted interest was $41 million.

On June 30, 2016, PROMESA was signed into law by the President of the United States. PROMESA provides for the creation of the Oversight Board with powers relating to the development and implementation of a fiscal plan for the Commonwealth and each of its instrumentalities as well as a court-supervised Title III process that allows Puerto Rico to restructure its debt if voluntary agreements cannot be reached with creditors through a collective action process. Following the resignation and replacement of several Oversight Board members, the Oversight Board has been reconstituted with four new members while three existing members have been reappointed by the President for another three year term. The newly elected Governor of Puerto Rico has appointed himself as a non-voting member of the reconstituted Oversight Board.

On May 3, 2017, the Oversight Board certified and filed a petition under Title III of PROMESA for Puerto Rico with the District Court of Puerto Rico thereby commencing a bankruptcy-like case for the Commonwealth GO. Under separate petitions, the Oversight Board subsequently commenced Title III proceedings for COFINA, PRHTA, PREPA and PBA on May 5, 2017, May 21, 2017, July 2, 2017 and September 27, 2019, respectively. One of the proceedings was resolved on February 4, 2019, when the District of Puerto Rico entered the order confirming the Third Amended Title III Plan of Adjustment for COFINA. The Title III cases for the Commonwealth of Puerto Rico and PBA were confirmed on January 18, 2022, and are expected to exit bankruptcy before the end of the first quarter of 2022. There can be no assurance that the Title III proceedings for PREPA and PRHTA will be resolved with similar outcomes.

As a result of prior defaults, various stays and the Title III cases, Puerto Rico failed to make certain scheduled debt service payments for National insured bonds. As a consequence, National has paid gross claims in the aggregate amount of $1.8 billion relating to GO bonds, PBA bonds, PREPA bonds and PRHTA bonds through December 31, 2021, inclusive of the commutation payment and the additional payment in the amount of $66 million on December 17, 2019 related to COFINA.

On May 2, 2019, the Oversight Board and the Official Committee of Unsecured Creditors of all Title III Debtors (other than COFINA) (the "Committee") filed lien avoidance adversary complaints against several hundred defendants, including National, challenging the existence, extent, and enforceability of GO bondholders' liens. After an approximately five-month stay of litigation entered by the Court on July 24, 2019, these adversary proceedings resumed pursuant to an interim schedule entered by the Court in December 2019. On February 5,

RESULTS OF OPERATIONS (continued)

2020, National and Assured Guaranty Municipal Corp. filed a motion to dismiss the adversary proceeding. The adversary proceeding hearing was stayed indefinitely by further order of the Court.

On February 22, 2021, National agreed to join a plan support agreement, dated as of February 22, 2021 (the "GO PSA"), among the Oversight Board, certain holders of GO Bonds and PBA Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp, and Syncora Guarantee Inc. in connection with the GO and PBA Title III cases. The GO PSA provides that, among other things, National shall receive a pro rata share of allocable cash, newly issued General Obligation bonds, a contingent value instrument and certain fees. The GO PSA was amended on January 30, 2022 (the "Amended GO PSA") to move the termination date from January 31, 2022 to March 15, 2022. Pursuant to the GO PSA, the Oversight Board and National jointly obtained the entry of an order in the Title III court staying National's participation in actions related to the clawback of HTA funds from the Commonwealth, and National shall take no further action with respect to those proceedings subject to the Commonwealth plan becoming effective.

The Confirmation Hearing for the Commonwealth of Puerto Rico Title III case concluded on November 23, 2021. On January 14, 2022, the Oversight Board filed its final draft of the Modified Eighth Amended Plan of Adjustment for the Commonwealth of Puerto Rico, and on January 18, 2022, the Court signed the confirmation order. There can be no assurance that the plan will become effective within the time permitted under the Amended GO PSA, currently March 15, 2022, or by the Bankruptcy Court.

In October of 2021, bondholders voted to approve the GO PSA which included the option for National insured bondholders to choose between commuting their insurance policy with National or receiving a one-time cash payment equal to outstanding par and accrued interest via an acceleration of National's insurance policy. Insured bondholders were required to choose one of these two options. Therefore, shortly after implementation of the PSA National's insured GO exposure will be reduced to zero. The GO PSA was amended on January 30, 2022 (the "Amended GO PSA") to move the termination date from January 31, 2022 to March 15, 2022.

On July 24, 2019, the Court entered an order staying certain adversary proceedings and contested matters until December 31, 2019, and imposing mandatory mediation under Judge Houser. Among the matters stayed in which National is either a party in interest or intervenor are the (i) PBA adversary proceeding seeking to recharacterize the PBA bonds as financings and (ii) GO adversary and HTA adversary proceedings, both challenging bondholder liens. Pursuant to interim schedules entered by the Court in December 2019, the PBA adversary proceeding and the HTA adversary proceeding were to remain stayed until March 11, 2020, but the Court subsequently stayed all such adversary proceedings indefinitely subject to the progress of the GO confirmation process. As part of the Amended GO PSA, National's participation in this litigation will be stayed subject to the effective date of the Commonwealth plan of adjustment.

PBA

On December 21, 2018, the Oversight Board filed an adversary complaint seeking to disallow the PBA's administrative rent claims against the Commonwealth. The PBA bonds are payable from the rent the Commonwealth pays under its lease agreements with the PBA. The Oversight Board alleges that the Commonwealth has no obligation to make rent payments under section 365(d)(3) of the Bankruptcy Code and that the PBA is not entitled to a priority administrative expense claim under the leases. On April 16, 2019, the Court entered an order setting a discovery schedule. On September 27, 2019, the Oversight Board filed a Title III petition for the PBA.

The proceeding is currently stayed in the Title III court subject to the occurrence of the effective date of the Commonwealth plan of adjustment.

PREPA

National's largest exposure to Puerto Rico, by gross par outstanding, is to PREPA.

RESULTS OF OPERATIONS (continued)

On October 3, 2018, National, together with Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Syncora Guarantee Inc. (collectively, "Movants") filed a motion in the Title III case for PREPA for relief from the automatic stay to allow Movants to exercise their statutory right to have a receiver appointed at PREPA (the "Receiver Motion"). This motion is stayed pending a resolution of the 9019 Order, discussed below.

On May 3, 2019, PREPA, the Oversight Board, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Ad Hoc Group of PREPA bondholders (the "Ad Hoc Group"), and Assured Guaranty Corp. and Assured Guaranty Municipal Corp. ("Assured") entered into the a restructuring support agreement ("RSA") which was amended on September 9, 2019 to include National and Syncora Guarantee, Inc. ("Syncora") as supporting parties. Approximately 90% of PREPA's bondholders have joined the RSA.

The RSA initially contemplated the filing of a plan of adjustment for PREPA by March 31, 2020; the timing of that action is now uncertain. The Oversight Board filed a status report with the Court on October 5, 2021 in which it stated its intention to file a PREPA plan of adjustment by the end of 2021 or early 2022.

Pursuant to the RSA, the Oversight Board filed a Rule 9019 motion with the Title III court in May 2019 seeking approval of the RSA (the "Settlement Motion") and a Motion to Dismiss the Receiver Motion. The RSA requires, upon entry of the order approving the Settlement Motion (the "9019 Order"), that Movants will withdraw the Receiver Motion, and the Ad Hoc Group will support such withdrawal. The Receiver Motion and the Motion to Dismiss the Receiver Motion have been delayed several times, and most recently were adjourned due to the outbreak of COVID-19 until further notice. The debt restructuring contemplated by the RSA will not be effective until (i) confirmation of a plan of adjustment under the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"), (ii) negotiation and consummation of definitive documentation and legal opinions, (iii) enactment and implementation of supportive Puerto Rico legislation and (iv) receipt of Puerto Rico regulatory approval, each of which outcome is uncertain and subject to varying degrees of risk. In addition, the restructuring the RSA contemplates has received criticism from various parties including members of the Puerto Rico government and other stakeholders. This opposition could adversely affect the ability of the Oversight Board and RSA Parties to obtain the Rule 9019 Order and approve the RSA.

On February 18, 2022, the Ad Hoc Group of PREPA Bondholders filed an urgent motion to compel mediation and impose deadlines for a PREPA Plan, and on February 22, 2022, National filed a joinder to the motion. The Court agreed to set an expedited briefing schedule on the urgent motion, and will consider the pleadings on submission not before March 1, 2022.

As contemplated by the RSA, on July 1, 2019 the Oversight Board and AAFAF also filed an adversary complaint against the Trustee for the PREPA Bonds, challenging the validity of the liens arising under the Trust Agreement that secure insured obligations of National. The adversary proceeding is stayed until the earlier of (a) 60 days after the Court denies the 9019 Motion, (b) consummation of a Plan, (c) 60 days after the filing by the Oversight Board and AAFAF of a Litigation Notice, or (d) further order of the Court.

Certain objectors to the RSA have filed adversary proceedings challenging the payment priority arising under the PREPA Trust Agreement, alleging that they are entitled to be paid in full before National and other bondholders have any lien on or recourse to PREPA's assets, including pursuant to the RSA. All litigation on this matter has been stayed until the Court places the 9019 Motion back on the calendar for hearing.

On June 22, 2020, the Oversight Board and the Puerto Rico P3 Authority announced an agreement and contract with LUMA Energy, LLC ("LUMA") which calls for LUMA to take full responsibility for the operation and maintenance of PREPA's transmission and distribution system; the contract runs for 15-years following a transition period expected to take 12 months. PREPA retains ownership of the system as well as responsibility for the power generation system. LUMA assumed responsibility for operations on June 1, 2021.

On September 18, 2020, FEMA and the PR COR3 Authority announced the commitment by FEMA to provide approximately $11.6 billion (net of the required 10% cost share) to fund projects built by PREPA and the PR Department of Education; approximately $9.4 billion (net) of this amount is designated for PREPA. LUMA is now involved in the planning of the related projects as well as proceedings related thereto in front the PR Energy Bureau as well as PR-COR3.

In October of 2021 and January of 2022, National sold $199 million and $231 million, respectively, of PREPA bankruptcy claims related to insurance claims paid on matured National-insured PREPA bonds. These transactions represented approximately 35% of National's par claims to PREPA, monetized a portion of National's salvage asset at a discount to National's previous carrying value, and reduced potential volatility and ongoing risk of remediation around the PREPA credit. Subsequent to the sale of these PREPA bankruptcy claims, National does not have a material amount of additional par claims to PREPA that have matured and can be sold.

PRHTA

On May 20, 2019, the Oversight Board and the Committee filed a lien avoidance adversary complaint against fiscal agents, holders, and insurers of certain PRHTA bonds, including National. The complaint challenges the extent and enforceability of certain security interests in PRHTA's revenues. Pursuant to an interim schedule entered by the Court in December 2019, the Court has stayed the proceedings, with the understanding that the issues raised in these proceedings would be addressed in new adversary proceedings filed by the Oversight Board on January 16, 2020. Subsequent to those filings, these proceedings were stayed by order of the Court.

On April 12, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board reached an agreement in principle settling certain HTA clawback claims in the Commonwealth Title III case and providing for a distribution to HTA holders of cash, bonds and a contingent value instrument subject to completing negotiations on a plan support agreement in respect of the HTA PSA. On May 5, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board entered into the HTA PSA.

Status of Puerto Rico's Fiscal Plans

In January of 2021, the Oversight Board requested that the Puerto Rico government submit a proposed updated Fiscal Plan for the Commonwealth. The Commonwealth submitted a revised fiscal plan on March 8, 2021. On March 15, 2021, the Oversight Board deemed the Puerto Rico government's fiscal plan to be non-compliant, and has required the government to submit a revised updated fiscal plan, including all financial and supporting models. The Oversight Board certified the government's fiscal plan on April 23, 2021. For the remaining component units, the Oversight Board certified fiscal plans for PREPA, the University of Puerto Rico (the "University") and PRHTA on May 27, 2021. The Oversight Board also certified the fiscal year 2022 budgets for Commonwealth, PREPA, the University and PRHTA on June 27, 2021. In connection with the anticipated implementation of the Commonwealth and PRHTA plans of adjustments, the Oversight Board has commenced the process of approving revised Fiscal Plans for fiscal year 2023, which commences on July 1, 2022.

University of Puerto Rico

The University is not a debtor in Title III and continues to be current on its debt service payment. However, the University is subject to a standstill agreement with its senior bondholders, which has been extended to May 31, 2022. National is not a party to the standstill agreement.

RESULTS OF OPERATIONS (continued)

The following table presents our scheduled gross debt service due on our Puerto Rico insured exposures as of December 31, 2021, for each of the subsequent five years ending December 31 and thereafter:

In millions	2022	2023	2024	2025	2026	Thereafter	Total
Puerto Rico Electric Power Authority (PREPA)	$140	$137	$137	$105	$ 58	$ 508	$1,085
Puerto Rico Commonwealth GO[(1)]	19	14	13	75	62	112	295
Puerto Rico Public Buildings Authority (PBA)	9	27	43	36	11	74	200
Puerto Rico Highway and Transportation Authority Transportation Revenue (PRHTA)	27	36	33	36	35	689	856
Puerto Rico Highway and Transportation Authority—Subordinated Transportation Revenue (PRHTA)	9	1	1	1	—	21	33
Puerto Rico Highway and Transportation Authority Highway Revenue (PRHTA)	2	4	2	2	2	45	57
University of Puerto Rico System Revenue	7	12	11	16	5	40	91
Inter American University of Puerto Rico Inc.	3	3	3	3	1	8	21
Total	$216	$234	$243	$274	$174	$ 1,497	$2,638

(1)—GO scheduled debt service payments are based on the original insurance policy and do not include updates based on the GO PSA.

Corporate Segment

Our corporate segment consists of general corporate activities, including providing support services to MBIA Inc.'s subsidiaries and asset and capital management. Support services are provided by our service company, MBIA Services, and include, among others, management, legal, accounting, treasury, information technology, and insurance portfolio surveillance, on a fee-for-service basis. Capital management includes activities related to servicing obligations issued by MBIA Inc. and its subsidiaries, MBIA Global Funding, LLC ("GFL") and MBIA Investment Management Corp. ("IMC"). During 2020, the remaining investment agreements issued by IMC matured, and as of December 31, 2020, there were no outstanding investment agreements issued by IMC. MBIA Inc. issued debt to finance the operations of the MBIA group. GFL raised funds through the issuance of medium-term notes ("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 new MTNs and investment agreements and the outstanding liability balances and corresponding asset balances have declined over time as liabilities matured, terminated or were called or repurchased. All of the debt within the corporate segment is managed collectively and is serviced by available liquidity.

The following table summarizes the consolidated results of our corporate segment for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,			Percent Change	
In millions	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Net investment income	$ 29	$ 30	$ 37	-3%	-19%
Net realized investment gains (losses)	3	11	5	-73%	120%
Net gains (losses) on financial instruments at fair value and foreign exchange	56	(74)	(59)	n/m	25%
Net gains (losses) on extinguishment of debt	30	—	(1)	n/m	-100%
Fees and reimbursements	55	56	53	-2%	6%
Other net realized gains (losses)	(7)	—	(2)	n/m	-100%
Total revenues	166	23	33	n/m	-30%
Operating	74	72	73	3%	-1%
Interest	75	84	92	-11%	-9%
Total expenses	149	156	165	-4%	-5%
Income (loss) before income taxes	$ 17	$(133)	$(132)	-113%	1%

n/m—Percent change not meaningful.

RESULTS OF OPERATIONS (continued)

NET REALIZED INVESTMENT GAINS (LOSSES) Net realized investment gains (losses) are due to the sales of securities from the ongoing management of our corporate segment investment portfolio.

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 2021 compared with 2020 was primarily due to changes in the value of interest rate swaps and foreign currency fluctuations. 2021 includes net gains of $36 million related to the impact of increases in interest rates on the fair values of interest rate swaps compared with fair value net losses of $26 million on these swaps in 2020 due to decreases in interest rates. In addition, 2021 includes foreign currency gains of $26 million on Euro-denominated liabilities as a result of the strengthening of the U.S. dollar in 2021 compared with foreign exchange losses of $33 million on these liabilities as a result of the weakening of the U.S. dollar in 2020.

NET GAINS (LOSSES) ON EXTINGUISHMENT OF DEBT Net gains (losses) on extinguishment of debt for 2021 include gains from purchases, at discounts, of MTNs issued by the Company.

OTHER NET REALIZED GAINS (LOSSES) Other net realized losses increased for 2021 compared with 2020 primarily as a result of settling litigation disputes in 2021.

INTEREST EXPENSE Interest expense decreased for 2021 compared with 2020 primarily due to the redemption of corporate debt in December of 2020.

International and Structured Finance Insurance Segment

Our international and structured finance insurance portfolio is managed 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.

MBIA Corp. insures sovereign-related and sub-sovereign bonds, 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, structured settlements, consumer loans, and corporate loans and bonds. MBIA Insurance Corporation insures the investment agreements written by MBIA Inc., and if MBIA Inc. were to have insufficient assets to pay amounts due upon maturity or termination, MBIA Insurance Corporation would be required to make such payments under its insurance policies. MBIA Insurance Corporation also insures debt obligations of other affiliates, including GFL, and MZ Funding LLC ("MZ Funding"). In addition, MBIA Corp. insures obligations under certain types of derivative contracts. MBIA Insurance Corporation provides 100% reinsurance to its subsidiary, MBIA Mexico S.A. de C.V. ("MBIA Mexico"). As of December 31, 2021, MBIA Corp.'s total insured gross par outstanding was $5.2 billion.

MBIA Corp. has contributed to the Company's NOL carryforward, which is used in the calculation of our consolidated income taxes. If MBIA Corp. becomes profitable, it is not expected to make any tax payments under our tax sharing agreement. Based on MBIA Corp.'s current projected earnings and our expectation that it will not write significant new business, we believe it is unlikely that MBIA Corp. will generate significant income in the near future. As a result of MBIA Corp.'s capital structure and business prospects, we do not expect its financial performance to have a material economic impact on MBIA Inc.

RESULTS OF OPERATIONS (continued)

The following table presents our international and structured finance insurance segment results for the years ended December 31, 2021, 2020 and 2019:

In millions	Years Ended December 31, 2021	2020	2019	Percent Change 2021 vs. 2020	2020 vs. 2019
Net premiums earned	$ 32	$ 24	$ 27	33%	-11%
Net investment income	6	5	7	20%	-29%
Net realized investment gains (losses)	—	—	1	—%	-100%
Change in fair value of insured derivatives:					
Realized gains (losses) and other settlements on insured derivatives	—	(1)	(10)	-100%	-90%
Unrealized gains (losses) on insured derivatives	—	7	25	-100%	-72%
Net change in fair value of insured derivatives	—	6	15	-100%	-60%
Net gains (losses) on financial instruments at fair value and foreign exchange	(14)	(14)	(34)	—%	-59%
Fees and reimbursements	17	12	21	42%	-43%
Other net realized gains (losses)	1	1	4	—%	-75%
Revenues of consolidated VIEs:					
Net investment income	—	18	34	-100%	-47%
Net gains (losses) on financial instruments at fair value and foreign exchange	(8)	108	41	-107%	n/m
Other net realized gains (losses)	(15)	37	(20)	-141%	n/m
Total revenues	19	197	96	-90%	105%
Losses and loss adjustment	123	367	189	-66%	94%
Amortization of deferred acquisition costs	13	16	21	-19%	-24%
Operating	24	27	26	-11%	4%
Interest	109	116	131	-6%	-11%
Expenses of consolidated VIEs:					
Operating	6	5	9	20%	-44%
Interest	26	57	89	-54%	-36%
Total expenses	301	588	465	-49%	26%
Income (loss) before income taxes	$ (282)	$ (391)	$ (369)	-28%	6%

n/m—Percent change not meaningful.

NET PREMIUMS EARNED Our international and structured finance insurance segment generates net premiums from insurance policies accounted for as financial guarantee contracts. Certain premiums are eliminated in our consolidated financial statements as a result of the Company consolidating VIEs. In addition, we generate net premiums from insured derivatives that are included in "Realized gains (losses) and other settlements on insured derivatives" on our consolidated statements of operations. Net premiums from insured derivatives have decreased significantly over time due to the maturity and termination of contracts.

The following table provides net premiums earned from our financial guarantee contracts for the years ended December 31, 2021, 2020 and 2019:

In millions	Years Ended December 31, 2021	2020	2019	Percent Change 2021 vs. 2020	2020 vs. 2019
Net premiums earned:					
Non-U.S.	$ 29	$ 18	$ 21	61%	-14%
U.S.	3	6	6	-50%	—%
Total net premiums earned	$ 32	$ 24	$ 27	33%	-11%
VIEs (eliminated in consolidation)	$ 3	$ (7)	$ (3)	-143%	133%

RESULTS OF OPERATIONS (continued)

Net premiums earned 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 2021 compared with 2020 was due to the acceleration of premium earnings related to the termination of an international public finance insurance policy during the third quarter of 2021. The negative VIE net premiums earned (eliminated in consolidation) for 2020 was primarily due to the termination of policies, resulting in the reversal of previously eliminated net premiums in excess of cash received.

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE In 2021, the net losses were primarily due to losses from foreign currency revaluations of premium receivables and loss reserves denominated in Chilean unidad de fomento and Unidad de Inversion, respectively, as a result of fluctuations in the value of the U.S. dollar to those foreign currencies. The net losses for 2020 were primarily due to unfavorable mark-to-market fluctuations on derivatives.

FEES AND REIMBURSEMENTS The increase in fees and reimbursements for 2021 compared with 2020 was primarily due to an increase in waiver and consent fees related to the termination of an international public finance insurance policy during the third quarter of 2021. Due to the transaction-specific nature inherent in fees and reimbursements, these revenues can vary significantly from period to period.

REVENUES OF CONSOLIDATED VIEs: NET INVESTMENT INCOME There was net investment income of $18 million in 2020 with no comparable income for 2021. During 2020, we deconsolidated all remaining VIEs for which net investment income was recorded.

REVENUES OF CONSOLIDATED VIEs: NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AND FOREIGN EXCHANGE The unfavorable change for 2021 compared with 2020 was primarily due to gains of $118 million related to the increase in expected recoveries from the Credit Suisse put-back claims in 2020.

REVENUES OF CONSOLIDATED VIEs: OTHER NET REALIZED GAINS (LOSSES) The losses for 2021 related to losses from the deconsolidation of VIEs. The gains for 2020 were primarily due to $37 million of reversals of allowances for credit losses.

LOSSES AND LOSS ADJUSTMENT EXPENSES Our international and structured finance insured portfolio management group is responsible for monitoring international and structured finance insured obligations. The level and frequency of monitoring of any insured obligation depends on the type, size, rating and our assessed performance of the insured issue. As a result of COVID-19, we have increased our monitoring of certain credits. Refer to "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.

Losses and LAE incurred decreased for the year ended December 31, 2021, when compared to the same period of 2020, primarily due to a smaller write-down of expected salvage collections from insured CDOs in 2021 when compared with 2020. In addition, during 2021, risk-free rates used to discount our first-lien RMBS net loss reserves increased, which decreased the present value of loss reserves, compared with a decrease in those risk-free rates during 2020, which increased the present value of the net loss reserves.

As a result of the consolidation of VIEs, loss and LAE excludes losses and LAE benefits of $21 million and $144 million for the years ended December 31, 2021 and December 31, 2020, respectively, as VIE losses and LAE activity is eliminated in consolidation.

RESULTS OF OPERATIONS (continued)

Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for further information about our insurance loss recoverable and loss and LAE reserves. The following table presents information about our insurance loss recoverable and loss and LAE reserves for the years ended December 31, 2021 and 2020:

In millions	December 31, 2021	December 31, 2020	Percent Change
Assets:			
Insurance loss recoverable	$ 242	$ 457	-47%
Reinsurance recoverable on paid and unpaid losses(1)	5	5	0%
Liabilities:			
Loss and LAE reserves	469	521	-10%
Net reserve (salvage)	$ 222	$ 59	n/m

(1)—Reported within "Other assets" on our consolidated balance sheets.
n/m—Percent change not meaningful.

The insurance loss recoverable primarily relates to reimbursement rights arising from the payment of claims on MBIA Corp.'s policies insuring certain CDOs and RMBS. Such payments also entitle MBIA Corp. to exercise certain rights and remedies to seek recovery of its reimbursement entitlements. The decrease in the insurance loss recoverable from 2020 is primarily due to a decline in expected salvage collections on insured CDOs as well as the collection of salvage related to certain CDO transactions and the collection of excess spread related to the termination of certain second-lien RMBS trusts.

Refer to "Note 1: Business Developments and Risks and Uncertainties" in the Notes to Consolidated Financial Statements for information regarding risks and uncertainties related to future collections of estimated recoveries. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for additional information about our loss reserving policy, loss reserves and recoverables.

POLICY ACQUISITION COSTS AND OPERATING EXPENSES International and structured finance insurance segment expenses for the years ended December 31, 2021, 2020 and 2019 are presented in the following table:

	Years Ended December 31,			Percent Change	
In millions	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Gross expenses	$ 25	$ 28	$ 26	-11%	8%
Amortization of deferred acquisition costs	$ 13	$ 16	$ 21	-19%	-24%
Operating	24	27	26	-11%	4%
Total insurance expenses	$ 37	$ 43	$ 47	-14%	-9%

Gross expenses represent total insurance expenses before the deferral of any policy acquisition costs. We did not defer a material amount of policy acquisition costs during 2021 or 2020 as no new business was written. Policy acquisition costs in these periods were primarily related to ceding commissions and premium taxes on installment policies written in prior periods.

INTEREST EXPENSE Interest expense relates to MBIA Corp.'s surplus notes which are indexed to London Interbank Offered Rate ("LIBOR"). The decrease in 2021 compared with 2020 is due to changes in LIBOR.

INTEREST EXPENSE OF CONSOLIDATED VIEs Interest expense of consolidated VIEs decreased in 2021 compared with 2020 due to the deconsolidation of VIEs in 2020 and the repayment of the outstanding insured senior notes of the Refinanced Facility during 2021.

RESULTS OF OPERATIONS (continued)

International and Structured Finance Insurance Portfolio Exposures

Credit Quality

The credit quality of our international and structured finance insured portfolio is assessed in the same manner as our U.S. public finance insured portfolio. As of December 31, 2021 and 2020, 26% and 24%, respectively, of our international and structured finance insured portfolio was rated below investment grade, before giving effect to MBIA's guarantees, based on MBIA's internal ratings, which are generally more current than the underlying ratings provided by S&P and Moody's for this subset of our insured portfolio. Below investment grade insurance policies primarily include our residential mortgage and CDO exposures.

Selected Portfolio Exposures

The following is a summary of selected significant exposures within our residential mortgage insured portfolio of our international and structured finance insurance segment. In addition, as of December 31, 2021, MBIA Corp. insured $231 million of CDOs and related instruments. We may experience considerable incurred losses in certain of these sectors. There can be no assurance that the loss reserves recorded in our financial statements will be sufficient or that we will not experience losses on transactions on which we currently have no loss reserves, in particular if the economy deteriorates. We may seek to purchase, directly or indirectly, obligations guaranteed by MBIA Corp. or seek to commute policies. The amount of insurance exposure reduced, if any, and the nature of any such actions will depend on market conditions, pricing levels from time to time, and other considerations. In some cases, these activities may result in a reduction of loss reserves, but in all cases they are intended to limit our ultimate losses and reduce the future volatility in loss development on the related policies. Our ability to purchase guaranteed obligations and to commute policies will depend on management's assessment of available liquidity.

Residential Mortgage Exposure

MBIA Corp. insures RMBS backed by residential mortgage loans, including second-lien RMBS transactions and first-lien alternative A-paper ("Alt-A") and subprime mortgage loans directly through RMBS securitizations. The following table presents the gross par outstanding of MBIA Corp.'s total direct RMBS insured exposure as of December 31, 2021 and 2020. Amounts include the gross par outstanding related to transactions that the Company consolidates under accounting guidance for VIEs.

In millions	Gross Par Outstanding as of		
Collateral Type	**December 31, 2021**	**December 31, 2020**	**Percent Change**
Second-lien(1)	$ 4	$ 373	-99%
Alt-A First-lien(2)	760	825	-8%
Subprime First-lien	215	285	-25%
Prime First-lien	4	6	-33%
Total	$ 983	$ 1,489	-34%

(1)—Decline in second-lien RMBS exposure was primarily due to the termination of insured exposures.
(2)—Includes international exposure of $238 million and $237 million as of December 31, 2021 and December 31, 2020, respectively.

U.S. Public Finance and International and Structured Finance Reinsurance

Reinsurance enables the Company to cede exposure for purposes of syndicating risk. The Company generally retains the right to reassume the business ceded to reinsurers under certain circumstances, including a reinsurer's rating downgrade below specified thresholds. Currently, we do not intend to use reinsurance to decrease the insured exposure in our portfolio. Refer to "Note 13: Insurance in Force" in the Notes to Consolidated Financial Statements in this Form 10-K for a further discussion about reinsurance agreements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We use a liquidity risk management framework, the primary objective of which is to match liquidity resources to needs. We monitor our cash and liquid asset resources using cash forecasting and stress-scenario testing. Members of MBIA's senior management meet regularly to review liquidity metrics, discuss contingency plans and establish target liquidity levels. We evaluate and manage liquidity on a legal-entity basis to take into account the legal, regulatory and other limitations on available liquidity resources within the enterprise. Additionally, we continue to monitor the current COVID-19 pandemic with respect to our cash and liquid asset positions and resources. Refer to the "Overview—COVID-19 and the Economic Environment" section for additional information about liquidity and COVID-19.

Consolidated Cash Flows

Information about our consolidated cash flows by category is presented on our consolidated statements of cash flows. The following table summarizes our consolidated cash flows for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,			Percent Change	
In millions	**2021**	**2020**	**2019**	**2021 vs. 2020**	**2020 vs. 2019**
Statement of cash flow data:					
Net cash provided (used) by:					
Operating activities	$ 511	$ (390)	$ (368)	n/m	6%
Investing activities	(61)	1,738	1,267	-104%	37%
Financing activities	(457)	(1,265)	(1,096)	-64%	15%
Effect of exchange rate changes on cash and cash equivalents	—	1	—	-100%	n/m
Cash and cash equivalents—beginning of year	167	83	280	101%	-70%
Cash and cash equivalents—end of year	$ 160	$ 167	$ 83	-4%	101%

n/m—Percent change not meaningful.

Operating activities

Net cash provided by operating activities increased for 2021 compared with 2020 primarily due to proceeds received from loan repurchase commitments of $600 million as a result of the settlement of the Credit Suisse litigation in the first quarter of 2021, an increase in proceeds from recoveries and reinsurance of $198 million primarily from the sale of certain PREPA bankruptcy claims and a decrease in losses and loss adjustment expenses paid of $133 million.

Investing activities

Net cash used by investing activities increased for 2021 compared with 2020 primarily due to paydowns of held-to-maturity investments of $890 million within VIEs, a decrease in net cash provided by purchases, sales, paydowns and maturities of AFS investments of $626 million, and an increase in net cash used for purchases, sales, paydowns and maturities of short-term investments of $242 million.

Financing activities

Net cash used by financing activities decreased for 2021 compared with 2020 primarily due to decreases in principal paydowns of VIE notes of $545 million and decreases in purchases of treasury stock of $199 million.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Consolidated Investments

The following discussion of investments, including references to consolidated investments, excludes investments reported under "Assets of consolidated variable interest entities" on our consolidated balance sheets. Investments of VIEs support the repayment of VIE obligations and are not available to settle obligations of MBIA. Fixed-maturity securities purchased by the Company are generally designated as AFS. Our AFS investments comprise high-quality fixed-income securities and short-term investments.

The credit quality distribution of the Company's AFS fixed-maturity investment portfolios, excluding short-term investments, are based on ratings from Moody's and alternate ratings sources, such as S&P or the best estimate of the ratings assigned by the Company, have been used for a small percentage of securities that are not rated by Moody's. As of December 31, 2021, the weighted average credit quality rating of the Company's AFS fixed-maturity investment portfolio, excluding short-term investments, was Aa and 92% of the investments were investment grade.

The fair values of securities in the Company's AFS fixed-maturity investment portfolio are sensitive to changes in interest rates. Decreases in interest rates generally result in increases in the fair values of fixed-maturity securities and increases in interest rates generally result in decreases in the fair values of fixed-maturity securities.

As of December 31, 2021 and 2020, the Company had $139 million and $177 million of unrealized gains net of deferred taxes related to its investment portfolio recorded in accumulated other comprehensive income within equity. The decrease in unrealized gains during 2021 resulted from higher interest rates, partially offset by tightening credit spreads.

Refer to "Note 2: Significant Accounting Policies," and "Note 8: Investments" in the Notes to Consolidated Financial Statements for further information about our accounting policies and investments.

Insured Investments

MBIA's consolidated investment portfolio includes investments that are insured by various financial guarantee insurers ("Insured Investments"), including investments insured by National and MBIA Corp. ("Company-Insured Investments"). When purchasing Insured Investments, the Company's third-party portfolio manager independently assesses the underlying credit quality, structure and liquidity of each investment, in addition to the creditworthiness of the insurer. Insured Investments are diverse by sector, issuer and size of holding. The third-party portfolio manager assigns underlying ratings to Insured Investments without giving effect to financial guarantees based on underlying ratings assigned by Moody's or S&P, when a rating is not published by Moody's. When a Moody's or S&P underlying rating is not available, the underlying rating is based on the portfolio manager's best estimate of the rating of such investment. If the Company determines that declines in the fair values of third-party Insured Investments are related to credit loss, the Company will establish an allowance for credit losses and recognize the credit component through earnings.

As of December 31, 2021, Insured Investments at fair value represented $279 million or 10% of consolidated investments, of which $251 million or 9% of consolidated investments were Company-Insured Investments. As of December 31, 2021, based on the actual or estimated underlying ratings of our consolidated investment portfolio, without giving effect to financial guarantees, the weighted average rating of only the Insured Investments in the investment portfolio would be in the below investment grade range. Without giving effect to the National and MBIA Corp. guarantees of the Company-Insured Investments in the consolidated investment portfolio, as of December 31, 2021, based on actual or estimated underlying ratings, the weighted average rating of the consolidated investment portfolio was in the A range. The weighted average rating of only the Company-Insured Investments was in the below investment grade range, and investments rated below investment grade in the Company-Insured Investments were 8% of the total consolidated investment portfolio.

LIQUIDITY AND CAPITAL RESOURCES (continued)

National Liquidity

The primary sources of cash available to National are:

- principal and interest receipts on assets held in its investment portfolio, including proceeds from the sale of assets;
- recoveries associated with insurance loss payments; and
- installment premiums.

The primary uses of cash by National are:

- loss payments and LAE on insured transactions;
- payments of dividends; and
- payments of operating expenses, taxes and investment portfolio asset purchases.

As of December 31, 2021 and 2020, National held cash and investments of $2.0 billion and $2.1 billion, respectively, of which $199 million and $359 million, respectively, were cash and cash equivalents or short-term investments comprised of highly rated commercial paper, money market funds and municipal, U.S. agency and corporate bonds.

The insurance policies issued or reinsured by National provide unconditional and irrevocable guarantees of payments of the principal of, and interest or other amounts owing on, insured obligations when due. In the event of a default in payment of principal, interest or other insured amounts by an issuer, National generally promises to make funds available in the insured amount within one to three business days following notification. In some cases, the amount due can be substantial, particularly if the default occurs on a transaction to which National has a large notional exposure or on a transaction structured with large, bullet-type principal maturities. The U.S. public finance insurance segment's financial guarantee contracts generally cannot be accelerated by a party other than the insurer which helps to mitigate liquidity risk in this segment.

In October of 2021 and January of 2022, National sold $199 million and $231 million, respectively, of PREPA bankruptcy claims related to insurance claims paid on matured National-insured PREPA bonds. These transactions monetized a portion of National's salvage asset at a discount to National's previous carrying value and, as a result, strengthened National's balance sheet, increased National's projected investment income and furthers the Company's objective of reducing its exposure to Puerto Rico over the short to medium term. Subsequent to the sale of these PREPA bankruptcy claims, National does not have a material amount of additional par claims to PREPA that have matured and can be sold.

Corporate Liquidity

The primary sources of cash available to MBIA Inc. are:

- dividends from National;
- available cash and liquid assets not subject to collateral posting requirements;
- principal and interest receipts on assets held in its investment portfolio, including proceeds from the sale of assets; and
- access to capital markets.

The primary uses of cash by MBIA Inc. are:

- servicing outstanding unsecured corporate debt obligations and MTNs;
- meeting collateral posting requirements under investment agreements and derivative arrangements;
- payments related to interest rate swaps;

LIQUIDITY AND CAPITAL RESOURCES (continued)

- payments of operating expenses; and
- funding share repurchases and debt buybacks.

As of December 31, 2021 and 2020, the liquidity positions of MBIA Inc. were $239 million and $294 million, respectively, and included cash and cash equivalents and other investments comprised of highly rated commercial paper and U.S. government and asset-backed bonds.

During 2021, MBIA Inc. returned $10 million of tax payments to National as a result of tax losses incurred by National. The return was pursuant to the terms of the tax sharing agreement. Under the CARES Act, National's 2020 taxable loss became subject to a five-year NOL carry-back, which allowed it to recover taxes paid in years in which the tax rate was 35%. There can be no assurance that any future payments under the Tax Escrow Account from subsidiaries will be released to MBIA Inc. due to deductible or creditable tax attributes of those subsidiaries and/or the market value performance of the assets supporting the Tax Escrow Account.

Based on our projections of National's and MBIA Corp.'s future earnings and losses, we expect that for the foreseeable future National will be the primary source of payments to MBIA Inc. There can be no assurance as to the amount and timing of any future dividends from National. Also, absent a special dividend subject to the approval of the NYSDFS, we expect the declared and paid dividend amounts from National to be limited to the prior twelve months of adjusted net investment income as reported in its most recent statutory filings. Refer to the following "Capital Resources" section for additional information on payments of dividends. We do not expect MBIA Inc. to receive dividends or utilize the Company's tax escrow account from MBIA Corp.

Currently, a significant portion of the cash and securities held by MBIA Inc. is pledged against investment agreement liabilities, the Asset Swap (simultaneous repurchase and reverse repurchase agreement) and derivatives, which limits its ability to raise liquidity through asset sales. As the market value or rating eligibility of the assets pledged against MBIA Inc.'s obligations declines, we are required to pledge additional eligible assets in order to meet minimum required collateral amounts against these liabilities. To mitigate these risks, we seek to maintain cash and liquidity resources that we believe will be sufficient to make all payments due on our obligations and to meet other financial requirements, such as posting collateral. Contingent liquidity resources include: (1) sales of invested assets exposed to credit spread stress risk, which may occur at losses; (2) termination and settlement of interest rate swap agreements; and (3) accessing the capital markets. These actions, if taken, are expected to result in either additional liquidity or reduced exposure to adverse credit spread movements. There can be no assurance that these actions will be sufficient to fully mitigate this risk.

MBIA Corp. Liquidity

The primary sources of cash available to MBIA Corp. are:

- recoveries associated with insurance loss payments;
- installment premiums and fees; and
- principal and interest receipts on assets held in its investment portfolio, including the proceeds from the sale of assets.

The primary uses of cash by MBIA Corp. are:

- loss and LAE or commutation payments on insured transactions;
- repayment of MZ Funding's debt obligations; and
- payments of operating expenses.

As of December 31, 2021 and 2020, MBIA Corp. held cash and investments of $544 million and $243 million, respectively, of which $310 million and $130 million, respectively, were cash and cash equivalents or liquid investments comprised of money market funds and municipal, U.S. Treasury and corporate bonds that were immediately available to MBIA Insurance Corporation. The increase in cash and investments in 2021 was due to the collection of proceeds from the settlement of the Credit Suisse litigation.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Insured transactions that require payment of scheduled debt service payments insured when due or payment in full of the principal insured at maturity could present liquidity risk for MBIA Corp., as any salvage recoveries from such payments could be recovered over an extended period of time after the payment is made. MBIA Corp. is generally required to satisfy claims within one to three business days, and as a result seeks to identify potential claims in advance through our monitoring process. In order to monitor liquidity risk and maintain appropriate liquidity resources, we use the same methodology as we use to monitor credit quality and losses within our insured portfolio, including stress scenarios.

During 2021, MBIA Corp. repaid in full the outstanding amount of the senior notes of the Refinanced Facility. As of December 31, 2021, the subordinated notes between MZ Funding and MBIA Inc. remained outstanding. These subordinated notes and the related interest are eliminated in our consolidated financial statements. For additional information on these notes, refer to "Note 10: Debt" in the Notes to Consolidated Financial Statements.

Advances Agreement

MBIA Inc., National, MBIA Insurance Corporation and certain other affiliates are party to an intercompany advances agreement (the "MBIA Advances Agreement"). The MBIA Advances Agreement permits National to make advances to MBIA Inc. and other MBIA group companies that are party to the agreement at a rate per annum equal to LIBOR plus 0.25%. The agreement also permits other affiliates to make advances to National or MBIA Insurance Corporation at a rate per annum equal to LIBOR minus 0.10%. Advances by National cannot exceed 3% of its net admitted assets as of the last quarter end. As of December 31, 2021 and 2020, there were no amounts drawn under the agreement.

Contractual Obligations

The following table summarizes the Company's future estimated cash payments relating to contractual obligations as of December 31, 2021. Estimating these payments requires management to make estimates and assumptions regarding these obligations. The estimates and assumptions used by management are described below. Since these estimates and assumptions are subjective, actual payments in future periods may vary from those reported in the following table. Refer to the Notes to the Consolidated Financial Statements for additional information about these contractual obligations, including "Note 6: Loss and Loss Adjustment Expense Reserves" and "Note 13: Insurance in Force" for additional information about our insurance claim obligations and exposures under our insurance contracts.

In millions	Total	Due Within 1 Year
U.S. public finance insurance segment:		
Gross insurance claim obligations(1)	$1,985	$ 469
Lease liability	26	3
Corporate segment:		
Long-term debt	434	20
Investment agreements	379	11
Medium-term notes	826	55
International and structured finance insurance segment:		
Gross insurance claim obligations(1)	967	41
Surplus notes	3,210	1,173
Total	$7,827	$ 1,772

(1)—Amounts exclude any recoveries the Company expects to receive related to these estimated payments or to prior paid claims.

Gross insurance claim obligations represent the future value of probability-weighted payments the Company's insurance companies expects to make (before reinsurance and the consolidation of VIEs) under insurance policies for which the Company has recorded loss reserves. Certain probability-weighted payments incorporate commutation and/or acceleration of specific exposures and, therefore, expected payments may differ from those the Company is contractually obligated to make. Also, these amounts exclude any recoveries National or MBIA Corp. expect to receive related to these estimated payments or to claims paid in prior periods. For certain of our estimated future payments, the amount of recoveries expected to be received in the future will offset some or all of the payments.

Estimated potential insurance claim payments for obligations issued by VIEs consolidated in our international and structured finance insurance segment are included within "Gross insurance claim obligations" in the preceding table. Obligations of these VIEs are collateralized by assets held by the VIEs, and investors in such obligations do not have recourse to the general credit of MBIA. As of December 31, 2021, VIE notes issued by issuer-sponsored consolidated VIEs totaled $291 million and are not considered contractual obligations of MBIA beyond MBIA's insurance claim obligation. The Company's involvement with VIEs is continually reassessed as required by consolidation guidance, and may result in consolidation or deconsolidation of VIEs in future periods. As the Company consolidates and deconsolidates VIEs, the amount of VIE debt obligations recorded on its balance sheet may change significantly.

Long-term debt, investment agreements, MTNs and surplus notes include principal and interest and exclude premiums or discounts. Liabilities issued at discounts reflect principal due at maturity. Interest payments on floating rate obligations are estimated using applicable forward rates. Principal and interest on callable obligations or obligations that allow investors to withdraw funds prior to legal maturity are based on the expected call or withdrawal dates of such obligations. Liabilities denominated in foreign currencies are presented in U.S. dollars using applicable exchange rates as of December 31, 2021. Principal payments under investment agreements are based on contractual maturity and exclude puttable options. All other principal payments are based on contractual maturity dates. Refer to "Note 10: Debt" in the Notes to Consolidated Financial Statements for information about MBIA Inc.'s debt obligations.

Included in the international and structured finance insurance segment's surplus notes due within one year is $1.1 billion of unpaid interest related to 2013 through 2021 interest payments for which MBIA Insurance Corporation's requests for approval to pay was not approved by the NYSDFS. This deferred interest payment will be due on the first business day on or after which MBIA Insurance Corporation obtains approval to make such payment from NYSDFS. No interest will accrue on the deferred interest. There can be no assurance that the NYSDFS will approve any subsequent payments, or that it will approve any payment by its scheduled interest payment date. Refer to "MBIA Insurance Corporation—Capital and surplus" section below for additional information on MBIA Insurance Corporation's surplus notes and statutory capital.

Capital Resources

The Company manages its capital resources to minimize its cost of capital while maintaining appropriate claims-paying resources ("CPR") for National and MBIA Corp. The Company's capital resources consist of total shareholders' equity, total debt issued by MBIA Inc. for general corporate purposes, surplus notes issued by MBIA Corp., and the Refinanced Facility prior to being repaid. Total capital resources were $0.9 billion and $1.6 billion as of December 31, 2021 and 2020, respectively.

In addition to scheduled debt maturities, from time to time, we reduce unsecured debt through calls or repurchases. Also, MBIA Inc. may repurchase or National may purchase outstanding MBIA Inc. common shares when we deem it beneficial to our shareholders. Purchases or repurchases of debt and 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 may also choose to redeem debt obligations where permitted by the relevant agreements. MBIA Inc. or National may acquire or redeem outstanding common shares of MBIA Inc. and outstanding debt obligations at prices when we deem it beneficial to our shareholders. Refer to "Note 17: Common and Preferred Stock" in the Notes to Consolidated Financial Statements for information about MBIA Inc.'s share repurchases and National's share purchases and "Note 10: Debt" in the Notes to Consolidated Financial Statements for information about debt repurchases or redemptions. We seek to maintain sufficient liquidity and capital resources to meet the Company's general corporate needs and debt service. Based on MBIA Inc.'s debt service requirements and expected operating expenses, we expect that MBIA Inc. will have sufficient resources to satisfy its debt obligations and its general corporate needs over time from distributions from National; however, there can be no assurance that MBIA Inc. will have sufficient resources to do so. In addition, the Company may also consider raising third-party capital. Refer to "Capital, Liquidity and Market Related Risk Factors" in Part I, Item 1A of this Form 10-K and the "Liquidity and Capital Resources—Liquidity—Corporate Liquidity" section included herein for additional information about MBIA Inc.'s liquidity.

Insurance Statutory Capital

National and MBIA Insurance Corporation are incorporated and licensed in, and are subject to primary insurance regulation and supervision by New York State Department of Financial Services ("NYSDFS"). MBIA Mexico is regulated by the Comisión Nacional de Seguros y Fianzas in Mexico. MBIA Corp.'s Spanish Branch is subject to local regulation in Spain. National and MBIA Insurance Corporation each are required to file detailed annual financial statements, as well as interim financial statements, with the NYSDFS and similar supervisory agencies in each of the other jurisdictions in which it is licensed. These financial statements are prepared in accordance with New York State and the National Association of Insurance Commissioners' statements of U.S. STAT and assist our regulators in evaluating minimum standards of solvency, including minimum capital requirements, and business conduct.

National—Statutory Capital and Surplus

National had statutory capital of $2.0 billion as of December 31, 2021 and 2020. As of December 31, 2021, National's unassigned surplus was $1.0 billion. For 2021, National had statutory net income of $55 million. Refer to the "National—Claims-Paying Resources (Statutory Basis)" section below for additional information on National's statutory capital.

In order to maintain its New York State financial guarantee insurance license, National is required to maintain a minimum of $65 million of policyholders' surplus. National is also required to maintain contingency reserves to provide protection to policyholders in the event of extreme losses in adverse economic events. As of December 31, 2021, National was in compliance with its aggregate risk limits under New York Insurance Law ("NYIL"), but was not in compliance with certain of its single risk limits. Since National does not comply with certain of its single risk limits, the NYSDFS could prevent National from transacting any new financial guarantee insurance business.

NYIL regulates the payment of dividends by financial guarantee insurance companies and provides that such companies may not declare or distribute dividends except out of statutory earned surplus. Under NYIL, 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 reported in the latest statutory financial statements 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 Superintendent of the NYSDFS approves a greater dividend distribution based upon a finding that the insurer will retain sufficient surplus to support its obligations.

National had positive earned surplus as of December 31, 2021 from which it may pay dividends, subject to the limitations described above. During 2021, National declared and paid a dividend of $60 million to its ultimate parent, MBIA Inc. We expect the as-of-right declared and paid dividend amounts from National to be limited to prior year adjusted net investment income for the foreseeable future.

National—Claims-Paying Resources (Statutory Basis)

CPR is a key measure of the resources available to National to pay claims under its insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources and continues to be used by MBIA's management to evaluate changes in such resources. We have provided CPR to allow investors and analysts to evaluate National using the same measure that MBIA's management uses to evaluate National's resources to pay claims under its insurance policies. There is no directly comparable GAAP measure. Our calculation of CPR may differ from the calculation of CPR reported by other companies.

National's CPR and components thereto, as of December 31, 2021 and 2020 are presented in the following table:

In millions	As of December 31, 2021	As of December 31, 2020
Policyholders' surplus	$ 1,569	$ 1,526
Contingency reserves	402	445
Statutory capital	1,971	1,971
Unearned premiums	311	355
Present value of installment premiums(1)	121	129
Premium resources(2)	432	484
Net loss and LAE reserves(1)	(386)	(301)
Salvage reserves on paid claims(1)	944	961
Gross loss and LAE reserves	558	660
Total claims-paying resources	$ 2,961	$ 3,115

(1)—Calculated using a discount rate of 3.65% and 3.49% as of December 31, 2021 and 2020, respectively.
(2)—Includes financial guarantee and insured derivative related premiums.

MBIA Insurance Corporation—Statutory Capital and Surplus

MBIA Insurance Corporation had statutory capital of $134 million as of December 31, 2021 compared with $273 million as of December 31, 2020. As of December 31, 2021, MBIA Insurance Corporation's negative unassigned surplus was $1.9 billion. For 2021, MBIA Insurance Corporation had a statutory net loss of $129 million. Refer to the "MBIA Insurance Corporation—Claims-Paying Resources (Statutory Basis)" section below for additional information on MBIA Insurance Corporation's statutory capital.

In order to maintain its New York State financial guarantee insurance license, MBIA Insurance Corporation is required to maintain a minimum of $65 million of policyholders' surplus. MBIA Insurance Corporation is also required to maintain contingency reserves to provide protection to policyholders in the event of extreme losses in adverse economic events. Pursuant to a non-disapproval by the NYSDFS, and in accordance with NYIL, MBIA Insurance Corporation released to surplus $125 million of excessive contingency reserves during 2021. As of December 31, 2021, MBIA Insurance Corporation was in compliance with its aggregate risk limits under the NYIL, but was not in compliance with certain of its single risk limits. Since MBIA Insurance Corporation does not comply with its single risk limits, the NYSDFS could prevent MBIA Insurance Corporation from transacting any new financial guarantee insurance business.

Due to its significant earned surplus deficit, MBIA Insurance Corporation has not had the statutory capacity to pay dividends since December 31, 2009. Based on estimated future income, MBIA Insurance Corporation is not expected to have any statutory capacity to pay dividends.

The NYSDFS has not approved MBIA Insurance Corporation's requests to make interest payments on MBIA Insurance Corporation's Surplus Notes due January 15, 2033 (the "Surplus Notes") since, and including, the January 15, 2013 interest payment. The NYSDFS has cited both MBIA Insurance Corporation's liquidity and financial condition as well as the availability of "free and divisible surplus" as the basis for such non-approvals. As of January 15, 2022, the most recent scheduled interest payment date, there was $1.1 billion of unpaid interest on the par amount outstanding of $953 million of the Surplus Notes. Under Section 1307 of the NYIL and the Fiscal Agency Agreement governing the surplus notes, Surplus Note payments may be made only with the prior approval by the NYSDFS and if MBIA Insurance Corporation has sufficient "Eligible Surplus", or as we believe, "free and divisible surplus" as an appropriate calculation of "Eligible Surplus." As of December 31, 2021, MBIA

LIQUIDITY AND CAPITAL RESOURCES (continued)

Insurance Corporation had "free and divisible surplus" of $80 million. There is no assurance the NYSDFS will approve Surplus Note payments, notwithstanding the sufficiency of MBIA Insurance Corporation's liquidity and financial condition. The unpaid interest on the Surplus Notes will become due on the first business day on or after which MBIA Insurance Corporation obtains approval to pay some or all of such unpaid interest. No interest has been accrued or will accrue on the deferred interest.

MBIA Insurance Corporation—Claims-Paying Resources (Statutory Basis)

CPR is a key measure of the resources available to MBIA Corp. to pay claims under its insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources, and continues to be used by MBIA's management to evaluate changes in such resources. We have provided CPR to allow investors and analysts to evaluate MBIA Corp., using the same measure that MBIA's management uses to evaluate MBIA Corp.'s resources to pay claims under its insurance policies. There is no directly comparable GAAP measure. Our calculation of CPR may differ from the calculation of CPR reported by other companies.

MBIA Corp.'s CPR and components thereto, as of December 31, 2021 and 2020 are presented in the following table:

In millions	As of December 31, 2021	As of December 31, 2020
Policyholders' surplus	$ 97	$ 106
Contingency reserves	37	167
Statutory capital	134	273
Unearned premiums	46	79
Present value of installment premiums(1)	48	73
Premium resources(2)	94	152
Net loss and LAE reserves(1)	266	(478)
Salvage reserves on paid claims(1)	231(3)	1,045(4)
Gross loss and LAE reserves	497	567
Total claims-paying resources	$ 725	$ 992

(1)—Calculated using a discount rate of 4.99% and 5.10% as of December 31, 2021 and 2020, respectively.
(2)—Includes financial guarantee and insured derivative related premiums.
(3)—This amount primarily consists of expected recoveries related to the Company's CDOs and excess spread.
(4)—This amount primarily consists of expected recoveries related to the Company's put-back, CDOs and excess spread.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with GAAP, which requires the use of estimates and assumptions. Refer to "Note 2: Significant Accounting Policies" in the Notes to Consolidated Financial Statements for a discussion of our significant accounting policies and methods used in the preparation of our consolidated financial statements.

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 LAE reserves are established by loss reserve committees in each of our major operating insurance companies (National and MBIA Insurance Corporation) 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.

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, borrower behavior, the default rate and salvage values of specific collateral, and our ability to enforce contractual rights through litigation and otherwise. Also, any adverse developments on macroeconomic factors resulting from COVID-19 could result in new or additional losses on insured obligations. 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 further information on 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES (continued)

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 3% and 20% of total assets measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively. Level 3 liabilities represented approximately 75% and 68% of total liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020, respectively.

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

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.

Interbank Offered Rates Transition

In July 2017, the U.K. Financial Conduct Authority (the "U.K. Authority") announced that after 2021, it will no longer persuade or require banks to submit rates for LIBOR. Subsequently, on November 30, 2020, ICE Benchmark Administration, the administrator for LIBOR, announced plans to cease publication (i) immediately after December 31, 2021 of one week and two month USD LIBOR settings and (ii) immediately following the LIBOR publication on June 30, 2023 of the remaining USD LIBOR settings i.e., overnight and one, three, six and twelve month settings. While we expect LIBOR to be available in substantially its current form until at least the end of June of 2023, there is uncertainty that it will become unavailable prior to that point, which may adversely affect the value of, return on and trading market for our financial assets and liabilities that are based on or are linked to LIBOR.

The Company has identified LIBOR transition risk related to its insurance portfolio exposures that reference or are indexed to LIBOR, insured interest rate swaps referencing LIBOR, financial investments indexed to an interbank offered rate, including LIBOR, and MBIA Corp.'s surplus notes. Currently, the Company is evaluating the impact of such changes on existing exposures, transactions and debt and developing the processes and protocols to execute the upcoming LIBOR transition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk exposures relate to changes in interest rates, foreign exchange rates and credit spreads that affect the fair value of its financial instruments, primarily investment securities, MTNs and investment agreement liabilities. The Company's investments are primarily U.S. dollar-denominated fixed-income securities including municipal bonds, U.S. government bonds, corporate bonds, MBS and asset-backed securities. In periods of rising and/or volatile interest rates, foreign exchange rates and credit spreads, profitability could be adversely affected should the Company have to liquidate these securities. The Company minimizes its exposure to interest rate risk, foreign exchange risk and credit spread movement through active portfolio management to ensure a proper mix of the types of securities held and to stagger the maturities of its fixed-income securities.

INTEREST RATE SENSITIVITY

Interest rate sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in interest rates. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of December 31, 2021 from instantaneous shifts in interest rates:

	Change in Interest Rates					
In millions	**300 Basis Point Decrease**	**200 Basis Point Decrease**	**100 Basis Point Decrease**	**100 Basis Point Increase**	**200 Basis Point Increase**	**300 Basis Point Increase**
Estimated change in fair value	$ 373	$ 214	$ 94	$ (76)	$ (138)	$ (188)

FOREIGN EXCHANGE RATE SENSITIVITY

The Company is exposed to foreign exchange rate risk in respect of liabilities denominated in currencies other than U.S. dollars. Certain liabilities included in our corporate segment are denominated in currencies other than U.S. dollars. The majority of the Company's foreign exchange rate risks is with the Euro. Foreign exchange rate sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in foreign exchange rates. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of December 31, 2021 from instantaneous shifts in foreign exchange rates:

	Change in Foreign Exchange Rates			
	Dollar Weakens		**Dollar Strengthens**	
In millions	**20%**	**10%**	**10%**	**20%**
Estimated change in fair value	$ (47)	$ (23)	$ 23	$ 47

CREDIT SPREAD SENSITIVITY

Credit spread sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in credit spreads. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of December 31, 2021 from instantaneous shifts in credit spread curves. It was assumed that all credit spreads move by the same amount. It is more likely that the actual changes in credit spreads will vary by security. The changes in fair value reflect partially offsetting effects as the value of the investment portfolios generally changes in an opposite direction from the liability portfolio:

	Change in Credit Spreads		
In millions	**50 Basis Point Decrease**	**50 Basis Point Increase**	**200 Basis Point Increase**
Estimated change in fair value	$ 61	$ (56)	$ (195)

Item 8. Financial Statements

MBIA INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of MBIA Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of MBIA Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, of comprehensive income (loss), of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Certain Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable

As described in Notes 1, 2 and 6 to the consolidated financial statements, management recognizes loss reserves on a contract-by-contract basis when the present value of probability-weighted expected net cash outflows to be paid under the contract discounted using a risk-free rate as of the measurement date exceeds the unearned premium revenue. Management estimates the likelihood of possible claim payments and possible recoveries of such claim payments using probability-weighted expected cash flows based on information available as of the measurement date, including market information. As of December 31, 2021, total loss and LAE reserves were $894 million and primarily relate to first-lien residential mortgage-backed securities (RMBS) and exposures to insured debt obligations of Puerto Rico. The establishment of the appropriate level of loss reserves is an uncertain process involving numerous assumptions, estimates and subjective judgments by management that depend primarily on the nature of the underlying insured obligation, including 1) the nature and creditworthiness of the issuers of the insured obligations, 2) expected recovery rates on unsecured obligations, 3) the projected cash flow or market value of any assets pledged as collateral on secured obligations, 4) the expected rates of recovery, cash flow or market values on such obligations or assets, 5) economic conditions and trends, 6) political developments, 7) levels of interest rates, 8) borrower behavior, the default rate and salvage values of specific collateral, 9) management's ability to enforce contractual rights through litigation and otherwise, including the collection of contractual interest on claim payments, and 10) management's remediation strategy for an insured obligation that has defaulted or is expected to default. In addition, management recognizes potential recoveries on paid claims based on probability-weighted net cash inflows present valued at applicable risk-free rates as of the measurement date. As of December 31, 2021, total insurance loss recoverable was $1,296 million and primarily relates to first-lien RMBS excess spread recoverables, recoverables on paid Puerto Rico losses, and recoverables from claims paid in respect of insured notes issued by Zohar CDO 2003-1, Limited ("Zohar I") and Zohar II 2005-1, Limited ("Zohar II"). Excess spread within insured RMBS securitizations is the difference between interest inflows on mortgage loan collateral and interest outflows on the insured RMBS notes. For recoverables on paid Puerto Rico losses, the estimates include assumptions related to 1) economic conditions and trends, 2) political developments, 3) the Company's ability to enforce contractual rights through litigation and otherwise, 4) management's discussions with other creditors and the obligors and any existing proposals, and 5) the remediation strategy for an insured obligation that has defaulted or is expected to default. The estimate of the insurance loss recoverable for Zohar I and Zohar II, includes probability-weighted scenarios of the ultimate monetized recovery from the Zohar collateral.

The principal considerations for our determination that performing procedures relating to the estimation of certain loss and LAE reserves and insurance loss recoverable is a critical audit matter are (i) the significant judgment by management in determining the estimates for the loss and LAE reserves and insurance loss recoverable related to first-lien RMBS and Puerto Rico, and recoveries on paid claims related to the Zohar I and Zohar II assets, which in turn led to a high degree of auditor subjectivity and judgment in performing procedures related to these estimates; (ii) the significant audit effort and judgment in evaluating the audit evidence relating to the aforementioned assumptions, cash flow models, estimates and subjective judgments; and (iii) the audit effort included the involvement of professionals with specialized skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the estimation of certain loss and LAE reserves and insurance loss recoverable, including controls over the cash flow models and the development of significant assumptions. These procedures, for a sample of contracts, also included, among others, the involvement of professionals with specialized skill and knowledge to assist in i) independently estimating a range of net cash flows that support the estimation of loss and LAE reserves and insurance loss recoverable related to first-lien RMBS and the Zohar I and Zohar II assets, using industry data and other benchmarks, and comparing the independently estimated range to management's projected net cash flows; and ii) for the portion of loss and LAE reserves and insurance loss recoverable related to Puerto Rico, evaluating the appropriateness of management's cash flow models and the reasonableness of the aforementioned assumptions. Evaluating the reasonableness of management's estimates involved testing the completeness and accuracy of data provided by management.

/s/ PricewaterhouseCoopers
New York, New York
February 28, 2022

We have served as the Company's auditor since at least 1986. We have not been able to determine the specific year we began serving as auditor of the Company.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $2,016 and $2,078)	$ 2,157	$ 2,257
Investments carried at fair value	258	196
Investments pledged as collateral, at fair value (amortized cost $4 and $6)	4	1
Short-term investments, at fair value (amortized cost $374 and $281)	374	282
Total investments	2,793	2,736
Cash and cash equivalents	151	158
Premiums receivable (net of allowance for credit losses $5 and $5)	178	216
Deferred acquisition costs	42	50
Insurance loss recoverable	1,296	1,677
Other assets	67	84
Assets of consolidated variable interest entities:		
Cash	9	9
Investments carried at fair value	60	77
Loans receivable at fair value	77	120
Loan repurchase commitments	—	604
Other assets	23	20
Total assets	**$ 4,696**	**$ 5,751**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 322	$ 405
Loss and loss adjustment expense reserves	894	990
Long-term debt	2,331	2,229
Medium-term notes (includes financial instruments carried at fair value of $98 and $110)	590	710
Investment agreements	274	269
Derivative liabilities	131	215
Other liabilities	163	161
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of $291 and $350)	291	623
Total liabilities	**4,996**	**5,602**
Commitments and contingencies (Refer to Note 19)		
Equity:		
Preferred stock, par value $1 per share; authorized shares—10,000,000; issued and outstanding—none	—	—
Common stock, par value $1 per share; authorized shares—400,000,000; issued shares—283,186,115 and 283,186,115	283	283
Additional paid-in capital	2,931	2,962
Retained earnings (deficit)	(458)	(13)
Accumulated other comprehensive income (loss), net of tax of $8 and $8	100	115
Treasury stock, at cost—228,630,003 and 229,508,967 shares	(3,169)	(3,211)
Total shareholders' equity of MBIA Inc.	(313)	136
Preferred stock of subsidiary	13	13
Total equity	**(300)**	**149**
Total liabilities and equity	**$ 4,696**	**$ 5,751**

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

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions except share and per share amounts)

	Years Ended December 31, 2021	2020	2019
Revenues:			
Premiums earned:			
Scheduled premiums earned	$ 64	$ 59	$ 68
Refunding premiums earned	10	14	17
Premiums earned (net of ceded premiums of $16, $5 and $5)	74	73	85
Net investment income	62	76	114
Net realized investment gains (losses)	5	48	130
Change in fair value of insured derivatives:			
Realized gains (losses) and other settlements on insured derivatives	—	(1)	(10)
Unrealized gains (losses) on insured derivatives	—	7	25
Net change in fair value of insured derivatives	—	6	15
Net gains (losses) on financial instruments at fair value and foreign exchange	40	(86)	(78)
Net investment losses related to other-than-temporary impairments:			
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	—	—	(67)
Net investment losses related to other-than-temporary impairments	—	—	(67)
Net gains (losses) on extinguishment of debt	30	—	(1)
Fees and reimbursements	7	2	1
Other net realized gains (losses)	(6)	—	4
Revenues of consolidated variable interest entities:			
Net investment income	—	18	34
Net gains (losses) on financial instruments at fair value and foreign exchange	(8)	108	105
Other net realized gains (losses)	(15)	37	(62)
Total revenues	189	282	280
Expenses:			
Losses and loss adjustment	350	530	242
Amortization of deferred acquisition costs	6	10	11
Operating	91	87	92
Interest	163	178	201
Expenses of consolidated variable interest entities:			
Operating	6	5	9
Interest	18	50	82
Total expenses	634	860	637
Income (loss) before income taxes	(445)	(578)	(357)
Provision (benefit) for income taxes	—	—	2
Net income (loss)	**$ (445)**	**$ (578)**	**$ (359)**
Net income (loss) per common share:			
Basic	$ (8.99)	$ (9.78)	$ (4.43)
Diluted	$ (8.99)	$ (9.78)	$ (4.43)
Weighted average number of common shares outstanding:			
Basic	49,472,281	59,071,843	81,014,285
Diluted	49,472,281	59,071,843	81,014,285

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

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years Ended December 31,		
	2021	2020	2019
Net income (loss)	$(445)	$(578)	$(359)
Other comprehensive income (loss):			
Available-for-sale securities with no credit losses:			
Unrealized gains (losses) arising during the period	(26)	83	139
Reclassification adjustments for (gains) losses included in net income (loss)	(12)	(19)	(13)
Available-for-sale securities with credit losses:			
Reclassification adjustments for (gains) losses included in net income (loss)	—	—	25
Foreign currency translation:			
Foreign currency translation gains (losses)	4	(3)	—
Instrument-specific credit risk of liabilities measured at fair value:			
Unrealized gains (losses) arising during the period	(17)	50	(25)
Reclassification adjustments for (gains) losses included in net income (loss)	36	6	28
Total other comprehensive income (loss)	(15)	117	154
Comprehensive income (loss)	**$(460)**	**$(461)**	**$(205)**

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

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2021, 2020 and 2019
(In millions except share amounts)

	2021	2020	2019
Common shares			
Balance at beginning of year	283,186,115	283,433,401	283,625,689
Common shares issued (cancelled), net	—	(247,286)	(192,288)
Balance at end of year	283,186,115	283,186,115	283,433,401
Common stock amount			
Balance at beginning and end of year	$ 283	$ 283	$ 284
Period change	—	—	(1)
Balance at end of period	$ 283	$ 283	$ 283
Additional paid-in capital			
Balance at beginning of year	$ 2,962	$ 2,999	$ 3,025
Share-based compensation	(31)	(37)	(26)
Balance at end of year	$ 2,931	$ 2,962	$ 2,999
Retained earnings (deficit)			
Balance at beginning of year	$ (13)	$ 607	$ 966
ASU 2016-13 transition adjustment	—	(42)	—
Net income (loss)	(445)	(578)	(359)
Balance at end of year	$ (458)	$ (13)	$ 607
Accumulated other comprehensive income (loss)			
Balance at beginning of year	$ 115	$ (2)	$ (156)
Other comprehensive income (loss)	(15)	117	154
Balance at end of year	$ 100	$ 115	$ (2)
Treasury shares			
Balance at beginning of year	(229,508,967)	(204,000,108)	(193,803,976)
Treasury shares acquired under share repurchase program	—	(26,430,768)	(11,098,995)
Share-based compensation	878,964	921,909	902,863
Balance at end of year	(228,630,003)	(229,508,967)	(204,000,108)
Treasury stock amount			
Balance at beginning of year	$ (3,211)	$ (3,061)	$ (3,000)
Treasury shares acquired under share repurchase program	—	(198)	(101)
Share-based compensation	42	48	40
Balance at end of year	$ (3,169)	$ (3,211)	$ (3,061)
Total shareholders' equity of MBIA Inc.			
Balance at beginning of year	$ 136	$ 826	$ 1,119
Period change	(449)	(690)	(293)
Balance at end of year	**$ (313)**	**$ 136**	**$ 826**
Preferred stock of subsidiary shares			
Balance at beginning and end of year	1,315	1,315	1,315
Preferred stock of subsidiary amount			
Balance at beginning of year	$ 13	$ 13	$ 13
Balance at end of year	13	13	13
Total equity	**$ (300)**	**$ 149**	**$ 839**

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

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Premiums, fees and reimbursements received	$ 44	$ 28	$ 47
Investment income received	77	118	176
Insured derivative commutations and losses paid	—	(1)	(11)
Financial guarantee losses and loss adjustment expenses paid	(343)	(475)	(489)
Proceeds from recoveries and reinsurance	282	84	155
Proceeds from loan repurchase commitments	600	—	—
Operating expenses paid and other operating	(88)	(73)	(77)
Interest paid, net of interest converted to principal	(61)	(84)	(180)
Income taxes (paid) received	—	13	11
Net cash provided (used) by operating activities	511	(390)	(368)
Cash flows from investing activities:			
Purchases of available-for-sale investments	(1,163)	(1,133)	(2,140)
Sales of available-for-sale investments	597	1,095	2,195
Paydowns and maturities of available-for-sale investments	626	724	857
Purchases of investments at fair value	(206)	(179)	(151)
Sales, paydowns and maturities of investments at fair value	174	198	617
Sales, paydowns and maturities (purchases) of short-term investments, net	(99)	143	(157)
Sales, paydowns and maturities of held-to-maturity investments	—	890	—
Paydowns and maturities of loans receivable and other instruments at fair value	77	16	74
Consolidation of variable interest entities	—	—	72
Deconsolidation of variable interest entities	—	—	(2)
(Payments) proceeds for derivative settlements	(66)	(16)	(98)
Capital expenditures	(1)	—	—
Net cash provided (used) by investing activities	(61)	1,738	1,267
Cash flows from financing activities:			
Proceeds from investment agreements	2	12	15
Principal paydowns of investment agreements	(2)	(48)	(25)
Principal paydowns of medium-term notes	(81)	—	(57)
Principal paydowns of variable interest entity notes	(369)	(914)	(765)
Principal paydowns of long-term debt	(6)	(115)	(150)
Purchases of treasury stock	(1)	(200)	(106)
Other financing	—	—	(8)
Net cash provided (used) by financing activities	(457)	(1,265)	(1,096)
Effect of exchange rate changes on cash and cash equivalents	—	1	—
Net increase (decrease) in cash and cash equivalents	(7)	84	(197)
Cash and cash equivalents—beginning of year	167	83	280
Cash and cash equivalents—end of year	$ 160	$ 167	$ 83
Reconciliation of net income (loss) to net cash provided (used) by operating activities:			
Net income (loss)	$ (445)	$ (578)	$ (359)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Change in:			
Premiums receivable	31	29	62
Deferred acquisition costs	8	10	12
Accrued investment income	—	6	20
Unearned premium revenue	(83)	(77)	(105)
Loss and loss adjustment expense reserves	(102)	86	—
Insurance loss recoverable	381	16	(99)
Loan repurchase commitments	604	—	—
Accrued interest payable	107	133	106
Accrued expenses	4	34	12
Net investment losses related to other-than-temporary impairments	—	—	67
Unrealized (gains) losses on insured derivatives	—	(7)	(25)
Net (gains) losses on financial instruments at fair value and foreign exchange	(40)	(70)	(157)
Other net realized (gains) losses	21	(37)	58
Deferred income tax provision (benefit)	—	12	13
Interest on variable interest entities, net	3	6	(3)
Other operating	22	47	30
Total adjustments to net income (loss)	956	188	(9)
Net cash provided (used) by operating activities	$ 511	$ (390)	$ (368)

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

Note 1: Business Developments and Risks and Uncertainties

Summary

MBIA Inc., together with its consolidated subsidiaries, (collectively, "MBIA" or the "Company") operates within the financial guarantee insurance industry. MBIA manages three operating segments: 1) United States ("U.S.") public finance insurance; 2) corporate; and 3) international and structured finance insurance. The Company's U.S. public finance insurance business is managed through National Public Finance Guarantee Corporation ("National"), the corporate segment is operated through MBIA Inc. and several of its subsidiaries, including its service company, MBIA Services Corporation ("MBIA Services") and its international and structured finance insurance business is primarily operated through MBIA Insurance Corporation and its subsidiary ("MBIA Corp.").

Refer to "Note 12: Business Segments" for further information about the Company's operating segments.

Business Developments

Puerto Rico

During 2021, the Commonwealth of Puerto Rico and certain of its instrumentalities ("Puerto Rico") defaulted on scheduled debt service for National insured bonds and National paid gross claim payments in the aggregate of $277 million. On January 1, 2022, Puerto Rico also defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $47 million. As of December 31, 2021, National had $2.6 billion of debt service outstanding related to Puerto Rico.

PREPA

In September of 2019, National agreed to join the restructuring support agreement, as amended ("RSA"), with the Puerto Rico Electric Power Authority ("PREPA"), other monoline insurers, a group of uninsured PREPA bondholders, Puerto Rico, and the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"). The Rule 9019 hearing to approve the RSA has been delayed several times, and most recently was adjourned due to the outbreak of the novel coronavirus COVID-19 ("COVID-19") until further notice. The debt restructuring contemplated by the RSA will not be effective until (i) confirmation of a plan of adjustment under the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"), (ii) negotiation and consummation of definitive documentation and legal opinions, (iii) enactment and implementation of supportive Puerto Rico legislation and (iv) receipt of Puerto Rico regulatory approval, each of which outcome is uncertain and subject to varying degrees of risk. On February 18, 2022, the Ad Hoc Group of PREPA Bondholders filed an urgent motion to compel mediation and impose deadlines for a PREPA Plan, and on February 22, 2022, National filed a joinder to the motion. The Court agreed to set an expedited briefing schedule on the urgent motion, and will consider the pleadings on submission not before March 1, 2022.

In October of 2021 and January of 2022, National sold $199 million and $231 million, respectively, of PREPA bankruptcy claims related to insurance claims paid on matured National-insured PREPA bonds. These transactions represented approximately 35% of National's par claims to PREPA, monetized a portion of National's salvage asset at a discount to National's previous carrying value, and reduced potential volatility and ongoing risk of remediation around the PREPA credit. Subsequent to the sale of these PREPA bankruptcy claims, National does not have a material amount of additional par claims to PREPA that have matured and can be sold.

GO and HTA

On February 22, 2021, National agreed to join a plan support agreement, dated as of February 22, 2021 (the "GO PSA"), among the Oversight Board, certain holders of Puerto Rico Commonwealth GO ("GO") Bonds and Puerto Rico Public Buildings Authority ("PBA") Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp, and Syncora Guarantee Inc. in connection with the GO and PBA Title III cases. The GO PSA provides that, among other things, National shall receive a pro rata share of allocable cash, newly issued General Obligation bonds, a contingent value instrument ("CVI") and certain fees. The GO PSA was amended on January 30, 2022 (the "Amended GO PSA") to move the termination date from January 31, 2022 to March 15, 2022. On April 12,

Note 1: Business Developments and Risks and Uncertainties (continued)

2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board reached an agreement in principle settling certain clawback claims and providing for a distribution of cash, bonds and a CVI to Puerto Rico Highway and Transportation Authority ("HTA") bondholders subject to completing negotiations on a plan support agreement in respect of an HTA plan of adjustment (the "HTA PSA"). On May 5, 2021, National, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the Oversight Board entered into the HTA PSA.

The Confirmation Hearing for the Commonwealth Title III case concluded on November 23, 2021. On January 14, 2022, the Oversight Board filed its final draft of the Modified Eighth Amended Plan of Adjustment for the Commonwealth of Puerto Rico, and on January 18, 2022, the Court signed the confirmation order. There can be no assurance that the plan will become effective within the time permitted under the Amended GO PSA, currently March 15, 2022, or by the Bankruptcy Court.

Pursuant to the plan of adjustment, bondholders were required to choose between commuting their insurance policy with National or having their insurance policy accelerated and receiving a one-time payment of par and accrued interest from National. Approximately 27% of bondholders voted by the deadline of October 18, 2021 to commute their insurance policies with National. The expected commutation and acceleration should occur shortly after Plan approval and will reduce National's insured GO exposure to zero. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" for a further discussion of the Company's GO recoveries.

Credit Suisse

In January of 2021, the Court overseeing MBIA Corp.'s litigation against Credit Suisse Securities (USA) LLC and DLJ Mortgage Capital, Inc. (collectively, "Credit Suisse"), involving the ineligibility of a majority of the loans in the HEMT 2007-2 RMBS transaction sponsored by Credit Suisse, issued an order declaring that Credit Suisse was liable to MBIA for approximately $604 million in damages. In February of 2021, the parties to the litigation entered into a settlement agreement pursuant to which Credit Suisse paid MBIA Corp. $600 million, and the Court entered an order dismissing the case. Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" for a discussion of the Company's Credit Suisse put-back claims.

Debt Securities

As of December 31, 2021, MBIA Corp. repaid in full the outstanding amount of a financing facility's senior notes between MZ Funding LLC ("MZ Funding") and certain purchasers or their affiliates (collectively, the "Senior Lenders"). In addition, MBIA Inc. holds amended subordinated notes of MZ Funding that are eliminated in consolidation. Collectively, this financing facility is referred as the (the "Refinanced Facility"). Refer to "Note 10: Debt" for additional information on the Refinanced Facility.

During the year ended December 31, 2021, the Company repurchased $111 million par value outstanding of GFL medium-term notes ("MTNs") with maturity dates between 2022 and 2036 issued by the corporate segment at a weighted average cost of approximately 73% of par value.

Risks and Uncertainties

The Company's financial statements include estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The outcome of certain significant risks and uncertainties could cause the Company to revise its estimates and assumptions or could cause actual results to differ materially from the Company's estimates. The discussion below highlights the significant risks and uncertainties that could have a material effect on the Company's financial statements and business objectives in future periods.

COVID-19

The novel coronavirus COVID-19 ("COVID-19") continues to be an ongoing pandemic. While efforts to contain COVID-19 in the United States have been effective (distribution of vaccines and boosters, promotion of and the

Note 1: Business Developments and Risks and Uncertainties (continued)

use of masks, and social distancing), the current and longer-term impacts of COVID-19 remain uncertain. The existence or extent of any impact on the Company's insured or investment portfolios, or general business operations, will depend on future developments which are highly uncertain, including but not limited to the future severity of the pandemic, and the effectiveness of financial and regulatory actions taken at the state and federal levels to contain or address its impact. There is also uncertainty with how political, legal and regulatory responses to the pandemic, such as the nature of and conditions to aid to states or municipalities, tax policy, or programs designed to assist impacted individuals, will impact the Company's business.

Federal legislation passed to combat the economic impact of the pandemic has been significant, including the $2.7 trillion Coronavirus Aid, Relief, and Economic Security ("CARES") Act in 2020, which included significant aid to offset COVID-19 related expenditures of public sector issuers including states, territories, healthcare, higher education and transportation issuers. Also, the Federal Reserve has shown willingness to promote the stability of the financial system that is directly supportive of the municipal market, such as the Municipal Lending Facility created in 2020. In March of 2021, Congress passed the American Rescue Plan Act of 2021, a $1.9 trillion economic stimulus package designed to further stabilize the financial system. This law allocated nearly $350 billion of aid to state and local governments to replace lost revenues resulting from the pandemic with relatively few restrictions on use of said funds. However, economic activity, employment and inflation remain at risk as the path of economic recovery will still be significantly affected by the course of the virus, including new variants, and the continuing progress on vaccinations throughout the country.

Insured portfolios

Any adverse developments on macroeconomic factors resulting from COVID-19, including without limitation reduced economic activity and certainty, increased unemployment, increased loan defaults or delinquencies, and increased stress on municipal budgets, including due to reduced tax revenues and the ability to raise taxes or limit spending, could materially and adversely affect the performance of the Company's insured portfolios. Any impact of the pandemic on the Company's financial guarantee credits would vary based on the nature of the taxes, fees and revenues pledged to debt repayment and their sensitivity to the related slowdown in economic activity. The duration of the pandemic, the efficacy of vaccines, spending of federal aid to state and local governments, and the breadth and speed of economic recovery will determine the economic stress, if any, incurred by the credits in the Company's insured portfolios. While the unprecedented amount of federal aid directed to state and local municipalities has blunted the impact of the pandemic, not all of the issuers of the obligations in National's insured portfolio were eligible to receive it. Further, if issuers are unable to raise taxes, reduce spending, or receive federal assistance, while such has not yet occurred materially, the Company may experience new or additional losses or impairments on those obligations, which could materially and adversely affect its business, financial condition and financial results.

Certain of MBIA Corp.'s structured finance policies, including those in which the underlying principal obligations are comprised of residential or commercial mortgages and mortgage-backed securities ("MBS"), could be negatively impacted by delays or failures of borrowers to make payments of principal and interest when due, or delays or moratoriums on foreclosures or enforcement actions with respect to delinquent or defaulted mortgages imposed by governmental authorities. MBIA Corp. has recorded significant loss reserves on its residential mortgage-backed securities ("RMBS") and collateralized debt obligations ("CDO") exposures, and there can be no assurance that these reserves will be sufficient if the pandemic causes further deterioration to the economy. These transactions are also subject to servicer risks, which relate to problems with the transaction's servicer that could adversely impact performance of the underlying assets. Additionally, several of the Company's credits, particularly within its international public finance sector, feature large, near term debt-service payments, while there can be no assurance that the liquidity position of MBIA Corp. will enable it to satisfy any claims that arise if the issuers of such credits are unable or unwilling to refinance or repay their obligations. MBIA Corp. has recorded expected recoveries on certain RMBS transactions, and the forbearance options that mortgage borrowers who were facing financial difficulties took advantage of under the CARES Act may continue to delay or impair collections on these recoveries.

Note 1: Business Developments and Risks and Uncertainties (continued)

Liquidity

The Company continues to monitor its cash and liquid asset resources using cash forecasting and stress-scenario testing. Members of the Company's senior management meet regularly to review liquidity metrics, discuss contingency plans and establish target liquidity levels. While liquidity levels and collateral amounts have normalized since the beginning of the pandemic, any additional impact the pandemic may have on the Company's future liquidity position remains uncertain. Declines in the market value or rating eligibility of assets pledged against the Company's obligations as a result of credit market deterioration caused by COVID-19 or other factors may require additional eligible assets to be pledged in order to meet minimum required collateral amounts against these obligations. This could require the Company to sell assets, potentially with substantial losses or use free cash or other assets to meet the collateral requirements, thus negatively impacting the Company's liquidity position. Additionally, declines in the yields in the Company's insurance companies' fixed-income portfolios could materially impact investment income.

National's Insured Portfolio

National continues to monitor and remediate its existing insured portfolio and may also pursue strategic alternatives that could enhance shareholder value. Certain state and local governments and territory obligors that National insures are under financial and budgetary stress. This could lead to an increase in defaults by such entities on the payment of their obligations and losses or impairments on a greater number of National's insured transactions. In particular, the Commonwealth of Puerto Rico and several of its public corporations and instrumentalities, which have reported significant fiscal stress, are currently in bankruptcy-like proceedings in the United States District Court for the District of Puerto Rico, pursuant to the PROMESA. Since 2016, Puerto Rico has been unable or unwilling to pay its obligations as and when due, and National has been required to pay claims of unpaid principal and interest when due under its insurance policies as a consequence. Puerto Rico may continue to fail to make payments when due, which could cause National to make additional claims payments which could be material. While National will seek to recover any claim payments it makes under its guarantees, there is no assurance that it will be able to recover such payments. National monitors and analyzes these situations and other stressed credits closely, and the overall extent and duration of this stress is uncertain.

MBIA Corp.'s Insured Portfolio

MBIA Corp.'s primary objectives are to satisfy all claims by its policyholders and to maximize future recoveries, if any, for its senior lending and surplus note holders, and then its preferred stock holders. MBIA Corp. is executing this strategy by, among other things, taking steps to maximize the collection of recoveries and by reducing and mitigating potential losses on its insurance exposures. MBIA Corp.'s insured portfolio performance could deteriorate and result in additional significant loss reserves and claim payments. MBIA Corp.'s ability to meet its obligations is limited by available liquidity and its ability to secure additional liquidity through financing and other transactions. There can be no assurance that MBIA Corp. will be successful in generating sufficient resources to meet its obligations.

Zohar and RMBS Recoveries

Payment of claims on MBIA Corp.'s policies insuring the Class A-1 and A-2 notes issued by Zohar CDO 2003-1, Limited ("Zohar I") and Zohar II 2005-1, Limited ("Zohar II"), entitles MBIA Corp. to reimbursement of such amounts plus interest and expenses and/or to exercise certain rights and remedies to seek recovery of such amounts. MBIA Corp. anticipates that it will receive substantial recoveries on the loans made to, and equity interests in, companies that, until late March of 2020, were purportedly controlled and managed by the sponsor and former collateral manager of the Zohar CDOs referenced above (collectively, the "Zohar Collateral"). There still remains significant uncertainty with respect to the realizable value of the remaining Zohar Collateral. Further, as the monetization process at the remaining portfolio companies continues to unfold in coordination with the new directors and managers in place, and new information concerning the financial condition of the portfolio companies is disclosed, the Company will continue to revise its expectations for recoveries.

Note 1: Business Developments and Risks and Uncertainties (continued)

MBIA Corp. also projects to collect recoveries from prior claims associated with insured RMBS; however, the amount and timing of these collections are uncertain.

Failure to collect its expected recoveries could impede MBIA Corp.'s ability to make payments when due on other policies. MBIA Corp. believes that if the New York State Department of Financial Services ("NYSDFS") concludes at any time that MBIA Insurance Corporation will not be able to pay its policyholder claims, the NYSDFS would likely put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law ("NYIL") and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation's policyholders. The determination to commence such a proceeding or take other such actions is within the exclusive control of the NYSDFS.

Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any cross defaults between the entities and the lack of reliance by MBIA Inc. on MBIA Corp. for dividends, the Company does not believe that a rehabilitation or liquidation proceeding with respect to MBIA Insurance Corporation would have any significant liquidity impact on MBIA Inc. Such a proceeding could have material adverse consequences for MBIA Corp., including the termination of derivative contracts for which counterparties may assert market-based claims, the acceleration of debt obligations issued by affiliates and insured by MBIA Corp., the loss of control of MBIA Insurance Corporation to a rehabilitator or liquidator, and unplanned costs.

Refer to "Note 6: Loss and Loss Adjustment Expense Reserves" for additional information about MBIA Corp.'s recoveries.

Corporate Liquidity

Based on the Company's projections of National's dividends and other cash inflows, the Company expects that MBIA Inc. will have sufficient cash to satisfy its debt service and general corporate needs. However, MBIA Inc. continues to have liquidity risk that could be caused by interruption of or reduction in dividends from National, deterioration in the performance of invested assets, impaired access to the capital markets, as well as other factors, which are not anticipated at this time. Furthermore, failure by MBIA Inc. to settle liabilities that are insured by MBIA Corp. could result in claims on MBIA Corp.

Note 2: Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As additional information becomes available or actual amounts become determinable, the recorded estimates are revised and reflected in operating results. Certain amounts have been reclassified in prior years' financial statements to conform to the current presentation. This includes the presentation of "Net realized investment gains (losses)" on the Company's consolidated statements of operations. These amounts were previously included in "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.

Consolidation

The consolidated financial statements include the accounts of MBIA Inc., its wholly-owned subsidiaries and all other entities in which the Company has a controlling financial interest. All intercompany balances and transactions have been eliminated. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether an entity is a voting interest entity or a VIE.

Note 2: Significant Accounting Policies (continued)

Voting interest entities are entities in which (i) the total equity investment at risk is sufficient to enable an entity to finance its activities independently and (ii) the equity holders have the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity's activities. Voting interest entities are consolidated when the Company has a majority voting interest.

VIEs are entities that lack one or more of the characteristics of a voting interest entity. The consolidation of a VIE is required if an entity has a variable interest (such as an equity or debt investment, a beneficial interest, a guarantee, a written put option or a similar obligation) and that variable interest or interests give it a controlling financial interest in the VIE. A controlling financial interest is present when an enterprise has both (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The enterprise with the controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. The Company consolidates all VIEs in which it is the primary beneficiary. The Company may elect to apply the fair value option to the financial assets and financial liabilities of consolidated VIEs on a VIE-by-VIE basis. Refer to "Note 4: Variable Interest Entities" for additional information.

Investments

The Company classifies its investments as available-for-sale ("AFS"), held-to-maturity ("HTM"), or trading. AFS investments are reported in the consolidated balance sheets at fair value with non-credit related unrealized gains and losses, net of applicable deferred income taxes, reflected in accumulated other comprehensive income (loss) ("AOCI") in shareholders' equity. The specific identification method is used to determine realized gains and losses on AFS securities. Investments carried at fair value consist of equity instruments, investments elected under the fair value option, and investments classified as trading. Short-term investments include all fixed-maturity securities held as AFS with a remaining maturity of less than one year at the date of purchase, including commercial paper and money market securities. Changes in the fair values of investments carried at fair value and realized gains and losses from the sale and other dispositions of investment securities are reflected in earnings as part of "Net gains (losses) on financial instruments at fair value and foreign exchange" and "Net realized investment gains (losses)", respectively, on the Company's consolidated statements of operations.

Investment income is recorded as earned which includes the current period interest accruals deemed collectible. Accrued interest income is recorded as part of "Other assets" on the Company's consolidated balance sheets. Bond discounts and premiums are amortized using the effective yield method over the remaining term of the securities and reported in "Net investment income" on the Company's consolidated statements of operations. However, premiums on certain callable debt securities are amortized to the next call date. For MBS and asset-backed securities ("ABS"), discounts and premiums are amortized using the retrospective or prospective method.

Accrued interest income on debt securities is not assessed for credit losses since the Company reverses any past due accrued interest income through earnings as a charge against net investment income. Interest income is subsequently recognized to the extent cash is received.

Credit Losses on Debt Securities

For AFS debt securities, the Company's consolidated statements of operations reflect the full impairment (the difference between a security's amortized cost basis and fair value) if the Company intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. AFS debt securities in an unrealized loss position and HTM debt securities are evaluated on a quarterly basis to determine if credit losses exist. The Company considers that credit losses exist when the Company does not expect to recover the entire amortized cost basis of the debt security. The Company measures an allowance for credit losses on a security-by-security basis as the difference between the recorded investment and the present value of the cash flows expected to be collected, discounted at the instrument's effective interest rate. Only the amounts of impairment associated with the credit losses are recognized as charges to earnings.

Note 2: Significant Accounting Policies (continued)

As part of the adoption of ASU 2016-13, effective January 1, 2020, the Company no longer records impairments for credit losses as adjustments to the amortized cost of the debt securities, but rather records an allowance for credit losses. The carrying values of debt securities are presented net of any allowance for credit losses. For AFS debt securities, adjustments to the amortized cost basis are recorded if there is an intent to sell before recovery of the impairment. For debt securities with an allowance for credit loss, changes in credit losses including accretion of the allowance for credit losses are recognized in earnings through other net realized gains (losses) with a corresponding change to the allowance for credit losses.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and deposits with banks with original maturities of less than three months.

Deferred Acquisition Costs

The Company deferred acquisition costs that were directly related to new or renewal insurance business. Acquisition costs are costs to acquire an insurance contract which result directly from and are essential to the insurance contracts transaction and would not have been incurred by the Company had the contract transaction not occurred. Acquisition costs include compensation of employees involved in underwriting, certain rating agency fees, state premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers. Acquisition costs also included ceding commissions paid by the Company in connection with assuming business from other financial guarantors. Acquisition costs, net of ceding commissions received, related to non-derivative insured financial guarantee transactions are deferred and amortized over the period in which the related premiums are earned. Since the cessation of new insurance business by the Company, new acquisition costs relate to installment-based policies written prior to such cessation.

Derivatives

Derivative instruments are reported at fair value on the consolidated balance sheets as either assets or liabilities depending on the rights or obligations under the contract, and changes in fair value are reported in the consolidated statements of operations within “Net gains (losses) on financial instruments at fair value and foreign exchange” or “Unrealized gains (losses) on insured derivatives” depending on the nature of the derivative. The net change in the fair value of the Company’s insured derivatives has two primary components: (i) realized gains (losses) and other settlements on insured derivatives and (ii) unrealized gains (losses) on insured derivatives. “Realized gains (losses) and other settlements on insured derivatives” include (i) premiums received and receivable on insured derivative contracts, (ii) premiums paid and payable to reinsurers in respect to insured derivative contracts, (iii) net amounts received or paid on reinsurance commutations, (iv) losses paid and payable to insured derivative contract counterparties due to the occurrence of a payment event or settlement agreement, (v) losses recovered and recoverable on insured derivative contracts and (vi) fees related to insured derivative contracts. “Unrealized gains (losses) on insured derivatives” include all other changes in the fair values of the insured derivative contracts. As of December 31, 2020, the Company had no remaining insured exposure accounted for as an insured credit default swap (“CDS”) derivative.

In certain instances, the Company purchased or issued securities that contain embedded derivatives that were separated from the host contracts and accounted for as derivative instruments. In addition, the Company elected to record at fair value certain financial instruments that contain an embedded derivatives that would have otherwise required bifurcation from the host contracts and been accounted for separately as derivative instruments. These hybrid financial instruments included certain MTNs and certain AFS securities. The Company elected to fair value these hybrid financial instruments in their entirety given the complexity of bifurcating the embedded derivatives.

Refer to “Note 9: Derivative Instruments” for a further discussion of the Company’s use of derivatives and their impact on the Company’s consolidated financial statements and “Note 7: Fair Value of Financial Instruments” for derivative valuation techniques and fair value disclosures.

Note 2: Significant Accounting Policies (continued)

Fair Value Measurements—Definition and Hierarchy

The Company carries certain financial instruments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement 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, the Company uses alternate valuation methods, including either dealer quotes for similar instruments or pricing models that use market data inputs. The use of alternate valuation methods generally requires considerable judgment in the application of estimates and assumptions and changes to such estimates and assumptions may produce materially different fair values. The Company considers its own nonperformance risk and the nonperformance risk of its counterparties when measuring fair value.

The accounting guidance establishes a fair value hierarchy that categorizes into three levels, the inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available and reliable. Observable inputs are those that the Company believes market participants would use in pricing an asset or liability based on available market data. Unobservable inputs are those that reflect the Company’s beliefs about the assumptions market participants would use in pricing the asset or liability based on the best information available. The three levels of the fair value hierarchy are defined as follows:

- Level 1—Valuations based on quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 2 assets include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, securities which are priced using observable inputs and derivative contracts whose values are determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3—Valuations based on inputs that are unobservable or supported by little or no market activity, and that are significant to the overall fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques where significant inputs are unobservable, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The availability of observable inputs can vary from financial instrument to financial instrument and period to period depending on the type of instrument, market activity, the approach used to measure fair value, and other factors. The Company categorizes a financial instrument within the fair value hierarchy based on the least observable input that is significant to the fair value measurement. When the inputs used to measure fair value of an asset or a liability are categorized within different levels based on the definition of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Refer to “Note 7: Fair Value of Financial Instruments” for additional fair value disclosures.

Loss and Loss Adjustment Expenses

The Company recognizes loss reserves on a contract-by-contract basis when the present value of probability-weighted expected net cash outflows to be paid under the contract discounted using a risk-free rate as of the measurement date exceeds the unearned premium revenue. A loss reserve is subsequently remeasured each reporting period for expected increases or decreases due to changes in the likelihood of default and potential recoveries. Subsequent changes to the measurement of loss reserves are recognized as loss expense or benefit

Note 2: Significant Accounting Policies (continued)

in the period of change. Measurement and recognition of loss reserves are reported gross of any reinsurance on the Company's consolidated balance sheets. The Company estimates the likelihood of possible claim payments and possible recoveries of such claim payments using probability-weighted expected cash flows as of the measurement date based on information available, including market information. Accretion of the discounts on loss reserves and recoveries is included in loss expense. The Company considers its ability to collect contractual interest on claim payments when developing its expected inflows. The inclusion of such interest may result in the Company recording recoveries in excess of its actual or expected claim payments on a policy.

The Company recognizes potential recoveries on paid claims based on probability-weighted cash inflows present valued at applicable risk-free rates as of the measurement date. Such amounts are reported within "Insurance loss recoverable" on the Company's consolidated balance sheets. To the extent the Company had recorded potential recoveries in its loss reserves previous to a claim payment, such recoveries are reclassified to "Insurance loss recoverable" upon payment of the related claim and remeasured at each reporting period.

The Company's loss reserves, insurance loss recoverable, and accruals for loss adjustment expense ("LAE") incurred are disclosed in "Note 6: Loss and Loss Adjustment Expense Reserves."

Long-term Debt

Long-term debt is carried at the principal amount outstanding plus accrued interest and net of unamortized debt issuance costs and discounts. Interest expense is accrued at the contractual interest rate. Debt issuance costs and discounts are amortized and reported as interest expense.

Medium-Term Notes and Investment Agreements

MTNs and investment agreements are carried at the principal amount outstanding plus accrued interest and net of unamortized discounts, or at fair value for certain MTNs. Interest expense is accrued at the contractual interest rate. Discounts are amortized and reported as interest expense.

Financial Guarantee Insurance Premiums

Unearned Premium Revenue and Receivable for Future Premiums

The Company recognized a liability for unearned premium revenue at the inception of financial guarantee insurance and reinsurance contracts on a contract-by-contract basis. Unearned premium revenue recognized at inception of a contract is measured at the present value of the premium due. For most financial guarantee insurance contracts, the Company received the entire premium due at the inception of the contract, and recognized an unearned premium revenue liability at that time. For certain other financial guarantee contracts, the Company receives premiums in installments over the term of the contract. Unearned premium revenue and a receivable for future premiums were recognized at the inception of each installment contract, and measured at the present value of premiums expected to be collected over the contract period or expected period using a risk-free discount rate. The expected period is used in the present value determination of unearned premium revenue and receivable for future premiums for contracts where (a) the insured obligation is contractually prepayable, (b) prepayments are probable, (c) the amount and timing of prepayments are reasonably estimable, and (d) a homogenous pool of assets is the underlying collateral for the insured obligation. Premiums receivable for policies that use the expected period of risk due to expected prepayments are adjusted in subsequent measurement periods when prepayment assumptions change using the risk-free discount rate as of the remeasurement date. The Company has determined that substantially all of its installment contracts meet the conditions required to be treated as expected period contracts. Premiums receivable also includes the current amount of premiums due from installment policies insuring consolidated VIEs when the premiums are payable by third-parties on behalf of the consolidated VIEs. The receivable for future premiums is reduced as installment premiums are collected. The Company reports the accretion of the discount on installment premiums receivable as premium revenue and discloses the amount recognized in "Note 5: Insurance Premiums." As premium revenue is recognized, the unearned premium revenue liability is reduced.

Note 2: Significant Accounting Policies (continued)

Credit Losses on Premium Receivables

The Company evaluates the collectability of outstanding premium receivables on a quarterly basis and measures any allowance for credit losses as the difference between the recorded premium receivable amount and the current projected net present value of premiums expected to be collected, discounted at the effective interest rate, which is the applicable risk-free rate described in the preceding paragraph. Estimating the allowance for credit losses involves substantial judgment, including forecasting an insured transaction's cash flows, such as the future performance of the transaction's underlying assets and the impact of certain macro-economic factors, as well as incorporating any historical experience of uncollectible balances and a transaction's liability structure, including the seniority of premium payments to the Company.

Premium Revenue Recognition

The Company recognizes and measures premium revenue over the period of the contract in proportion to the amount of insurance protection provided. Premium revenue is measured by applying a constant rate to the insured principal amount outstanding in a given period to recognize a proportionate share of the premium received or expected to be received on a financial guarantee insurance contract. A constant rate for each respective financial guarantee insurance contract is calculated as the ratio of (a) the present value of premium received or expected to be received over the period of the contract to (b) the sum of all insured principal amounts outstanding during each period over the term of the contract.

An issuer of an insured financial obligation may retire the obligation prior to its scheduled maturity through refinancing or legal defeasance in satisfaction of the obligation according to its indenture, which results in the Company's obligation being extinguished under the financial guarantee contract. The Company recognizes any remaining unearned premium revenue on the insured obligation as refunding premiums earned in the period the contract is extinguished to the extent the unearned premium revenue has been collected.

Fee and Reimbursement Revenue Recognition

The Company collects insurance related fees for services performed in connection with certain transactions. Fees are earned when the related services are completed. Types of fees include waiver and consent and termination fees.

Stock-Based Compensation

The Company recognizes in earnings, generally over the vesting or service period of an award, the cost of all stock-based payment transactions using the fair value of the stock-based compensation provided. Refer to "Note 15: Benefit Plans" for a further discussion regarding the methodology utilized in recognizing employee stock compensation expense.

Foreign Currency Translation

Financial statement assets and liabilities denominated in foreign currencies are reported in U.S. dollars generally using rates of exchange prevailing as of the balance sheet date. Translation adjustments resulting from the translation of the financial statements of the Company's non-U.S. operations from its functional currency into U.S. dollars are included in "Accumulated other comprehensive income (loss)" in shareholders' equity. Operating results of the Company's non-U.S. operations are translated at average rates of exchange prevailing during the year. Foreign currency remeasurement gains and losses resulting from transactions in non-functional currencies are recorded in earnings. The Company derecognizes the cumulative translation adjustment reported in "Accumulated other comprehensive income (loss)" and includes the amount as part of the gain or loss on the sale or liquidation of its investment in a foreign entity in the period in which the sale or liquidation occurs.

Note 2: Significant Accounting Policies (continued)

Income Taxes

Deferred income taxes are recorded with respect to temporary differences between the tax bases of assets and liabilities and the reported amounts in the Company's 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. Such temporary differences relate principally to net operating losses ("NOLs"), accrued surplus note interest, foreign tax credits, loss reserve deductions, premium revenue recognition, deferred acquisition costs, and unrealized gains and losses. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. As of December 31, 2021 and 2020, the Company had a full valuation allowance on its net deferred tax asset. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates in the period in which changes are approved by the relevant authority.

MBIA Inc. and its eligible U.S. subsidiaries file a consolidated federal income tax return. The U.S. income taxes are allocated based on the provisions of the Company's tax sharing agreement, which governs the intercompany settlement of tax obligations and benefits. The method of allocation between the members is based upon calculations as if each member filed its separate tax return. Under the Company's tax sharing agreement, each member with an NOL will receive the benefits of its tax losses and credits as it is able to earn them out in the future.

In establishing a liability for an unrecognized tax benefit ("UTB"), assumptions may be made in determining whether a tax position is more likely than not to be sustained upon examination by the taxing authority and also in determining the ultimate amount that is likely to be realized. A tax position is recognized only when, based on management's judgment regarding the application of income tax laws, it is more likely than not that the tax position will be sustained upon examination. The amount of tax benefit recognized is based on the Company's assessment of the largest amount of benefit that is more likely than not to be realized on ultimate settlement with the taxing authority. This measurement is based on many factors, including whether a tax dispute may be settled through negotiation with the taxing authority or is only subject to review in the courts. As new information becomes available, the Company evaluates its tax positions, and adjusts its UTB, as appropriate. If the tax benefit ultimately realized differs from the amount previously recognized, the Company recognizes an adjustment of the UTB.

Refer to "Note 11: Income Taxes" for additional information about the Company's income taxes.

Note 3: Recent Accounting Pronouncements

Recently Adopted Accounting Standards

During 2021, the Company did not adopt any new accounting pronouncements that had a material impact on its consolidated financial statements.

Recent Accounting Developments

Reference Rate Reform (Topic 848): Scope (ASU 2021-01) and Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)

In January of 2021, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2021-01, "Reference Rate Reform – Scope," which clarified the scope and application of the original guidance, ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," issued in March of 2020. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or other rates that are expected to be discontinued, subject to meeting certain criteria. Both ASU 2020-04 and ASU 2021-01 were effective upon issuance, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company is evaluating the potential impact of adopting ASU 2021-01 and 2020-04 and expect to adopt these ASUs when LIBOR is discontinued by June of 2023.

Note 4: Variable Interest Entities

Primarily through MBIA's international and structured finance insurance segment, the Company provides credit protection to issuers of obligations that may involve issuer-sponsored special purpose entities ("SPEs"). An SPE may be considered a variable interest entity ("VIE") to the extent the SPE's total equity at risk is not sufficient to permit the SPE to finance its activities without additional subordinated financial support or its equity investors lack any one of the following characteristics: (i) the power to direct the activities of the SPE that most significantly impact the entity's economic performance or (ii) the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the entity. A holder of a variable interest or interests in a VIE is required to assess whether it has a controlling financial interest, and thus is required to consolidate the entity as primary beneficiary. An assessment of a controlling financial interest identifies the primary beneficiary as the variable interest holder that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The primary beneficiary is required to consolidate the VIE. An ongoing reassessment of controlling financial interest is required to be performed based on any substantive changes in facts and circumstances involving the VIE and its variable interests.

The Company evaluates issuer-sponsored SPEs initially to determine if an entity is a VIE, and is required to reconsider its initial determination if certain events occur. For all entities determined to be VIEs, MBIA performs an ongoing reassessment to determine whether its guarantee to provide credit protection on obligations issued by VIEs provides the Company with a controlling financial interest. Based on its ongoing reassessment of controlling financial interest, the Company determines whether a VIE is required to be consolidated or deconsolidated.
The Company makes its determination for consolidation based on a qualitative assessment of the purpose and design of a VIE, the terms and characteristics of variable interests of an entity, and the risks a VIE is designed to create and pass through to holders of variable interests. The Company generally provides credit protection on obligations issued by VIEs, and holds certain contractual rights according to the purpose and design of a VIE. The Company may have the ability to direct certain activities of a VIE depending on facts and circumstances, including the occurrence of certain contingent events, and these activities may be considered the activities that most significantly impact the VIE's economic performance. The Company generally considers its guarantee of principal and interest payments of insured obligations, given nonperformance by a VIE, to be an obligation to absorb losses of the entity that could potentially be significant to the VIE. At the time the Company determines it has the ability to direct the activities of a VIE that most significantly impact the economic performance of the entity based on facts and circumstances, MBIA is deemed to have a controlling financial interest in the VIE and is required to consolidate the entity as primary beneficiary. The Company performs an ongoing reassessment of controlling financial interest that may result in consolidation or deconsolidation of any VIE.

Consolidated VIEs

The carrying amounts of assets and liabilities of consolidated VIEs were $169 million and $291 million, respectively, as of December 31, 2021 and $830 million and $623 million, respectively, as of December 31, 2020. The carrying amounts of assets and liabilities are presented separately in "Assets of consolidated variable interest entities" and "Liabilities of consolidated variable interest entities" on the Company's consolidated balance sheets. VIEs are consolidated or deconsolidated based on an ongoing reassessment of controlling financial interest, when events occur or circumstances arise, and whether the ability to exercise rights that constitute power to direct activities of any VIEs are present according to the design and characteristics of these entities. In 2021, the Company deconsolidated three structured finance VIEs due to the prepayment of the outstanding notes of the VIEs that were insured by MBIA Corp., and recorded losses of $14 million primarily due to credit losses in AOCI that were released to earnings under fair value accounting. In 2020, the Company deconsolidated two structured finance VIEs due to the prepayment of the outstanding notes of the VIEs that were insured by MBIA Corp. In addition, the allowance for credit losses on HTM assets held by one of the deconsolidated structured finance VIEs was reduced to zero. Refer to "Note 8: "Investments" for further information on credit losses on investments. Also in 2020, the Puerto Rico Sales Tax Financing Corporation ("COFINA") Trusts established in 2019 were legally dissolved and the seven related VIEs were deconsolidated. There was no impact on the Company's consolidated statement of operations in 2020 due to the deconsolidation of these VIEs. Consolidation and deconsolidation

Note 4: Variable Interest Entities (continued)

gains and losses, if any, are recorded within "Other net realized gains (losses)" under "Revenues of consolidated variable interest entities" on the Company's consolidated statements of operations.

Holders of insured obligations of issuer-sponsored VIEs do not have recourse to the general assets of the Company. In the event of nonpayment of an insured obligation issued by a consolidated VIE, the Company is obligated to pay principal and interest, when due, on the respective insured obligation only. The Company's exposure to consolidated VIEs is limited to the credit protection provided on insured obligations and any additional variable interests held by the Company.

Nonconsolidated VIEs

The following tables present the Company's maximum exposure to loss for nonconsolidated VIEs and carrying values of the assets and liabilities for its interests in these VIEs in its insurance operations as of December 31, 2021 and December 31, 2020. The maximum exposure to loss as a result of MBIA's variable interests in VIEs is represented by insurance in force. Insurance in force is the maximum future payments of principal and interest which may be required under commitments to make payments on insured obligations issued by nonconsolidated VIEs. The Company has aggregated nonconsolidated VIEs based on the underlying credit exposure of the insured obligation. The nature of the Company's variable interests in nonconsolidated VIEs is related to financial guarantees and any investments in obligations issued by nonconsolidated VIEs.

	December 31, 2021					
		Carrying Value of Assets			Carrying Value of Liabilities	
In millions	Maximum Exposure to Loss	Investments	Premiums Receivable	Insurance Loss Recoverable	Unearned Premium Revenue	Loss and Loss Adjustment Expense Reserves
Insurance:						
Global structured finance:						
Mortgage-backed residential	$ 1,261	$ 87	$ 14	$ 40	$ 11	$ 430
Consumer asset-backed	226	—	1	1	1	6
Corporate asset-backed	503	—	3	200	4	11
Total global structured finance	1,990	87	18	241	16	447
Global public finance	834	—	6	—	5	—
Total insurance	$ 2,824	$ 87	$ 24	$ 241	$ 21	$ 447

	December 31, 2020					
		Carrying Value of Assets			Carrying Value of Liabilities	
In millions	Maximum Exposure to Loss	Investments	Premiums Receivable	Insurance Loss Recoverable	Unearned Premium Revenue	Loss and Loss Adjustment Expense Reserves
Insurance:						
Global structured finance:						
Mortgage-backed residential	$ 1,835	$ 21	$ 16	$ 90	$ 14	$ 482
Consumer asset-backed	293	—	1	1	1	15
Corporate asset-backed	735	—	5	364	5	—
Total global structured finance	2,863	21	22	455	20	497
Global public finance	1,434	—	7	—	7	2
Total insurance	$ 4,297	$ 21	$ 29	$ 455	$ 27	$ 499

Note 5: Insurance Premiums

The Company recognizes and measures premiums related to financial guarantee (non-derivative) insurance and reinsurance contracts in accordance with the accounting principles for financial guarantee insurance contracts.

As of December 31, 2021 and 2020, the Company had an allowance for credit losses on premium receivables of $5 million. Refer to "Note 2: Significant Accounting Policies" for further information regarding the accounting related to credit losses on premium receivables.

As of December 31, 2021 and 2020, the weighted average risk-free rates used to discount future installment premiums were 2.8% and 2.7%, respectively, and the weighted average expected collection term of the premiums receivable was 9.09 years and 8.75 years, respectively. As of December 31, 2021 and 2020, reinsurance premiums payable was $5 million and $15 million, respectively, and is included in "Other liabilities" in the Company's consolidated balance sheets. The decline in reinsurance premiums payable from the prior year relates to the termination of an international public finance credit. The reinsurance premiums payable is accreted and paid to reinsurers as premiums due to MBIA are accreted and collected.

The following tables present a roll forward of the Company's premiums receivable for the years ended December 31, 2021 and 2020.

In millions			Adjustments			
Premiums Receivable as of December 31, 2020	Premium Payments Received	Premiums from New Business Written	Changes in Expected Term of Policies	Accretion of Premiums Receivable Discount (1)	Other (2)	Premiums Receivable as of December 31, 2021
$ 216	$ (44)	$ —	$ 7	$ 5	$ (6)	$ 178

(1)—Recorded within premiums earned on MBIA's consolidated statement of operations.
(2)—The change primarily relates to a foreign exchange loss due to the termination of an international public finance credit.

In millions			Adjustments			
Premiums Receivable as of December 31, 2019	Premium Payments Received	Premiums from New Business Written	Changes in Expected Term of Policies	Accretion of Premiums Receivable Discount (1)	Other (2)	Premiums Receivable as of December 31, 2020
$ 249	$ (30)	$ —	$ (1)	$ 6	$ (8)	$ 216

(1)—Recorded within premiums earned on MBIA's consolidated statement of operations.
(2)—The change primarily relates to a reduction in installment premiums due to refunding activity and the recording of an allowance for credit losses under Financial Instruments-Credit Losses, partially offset by changes in foreign exchange currency rates.

Note 5: Insurance Premiums (continued)

The following table presents the undiscounted future amount of premiums expected to be collected and the period in which those collections are expected to occur:

In millions	Expected Collection of Premiums
Three months ending:	
March 31, 2022	$ 3
June 30, 2022	6
September 30, 2022	4
December 31, 2022	7
Twelve months ending:	
December 31, 2023	18
December 31, 2024	17
December 31, 2025	16
December 31, 2026	14
Five years ending:	
December 31, 2031	57
December 31, 2036	42
December 31, 2041 and thereafter	47
Total	$ 231

The following table presents the unearned premium revenue balance and future expected premium earnings as of and for the periods presented:

In millions	Unearned Premium Revenue	Expected Future Premium Earnings		Accretion	Total Expected Future Premium Earnings
		Upfront	Installments		
December 31, 2021	$ 322				
Three months ending:					
March 31, 2022	312	$ 5	$ 5	$ 1	$ 11
June 30, 2022	302	5	5	1	11
September 30, 2022	293	5	4	2	11
December 31, 2022	284	5	4	1	10
Twelve months ending:					
December 31, 2023	250	18	16	4	38
December 31, 2024	219	16	15	4	35
December 31, 2025	192	14	13	4	31
December 31, 2026	168	13	11	3	27
Five years ending:					
December 31, 2031	87	41	40	14	95
December 31, 2036	41	18	28	8	54
December 31, 2041 and thereafter	—	12	29	7	48
Total		$ 152	$ 170	$ 49	$ 371

Note 6: Loss and Loss Adjustment Expense Reserves

The Company’s insured portfolio management groups within its U.S. public finance insurance and international and structured finance insurance businesses (collectively, “IPM”) monitor the Company’s outstanding insured

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

obligations with the objective of minimizing losses. IPM meets this objective by identifying issuers that, because of deterioration in credit quality or changes in the economic, regulatory or political environment, are at a heightened risk of defaulting on debt service of obligations insured by the Company. In such cases, IPM works with the issuer, trustee, bond counsel, servicer, underwriter and other interested parties in an attempt to alleviate or remedy the problem and avoid defaults on debt service payments. The Company typically requires the issuer, servicer (if applicable) and the trustee of insured obligations to furnish periodic financial and asset-related information, including audited financial statements, to IPM for review. IPM also monitors publicly available information related to insured obligations. Potential problems uncovered through this review, such as poor financial results, low fund balances, covenant or trigger violations and trustee or servicer problems, or other events that could have an adverse impact on the insured obligation, could result in an immediate surveillance review and an evaluation of possible remedial actions. IPM also monitors and evaluates the impact on issuers of general economic conditions, current and proposed legislation and regulations, political developments, as well as sovereign, state and municipal finances and budget developments.

The frequency and extent of IPM's monitoring is based on the criteria and categories described below. Insured obligations that are judged to merit more frequent and extensive monitoring or remediation activities due to a deterioration in the underlying credit quality of the insured obligation or the occurrence of adverse events related to the underlying credit of the issuer are assigned to a surveillance category ("Caution List—Low," "Caution List—Medium," "Caution List—High" or "Classified List") depending on the extent of credit deterioration or the nature of the adverse events. IPM monitors insured obligations assigned to a surveillance category more frequently and, if needed, develops a remediation plan to address any credit deterioration.

Remediation actions may involve, among other things, waivers or renegotiations of financial covenants or triggers, waivers of contractual provisions, the granting of consents, transfer of servicing, consideration of restructuring plans, acceleration, security or collateral enforcement, actions in bankruptcy or receivership, litigation and similar actions. The types of remedial actions pursued are based on the insured obligation's risk type and the nature and scope of the event giving rise to the remediation. As part of any such remedial actions, the Company seeks to improve its security position and to obtain concessions from the issuer of the insured obligation. From time to time, the issuer of an insured obligation by the Company may, with the consent of the Company, restructure the insured obligation by extending the term, increasing or decreasing the par amount or decreasing the related interest rate, with the Company insuring the restructured obligation.

The Company does not establish any case basis reserves for insured obligations that are assigned to "Caution List—Low," "Caution List—Medium" or "Caution List—High." In the event MBIA expects to pay a claim with respect to an insured transaction, it places the insured transaction on its "Classified List" and establishes a case basis reserve. The following provides a description of each surveillance category:

"Caution List—Low"—Includes issuers where debt service protection is adequate under current and anticipated circumstances. However, debt service protection and other measures of credit support and stability may have declined since the transaction was underwritten and the issuer is less able to withstand further adverse events. Transactions in this category generally require more frequent monitoring than transactions that do not appear within a surveillance category. IPM subjects issuers in this category to heightened scrutiny.

"Caution List—Medium"—Includes issuers where debt service protection is adequate under current and anticipated circumstances, although adverse trends have developed and are more pronounced than for "Caution List – Low." Issuers in this category may have breached one or more covenants or triggers. These issuers are more closely monitored by IPM but generally take remedial action on their own.

"Caution List—High"—Includes issuers where more proactive remedial action is needed but where no defaults on debt service payments are expected. Issuers in this category exhibit more significant weaknesses, such as low debt service coverage, reduced or insufficient collateral protection or inadequate liquidity, which could lead to debt service defaults in the future. Issuers in this category may have breached one or more covenants or triggers and have not taken conclusive remedial action. Therefore, IPM adopts a remediation plan and takes more proactive remedial actions.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

"Classified List"—Includes all insured obligations where the Company has paid a claim or where a claim payment is expected. It also includes insured obligations where a significant LAE payment has been made, or is expected to be made, to mitigate a claim payment. This may include property improvements, bond purchases and commutation payments. Generally, IPM is actively remediating these credits where possible, including restructurings through legal proceedings, usually with the assistance of specialist counsel and advisors.

The establishment of the appropriate level of loss reserves is an inherently uncertain process involving numerous assumptions, estimates and subjective judgments by management 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, levels of interest rates, borrower behavior, the default rate and salvage values of specific collateral, and the Company's ability to enforce contractual rights through litigation and otherwise, including the collection of contractual interest on claim payments. The Company's remediation strategy for an insured obligation that has defaulted or is expected to default may also have an impact on the Company's loss reserves.

In establishing case basis loss reserves, the Company calculates 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 as required by accounting principles for financial guarantee contracts. Yields on U.S. Treasury offerings are used to discount loss reserves denominated in U.S. dollars, which represent the majority of the loss reserves. Similarly, yields on foreign government offerings are used to discount loss reserves denominated in currencies other than the U.S. dollar. Significant changes in discount rates from period to period may have a material impact on the present value of the Company's loss reserves and expected recoveries. In addition, if the Company were to apply different discount rates, its case basis reserves may have been higher or lower than those established as of December 31, 2021. For example, a higher discount rate applied to expected future payments would have decreased the amount of a case basis reserve established by the Company and a lower rate would have increased the amount of a reserve established by the Company. Similarly, a higher discount rate applied to the potential future recoveries would have decreased the amount of a loss recoverable established by the Company and a lower rate would have increased the amount of a loss recoverable established by the Company.

U.S. Public Finance Insurance

U.S. public finance insured transactions consist of municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utilities, airports, health care institutions, higher educational facilities, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. The Company estimates future losses by using probability-weighted cash flow scenarios that are customized to each insured transaction. Future loss estimates consider debt service due for each insured transaction, which includes par outstanding and interest due, as well as recoveries for such payments, if any. Gross par outstanding for capital appreciation bonds represents the par amount at the time of issuance of the insurance policy.

Certain state and local governments and territory obligors that National insures are under financial and budgetary stress. In addition, the COVID-19 pandemic may present additional but unknown credit risks to National's insured portfolio. Puerto Rico had been experiencing significant fiscal stress and constrained liquidity, and in response, the U.S. Congress passed PROMESA. In formulating loss reserves, the Company considers the following: environmental and political impacts; litigation; ongoing discussions with creditors; timing and amount of debt service payments and future recoveries; existing proposed restructuring plans or agreements; and deviations from these proposals in its probability-weighted scenarios. On April 12, 2021, National, other monoline insurers and the Oversight Board reached an agreement in principle settling certain HTA clawback claims in the Commonwealth

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

Title III case and providing for a distribution to HTA holders of cash, bonds and a contingent value instrument and on February 22, 2021, National agreed to join the GO PSA. In September of 2019, National agreed to join the RSA with PREPA, other monoline insurers, a group of uninsured PREPA bondholders, Puerto Rico, and the Oversight Board. Refer to “Note 1: Business Developments and Risks and Uncertainties” for further information on COVID-19 and the Company’s Puerto Rico exposures.

Recoveries on Puerto Rico Losses

For recoveries on paid Puerto Rico losses, the estimates include assumptions related to the following: economic conditions and trends; political developments; the Company’s ability to enforce contractual rights through litigation and otherwise; discussions with other creditors and the obligors, any existing proposals; and the remediation strategy for an insured obligation that has defaulted or is expected to default.

As part of the GO and HTA PSAs, National will receive certain consideration to include cash, bonds and the CVI. The ultimate recovery value to National will depend on the value of these assets once issued and over time. During 2021, National updated its loss reserve scenarios on the GO and HTA, which include a probability weighting of potential outcomes, to include certain assumptions about recovery valuation on the date it expects to receive the cash, bonds and the CVI. Previously, National’s estimate of GO and HTA recoveries was based on expected long-term cash flows and sale prices at future dates of the consideration it expects to receive from the GO and HTA PSAs, respectively, discounted at risk free rates used for GAAP loss reserving. Also during 2021, National modified its PREPA scenario assumptions to reflect assumptions about actual and anticipated sales of the recoverables on PREPA bankruptcy claims that had been fully satisfied by National’s insurance claim payments. Refer to the section entitled *Loss and LAE Activity* below for further information.

International and Structured Finance Insurance

The international and structured finance insurance segment’s case basis reserves and insurance loss recoveries recorded in accordance with GAAP do not include reserves and recoveries on consolidated VIEs, since they are eliminated in consolidation. In addition, COVID-19 may present additional but unknown credit risks to MBIA Corp.’s insured portfolio. Refer to “Note 1: Business Developments and Risks and Uncertainties” for further information on COVID-19.

RMBS Case Basis Reserves (Financial Guarantees)

The Company’s first-lien RMBS case basis reserves primarily relate to RMBS backed by alternative A-paper and subprime mortgage loans. The Company’s second-lien RMBS case basis reserves relate to RMBS backed by home equity lines of credit and closed-end second mortgages. The Company calculated RMBS case basis reserves as of December 31, 2021 for both first and second-lien RMBS transactions using a process called the Roll Rate Methodology (“Roll Rate Methodology”). The Roll Rate Methodology is a multi-step process using databases of loan level information, proprietary internal cash flow models, and commercially available models to estimate potential losses and recoveries on insured bonds. Roll Rate is defined as the probability that current loans become delinquent and subsequently default and loans in the delinquent pipeline are charged-off or liquidated. The loss reserve estimates are based on a probability-weighted average of potential scenarios of loan losses. Additional data used for both first and second-lien loans include historic averages of deal specific voluntary prepayment rates, forward projections of the LIBOR interest rates, and historic averages of deal-specific loss severities. Where applicable, the Company factors in termination scenarios when clean up calls are imminent.

In calculating ultimate cumulative losses for RMBS, the Company estimates the amount of first-lien loans that are expected to be liquidated in the future through foreclosure or short sale, and estimates, the amount of second-lien loans that are expected to be charged-off (deemed uncollectible by servicers of the transactions). The time to liquidation for a defaulted loan is specific to the loan’s delinquency bucket.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

For all RMBS transactions, cash flow models consider allocations and other structural aspects and claims against MBIA Corp.'s insurance policy consistent with such policy's terms and conditions. The estimated net claims from the procedure above are then discounted using a risk-free rate to a net present value reflecting MBIA's general obligation to pay claims over time and not on an accelerated basis.

The Company monitors RMBS portfolio performance on a monthly basis against projected performance, reviewing delinquencies, roll rates, and prepayment rates (including voluntary and involuntary). However, loan performance remains difficult to predict and losses may exceed expectations. In the event of a material deviation in actual performance from projected performance, the Company would increase or decrease the case basis reserves accordingly and re-evaluate its assumptions.

RMBS Recoveries

The Company's RMBS recoveries relate to structural features within the trust structures that allow for the Company to be reimbursed for prior claims paid. These reimbursements for specific trusts include recoveries that are generated from the excess spread of the transactions. Excess spread within insured RMBS securitizations is the difference between interest inflows on mortgage loan collateral and interest outflows on the insured RMBS notes. Previously, recoveries also included second-lien "put-back" claims related to those mortgage loans whose inclusion in an insured securitization failed to comply with representations and warranties ("ineligible loans"); however the Company has settled all of its put-back claims relating to the inclusion of ineligible loans in securitizations it insured. See "Second-lien Put-Back Claims Related to Ineligible Loans" below.

Second-lien Put-Back Claims Related to Ineligible Loans

During the first quarter of 2021, the Company entered into a settlement agreement with Credit Suisse related to its put-back claims. In the litigation brought to pursue these claims, Credit Suisse had challenged the Company's assessment of the ineligibility of individual mortgage loans. In November of 2020, following a trial and post-trial briefing, the Court overseeing the litigation issued a decision declaring that MBIA Corp. had succeeded in establishing that a majority of the loans in the transaction were ineligible. In January of 2021, the Court issued an order declaring that Credit Suisse was liable to MBIA for approximately $604 million in damages. In February of 2021, the parties to the litigation entered into a settlement agreement pursuant to which Credit Suisse paid MBIA Corp. $600 million, and the Court entered an order dismissing the case. As of December 31, 2020, the Company consolidated the RMBS securitization originated by Credit Suisse as a VIE and, therefore, eliminated its estimate of recoveries from its insurance accounting and reflected such recoveries in its accounting for the loan repurchase commitments asset of the VIE using a fair value measurement.

CDO Reserves and Recoveries

The Company also has loss and LAE reserves on certain transactions within its CDO portfolio, primarily its multi-sector CDO asset class that was insured in the form of financial guarantee policies. MBIA's insured multi-sector CDOs are transactions that include a variety of collateral ranging from corporate bonds to structured finance assets (which includes, but are not limited to, RMBS, commercial mortgage-backed securities ("CMBS"), ABS and CDO collateral). The Company's process for estimating reserves and credit impairments on these policies is determined as the present value of the probability-weighted potential future losses, net of estimated recoveries, across multiple scenarios. The Company considers several factors when developing the range of potential outcomes and their impact on MBIA. A range of loss scenarios is considered under different default and severity rates for each transaction's collateral. Additionally, each transaction is evaluated for its commutation potential.

Zohar Recoveries

MBIA Corp. is seeking to recover the payments it made (plus interest and expenses) with respect to Zohar I and Zohar II. Salvage and subrogation recoveries related to Zohar I and Zohar II are reported within "Insurance loss recoverable" on the Company's consolidated balance sheet. The Company's estimate of the insurance loss recoverable for Zohar I and Zohar II includes probability-weighted scenarios of the ultimate monetized recovery from the Zohar Collateral.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

MBIA Corp. anticipates that it will receive substantial recoveries on the Zohar Collateral. There still remains significant uncertainty with respect to the realizable value of the remaining Zohar Collateral. Further, as the monetization process at the remaining portfolio companies continues to unfold in coordination with the new directors and managers in place, and new information concerning the financial condition of the portfolio companies is disclosed, the Company will continue to revise its expectations for recoveries.

Summary of Loss and LAE Reserves and Recoveries

The Company's loss and LAE reserves and recoveries before consolidated VIE eliminations, along with amounts that were eliminated as a result of consolidating VIEs for the international and structured finance insurance segment, which are included in the Company's consolidated balance sheets as of December 31, 2021 and December 31, 2020 are presented in the following table:

In millions	As of December 31, 2021 Balance Sheet Line Item		As of December 31, 2020 Balance Sheet Line Item	
	Insurance loss recoverable	Loss and LAE reserves[(2)]	Insurance loss recoverable	Loss and LAE reserves[(2)]
U.S. Public Finance Insurance	$ 1,054	$ 425	$ 1,220	$ 469
International and Structured Finance Insurance:				
Before VIE eliminations[(1)]	244	687	1,082	780
VIE eliminations[(1)]	(2)	(218)	(625)	(259)
Total international and structured finance insurance	242	469	457	521
Total	$ 1,296	$ 894	$ 1,677	$ 990

(1)—Includes loan repurchase commitments of $604 million as of December 31, 2020.
(2)—Amounts are net of estimated recoveries of expected future claims.

Changes in Loss and LAE Reserves

Loss and LAE reserves represent the Company's estimate of future claims and LAE payments, net of any future recoveries of such payments. The following table presents changes in the Company's loss and LAE reserves for the years ended December 31, 2021. Changes in loss and LAE reserves, with the exception of loss and LAE payments and the impact of the revaluation of loss reserves denominated in amounts other than U.S. dollars, are recorded in "Losses and loss adjustment" expenses in the Company's consolidated statements of operations. As of December 31, 2021, the weighted average risk-free rate used to discount the Company's loss reserves (claim liability) was 1.53%. LAE reserves are generally expected to be settled within a one-year period and are not discounted. As of December 31, 2021 and December 31, 2020, the Company's gross loss and LAE reserves included $38 million and $30 million, respectively, related to LAE.

In millions	Changes in Loss and LAE Reserves for the Year Ended December 31, 2021					
Gross Loss and LAE Reserves as of December 31, 2020[(1)]	Loss Payments	Accretion of Claim Liability Discount	Changes in Discount Rates	Changes in Assumptions	Changes in Unearned Premium Revenue	Gross Loss and LAE Reserves as of December 31, 2021[(1)]
$ 990	$ (302)	$ 15	$ (40)	$ 226	$ 5	$ 894

(1)—Includes changes in amount and timing of estimated payments and recoveries.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

In millions	Changes in Loss and LAE Reserves for the Year Ended December 31, 2020						
Gross Loss and LAE Reserves as of December 31, 2019[1]	Loss Payments	Accretion of Claim Liability Discount	Changes in Discount Rates	Changes in Assumptions	Changes in Unearned Premium Revenue	Other	Gross Loss and LAE Reserves as of December 31, 2020[1]
$ 901	$ (441)	$ 11	$ (86)	$ 606	$ 8	$ (9)	$ 990

(1)—Includes changes in amount and timing of estimated payments and recoveries.

For the year ended December 31, 2021, loss and LAE reserves declined compared to December 31, 2020, primarily related to claim payments made on Puerto Rico exposures and a decrease in expected payments related to certain insured first-lien RMBS transactions as a result of an increase in risk-free rates used to present value loss reserves during 2021. This decline was partially offset by an increase in losses on certain Puerto Rico exposures as a result of a change in scenario assumptions as discussed above, and an increase in risk-free rates in 2021, which caused future recoveries of unpaid losses to decline.

The increase in the Company's loss reserves for the year ended December 31, 2020, primarily related to an increase in expected payments on certain Puerto Rico exposures and an increase in losses on insured first-lien RMBS due to the decline in risk-free rates during 2020 used to present value loss reserves. This increase was partially offset by actual payments made and favorable changes in future recoveries on unpaid losses due to the decline in risk-free rates on certain Puerto Rico exposures.

Changes in Insurance Loss Recoverable

Insurance loss recoverable represents the Company's estimate of recoveries on paid claims and LAE. The Company recognizes potential recoveries on paid claims based on the probability-weighted net cash inflows present valued at applicable risk-free rates as of the measurement date. The following table presents changes in the Company's insurance loss recoverable for the years ended December 31, 2021. Changes in insurance loss recoverable with the exception of collections, are recorded in "Losses and loss adjustment" expenses in the Company's consolidated statements of operations.

		Changes in Insurance Loss Recoverable for the Year Ended December 31, 2021				
In millions	Gross Reserve as of December 31, 2020	Collections for Cases	Accretion of Recoveries	Changes in Discount Rates	Changes in Assumptions	Gross Reserve as of December 31, 2021
Insurance loss recoverable	$ 1,677	$ (266)	$ 15	$ 25	$ (155)	$ 1,296

		Changes in Insurance Loss Recoverable for the Year Ended December 31, 2020				
In millions	Gross Reserve as of December 31, 2019	Collections for Cases	Accretion of Recoveries	Changes in Discount Rates	Changes in Assumptions	Gross Reserve as of December 31, 2020
Insurance loss recoverable	$ 1,694	$ (49)	$ 14	$ 115	$ (97)	$ 1,677

The decrease in the Company's insurance loss recoverable during 2021 was the result of the sale of a portion of PREPA bankruptcy claims that have been fully satisfied by National's insurance claim payments, a decline in expected recoveries on CDOs, the collection of salvage related to certain CDO transactions, and the collection of excess spread related to the sale of loans within and termination of certain second-lien RMBS transactions. This was partially offset by an increase in estimated recoveries for claims paid on certain Puerto Rico credits during 2021 for which the Company expects recoveries.

The decrease in the Company's insurance loss recoverable during 2020 was primarily due to a decline in expected recoveries on CDOs. This was partially offset by certain Puerto Rico claim payments that are expected to be recovered in the future, as well as the impact of a decline in risk-free rates on certain Puerto Rico exposures.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

Loss and LAE Activity

For the year ended December 31, 2021, loss and LAE incurred primarily related to changes in loss and recovery scenario assumptions on HTA, PREPA, GO, CDO and RMBS credits, and changes in risk-free rates. National modified its HTA scenarios to reflect the most recent Plan of Adjustment including certain assumptions about recovery valuation on the date it expects to receive cash, bonds, and a CVI, which resulted in a decreased recovery value. National modified its PREPA scenarios to reflect assumptions about actual and anticipated sales of the recoverables on PREPA bankruptcy claims that have been fully satisfied by National's insurance claim payments, which decreased its expected PREPA recoveries, partially offset by additional expected recoveries under the PREPA RSA. With regard to GO, National recorded a benefit as a result of modifying its scenario assumptions to incorporate the final terms of the Plan of Adjustment. This includes a commutation of 27% of National's outstanding insured bonds and an acceleration of National's remaining insured bonds. In addition, National updated its GO loss reserve scenarios to include certain assumptions about recovery valuation on the date it expects to receive cash, bonds and a CVI. For CDOs, the Company incurred losses related to a decline in estimated recoveries of paid claims. The increase in risk free rates during 2021 resulted in unfavorable changes in future recoveries on unpaid losses on certain Puerto Rico exposure and favorable changes in unpaid losses on the Company's insured first-lien RMBS exposure.

For the year ended December 31, 2020, loss and LAE incurred primarily related to a decrease in expected salvage collections related to CDOs, an increase in actual and expected payments on certain Puerto Rico credits and an increase in losses on first-lien RMBS due to the decline in risk-free rates used to present value loss reserves. During 2020, overall risk-free rates used to discount loss reserve and recovery cash flows declined. The decline in risk-free rates had the impact of increasing the present value of recoveries, primarily on certain Puerto Rico credits, which was partially offset by the impact of increasing the present value of future claim payments across the Company's insured portfolio.

For the year ended December 31, 2019, loss and LAE incurred primarily related to a decrease in expected salvage collections related to CDOs, an increase in expected payments on insured first-lien RMBS transactions and certain Puerto Rico exposures.

Costs associated with remediating insured obligations assigned to the Company's surveillance categories are recorded as LAE and are included in "Losses and loss adjustment" expenses on the Company's consolidated statements of operations. For the years ended December 31, 2021, 2020 and 2019, gross LAE related to remediating insured obligations were $47 million, $51 million and $29 million, respectively.

Note 6: Loss and Loss Adjustment Expense Reserves (continued)

Surveillance Categories

The following table provides information about the financial guarantees and related claim liability included in each of MBIA's surveillance categories as of December 31, 2021:

	Surveillance Categories				
$ in millions	**Caution List Low**	**Caution List Medium**	**Caution List High**	**Classified List**	**Total**
Number of policies	55	3	—	202	260
Number of issues[(1)]	16	2	—	88	106
Remaining weighted average contract period (in years)	6.1	2.6	—	8.1	7.4
Gross insured contractual payments outstanding:[(2)]					
Principal	$1,366	$ 6	$ —	$ 2,719	$4,091
Interest	1,867	1	—	1,214	3,082
Total	$3,233	$ 7	$ —	$ 3,933	$7,173
Gross Claim Liability[(3)]	$ —	$ —	$ —	$ 1,051	$1,051
Less:					
Gross Potential Recoveries[(4)]	—	—	—	1,498	1,498
Discount, net[(5)]	—	—	—	(32)	(32)
Net claim liability (recoverable)	$ —	$ —	$ —	$ (415)	$ (415)
Unearned premium revenue	$ 8	$ —	$ —	$ 29	$ 37
Reinsurance recoverable on paid and unpaid losses[(6)]					$ 7

(1)—An "issue" represents the aggregate of financial guarantee policies that share the same revenue source for purposes of making debt service payments on the insured debt.
(2)—Represents contractual principal and interest payments due by the issuer of the obligations insured by MBIA.
(3)—The gross claim liability with respect to Puerto Rico exposures are net of expected recoveries for policies in a net payable position.
(4)—Gross potential recoveries with respect to certain Puerto Rico exposures are net of the claim liability for policies in a net recoverable position.
(5)—Represents discount related to Gross Claim Liability and Gross Potential Recoveries.
(6)—Included in "Other assets" on the Company's consolidated balance sheets.

The following table provides information about the financial guarantees and related claim liability included in each of MBIA's surveillance categories as of December 31, 2020:

	Surveillance Categories				
$ in millions	**Caution List Low**	**Caution List Medium**	**Caution List High**	**Classified List**	**Total**
Number of policies	46	16	—	219	281
Number of issues[(1)]	16	3	—	100	119
Remaining weighted average contract period (in years)	6.4	6.4	—	7.9	7.4
Gross insured contractual payments outstanding:[(2)]					
Principal	$1,422	$ 123	$ —	$ 3,302	$4,847
Interest	1,974	54	—	1,441	3,469
Total	$3,396	$ 177	$ —	$ 4,743	$8,316
Gross Claim Liability[(3)]	$ —	$ —	$ —	$ 1,088	$1,088
Less:					
Gross Potential Recoveries[(4)]	—	—	—	1,947	1,947
Discount, net[(5)]	—	—	—	(173)	(173)
Net claim liability (recoverable)	$ —	$ —	$ —	$ (686)	$ (686)
Unearned premium revenue	$ 10	$ —	$ —	$ 35	$ 45
Reinsurance recoverable on paid and unpaid losses[(6)]					$ 11

(1)—An "issue" represents the aggregate of financial guarantee policies that share the same revenue source for purposes of making debt service payments on the insured debt.
(2)—Represents contractual principal and interest payments due by the issuer of the obligations insured by MBIA.
(3)—The gross claim liability with respect to Puerto Rico exposures are net of expected recoveries for policies in a net payable position.
(4)—Gross potential recoveries with respect to certain Puerto Rico exposures are net of the claim liability for policies in a net recoverable position.
(5)—Represents discount related to Gross Claim Liability and Gross Potential Recoveries.
(6)—Included in "Other assets" on the Company's consolidated balance sheets.

Note 7: Fair Value of Financial Instruments

Fair Value Measurement

Financial Assets and Liabilities

Financial assets held by the Company primarily consist of investments in debt securities, loans receivables at fair value and loan repurchase commitments held by consolidated VIEs. The Company's remaining loan repurchase commitments were settled in the first quarter of 2021. Financial liabilities, excluding derivative liabilities, issued by the Company primarily consist of debt issued for general corporate purposes within its corporate segment, MTNs, investment agreements and debt issued by consolidated VIEs. The Company's derivative liabilities are primarily interest rate swaps and insured credit derivatives.

Valuation Techniques

Valuation techniques for financial instruments measured at fair value are described below.

Fixed-Maturity Securities Held as Available-For-Sale, Investments Carried at Fair Value, Investments Pledged as Collateral and Short-term Investments

These investments include investments in U.S. Treasury and government agencies, state and municipal bonds, foreign governments, corporate obligations, MBS, ABS, money market securities, and perpetual debt and equity securities.

Substantially all of these investments are valued based on recently executed transaction prices or quoted market prices by independent third parties, including pricing services and brokers. When quoted market prices are not available, fair value is generally determined using quoted prices of similar investments or a valuation model based on observable and unobservable inputs. Inputs vary depending on the type of investment. Observable inputs include contractual cash flows, interest rate yield curves, CDS spreads, prepayment and volatility scores, diversity scores, cross-currency basis index spreads, and credit spreads for structures similar to the financial instrument in terms of issuer, maturity and seniority. Unobservable inputs include cash flow projections and the value of any credit enhancement.

Investments based on quoted market prices of identical investments in active markets are classified as Level 1 of the fair value hierarchy. Level 1 investments generally consist of U.S. Treasury and government agency, money market securities and perpetual debt and equity securities. Quoted market prices of investments in less active markets, as well as investments which are valued based on other than quoted prices for which the inputs are observable, such as interest rate yield curves, are categorized in Level 2 of the fair value hierarchy. Investments that contain significant inputs that are not observable are categorized as Level 3.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature and credit worthiness of these instruments and are categorized in Level 1 of the fair value hierarchy.

Loans Receivable at Fair Value

Loans receivable at fair value are assets held by consolidated VIEs consisting of residential mortgage loans and are categorized in Level 3 of the fair value hierarchy. Fair values of residential mortgage loans are determined using quoted prices for similar securities or MBS issued by the respective VIE and adjusted for the fair values of the financial guarantees provided by MBIA Corp. on the related MBS. The fair values of the financial guarantees consider expected claim payments, net of recoveries, under MBIA Corp.'s policies.

Loan Repurchase Commitments

Loan repurchase commitments are obligations owed by the sellers/servicers of mortgage loans to MBIA as reimbursement of paid claims. Loan repurchase commitments were assets of certain consolidated VIEs. These assets represented the rights of MBIA against the sellers/servicers for breaches of representations and warranties

Note 7: Fair Value of Financial Instruments (continued)

that the securitized residential mortgage loans sold to the trust to comply with stated underwriting guidelines and for the sellers/servicers to cure, replace, or repurchase mortgage loans. Fair value measurements of loan repurchase commitments represented the amounts owed by the sellers/servicers to MBIA as reimbursement of paid claims and contractual interest. Loan repurchase commitments were not securities and no quoted prices or comparable market transaction information were observable or available. Fair values of loan repurchase commitments were determined using discounted cash flow techniques and were categorized in Level 3 of the fair value hierarchy. The Company's loan repurchase commitments were settled in the first quarter of 2021.

Other Assets

A VIE consolidated by the Company entered into a derivative instrument consisting of a cross currency swap. The cross currency swap was entered into to manage the variability in cash flows resulting from fluctuations in foreign currency rates. The fair value of the VIE derivative is determined based on inputs from unobservable cash flows projection of the derivative, discounted using observable discount rates. As the significant inputs are unobservable, the derivative contract is categorized in Level 3 of the fair value hierarchy.

Other assets also include receivables representing the right to receive reimbursement payments on claim payments expected to be made on certain insured VIE liabilities due to risk mitigating transactions with third parties executed to effectively defease, or, in-substance commute the Company's exposure on its financial guarantee policies. The right to receive reimbursement payments is based on the value of the Company's financial guarantee determined using a cash flow model. The fair value of the financial guarantee primarily contains unobservable inputs and is categorized in Level 3 of the fair value hierarchy.

Medium-term Notes at Fair Value

The Company has elected to measure certain MTNs at fair value on a recurring basis. The fair values of certain MTNs are based on quoted market prices provided by third-party sources, where available. When quoted market prices are not available, the Company applies a matrix pricing grid to determine fair value based on the quoted market prices received for similar instruments and considering the MTNs' stated maturity and interest rate. Nonperformance risk is included in the quoted market prices and the matrix pricing grid. MTNs are categorized in Level 3 of the fair value hierarchy and do not include accrued interest.

Variable Interest Entity Notes

The fair values of VIE notes are determined based on recently executed transaction prices or quoted prices where observable. When position-specific quoted prices are not observable, fair values are based on quoted prices of similar securities. Fair values based on quoted prices of similar securities may be adjusted for factors unique to the securities, including any credit enhancement. Observable inputs include interest rate yield curves and bond spreads of similar securities. Unobservable inputs include the value of any credit enhancement. VIE notes are categorized in Level 2 or Level 3 of the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

Derivatives

The corporate segment has entered into derivative transactions primarily consisting of interest rate swaps. Fair values of over-the-counter derivatives are determined using valuation models based on observable inputs, nonperformance risk of the Company and nonperformance risk of the counterparties. Observable and market-based inputs include interest rate yields, credit spreads and volatilities. These derivatives are categorized in Level 2 or Level 3 of the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

Note 7: Fair Value of Financial Instruments (continued)

Derivatives—Insurance

The derivative contracts insured by the Company cannot be legally traded and generally do not have observable market prices. The Company determines the fair values of certain insured credit derivatives using valuation models based on observable inputs and considering nonperformance risk of the Company. These insured credit derivatives are categorized in Level 2 of the fair value hierarchy.

Derivatives—Other

The Company also had other derivative liabilities as a result of a commutation that occurred in 2014. The fair value of these derivative liabilities were determined using a discounted cash flow model. Key inputs included unobservable cash flows projected over the expected term of the derivative. As the significant inputs were unobservable, the derivative contract was categorized in Level 3 of the fair value hierarchy. These derivative liabilities were settled in the first quarter of 2021.

Significant Unobservable Inputs

The following tables provide quantitative information regarding the significant unobservable inputs used by the Company for assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020:

In millions	Fair Value as of December 31, 2021	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets of consolidated VIEs:				
Loans receivable at fair value	$ 77	Market prices of similar liabilities adjusted for financial guarantees provided to VIE obligations	Impact of financial guarantee	23%—72%(55%)(1)
Liabilities of consolidated VIEs:				
Variable interest entity notes	291	Market prices of VIE assets adjusted for financial guarantees provided or market prices of similar liabilities	Impact of financial guarantee	33%—73%(59%)(1)

(1)—Weighted average represents the total MBIA guarantees as a percentage of total instrument fair value.

Note 7: Fair Value of Financial Instruments (continued)

In millions	Fair Value as of December 31, 2020	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets of consolidated VIEs:				
Loans receivable at fair value	$ 120	Market prices adjusted for financial guarantees provided to VIE obligations	Impact of financial guarantee(2)	-28%—109% (22%)(1)
Loan repurchase commitments	604	Discounted cash flow	Recovery value(3)	
Liabilities of consolidated VIEs:				
Variable interest entity notes	303	Market prices of VIE assets adjusted for financial guarantees provided	Impact of financial guarantee	30%—73% (57%)(1)
Other derivative liabilities	49	Discounted cash flow	Cash flows	$49—$49 ($49)

(1)—Weighted average represents the total MBIA guarantees as a percentage of total instrument fair value.
(2)—Negative percentage represents financial guarantee policies in a receivable position.
(3)—Recovery value reflects an estimate of the amount to be awarded to the Company as part of litigation seeking to enforce its contractual rights.

Sensitivity of Significant Unobservable Inputs

The significant unobservable input used in the fair value measurement of the Company's residential loans receivable at fair value of consolidated VIEs is the impact of the financial guarantee. The fair value of residential loans receivable is calculated by subtracting the value of the financial guarantee from the quoted price of VIE liabilities or the market value of similar instruments to that of the VIE liabilities. The value of a financial guarantee is estimated by the Company as the present value of expected cash payments, net of recoveries, under the policy. If there had been a lower expected cash flow on the underlying loans receivable of the VIE, the value of the financial guarantee provided by the Company under the insurance policy would have been higher. This would have resulted in a lower fair value of the residential loans receivable in relation to the obligations of the VIE.

As of December 31, 2020, the significant unobservable input used in the fair value measurement of the Company's loan repurchase commitments of consolidated VIEs was a recovery value, which reflected an estimate of the amount to be awarded to the Company as part of litigation seeking to enforce its contractual rights. The Company's remaining loan repurchase commitments were settled in the first quarter of 2021 for $600 million.

The significant unobservable input used in the fair value measurement of the Company's VIE notes of consolidated VIEs is the impact of the financial guarantee. The fair value of VIE notes is calculated by adding the value of the financial guarantee to the market value of VIE assets. When the VIE note is backed by RMBS, the fair value of the VIE liability is calculated by applying the market value of similar instruments to that of the VIE liabilities. The value of a financial guarantee is estimated by the Company as the present value of expected cash payments under the policy. If the value of the guarantee provided by the Company to the obligations issued by the VIE had increased, the credit support would have added value to the liabilities of the VIE. This would have resulted in an increased fair value of the liabilities of the VIE.

As of December 31, 2020, the significant unobservable input used in the fair value measurement of MBIA Corp.'s other derivatives, which were valued using a discounted cash flow model, was the estimates of future cash flows discounted using market rates and CDS spreads. This derivative contract was settled in the first quarter of 2021 for an amount consistent with the reported amount as of December 31, 2020.

Note 7: Fair Value of Financial Instruments (continued)

Fair Value Measurements

The following tables present the fair value of the Company's assets (including short-term investments) and liabilities measured and reported at fair value on a recurring basis as of December 31, 2021 and 2020:

In millions	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2021
Assets:				
Fixed-maturity investments:				
U.S. Treasury and government agency	$ 750	$ 95	$ —	$ 845
State and municipal bonds	—	168	—	168
Foreign governments	—	17	—	17
Corporate obligations	—	1,050	—	1,050
Mortgage-backed securities:				
Residential mortgage-backed agency	—	198	—	198
Residential mortgage-backed non-agency	—	98	—	98
Commercial mortgage-backed	—	13	—	13
Asset-backed securities:				
Collateralized debt obligations	—	150	—	150
Other asset-backed	—	106	—	106
Total fixed-maturity investments	750	1,895	—	2,645
Money market securities	78	—	—	78
Perpetual debt and equity securities	47	23	—	70
Cash and cash equivalents	151	—	—	151
Derivative assets:				
Non-insured interest rate derivatives	—	1	—	1
Assets of consolidated VIEs:				
Corporate obligations	—	5	—	5
Mortgage-backed securities:				
Residential mortgage-backed non-agency	—	27	—	27
Commercial mortgage-backed	—	10	—	10
Asset-backed securities:				
Collateralized debt obligations	—	6	4	10
Other asset-backed	—	8	—	8
Cash	9	—	—	9
Loans receivable at fair value:				
Residential loans receivable	—	—	77	77
Other assets:				
Currency derivatives	—	—	9	9
Other	—	—	14	14
Total assets	$ 1,035	$ 1,975	$ 104	$ 3,114
Liabilities:				
Medium-term notes	$ —	$ —	$ 98	$ 98
Derivative liabilities:				
Insured credit derivatives	—	1	—	1
Non-insured interest rate derivatives	—	130	—	130
Liabilities of consolidated VIEs:				
Variable interest entity notes	—	—	291	291
Total liabilities	$ —	$ 131	$ 389	$ 520

Note 7: Fair Value of Financial Instruments (continued)

In millions	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2020
Assets:				
Fixed-maturity investments:				
U.S. Treasury and government agency	$ 750	$ 105	$ —	$ 855
State and municipal bonds	—	195	—	195
Foreign governments	—	15	—	15
Corporate obligations	—	975	—	975
Mortgage-backed securities:				
Residential mortgage-backed agency	—	319	—	319
Residential mortgage-backed non-agency	—	32	—	32
Commercial mortgage-backed	—	20	—	20
Asset-backed securities:				
Collateralized debt obligations	—	121	—	121
Other asset-backed	—	141	—	141
Total fixed-maturity investments	750	1,923	—	2,673
Money market securities	1	—	—	1
Perpetual debt and equity securities	37	25	—	62
Cash and cash equivalents	158	—	—	158
Derivative assets:				
Non-insured interest rate derivatives	—	1	—	1
Assets of consolidated VIEs:				
Corporate obligations	—	6	—	6
Mortgage-backed securities:				
Residential mortgage-backed non-agency	—	40	—	40
Commercial mortgage-backed	—	16	—	16
Asset-backed securities:				
Collateralized debt obligations	—	8	—	8
Other asset-backed	—	7	—	7
Cash	9	—	—	9
Loans receivable at fair value:				
Residential loans receivable	—	—	120	120
Loan repurchase commitments	—	—	604	604
Other assets:				
Currency derivatives	—	—	6	6
Other	—	—	14	14
Total assets	$ 955	$ 2,026	$ 744	$ 3,725
Liabilities:				
Medium-term notes	$ —	$ —	$ 110	$ 110
Derivative liabilities:				
Insured credit derivatives	—	2	—	2
Non-insured interest rate derivatives	—	164	—	164
Other non-insured	—	—	49	49
Liabilities of consolidated VIEs:				
Variable interest entity notes	—	47	303	350
Total liabilities	$ —	$ 213	$ 462	$ 675

Note 7: Fair Value of Financial Instruments (continued)

Level 3 assets at fair value as of December 31, 2021 and 2020 represented approximately 3% and 20%, respectively, of total assets measured at fair value. Level 3 liabilities at fair value as of December 31, 2021 and 2020 represented approximately 75% and 68%, respectively, of total liabilities measured at fair value.

The following tables present the fair values and carrying values of the Company's assets and liabilities that are disclosed at fair value but not reported at fair value on the Company's consolidated balance sheets as of December 31, 2021 and 2020. The majority of the financial assets and liabilities that the Company requires fair value reporting or disclosures are valued based on the Company's or a third-party's estimate of discounted cash flow model estimates, or quoted market values for the identical or similar products.

	Fair Value Measurements at Reporting Date Using				
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Balance as of December 31, 2021	Carry Value Balance as of December 31, 2021
Liabilities:					
Long-term debt	$ —	$ 433	$ —	$ 433	$ 2,331
Medium-term notes	—	—	322	322	490
Investment agreements	—	—	355	355	274
Total liabilities	$ —	$ 433	$ 677	$ 1,110	$ 3,095
Financial Guarantees:					
Gross liability (recoverable)	$ —	$ —	$ 848	$ 848	$ (80)
Ceded recoverable (liability)	—	—	30	30	(42)

	Fair Value Measurements at Reporting Date Using				
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Balance as of December 31, 2020	Carry Value Balance as of December 31, 2020
Liabilities:					
Long-term debt	$ —	$ 631	$ —	$ 631	$ 2,229
Medium-term notes	—	—	396	396	598
Investment agreements	—	—	376	376	269
Liabilities of consolidated VIEs:					
Variable interest entity notes	—	276	—	276	273
Total liabilities	$ —	$ 907	$ 772	$ 1,679	$ 3,369
Financial Guarantees:					
Gross liability (recoverable)	$ —	$ —	$ 811	$ 811	$ (282)
Ceded recoverable (liability)	—	—	45	45	(17)

Note 7: Fair Value of Financial Instruments (continued)

The following tables present information about changes in Level 3 assets (including short-term investments) and liabilities measured at fair value on a recurring basis for the years ended December 31, 2021 and 2020:

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Year Ended December 31, 2021

In millions	Balance, Beginning of Year	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI(1)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of December 31, 2021	Change in Unrealized Gains (Losses) for the Period Included in OCI for Assets still held as of December 31, 2021(1)
Assets:												
Assets of consolidated VIEs:												
Commercial mortgage-backed	$ —	$ —	$ —	$ —	$ —	$ (4)	$ —	$ 4	$ —	$ —	$ —	$ —
Collateralized debt obligations	—	—	—	—	—	—	—	4	—	4	—	—
Loans receivable-residential	120	32	—	—	—	(15)	(60)	—	—	77	21	—
Loan repurchase commitments	604	(4)	—	—	—	(600)	—	—	—	—	—	—
Currency derivatives	6	3	—	—	—	—	—	—	—	9	3	—
Other	14	—	—	—	—	—	—	—	—	14	—	—
Total assets	$ 744	$ 31	$ —	$ —	$ —	$ (619)	$(60)	$ 8	$ —	$ 104	$ 24	$ —

In millions	Balance, Beginning of Year	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in Credit Risk in OCI(2)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of December 31, 2021	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of December 31, 2021(2)
Liabilities:												
Medium-term notes	$ 110	$ (17)	$ 10	$ —	$ —	$ (5)	$ —	$ —	$ —	$ 98	$ (17)	$ 10
Other derivatives	49	—	—	—	—	(49)	—	—	—	—	—	—
Liabilities of consolidated VIEs:												
VIE notes	303	46	(15)	—	—	(38)	(5)	—	—	291	24	5
Total liabilities	$ 462	$ 29	$ (5)	$ —	$ —	$ (92)	$ (5)	$ —	$ —	$ 389	$ 7	$ 15

(1)—Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

(2)—Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Year Ended December 31, 2020

In millions	Balance, Beginning of Year	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI(1)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of December 31, 2020	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of December 31, 2020(1)
Assets:												
Other asset-backed	$ 1	$ —	$ —	$ —	$ —	$ (1)	$ —	$ —	$ —	$ —	$ —	$ —
Assets of consolidated VIEs:												
Loans receivable-residential	136	—	—	—	—	(16)	—	—	—	120	(4)	—
Loan repurchase commitments	486	118	—	—	—	—	—	—	—	604	118	—
Currency derivatives	8	(2)	—	—	—	—	—	—	—	6	(2)	—
Other	18	(4)	—	—	—	—	—	—	—	14	(4)	—
Total assets	$ 649	$ 112	$ —	$ —	$ —	$ (17)	$ —	$ —	$ —	$ 744	$ 108	$ —

Note 7: Fair Value of Financial Instruments (continued)

In millions	Balance, Beginning of Year	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in OCI(2)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of December 31, 2020	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of December 31, 2020(2)
Liabilities:												
Medium-term notes	$ 108	$ 15	$ (13)	$ —	$ —	$ —	$ —	$ —	$ —	$ 110	$ 15	$ (13)
Credit derivatives	7	(6)	—	—	—	(1)	—	—	—	—	—	—
Other derivatives	34	15	—	—	—	—	—	—	—	49	15	—
Other payable	4	—	—	—	—	(4)	—	—	—	—	—	—
Liabilities of consolidated VIEs:												
VIE notes	347	11	(40)	—	—	(15)	—	—	—	303	5	(38)
Total liabilities	$ 500	$ 35	$ (53)	$ —	$ —	$ (20)	$ —	$ —	$ —	$ 462	$ 35	$ (51)

(1)—Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

(2)—Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

For the year ended December 31, 2021, sales include the impact of the deconsolidation of VIEs. Refer to "Note 4: Variable Interest Entities" for additional information about the deconsolidation of VIEs.

For the year ended December 31, 2021, transfers into Level 3 and out of Level 2 were principally related to CMBS and CDOs, where inputs, which are significant to their valuation, became unobservable during the quarter. These inputs included spreads, prepayment speeds, default speeds, default severities, yield curves observable at commonly quoted intervals, and market corroborated inputs. There were no transfers out of Level 3.

For the year ended December 31, 2020, there were no transfers into or out of Level 3.

Gains and losses (realized and unrealized) included in earnings relating to Level 3 assets and liabilities for the years ended December 31, 2021, 2020 and 2019 are reported on the Company's consolidated statements of operations as follows:

In millions	Total Gains (Losses) Included in Earnings			Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets and Liabilities still held as of December 31,		
	2021	2020	2019	2021	2020	2019
Revenues:						
Unrealized gains (losses) on insured derivatives	$ —	$ 7	$ 25	$ —	$ —	$ 25
Realized gains (losses) and other settlements on insured derivatives	—	(1)	(10)	—	—	—
Net gains (losses) on financial instruments at fair value and foreign exchange	17	(30)	(26)	17	(30)	(27)
Net investment losses related to other-than-temporary impairments	—	—	(1)	—	—	—
Other net realized gains (losses)	—	—	(2)	—	—	(2)
Revenues of consolidated VIEs:						
Net gains (losses) on financial instruments at fair value and foreign exchange	(15)	101	53	—	103	68
Total	$ 2	$ 77	$ 39	$ 17	$ 73	$ 64

Note 7: Fair Value of Financial Instruments (continued)

Fair Value Option

The Company elected to record at fair value certain financial instruments, including financial instruments that are consolidated in connection with the adoption of the accounting guidance for consolidation of VIEs.

The following table presents the gains and (losses) included in the Company's consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019 for financial instruments for which the fair value option was elected:

In millions	Years Ended December 31, 2021	2020	2019
Investments carried at fair value(1)	$ 3	$ 2	$ 15
Fixed-maturity securities held at fair value-VIE(2)	4	4	95
Loans receivable and other instruments at fair value:			
Residential mortgage loans(2)	32	—	35
Loan repurchase commitments(2)	(4)	118	68
Other assets-VIE(2)	—	(4)	4
Medium-term notes(1)	17	(15)	1
Other liabilities(3)	—	—	(2)
Variable interest entity notes (2)	(50)	(12)	(89)

(1)—Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on MBIA's consolidated statements of operations.
(2)—Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange-VIE" on MBIA's consolidated statements of operations.
(3)—Reported within "Other net realized gains (losses)" on MBIA's consolidated statements of operations.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of December 31, 2021 and 2020 for loans and notes for which the fair value option was elected:

In millions	As of December 31, 2021 Contractual Outstanding Principal	Fair Value	Difference	As of December 31, 2020 Contractual Outstanding Principal	Fair Value	Difference
Loans receivable at fair value:						
Residential mortgage loans—current	$ 40	$ 40	$ —	$ 89	$ 89	$ —
Residential mortgage loans (90 days or more past due)	141	37	104	147	31	116
Total loans receivable and other instruments at fair value	$ 181	$ 77	$ 104	$ 236	$120	$ 116
Variable interest entity notes	$ 922	$291	$ 631	$ 1,117	$350	$ 767
Medium-term notes	$ 108	$ 98	$ 10	$ 122	$110	$ 12

The differences between the contractual outstanding principal and the fair values on loans receivable, VIE notes and MTNs in the preceding table are primarily attributable to credit risk. This is due to the high rate of defaults on loans (90 days or more past due), the collateral supporting the VIE notes and the nonperformance risk of the Company on its MTNs, all of which resulted in depressed pricing of the financial instruments.

Instrument-Specific Credit Risk of Liabilities Elected Under the Fair Value Option

As of December 31, 2021 and 2020, the cumulative changes in instrument-specific credit risk of liabilities elected under the fair value option were losses of $32 million and $51 million, respectively, reported in "Accumulated other comprehensive income" on the Company's consolidated balance sheets. Changes in value attributable to

Note 7: Fair Value of Financial Instruments (continued)

instrument-specific credit risk were derived principally from changes in the Company's credit spread. For liabilities of VIEs, additional adjustments to instrument-specific credit risk are required, which is determined by an analysis of deal specific performance of collateral that support these liabilities. During the years ended December 31, 2021, 2020 and 2019, the portions of instrument-specific credit risk included in AOCI that were recognized in earnings due to settlement of liabilities were losses of $36 million, $6 million and $28 million, respectively.

Note 8: Investments

Investments, excluding equity instruments and those elected under the fair value option, consist of debt instruments classified as AFS.

The following tables present the amortized cost, allowance for credit losses, corresponding gross unrealized gains and losses and fair value for AFS investments in the Company's consolidated investment portfolio as of December 31, 2021 and December 31, 2020:

	December 31, 2021				
In millions	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS Investments					
Fixed-maturity investments:					
U.S. Treasury and government agency	$ 782	$ —	$ 54	$ (2)	$ 834
State and municipal bonds	140	—	27	—	167
Foreign governments	13	—	1	—	14
Corporate obligations	905	—	53	(5)	953
Mortgage-backed securities:					
Residential mortgage-backed agency	190	—	3	(1)	192
Residential mortgage-backed non-agency	80	—	12	—	92
Commercial mortgage-backed	10	—	—	—	10
Asset-backed securities:					
Collateralized debt obligations	101	—	—	—	101
Other asset-backed	95	—	—	(1)	94
Total AFS investments	$ 2,316	$ —	$ 150	$ (9)	$2,457

	December 31, 2020				
In millions	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS Investments					
Fixed-maturity investments:					
U.S. Treasury and government agency	$ 775	$ —	$ 75	$ (1)	$ 849
State and municipal bonds	162	—	32	—	194
Foreign governments	11	—	1	—	12
Corporate obligations	827	—	64	(1)	890
Mortgage-backed securities:					
Residential mortgage-backed agency	305	—	8	(1)	312
Residential mortgage-backed non-agency	22	—	3	—	25
Commercial mortgage-backed	17	—	1	—	18
Asset-backed securities:					
Collateralized debt obligations	120	—	—	(2)	118
Other asset-backed	121	—	—	—	121
Total AFS investments	$ 2,360	$ —	$ 184	$ (5)	$2,539

Note 8: Investments (continued)

The following table presents the distribution by contractual maturity of AFS fixed-maturity securities at amortized cost, net of allowance for credit losses, and fair value as of December 31, 2021. Contractual maturity may differ from expected maturity as borrowers may have the right to call or prepay obligations.

	AFS Securities	
In millions	Net Amortized Cost	Fair Value
Due in one year or less	$ 412	$ 413
Due after one year through five years	328	339
Due after five years through ten years	364	380
Due after ten years	736	836
Mortgage-backed and asset-backed	476	489
Total fixed-maturity investments	$ 2,316	$2,457

Deposited and Pledged Securities

The fair value of securities on deposit with various regulatory authorities as of December 31, 2021 and December 31, 2020 was $11 million. These deposits are required to comply with state insurance laws.

Pursuant to the Company's tax sharing agreement, securities held by MBIA Inc. in the Tax Escrow Account are included as "Investments pledged as collateral, at fair value" on the Company's consolidated balance sheets.

Investment agreement obligations require the Company to pledge securities as collateral. Securities pledged in connection with investment agreements may not be repledged by the investment agreement counterparty. As of December 31, 2021 and December 31, 2020, the fair value of securities pledged as collateral for these investment agreements approximated $280 million and $282 million, respectively. The Company's collateral as of December 31, 2021 consisted principally of U.S. Treasury and government agency and corporate obligations, and was primarily held with major U.S. banks.

Refer to "Note 9: Derivative Instruments" for information about securities posted to derivative counterparties.

Impaired Investments

The following tables present the non-credit related gross unrealized losses related to AFS investments as of December 31, 2021 and December 31, 2020:

	December 31, 2021					
	Less than 12 Months		12 Months or Longer		Total	
In millions	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS Investments						
Fixed-maturity investments:						
U.S. Treasury and government agency	$ 161	$ (1)	$ 16	$ (1)	$177	$ (2)
State and municipal bonds	11	—	—	—	11	—
Foreign governments	3	—	—	—	3	—
Corporate obligations	270	(5)	8	—	278	(5)
Mortgage-backed securities:						
Residential mortgage-backed agency	94	(1)	1	—	95	(1)
Residential mortgage-backed non-agency	3	—	1	—	4	—
Commercial mortgage-backed	2	—	—	—	2	—
Asset-backed securities:						
Collateralized debt obligations	60	—	29	—	89	—
Other asset-backed	72	(1)	—	—	72	(1)
Total AFS investments	$ 676	$ (8)	$ 55	$ (1)	$731	$ (9)

Note 8: Investments (continued)

	December 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
In millions	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS Investments						
Fixed-maturity investments:						
U.S. Treasury and government agency	$ 99	$ (1)	$ —	$ —	$ 99	$ (1)
Foreign governments	2	—	—	—	2	—
Corporate obligations	103	(1)	7	—	110	(1)
Mortgage-backed securities:						
Residential mortgage-backed agency	53	(1)	—	—	53	(1)
Residential mortgage-backed non-agency	2	—	1	—	3	—
Commercial mortgage-backed	—	—	5	—	5	—
Asset-backed securities:						
Collateralized debt obligations	37	—	78	(2)	115	(2)
Other asset-backed	29	—	—	—	29	—
Total AFS investments	$ 325	$ (3)	$ 91	$ (2)	$416	$ (5)

Gross unrealized losses on AFS investments increased as of December 31, 2021 compared with December 31, 2020 primarily due to higher interest rates, partially offset by tightening credit spreads.

With the weighting applied on the fair value of each security relative to the total fair value, the weighted average contractual maturity of securities in an unrealized loss position as of December 31, 2021 and December 31, 2020 was 11 and 9 years, respectively. As of December 31, 2021 and December 31, 2020, there were 36 and 42 securities, respectively, that were in an unrealized loss position for a continuous twelve-month period or longer, of which, fair values of 7 and 9 securities, respectively, were below book value by more than 5%.

The following table presents the distribution of securities in an unrealized loss position for a continuous twelve-month period or longer where fair value was below book value by more than 5% as of December 31, 2021:

	AFS Securities		
Percentage of Fair Value Below Book Value	Number of Securities	Book Value (in millions)	Fair Value (in millions)
> 5% to 15%	5	$ 6	$ 5
> 50%	2	—	—
Total	7	$ 6	$ 5

Impaired securities that the Company intends to sell before the expected recovery of such securities' fair values have been written down to fair value. As of December 31, 2021, the Company concluded that it does not have the intent to sell securities in an unrealized loss position and it is more likely than not, that it would not have to sell these securities before recovery of their cost basis. In making this conclusion, the Company examined the cash flow projections for its investment portfolios, the potential sources and uses of cash in its businesses, and the cash resources available to its business other than sales of securities. It also considered the existence of any risk management or other plans as of December 31, 2021 that would require the sale of impaired securities.

Credit Losses on Investments

In calculating credit-related losses, the Company uses cash flow modeling based on the type of security. The Company's cash flow analysis considers all sources of cash that support the payment of amounts owed by an issuer of a security. For AFS investments, this includes the credit enhancement taking into the consideration of cash expected to be provided by financial guarantors, including MBIA Corp. and National, resulting from an actual or potential insurance policy claim. In general, any change in the amount and/or timing of cash flows received or

Note 8: Investments (continued)

expected to be received, whether or not such cash flows are contractually defined, is reflected in the Company's cash flow analysis for purposes of assessing a credit loss on an impaired security.

Each quarter, an internal committee, comprising staff that is independent of the Company's evaluation process for determining credit losses of securities, reviews and approves the valuation of investments. Among other responsibilities, this committee ensures that the Company's process for identifying and calculating allowance for credit losses, including the use of models and assumptions, is reasonable and complies with the Company's internal policy.

Determination of Credit Losses on ABS, MBS and Corporate Obligations

AFS ABS investments are evaluated for credit loss using historical collateral performance, deal waterfall and structural protections, credit ratings, and forward looking projections of collateral performance based on business and economic conditions specific to each collateral type and risk. The underlying collateral is evaluated to identify any specific performance concerns, and stress scenarios are considered in forecasting ultimate returns of principal. Based on this evaluation, if a principal default is projected for a security, estimated future cash flows are discounted at the security's effective interest rate used to recognize interest income on the security. For CDO investments, the Company uses the same tools as its RMBS investments discussed below, aggregating the bond level cash flows to the CDO investment level. If the present value of cash flows is less than the Company's amortized cost for the security, the difference is recorded as a credit loss.

AFS RMBS investments are evaluated for credit losses using several quantitative tools. Loan level data is obtained and analyzed in a model that produces prepayment, default, and severity vectors. The model uses macro inputs, including housing price assumptions and interest rates. The vector outputs are used as inputs to a third-party cash flow model, which considers deal waterfall dynamics and structural features, to generate cash flows for an RMBS investment. The expected cash flows of the security are then discounted at the interest rate used to recognize interest income of the security to arrive at a present value amount. If the present value of the cash flows is less than the Company's amortized cost for the investment, the difference is recorded as a credit loss.

For AFS corporate obligation investments, credit losses are evaluated using credit analysis techniques. The Company's analysis includes a detailed review of a number of quantitative and qualitative factors impacting the value of an individual security. These factors include the interest rate of the security (fixed or floating), the security's current market spread, any collateral supporting the security, the security's position in the issuer's capital structure, and credit rating upgrades or downgrades. Additionally, these factors include an assessment of various issuer-related credit metrics including market capitalization, earnings, cash flow, capitalization, interest coverage, leverage, liquidity and management. The Company's analysis is augmented by comparing market prices for similar securities of other issuers in the same sector, as well as any recent corporate or government actions that may impact the ultimate return of principal. If the Company determines that a principal default is projected, a recovery analysis is performed using the above data. If the Company's estimated recovery value for the security is less than its amortized cost, the difference is recorded as a credit loss.

For HTM corporate obligation investments, credit losses are evaluated based on quarterly estimates of the probability-weighted amount of principal and interest cash flows expected to be collected over the estimated remaining lives of the security. Developing the Company's probability-weighted expected future cash flows is a quantitative and qualitative process that incorporates information received from third-party sources along with certain internal assumptions regarding the future performance. The Company's considerations include, but are not limited to, (a) changes in the financial conditions of the security's underlying collateral, (b) whether the issuer is current on contractually obligated interest and principal payments, (c) changes in the financial condition, credit rating and near-term prospects of the issuer, and (d) level of excess cash flows generated from the underlying collateral supporting the principal and interest payments of the security. Estimates of collectability require the use of significant management judgment and include the probability and timing of issuer's default and loss severity estimates. In addition, cash flow projections may change when these factors are reviewed and updated as appropriate.

Note 8: Investments (continued)

Determination of Credit Loss Guaranteed by the Company on Other Third-Party Guarantors

The Company does not recognize credit losses on securities insured by MBIA Corp. and National since those securities, whether or not owned by the Company, are evaluated for impairments in accordance with its loss reserving policy. Refer to “Note 2: Significant Accounting Policies” included herein for information about the Company’s loss reserving policy and “Note 6: Loss and Loss Adjustment Expense Reserves: for information about loss reserves.

The following table provides information about securities held by the Company as of December 31, 2021 that were in an unrealized loss position and insured by a financial guarantor, along with the amount of insurance loss reserves corresponding to the par amount owned by the Company. The Company did not hold any securities in an unrealized loss position that were insured by a third-party financial guarantor as of December 31, 2021.

In millions	Fair Value	Unrealized Loss	Insurance Loss Reserve(1)
Mortgage-backed	$ 1	$ —	$ —

(1)—Insurance loss reserve estimates are based on the proportion of par value owned to the total amount of par value insured and are discounted using a discount rate equal to the risk-free rate applicable to the currency and weighted average remaining life of the insurance contract and may differ from the fair value.

Allowance for Credit Losses Rollforward

The Company did not establish an allowance for credit losses for AFS securities as of December 31, 2021 or purchase any credit-deteriorated assets during 2021.

The following table presents the rollforward of the allowance for credit losses on HTM investments for the year ended December 31, 2020. As of December 31, 2020, the allowance for credit losses was reduced to zero as a result of the repayment of the assets, at par, in the fourth quarter of 2020.

		Year Ended December 31, 2020				
In millions	Balance as of January 1, 2020 (1)	Current period provision for expected credit losses	Initial allowance recognized for PCD assets	Write-Offs	Recoveries	Balance as of December 31, 2020
HTM Investments						
Assets of consolidated VIEs:						
Corporate obligations	$ 37	$ (37)	$ —	$ —	$ —	$ —
Total Allowance on HTM investments	$ 37	$ (37)	$ —	$ —	$ —	$ —

(1)—Represents transition adjustment upon adoption of ASU 2016-13.

Credit Loss Rollforward for AFS

The portion of certain unrealized losses on fixed-maturity securities that does not represent credit losses is recognized in AOCI. For these impairments, the net amount recognized in earnings represents the difference between the amortized cost of the security and the net present value of its projected future discounted cash flows prior to impairment. Any remaining difference between the fair value and amortized cost is recognized in AOCI. The following table presents the amount of credit loss impairments recognized in earnings on fixed-maturity securities held by MBIA as of December 31, 2019, for which a portion of the non-credit related losses was recognized in AOCI, and the corresponding changes in such amounts. The additional credit loss impairments on securities previously impaired for the year ended December 31, 2019 primarily related to a corporate obligation that incurred liquidity concerns, ongoing credit risk and other adverse financial conditions. Due to the Company’s

Note 8: Investments (continued)

intent to sell, this security was impaired to fair value with any incremental impairment recorded as a credit loss impairments in earnings, as well as a reduction of inception-to-date recognized credit loss impairments.

In millions Credit Losses Recognized in Earnings Related to OTTI	Year Ended December 31, 2019
Beginning balance	$ 37
Additions for credit loss impairments recognized in the current period on securities previously impaired	67
Reductions for credit loss impairments previously recognized on securities impaired to fair value during the period	(104)
Ending balance	$ —

Sales of Available-for-Sale Investments

Gross realized gains and losses from sales of AFS investments are recorded within "Net realized investment gains (losses)" on the Company's consolidated statements of operations. The proceeds and the gross realized gains and losses from sales of fixed-maturity securities held as AFS for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Years Ended December 31,		
In millions	2021	2020	2019
Proceeds from sales	$ 597	$ 1,095	$ 2,195
Gross realized gains	$ 12	$ 59	$ 103
Gross realized losses	$ (9)	$ (15)	$ (4)

Equity Investments

Unrealized gains and losses recognized on equity investments held as of the end of each period for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Years Ended December 31,		
In millions	2021	2020	2019
Net gains and (losses) recognized during the period on equity securities	$ 6	$ 3	$ 11
Less:			
Net gains and (losses) recognized during the period on equity securities sold during the period	1	(1)	1
Unrealized gains and (losses) recognized during the period on equity securities still held at the reporting date	$ 5	$ 4	$ 10

Note 9: Derivative Instruments

U.S. Public Finance Insurance

The Company's derivative exposure within its U.S. public finance insurance operations primarily consists of insured interest rate swaps related to insured U.S. public finance debt issues. These derivatives do not qualify for the financial guarantee scope exception and are accounted for as derivative instruments. Changes in the fair values of the Company's insured derivatives within its U.S. Public Finance segment are included in "Net change in fair value of insured derivatives" on the Company's consolidated statements of operations.

Note 9: Derivative Instruments (continued)

Corporate

The Company has entered into derivative instruments primarily consisting of interest rate swaps to manage the risks associated with fluctuations in interest rates affecting the value of certain assets. Changes in the fair values of the Company's derivatives within its corporate segment are included in "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.

International and Structured Finance Insurance

The Company's derivative exposure within its international and structured finance insurance segment includes insured interest rate and inflation-linked swaps related to insured debt issues. Changes in the fair values of the Company's insured derivatives within its International and Structured Finance segment are included in "Net change in fair value of insured derivatives" on the Company's consolidated statements of operations.

The Company had also entered into a derivative contract in connection with the commutation of certain insurance exposure, which occurred in 2014. Changes in the fair value of this non-insured derivative are included in "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations. This derivative contract was settled in the first quarter of 2021 for an amount consistent with the amount reported at fair value as of December 31, 2020.

Variable Interest Entities

A VIE consolidated by the Company is party to a cross currency swap, which was entered into to manage the variability in cash flows resulting from fluctuations in foreign currency rates. Changes in the fair value of the VIE derivative are included in "Net gains (losses) on financial instruments at fair value and foreign exchange-VIE" on the Company's consolidated statements of operations.

Credit Derivatives Sold

The following tables present information about credit derivatives sold by the Company's insurance operations that were outstanding as of December 31, 2021 and December 31, 2020. Credit ratings represent the lower of underlying ratings assigned to the collateral by Moody's Investor Services ("Moody's"), Standard & Poor's Financial Services, LLC ("S&P") or MBIA.

$ in millions	As of December 31, 2021							
Credit Derivatives Sold	Weighted Average Remaining Expected Maturity	AAA	AA	A	BBB	Below Investment Grade	Total Notional	Fair Value Asset (Liability)
Insured swaps	14.1 Years	$ —	$61	$1,136	$292	$ —	$ 1,489	$ (1)
Total fair value		$ —	$ —	$ (1)	$ —	$ —		$ (1)

$ in millions	As of December 31, 2020							
Credit Derivatives Sold	Weighted Average Remaining Expected Maturity	AAA	AA	A	BBB	Below Investment Grade	Total Notional	Fair Value Asset (Liability)
Insured swaps	13.9 Years	$ —	$58	$1,327	$358	$ —	$ 1,743	$ (2)
Total fair value		$ —	$ —	$ (1)	$ (1)	$ —		$ (2)

Internal credit ratings assigned by MBIA on the underlying credit exposures are assigned by the Company's surveillance group. In assigning an internal rating, current status reports from issuers and trustees, as well as publicly available transaction-specific information, are reviewed. The maximum potential amount of future

Note 9: Derivative Instruments (continued)

payments (undiscounted) on insured swaps that are primarily insured interest rate swaps is estimated as the net interest settlements plus principal payments where applicable, on amortizing swaps.

MBIA may hold recourse provisions through subrogation rights of the swap counterparty, whereby if MBIA makes a claim payment, it may be entitled to receive net swap settlements from the issuer under the swap agreement.

Counterparty Credit Risk

The Company manages counterparty credit risk on an individual counterparty basis through master netting agreements covering derivative instruments in the corporate segment. These agreements allow the Company to contractually net amounts due from a counterparty with those amounts due to such counterparty when certain triggering events occur. The Company only executes swaps under master netting agreements, which typically contain mutual credit downgrade provisions that generally provide the ability to require assignment or termination in the event either MBIA or the counterparty is downgraded below a specified credit rating.

Under these agreements, the Company may receive or provide cash, U.S. Treasury or other highly rated securities to secure counterparties' exposure to the Company or its exposure to counterparties, respectively. Such collateral is available to the holder to pay for replacing the counterparty in the event that the counterparty defaults. As of December 31, 2021 and December 31, 2020, the Company did not hold or post cash collateral to derivative counterparties.

As of December 31, 2021 and December 31, 2020, the Company had securities with a fair value of $159 million and $214 million, respectively, posted to derivative counterparties and these amounts are included within "Fixed-maturity securities held as available-for-sale, at fair value" on the Company's consolidated balance sheets.

As of December 31, 2021 and December 31, 2020, the fair value on one Credit Support Annex ("CSA") was $1 million. This CSA governs collateral posting requirements between MBIA and its derivative counterparties. The Company did not receive collateral due to the Company's credit rating, which was below the CSA minimum credit ratings level for holding counterparty collateral. As of December 31, 2021 and December 31, 2020, the counterparty was rated Aa3 by Moody's and A+ by S&P.

Financial Statement Presentation

The fair value of amounts recognized for eligible derivative contracts executed with the same counterparty under a master netting agreement, including any cash collateral that may have been received or posted by the Company, is presented on a net basis in accordance with accounting guidance for the offsetting of fair value amounts related to derivative instruments. Insured swaps are not subject to master netting agreements. VIE derivative assets and liabilities are not presented net of any master netting agreements. Counterparty netting of derivative assets and liabilities offsets balances in "Interest rate swaps", when applicable.

The following tables present the total fair value of the Company's derivative assets and liabilities by instrument and balance sheet location, before counterparty netting, as of December 31, 2021 and 2020:

In millions		Derivative Assets[(1)]		Derivative Liabilities[(1)]	
Derivative Instruments	Notional Amount Outstanding	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Not designated as hedging instruments:					
Insured swaps	$ 1,489	Other assets	$ —	Derivative liabilities	$ (1)
Interest rate swaps	399	Other assets	1	Derivative liabilities	(130)
Interest rate swaps-embedded	206	Medium-term notes	—	Medium-term notes	(9)
Currency swaps-VIE	50	Other assets-VIE	9	Derivative liabilities-VIE	—
Total non-designated derivatives	$ 2,144		$ 10		$(140)

(1)—In accordance with the accounting guidance for derivative instruments and hedging activities, the balance sheet location of the Company's embedded derivative instruments is determined by the location of the related host contract.

Note 9: Derivative Instruments (continued)

In millions		Derivative Assets[(1)]		Derivative Liabilities[(1)]	
Derivative Instruments	**Notional Amount Outstanding**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Not designated as hedging instruments:					
Insured swaps	$ 1,743	Other assets	$ —	Derivative liabilities	$ (2)
Interest rate swaps	437	Other assets	1	Derivative liabilities	(164)
Interest rate swaps-embedded	252	Medium-term notes	—	Medium-term notes	(10)
Currency swaps-VIE	53	Other assets-VIE	6	Derivative liabilities-VIE	—
All other	49	Other assets	—	Derivative liabilities	(49)
Total non-designated derivatives	$ 2,534		$ 7		$(225)

(1)—In accordance with the accounting guidance for derivative instruments and hedging activities, the balance sheet location of the Company's embedded derivative instruments is determined by the location of the related host contract.

The following table presents the effect of derivative instruments on the consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019:

In millions		Years Ended December 31,		
Derivatives Not Designated as Hedging Instruments	**Location of Gain (Loss) Recognized in Income on Derivative**	**2021**	**2020**	**2019**
Insured credit default swaps	Unrealized gains (losses) on insured derivatives	$—	$ 7	$ 25
Insured credit default swaps	Realized gains (losses) and other settlements on insured derivatives	—	(1)	(10)
Interest rate swaps	Net gains (losses) on financial instruments at fair value and foreign exchange	18	(42)	(66)
Currency swaps-VIE	Net gains (losses) on financial instruments at fair value and foreign exchange-VIE	3	(2)	(8)
All other	Net gains (losses) on financial instruments at fair value and foreign exchange	—	(15)	(26)
Total		$21	$(53)	$(85)

Note 10: Debt

Long-Term Debt

The Company's long-term debt consists of notes and debentures including accrued interest as follows:

	As of December 31,	
In millions	**2021**	**2020**
7.000% Debentures due 2025	$ 46	$ 46
7.150% Debentures due 2027	99	100
6.625% Debentures due 2028	136	141
5.700% Senior Notes due 2034[(1)]	21	21
Surplus Notes due 2033[(2)]	940	940
Accrued interest	1,098	991
Debt issuance costs	(9)	(10)
Total	$ 2,331	$ 2,229

(1)—Callable anytime at the greater of par or the present value of the remaining scheduled payments of principal and interest.
(2)—Contractual interest rate is based on three month LIBOR plus 11.26%.

Note 10: Debt (continued)

During 2021, MBIA Corp. purchased $5 million principal amount of MBIA Inc. 6.625% Debentures due 2028 and $1 million principal amount of MBIA Inc. 7.150% Debentures due 2027. During 2020, the Company redeemed the remaining $115 million principal amount of its 6.400% Senior Notes due 2022 at a cost of 100% of par value plus accrued interest. Additionally, as of December 31, 2021, National owned $308 million principal amount of the 5.700% Senior Notes due 2034 and $10 million principal amount of MBIA Inc. 7.000% Debentures due 2025; and MBIA Inc., through its corporate segment, owned $13 million of MBIA Corp. surplus notes. These amounts are eliminated in the Company's consolidated financial statements.

Interest and principal payments on the surplus notes are subject to prior approval by the NYSDFS. From the January 15, 2013 interest payment to the present, MBIA Corp.'s requests for approval of the note interest payments have not been approved by the NYSDFS. MBIA Corp. provides notice to the Fiscal Agent when it will not make a scheduled interest payment. The deferred interest payment will become due on the first business day on or after which MBIA Corp. obtains approval from the NYSDFS to make such payment. No interest will accrue on the deferred interest. The surplus notes were callable at par at the option of MBIA Corp. on the fifth anniversary of the date of issuance, and are callable at par on January 15, 2023 and every fifth anniversary thereafter and are callable on any other date at par plus a make-whole amount, subject to prior approval by the Superintendent and other restrictions. The cash received from the issuance of surplus notes was used for general business purposes and the deferred debt issuance costs are being amortized over the term of the surplus notes.

The aggregate maturities of principal payments of long-term debt obligations in each of the next five years ending December 31, and thereafter, are as follows:

In millions	2022	2023	2024	2025	2026	Thereafter	Total
Corporate debt	$ —	$ —	$ —	$ 46	$ —	$ 256	$ 302
Surplus Notes due 2033	—	—	—	—	—	940	940
Total debt obligations due	$ —	$ —	$ —	$ 46	$ —	$ 1,196	$ 1,242

Investment Agreements

Certain investment agreements provide for early termination, including, in some cases, with make-whole payments, upon certain contingent events including the bankruptcy of MBIA Inc. or the commencement of an insolvency proceeding with respect to MBIA Corp. Upon the occurrence of certain contractually agreed-upon events, some of these funds may be withdrawn by the investor prior to their contractual maturity dates. All of the investment agreements have been collateralized in accordance with the contractual terms.

Investment agreements have been issued with fixed interest rates in U.S. dollars. As of December 31, 2021 and 2020, the annual interest rates on these agreements ranged from 4.78% to 6.88% and the weighted average interest rates were 5.89% and 5.86%, respectively. Expected principal payments due under these investment agreements in each of the next five years ending December 31, and thereafter, based upon contractual maturity dates, are as follows:

In millions	Principal Amount
Maturity date:	
2022	$ 3
2023	19
2024	23
2025	35
2026	96
Thereafter (through 2037)	128
Total expected principal payments(1)	$ 304
Less discount and other adjustments(2)	30
Total	$ 274

(1)—Amounts reflect principal due at maturity for investment agreements issued at a discount.
(2)—Discount is net of carrying amount adjustment of $3 million and accrued interest adjustment of $5 million.

Note 10: Debt (continued)

Medium-Term Notes

MTNs have been issued with fixed or floating interest rates in U.S. dollars or Euros. Floating rates on Euro-denominated MTNs are floored at 0% when the actual floating rates become negative. Certain MTNs are measured at fair value in accordance with the accounting guidance in Accounting Standards Codification Topic 815, “Derivatives and Hedging”. As of December 31, 2021, the interest rates of the MTNs ranged from 0% to 5.90% and the weighted average interest rate was 3.62%. As of December 31, 2020, the interest rates of the MTNs ranged from 0% to 6.00% and the weighted average interest rate was 2.97%. Expected principal payments due under MTN obligations based on their contractual maturity dates are as follows:

In millions	Principal Amount
Maturity date:	
2022	$ 52
2023	12
2024	54
2025	57
2026	—
Thereafter (through 2035)	606
Total expected principal payments(1)	$ 781
Less discount and other adjustments(2)	191
Total	$ 590

(1)—Amounts reflect principal due at maturity for notes issued at a discount.
(2)—Discount is net of carrying amount and market value adjustments of $29 million and accrued interest adjustment of $3 million.

Variable Interest Entity Notes

VIE notes elected to be recorded at fair value are debt instruments that were issued primarily in U.S. dollars by VIEs consolidated within the Company’s international and structured finance insurance segment. These VIE notes consist of debt instruments issued by issuer-sponsored consolidated VIEs collateralized by assets held by those consolidated VIEs. Holders of insured obligations of issuer-sponsored VIEs do not have recourse to the general assets of the Company. In the event of non-payment of an obligation issued by a consolidated VIE, the Company is obligated to pay principal and interest, when due, on MBIA-insured obligations only.

In July of 2019, MBIA Insurance Corporation consummated the Refinanced Facility. In connection with the Refinanced Facility, original notes issued by MZ Funding in January of 2017 were redeemed or amended, as applicable, and the Senior Lenders purchased new senior notes issued by MZ Funding (the “Insured Senior Notes”) with an aggregate principal amount of $278 million. In addition, MBIA Inc. received amended subordinated notes issued by MZ Funding (and together with the Insured Senior Notes, the “New MZ Funding Notes”) with an aggregate principal amount of $54 million. The New MZ Funding Notes were scheduled to mature on January 20, 2022 and bore interest at 12% per annum. The Refinanced Facility is secured by a first priority security interest in all of MBIA Corp.’s right, title and interest in the recovery of its claims from the Zohar Collateral. If funds received from MBIA Corp. under the Refinanced Facility were insufficient to pay interest on interest payment dates, MZ Funding may elect to pay interest in kind, which increases the outstanding principal amount. As of December 31, 2020, the outstanding amount of the Insured Senior Notes was $273 million. During 2021, MBIA Corp. repaid in full the outstanding amount of the Insured Senior Notes. Subsequent to December 31, 2021, MBIA Inc. agreed to extend the maturity date of the subordinated notes of MZ Funding, which had an aggregate principal amount of $68 million, to April 20, 2022 at a reduced rate of 7% per annum. The subordinated notes of MZ Funding are eliminated in the Company’s consolidated financial statements.

As of December 31, 2021 and 2020, the aggregate unpaid contractual principal of consolidated VIE notes was $922 million and $1.4 billion, respectively. As of December 31, 2021 and 2020, the unpaid contractual principal of MBIA-insured consolidated VIE notes was $350 million and $722 million, respectively, which excludes liabilities where the

Note 10: Debt (continued)

Company's insured exposure has been fully offset by way of loss remediation transactions. Refer to "Note 7: Fair Value of Financial Instruments" for information about the fair values of consolidated VIE notes. As of December 31, 2020, the only VIE note not accounted for at fair value was the MZ Funding note with a contractual interest rate of 12%.

The following table provides the expected principal payments due under MBIA-insured consolidated VIE notes as of December 31, 2021, which are net of principal payments where the Company's insured exposure has been fully offset by way of loss remediation transactions. For RMBS consolidated VIEs, principal amounts are based on the expected maturity dates and for all other consolidated VIEs, principal amounts are based on the contractual maturity dates.

In millions	Insured Principal Amount
Maturity date:	
2022	$ 26
2023	21
2024	20
2025	18
2026	10
Thereafter (through 2038)	255
Total	$ 350

Note 11: Income Taxes

Income (loss) from operations before provision (benefit) for income taxes consisted of:

In millions	Years Ended December 31, 2021	2020	2019
Domestic	$(445)	$(578)	$(357)
Foreign	—	—	—
Income (loss) before income taxes	$(445)	$(578)	$(357)

The Company files a consolidated tax return that includes all of its U.S. subsidiaries and foreign branches. The Company also files tax returns in Spain, Mexico, and various state and local jurisdictions. Income tax expense (benefit) on income (loss) and shareholders' equity, net of changes in the Company's valuation allowance, consisted of:

In millions	Years Ended December 31, 2021	2020	2019
Current taxes:			
Federal	$ —	$ —	$ —
State	—	—	2
Deferred taxes:			
Federal	—	—	—
Foreign	—	—	—
Provision (benefit) for income taxes	—	—	2
Income taxes charged (credited) to shareholders' equity related to:			
Change in unrealized gains (losses) on AFS securities	—	—	—
Change in AFS securities with OTTI	—	—	—
Change in foreign currency translation	—	—	—
Total income taxes charged (credited) to shareholders' equity	—	—	—
Total effect of income taxes	$ —	$ —	$ 2

Note 11: Income Taxes (continued)

A reconciliation of the U.S. federal statutory tax rate to the Company's effective income tax rate for the years ended December 31, 2021, 2020 and 2019 is presented in the following table:

	Years Ended December 31,		
	2021	2020	2019
Federal income tax computed at the statutory rate	21.0%	21.0%	21.0%
Increase (reduction) in taxes resulting from:			
Change in valuation allowance	(20.6)%	(20.3)%	(20.7)%
State income tax, net of federal benefit	0.0%	0.0%	(0.4)%
Other	(0.4)%	(0.7)%	(0.5)%
Effective tax rate	0.0%	0.0%	(0.6)%

Deferred Tax Asset, Net of Valuation Allowance

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on tax assets and liabilities is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2021 and 2020 are presented in the following table:

	As of	
In millions	December 31, 2021	December 31, 2020
Deferred tax liabilities:		
Unearned premium revenue	$ 40	$ 48
Deferred acquisition costs	5	10
Net unrealized gains and losses in accumulated other comprehensive income	21	25
Net deferred taxes on VIEs	34	53
Other	—	6
Total gross deferred tax liabilities	100	142
Deferred tax assets:		
Compensation and employee benefits	8	9
Accrued interest	233	210
Partnership basis difference	—	10
Loss and loss adjustment expense reserves	45	98
Net operating loss	777	656
Foreign tax credits	58	61
Other-than-temporary impairments and capital loss carryforward	9	—
Net unrealized gains and losses on insured derivatives	—	10
Net gains and losses on financial instruments at fair value and foreign exchange	28	54
Other	4	—
Total gross deferred tax assets	1,162	1,108
Valuation allowance	1,062	966
Net deferred tax asset	$ —	$ —

Note 11: Income Taxes (continued)

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of its existing deferred tax assets. A significant piece of objective negative evidence evaluated was the Company having a three-year cumulative loss. Such objective evidence limits the ability to consider other subjective evidence, such as the Company’s projections of pre-tax income. On the basis of this evaluation, the Company has recorded a full valuation allowance against its net deferred tax asset of $1.1 billion and $966 million as of December 31, 2021 and December 31, 2020, respectively. The Company will continue to analyze the valuation allowance on a quarterly basis.

NOLs of property and casualty insurance companies are permitted to be carried back two years and carried forward 20 years, except where modified by the CARES Act as outlined below. NOLs of property and casualty insurance companies are not subject to the 80 percent taxable income limitation and indefinite lived carryforward period required by the Tax Cuts and Jobs Act applicable to general corporate NOLs.

Treatment of Undistributed Earnings of Certain Foreign Subsidiaries—“Accounting for Income Taxes—Special Areas”

The Company’s amount of undistributed earnings of certain foreign subsidiaries was not material as of December 31, 2021.

Accounting for Uncertainty in Income Taxes

The Company’s policy is to record and disclose any change in unrecognized tax benefit (“UTB”) and related interest and/or penalties to income tax in the consolidated statements of operations. The Company includes interest as a component of income tax expense. As of December 31, 2021 and December 31, 2020, the Company had no UTB.

Federal income tax returns through 2011 have been examined or surveyed. As of December 31, 2021, the Company’s NOL is approximately $3.7 billion. NOLs generated prior to tax reform and property and casualty NOLs generated after tax reform will expire between tax years 2031 through 2041. As of December 31, 2021, the Company has a foreign tax credit carryforward of $58 million, which will expire between tax years 2022 through 2031.

Section 382 of the Internal Revenue Code

On May 2, 2018, MBIA Inc.’s shareholders ratified an amendment to the Company’s By-Laws, which had been adopted earlier by MBIA Inc.’s Board of Directors. The amendment places restrictions on certain acquisitions of Company stock that otherwise may have increased the likelihood of an ownership change within the meaning of Section 382 of the Internal Revenue Code. With certain exceptions, the amendment generally prohibits a person from becoming a “Section 382 five-percent shareholder” by acquiring, directly or by attribution, 5% or more of the outstanding shares of the Company’s common stock.

COVID-19 Tax Impact

On March 27, 2020, as part of the business stimulus package in response to COVID-19, the U.S. government enacted the CARES Act. The CARES Act established new tax provisions including, but not limited to: (1) five-year carryback of NOLs generated in 2018, 2019 and 2020; (2) accelerated refund of alternative minimum tax (“AMT”) credit carryforwards; and (3) retroactive changes to allow accelerated depreciation for certain depreciable property. The legislation did not have a material impact on the Company’s tax positions due to the lack of taxable income in the carryback periods. On December 21, 2020, The Consolidated Appropriations Act (“Act”) passed by Congress to respond to the health and economic impacts of COVID-19. The Act includes a number of tax law changes, including the expansion of Employee Retention Credit, important changes to Paycheck Protection Program, and extension of a variety of expiring tax provisions. On March 6, 2021, The American Rescue Plan Act was passed by Congress to further respond to the health and economic impacts of COVID-19. Among other

Note 11: Income Taxes (continued)

changes, the legislation provides for an extension of the Employee Retention Credit through 2021. In November of 2021, the Infrastructure Investment and Jobs Act amended the law so that the Employee Retention Credit applied only to wages paid before October 1, 2021. These legislations do not have a material impact on the Company’s tax positions.

Note 12: Business Segments

As defined by segment reporting, an operating segment is a component of a company (i) that engages in business activities from which it earns revenue and incurs expenses, (ii) whose operating results are regularly reviewed by the Chief Operating Decision Maker to assess the performance of the segment and to make decisions about the allocation of resources to the segment and, (iii) for which discrete financial information is available.

The Company manages its businesses across three operating segments: 1) U.S. public finance insurance; 2) corporate; and 3) international and structured finance insurance. The Company’s U.S. public finance insurance business is operated through National and its international and structured finance insurance business is operated through MBIA Corp.

The following sections provide a description of each of the Company’s reportable operating segments.

U.S. Public Finance Insurance

The Company’s U.S. public finance insurance portfolio is managed 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, U.S. public finance insured obligations when due. The obligations are not subject to acceleration, except that National may have the right, at its discretion, 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, health care institutions, higher educational facilities, 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, fees or tariffs related to the use of these projects, lease payments or other similar types of revenue streams.

Corporate

The Company’s corporate segment consists of general corporate activities, including providing support services to MBIA Inc.’s subsidiaries as well as asset and capital management. Support services are provided by the Company’s service company, MBIA Services, and include, among others, management, legal, accounting, treasury, information technology, and insurance portfolio surveillance, on a fee-for-service basis. Capital management includes activities related to servicing obligations issued by MBIA Inc. and its subsidiaries, MBIA Global Funding, LLC (“GFL”) and MBIA Investment Management Corp. (“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 new MTNs and investment agreements and the outstanding liability balances and corresponding asset balances have declined over time as liabilities matured, terminated or were called or repurchased. During 2020, the remaining investment agreements issued by IMC matured. IMC was liquidated and dissolved in 2021. All of the debt within the corporate segment is managed collectively and is serviced by available liquidity.

Note 12: Business Segments (continued)

International and Structured Finance Insurance

The Company's international and structured finance insurance segment is principally conducted through MBIA Corp. The financial guarantees issued by MBIA Corp. generally provide unconditional and irrevocable guarantees of the payment of 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. MBIA Corp. insures the investment contracts written by MBIA Inc., and if MBIA Inc. were to have insufficient assets to pay amounts due upon maturity or termination, MBIA Corp. would make such payments. MBIA Corp. insures debt obligations of the following affiliates:

- MBIA Inc.;
- GFL; and
- MZ Funding LLC.

MBIA Corp. insures non-U.S. public finance and global structured finance obligations, including asset-backed obligations. MBIA Corp. has insured sovereign-related and sub-sovereign bonds, utilities, privately issued bonds used for the financing of projects that include 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 expected cash flows generated by a specified pool of assets, such as residential and commercial mortgages, structured settlements, consumer loans, and corporate loans and bonds. MBIA Corp. has also written policies guaranteeing obligations under certain derivative contracts, including termination payments that may become due upon certain insolvency or payment defaults of the financial guarantor or the issuer. MBIA Corp. has not written any meaningful amount of business since 2008.

Segments Results

The following tables provide the Company's segment results for the years ended December 31, 2021, 2020 and 2019:

	Year Ended December 31, 2021				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues[(1)]	$ 85	$ 20	$ 43	$ —	$ 148
Net gains (losses) on financial instruments at fair value and foreign exchange	(2)	56	(14)	—	40
Net gains (losses) on extinguishment of debt	—	30	—	—	30
Other net realized gains (losses)	—	(7)	1	—	(6)
Revenues of consolidated VIEs	—	—	(23)	—	(23)
Inter-segment revenues[(2)]	27	67	12	(106)	—
Total revenues	110	166	19	(106)	189
Losses and loss adjustment	227	—	123	—	350
Amortization of deferred acquisition costs and operating	17	71	9	—	97
Interest	—	56	107	—	163
Expenses of consolidated VIEs	—	—	24	—	24
Inter-segment expenses[(2)]	45	22	38	(105)	—
Total expenses	289	149	301	(105)	634
Income (loss) before income taxes	$ (179)	$ 17	$ (282)	$ (1)	$ (445)
Identifiable assets	$ 3,313	$ 873	$ 2,800	$ (2,290)[(3)]	$ 4,696

(1)—Consists of net premiums earned, net investment income, net realized investment gains (losses), insurance-related fees and reimbursements and other fees.
(2)—Primarily represents intercompany service charges and intercompany net investment income and expense.
(3)—Consists principally of intercompany reinsurance balances.

Note 12: Business Segments (continued)

	Year Ended December 31, 2020				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues[1]	$ 139	$ 31	$ 29	$ —	$ 199
Net change in fair value of insured derivatives	—	—	6	—	6
Net gains (losses) on financial instruments at fair value and foreign exchange	2	(74)	(14)	—	(86)
Other net realized gains (losses)	(1)	—	1	—	—
Revenues of consolidated VIEs	—	—	163	—	163
Inter-segment revenues[2]	28	66	12	(106)	—
Total revenues	168	23	197	(106)	282
Losses and loss adjustment	163	—	367	—	530
Amortization of deferred acquisition costs and operating	14	69	14	—	97
Interest	—	65	113	—	178
Expenses of consolidated VIEs	—	—	55	—	55
Inter-segment expenses[2]	45	22	39	(106)	—
Total expenses	222	156	588	(106)	860
Income (loss) before income taxes	$ (54)	$ (133)	$ (391)	$ —	$ (578)
Identifiable assets	$ 3,644	$ 954	$ 3,671	$ (2,518)[3]	$ 5,751

(1)—Consists of net premiums earned, net investment income, net realized investment gains (losses), insurance-related fees and reimbursements and other fees.
(2)—Primarily represents intercompany service charges and intercompany net investment income and expense.
(3)—Consists primarily of intercompany reinsurance balances.

	Year Ended December 31, 2019				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues[1]	$ 263	$ 32	$ 35	$ —	$ 330
Net change in fair value of insured derivatives	—	—	15	—	15
Net gains (losses) on financial instruments at fair value and foreign exchange	15	(59)	(34)	—	(78)
Net investment losses related to other-than-temporary impairments	(67)	—	—	—	(67)
Net gains (losses) on extinguishment of debt	—	(1)	—	—	(1)
Other net realized gains (losses)	2	(2)	4	—	4
Revenues of consolidated VIEs	21	1	55	—	77
Inter-segment revenues[2]	28	62	21	(111)	—
Total revenues	262	33	96	(111)	280
Losses and loss adjustment	53	—	189	—	242
Amortization of deferred acquisition costs and operating	13	69	21	—	103
Interest	—	73	128	—	201
Expenses of consolidated VIEs	—	—	91	—	91
Inter-segment expenses[2]	52	23	36	(111)	—
Total expenses	118	165	465	(111)	637
Income (loss) before income taxes	$ 144	$ (132)	$ (369)	$ —	$ (357)

(1)—Consists of net premiums earned, net investment income, net realized investment gains (losses), insurance-related fees and reimbursements and other fees.
(2)—Primarily represents intercompany service charges and intercompany net investment income and expense.

Note 12: Business Segments (continued)

Premiums on financial guarantees and insured derivatives reported within the Company's insurance segments are generated within and outside the U.S. The following table summarizes premiums earned on financial guarantees and insured derivatives by geographic location of risk for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
In millions	**2021**	**2020**	**2019**
Total premiums earned:			
United States	$ 45	$ 55	$ 63
Other Americas	29	16	17
Other	1	2	5
Total	$ 75	$ 73	$ 85

Note 13: Insurance in Force

The Company guarantees the payment of principal of, and interest or other amounts owing on, municipal, asset-backed, mortgage-backed and other non-municipal securities. The Company's insurance in force represents the aggregate amount of the insured principal of, and interest or other amounts owing on, insured obligations. The Company's ultimate exposure to credit loss in the event of nonperformance by the issuer of the insured obligation is represented by the insurance in force in the tables that follow.

The financial guarantees issued by the Company provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, insured obligations when due. The obligations are generally not subject to acceleration, except in the event the Company has the right, at its discretion, to accelerate insured obligations upon default or otherwise. Payments to be made by the issuer on the bonds or notes may be backed by a pledge of revenues, reserve funds, letters of credit, investment contracts or collateral in the form of mortgages or other assets. The right to such funds or collateral would typically become National's or MBIA Corp.'s upon the payment of a claim by either National or MBIA Corp.

Note 13: Insurance in Force (continued)

As of December 31, 2021, insurance in force, which represents principal and interest or other amounts owing on insured obligations, had an expected maturity through 2058. The distribution of MBIA Corp.'s and National's combined insurance in force by geographic location, excluding financial obligations guaranteed by MBIA Corp. on behalf of affiliated companies, is presented in the following table:

$ in billions	As of December 31,			
	2021		2020	
Geographic Location	Insurance in Force	% of Insurance in Force	Insurance in Force	% of Insurance in Force
California	$ 16.8	21.4%	$ 20.0	21.9%
Illinois	8.2	10.4%	8.9	9.7%
New Jersey	4.5	5.8%	5.4	5.9%
Hawaii	3.9	5.0%	4.1	4.4%
Texas	3.1	4.0%	3.7	4.0%
Virginia	3.0	3.9%	3.2	3.6%
Puerto Rico	2.7	3.4%	2.9	3.2%
New York	2.4	3.0%	3.0	3.3%
Oregon	2.3	2.9%	2.7	2.9%
Colorado	2.0	2.5%	2.1	2.3%
Subtotal	48.9	62.3%	56.0	61.2%
Nationally Diversified	7.5	9.6%	8.7	9.5%
Other states	17.3	22.0%	19.8	21.7%
Total United States	73.7	93.9%	84.5	92.4%
Internationally Diversified	0.3	0.3%	0.3	0.3%
Country specific	4.5	5.8%	6.6	7.3%
Total non-United States	4.8	6.1%	6.9	7.6%
Total	$ 78.5	100.0%	$ 91.4	100.0%

Note 13: Insurance in Force (continued)

The insurance in force and insured gross par outstanding by type of bond, excluding financial obligations guaranteed by MBIA Corp. on behalf of affiliated companies, are presented in the following table:

$ in billions	As of December 31,			
	2021		2020	
Bond type	Insurance in Force	Gross Par Amount	Insurance in Force	Gross Par Amount
Global public finance—United States:				
General obligation[1]	$ 22.1	$ 10.7	$ 25.0	$ 12.1
Military housing	14.3	6.9	14.8	7.0
Tax-backed	14.2	6.8	15.7	7.9
Municipal utilities	8.7	6.0	10.6	7.3
Transportation	7.7	2.6	9.2	3.0
General obligation—lease	1.7	1.2	2.4	1.9
Higher education	1.3	1.0	1.5	1.1
Health care	1.0	0.7	1.2	0.8
Investor-owned utilities[2]	0.6	0.5	0.9	0.6
Other[3]	0.1	0.1	0.1	0.1
Municipal housing	—	—	0.1	0.1
Total United States	71.7	36.5	81.5	41.9
Global public finance—non-United States:				
Sovereign-related and sub-sovereign[4]	2.0	1.6	2.8	2.1
Transportation	1.2	1.0	2.1	1.8
International utilities	0.5	0.5	0.9	0.8
Other[5]	0.1	0.1	0.1	0.1
Total non-United States	3.8	3.2	5.9	4.8
Total global public finance	75.5	39.7	87.4	46.7
Global structured finance:				
Mortgage-backed residential	1.5	1.0	2.0	1.5
Corporate asset-backed[6]	0.6	0.4	0.8	0.6
Mortgage-backed commercial	0.4	0.2	0.5	0.2
Collateralized debt obligations	0.3	0.2	0.4	0.3
Consumer asset-backed	0.2	0.2	0.3	0.3
Total global structured finance	3.0	2.0	4.0	2.9
Total	$ 78.5	$ 41.7	$ 91.4	$ 49.6

(1)—Includes general obligation unlimited and limited (property) tax bonds, general fund obligation bonds and pension obligation bonds of states, cities, counties, schools and special districts.
(2)—Includes investor owned utilities, industrial development and pollution control revenue bonds.
(3)—Includes stadium related financings and certain non-profit enterprises.
(4)—Includes regions, departments or their equivalent in each jurisdiction as well as sovereign owned entities that are supported by a sovereign state, region or department.
(5)—Includes municipal owned entities backed by sponsoring local government and tax backed transactions.
(6)—As of December 31, 2020, all remaining insurance in force and gross par relating to structured insurance securitizations was terminated.

Affiliated Financial Obligations Insured by MBIA Corp.

Investment agreement contracts and MTNs issued by the Company's corporate segment and the Refinanced Facility issued by the Company's international and structured finance insurance segment are insured by MBIA Corp. and are not included in the previous tables. If MBIA Inc. or these subsidiaries were to have insufficient assets to pay amounts due, MBIA Corp. would be obligated to make such payments under its insurance policies. As of December 31, 2021, the maximum amount of future payments that MBIA Corp. could be required to make

Note 13: Insurance in Force (continued)

under these guarantees is $1.3 billion. These guarantees, which mature through 2037, were entered into on an arm's length basis. MBIA Corp. has both direct recourse provisions and subrogation rights in these transactions. If MBIA Corp. is required to make a payment under any of these affiliate guarantees, it would have the right to seek reimbursement from such affiliate and to liquidate any collateral to recover amounts paid under the guarantee.

Reinsured Exposure

Reinsurance enables the Company to cede exposure for purposes of syndicating risk. The Company generally retains the right to reassume the business ceded to reinsurers under certain circumstances, including a reinsurer's rating downgrade below specified thresholds. At this time, the Company does not intend to utilize reinsurance to decrease the insured exposure in its portfolio.

MBIA requires certain unauthorized reinsurers to maintain bank letters of credit or establish trust accounts to cover liabilities ceded to such reinsurers under reinsurance contracts. The Company remains liable on a primary basis for all reinsured risk. MBIA believes that its reinsurers remain capable of meeting their obligations, although, there can be no assurance of such in the future.

The aggregate amount of insurance in force ceded by MBIA to reinsurers was $2.2 billion and $3.0 billion as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, the aggregate amount of insured par outstanding ceded by MBIA to reinsurers under reinsurance agreements was $1.0 billion compared with $1.5 billion as of December 31, 2020. As of December 31, 2021, $0.8 billion of the ceded par outstanding was ceded from the Company's U.S. public finance insurance segment and $169 million was ceded from the Company's international and structured finance insurance segment. Under National's reinsurance agreement with MBIA Corp., if a reinsurer of MBIA Corp. is unable to pay claims ceded by MBIA Corp. on U.S. public finance exposure, National will assume liability for such ceded claim payments. The following table presents information about the Company's reinsurance agreements as of December 31, 2021 for its U.S. public finance and international and structured finance insurance operations.

In millions

Reinsurers	Standard & Poor's Rating (Status)	Moody's Rating (Status)	Ceded Par Outstanding	Letters of Credit/Trust Accounts	Reinsurance Recoverable/ (Payable)(1)
Assured Guaranty Re Ltd.	AA (Stable Outlook)	WR(2)	$ 503	$ 15	$ (2)
Assured Guaranty Corp.	AA (Stable Outlook)	A3 (Stable Outlook)	463	—	(45)
Others	A+ or above	WR(2) or above	51	—	(1)
Total			$ 1,017	$ 15	$ (48)

(1)—Total reinsurance recoverable/(payable) is primarily related to recoverables on unpaid losses net of (payables) on salvage received.
(2)—Represents a withdrawal of ratings.

Note 14: Insurance Regulations and Dividends

National and MBIA Insurance Corporation are subject to insurance regulations and supervision of the State of New York (their state of domicile) and all U.S. and non-U.S. jurisdictions in which they are licensed to conduct insurance business. In order to maintain their New York State financial guarantee insurance license, National and MBIA Insurance Corporation are required to maintain a minimum of $65 million of policyholders' surplus. MBIA Mexico is regulated by the Comisión Nacional de Seguros y Fianzas in Mexico. MBIA Corp.'s Spanish Branch is subject to local regulation in Spain. The extent of insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing minimum standards of solvency and business conduct, which must be maintained by insurance companies. Among other things, these laws prescribe

Note 14: Insurance Regulations and Dividends (continued)

permitted classes and concentrations of investments and limit both the aggregate and individual securities risks that National and MBIA Insurance Corporation may insure on a net basis based on the type of obligations insured. In addition, some insurance laws and regulations require the approval or filing of policy forms and rates. National and MBIA Insurance Corporation are required to file detailed annual financial statements with the NYSDFS. The operations and accounts of National and MBIA Insurance Corporation are subject to examination by regulatory agencies at regular intervals.

Statutory Capital and Regulations

National

For 2021, 2020 and 2019, National had a statutory net income of $55 million, statutory net loss of $82 million and statutory net income of $39 million, respectively. As of December 31, 2021, National's statutory capital was $2.0 billion, consisting of policyholders' surplus of $1.6 billion and contingency reserves of $402 million. As of December 31, 2020, National had statutory capital of $2.0 billion.

As of December 31, 2020, National was in compliance with its aggregate risk limits under NYIL, but was not in compliance with certain of its single risk limits.

MBIA Insurance Corporation

For 2021, 2020 and 2019, MBIA Insurance Corporation had statutory net losses of $129 million, $202 million and $141 million, respectively. As of December 31, 2021, MBIA Insurance Corporation's statutory capital was $134 million, consisting of policyholders' surplus of $97 million and contingency reserves of $37 million. As of December 31, 2020, MBIA Insurance Corporation had statutory capital of $273 million. MBIA Insurance Corporation's policyholders' surplus as of December 31, 2021 and 2020 included negative unassigned surplus of $1.9 billion. MBIA Insurance Corporation's policyholders' surplus may be further negatively impacted if future additional insured losses are incurred.

As of December 31, 2021, MBIA Insurance Corporation was in compliance with its aggregate risk limits under the NYIL, but was not in compliance with certain of its single risk limits. If new overages occur with respect to its single risk limits, MBIA Insurance Corporation will report them to the NYSDFS.

Dividends

NYIL regulates the payment of dividends by financial guarantee insurance companies and provides that such companies may not declare or distribute dividends except out of statutory earned surplus. Under NYIL, 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 reported in the latest statutory financial statements 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 Superintendent of the NYSDFS approves a greater dividend distribution based upon a finding that the insurer will retain sufficient surplus to support its obligations.

During 2021 and 2020, National declared and paid dividends of $60 million and $81 million, respectively, to its ultimate parent, MBIA Inc.

In 2021, MBIA Insurance Corporation did not declare or pay any dividends to MBIA Inc. or the holders of its preferred stock. MBIA Insurance Corporation is currently unable to pay dividends, including those related to its preferred stock, as a result of its earned surplus deficit as of December 31, 2021 and is not expected to have any statutory capacity to pay dividends in the near term. In connection with MBIA Insurance Corporation obtaining approval from the NYSDFS to release excess contingency reserves in previous periods, MBIA Insurance Corporation agreed that it would not pay any dividends without prior approval from the NYSDFS.

Note 15: Benefit Plans

Long-term Incentive Plans

Plan Description

The Company maintains the MBIA Inc. 2005 Omnibus Incentive Plan (the "Omnibus Plan"), as amended on May 7, 2009, May 1, 2012 and May 5, 2020. Under the Omnibus Plan a maximum of 16,500,000 shares of the Company's common stock can be used for any type of award including stock options, performance shares, performance units, restricted stock, restricted stock units and dividend equivalents. Any shares issued under the Omnibus Plan in connection with stock options shall be counted against this limit as 1 share covered by such option. For all awards other than stock options, any shares issued shall be counted against this limit as 1.28 shares for every share issued after the May 1, 2012 amendment and two shares for every share issued prior to the May 1, 2012 amendment. Currently, the Company grants restricted stock.

Under the restricted stock component of the Omnibus Plan, certain employees are granted restricted shares of the Company's common stock. These awards have a restriction period lasting between three to seven years depending on the type of award, after which time the awards fully vest. During the vesting period, these shares may not be sold. Restricted stock may be granted to all employees.

There were 2,085,874 shares available for future grants under the Omnibus Plan as of December 31, 2021.

In accordance with accounting guidance for share-based payments, the Company expenses the fair value of stock-based compensation as described in the following sections. In addition, the guidance classifies share-based payment awards as either liability awards, which are remeasured at fair value at each balance sheet date, or equity awards, which are measured on the grant date and not subsequently remeasured. Generally, awards with cash-based settlement repurchase features or that are settled at a fixed dollar amount are classified as liability awards, and changes in fair value will be reported in earnings. Awards with net-settlement features are classified as equity awards and changes in fair value are not reported in earnings. The Company's long-term incentive plans include features which result in equity awards. In addition, the guidance requires the use of a forfeiture estimate. The Company uses historical employee termination information to estimate the forfeiture rate applied to current stock-based awards.

The Company maintains voluntary retirement benefits, which provide certain benefits to eligible employees of the Company upon retirement. A description of these benefits is included in the Company's proxy statement. One of the components of the retirement program for those employees that are retirement eligible is to continue to vest all performance-based restricted stock awards beyond the retirement date in accordance with the original vesting terms and to immediately vest all outstanding time-based restricted stock grants. The accounting guidance for share-based payment requires compensation costs for those employees to be recognized from the date of grant through the retirement eligible date. Accelerated expense, if any, relating to this retirement benefit for restricted stock awards has been included in the compensation expense amounts. Refer to the "Performance Based Awards" section below for additional information on compensation expense.

Restricted Stock

The fair value of the restricted shares awarded, net of cancellations, determined on the grant date during 2021 and 2020 was $7 million in each of the years, respectively. The amount of unearned compensation, net of estimated forfeitures, was $21 million as of December 31, 2021, which is expected to be recognized as expense over a weighted average period of 2.03 years. Unearned compensation is amortized to expense over the appropriate vesting period.

Compensation expense related to the restricted shares, net of estimated forfeitures, was $12 million, $11 million and $12 million for the years ended December 31, 2021, 2020 and 2019, respectively. There was no tax charge related to the restricted share awards during 2021, 2020 and 2019 after consideration of the Company's valuation allowance.

Note 15: Benefit Plans (continued)

A summary of the Company's restricted shares outstanding as of December 31, 2021, 2020 and 2019, and changes during the years ended on those dates, is presented in the following table:

	Restricted Share Activity					
	2021		2020		2019	
	Number of Shares	Weighted Average Price Per Share	Number of Shares	Weighted Average Price Per Share	Number of Shares	Weighted Average Price Per Share
Outstanding at beginning of year	5,454,807	$ 9.5344	5,146,828	$ 10.0958	5,044,616	$ 9.7986
Granted	978,866	6.8492	1,003,720	6.8150	711,176	11.4185
Vested	(526,037)	8.4418	(448,455)	8.9834	(416,676)	9.0332
Forfeited	—	—	(247,286)	11.1800	(192,288)	9.4917
Outstanding at end of year	5,907,636	$ 9.1868	5,454,807	$ 9.5344	5,146,828	$ 10.0958

Performance Based Awards

During 2021, 2020 and 2019, the Company granted 502,822, 502,738 and 221,213 restricted shares, respectively, to certain key employees which have a vesting schedule dependent on the achievement of certain stock price targets of the Company. The grants and corresponding compensation expense have been included in the above restricted stock disclosures. As permitted by the accounting guidance for share-based payments, the Company estimates the fair value of awards that contain market performance conditions at the date of grant using a binomial lattice model with a Monte Carlo simulation and recognizes compensation cost over the requisite service period. The binomial lattice model can better incorporate assumptions about a stock price path because the model can accommodate a large number of potential stock prices over the award's term in comparison to the Black-Scholes model. The Company estimates the fair value of awards that contain internal performance conditions at the date of grant and recognizes compensation cost over the requisite service period if it is probable that the internal performance conditions will be achieved. The Company reassesses the probability of vesting at each reporting period and the final compensation cost associated with awards dependent on the achievement of certain internal performance conditions will reflect only those awards that ultimately vest. As of December 31, 2021 certain previously awarded grants exceeded the stock price performance target. The corresponding issuance of additional shares has been included in the above restricted stock disclosures. As of December 31, 2020 and 2019, certain previously awarded grants did not meet the stock price performance target or the internal performance conditions. The corresponding cancellation of shares and expense reversal, if applicable, have been included in the above restricted stock disclosures.

Pension, 401(k) and Deferred Compensation Plans

The Company maintains a qualified non-contributory defined contribution pension plan to which the Company contributes 10% of each eligible employee's annual compensation. Annual compensation for determining such contributions consists of base salary and bonus, as applicable, up to a maximum of $2 million. Pension benefits vest over the first five-year period of employment with 20% vested after two years, 60% vested after three years, 80% vested after four years and 100% vested after five years. The Company funds the annual pension contribution by the following February of each applicable year.

The Company also maintains a qualified 401(k) plan. The plan is a voluntary contributory plan that allows eligible employees to defer compensation for federal income tax purposes under Section 401(k) of the Internal Revenue Code of 1986, as amended. Employees may contribute, through payroll deductions, up to 25% of eligible compensation. The Company matches employee contributions up to the first 5% of such compensation. The 401(k) matching contributions are made in the form of cash, whereby participants may direct the Company match to an investment of their choice. The 401(k) matching benefits vest over the first five-year period of employment with 20% vested after two years, 60% vested after three years, 80% vested after four years and 100% vested after five years. Generally, a participating employee is entitled to distributions from the plans upon termination of employment, retirement, death or disability.

Note 15: Benefit Plans (continued)

In addition to the above two plans, the Company maintains a non-qualified deferred compensation plan. Contributions to the above qualified plans that exceed limitations established by federal regulations are then contributed to the non-qualified deferred compensation plan.

Expenses related to these plans for the years ended December 31, 2021, 2020 and 2019 were $4 million in each of the years.

Note 16: Earnings Per Share

Earnings per share is calculated using the two-class method in which earnings are allocated to common stock and participating securities based on their rights to receive nonforfeitable dividends or dividend equivalents. The Company grants restricted stock to certain employees and non-employee directors in accordance with the Company's long-term incentive programs, which entitle the participants to receive nonforfeitable dividends or dividend equivalents during the vesting period on the same basis as those dividends are paid to common shareholders. These unvested stock awards represent participating securities. During periods of net income, the calculation of earnings per share exclude the income attributable to participating securities in the numerator and the dilutive impact of these securities from the denominator. During periods of net loss, no effect is given to participating securities in the numerator and the denominator excludes the dilutive impact of these securities since they do not share in the losses of the Company.

Basic earnings per share excludes dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the dilutive effect of all unvested restricted stock outstanding during the period that could potentially result in the issuance of common stock. The dilution from unvested restricted stock is calculated by applying the two-class method and using the treasury stock method. The treasury stock method assumes the proceeds from the unrecognized compensation expense from unvested restricted stock will be used to purchase shares of the Company's common stock at the average market price during the period. If the potentially dilutive securities disclosed in the table below become vested, the transaction would be net share settled resulting in a significantly lower impact to the outstanding share balance in comparison to the total amount of the potentially dilutive securities. During periods of net loss, unvested restricted stock is excluded from the calculation because they would have an antidilutive affect. Therefore, in periods of net loss, the calculation of basic and diluted earnings per share would result in the same value.

The following table presents the computation of basic and diluted earnings per share for the years ended December 31, 2021, 2020 and 2019:

	Years Ended December 31,		
In millions except per share amounts	2021	2020	2019
Basic earnings per share:			
Net income (loss) available to common shareholders	$ (445)	$ (578)	$ (359)
Basic weighted average shares(1)	49.5	59.1	81.0
Net income (loss) per basic common share	$(8.99)	$(9.78)	$(4.43)
Diluted earnings per share:			
Net income (loss) available to common shareholders	(445)	(578)	(359)
Diluted weighted average shares	49.5	59.1	81.0
Net income (loss) per diluted common share	$(8.99)	$(9.78)	$(4.43)
Potentially dilutive securities excluded from the diluted EPS because of antidilutive affect	5.1	4.6	4.3

(1) Includes 0.9 million, 0.9 million and 1.0 million of participating securities that met the service condition and were eligible to receive nonforfeitable dividends or dividend equivalents for the years ended December 31, 2021, 2020 and 2019, respectively.

Note 17: Common and Preferred Stock

Common Stock

Share Repurchases

Purchases or 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. The Company believes that share purchases or repurchases can be an appropriate deployment of capital in excess of amounts needed to support the Company's liquidity while maintaining the claims-paying resources of MBIA Corp. and National, as well as other business needs. Currently, MBIA Inc. or National does not have an authorization approved by the Company's Board of Directors to repurchase or purchase outstanding MBIA Inc. common shares. The following table provides information about the Company's or National's share purchases or repurchases for the years ended December 31, 2021, 2020 and 2019:

In millions, except per share amounts	2021	2020	2019
Number of shares purchased or repurchased	—	26.4	11.1
Average price paid per share	$ —	$7.50	$9.12
Remaining authorization as of December 31	$ —	$ —	$ 101

Preferred Stock

As of December 31, 2021, MBIA Insurance Corporation had 2,759 shares of preferred stock issued and outstanding with a carrying value of $28 million, including 1,444 shares held by MBIA Inc. that were purchased at a weighted average price of $10,900 per share or 10.9% of face value and 1,315 shares held by unaffiliated investors. During 2021, MBIA Inc. did not repurchase any additional shares.

In accordance with MBIA's fixed-rate election, the dividend rate on the preferred stock was determined using a fixed-rate equivalent of LIBOR plus 200 basis points. Each share of preferred stock has a par value of $1,000 with a liquidation preference of $100,000. The holders of the preferred stock are generally not entitled to any voting rights. Subject to certain requirements, the preferred stock may be redeemed, in whole or in part, at the option of MBIA Corp. at any time or from time to time for cash at a redemption price equal to the liquidation preference per share plus any accrued and unpaid dividends thereon at the date of redemption for the then current dividend period and any previously accumulated dividends payable without interest on such unpaid dividends. As of December 31, 2021 and 2020, there were no dividends declared on the preferred stock. Payment of dividends on MBIA Corp.'s preferred stock is subject to the same restrictions that apply to dividends on common stock under NYIL.

Note 18: Accumulated Other Comprehensive Income

The following table presents the changes in the components of AOCI for the years ended December 31, 2021, 2020 and 2019:

In millions	Unrealized Gains (Losses) on AFS Securities, Net	Foreign Currency Translation, Net	Instrument-Specific Credit Risk of Liabilities Measured at Fair Value, Net	Total
Balance, January 1, 2019	$ (39)	$ (7)	$ (110)	$(156)
Other comprehensive income (loss) before reclassifications	139	—	(25)	114
Amounts reclassified from AOCI	12	—	28	40
Net period other comprehensive income (loss)	151	—	3	154
Balance, December 31, 2019	$ 112	$ (7)	$ (107)	$ (2)
Other comprehensive income (loss) before reclassifications	83	(3)	50	130
Amounts reclassified from AOCI	(19)	—	6	(13)
Net period other comprehensive income (loss)	64	(3)	56	117
Balance, December 31, 2020	$ 176	$ (10)	$ (51)	$ 115
Other comprehensive income (loss) before reclassifications	(26)	4	(17)	(39)
Amounts reclassified from AOCI	(12)	—	36	24
Net period other comprehensive income (loss)	(38)	4	19	(15)
Balance, December 31, 2021	$ 138	$ (6)	$ (32)	$ 100

The following table presents the details of the reclassifications from AOCI for the years ended December 31, 2021, 2020 and 2019:

In millions	Amounts Reclassified from AOCI Years Ended December 31,			
Details about AOCI Components	2021	2020	2019	Affected Line Item on the Consolidated Statements of Operations
Unrealized gains (losses) on AFS securities:				
Realized gain (loss) on sale of securities	$ 12	$ 19	$ 14	Net realized investment gains (losses)
Credit losses	—	—	(25)	Net investment losses related to OTTI
Amortization on securities	—	—	(1)	Net investment income
	12	19	(12)	Income (loss) before income taxes
	12	19	(12)	Net income (loss)
Instrument-specific credit risk of liabilities:				
Settlement of liabilities	(36)	(6)	(28)	Net gains (losses) on financial instruments at fair value and foreign exchange
Total reclassifications for the period	$ (24)	$ 13	$ (40)	Net income (loss)

Note 19: Commitments and Contingencies

MBIA has received subpoenas or informal inquiries from a variety of regulators, regarding a variety of subjects. MBIA has cooperated fully with each of these regulators and has or is in the process of satisfying all such requests. MBIA may receive additional inquiries from these or other regulators and expects to provide additional information to such regulators regarding their inquiries in the future.

Note 19: Commitments and Contingencies (continued)

Litigation

Tilton v. MBIA Inc., Index No. 68880/2015 (N.Y. Sup. Ct., Westchester County)

On November 2, 2015, Lynn Tilton and Patriarch Partners XV, LLC filed a complaint in New York State Supreme Court, Westchester County, against MBIA Inc. and MBIA Corp., seeking damages based on allegations of fraudulent inducement and related claims arising from purported promises made in connection with insurance policies issued by MBIA Corp. on certain collateralized loan obligations managed by Ms. Tilton and affiliated Patriarch entities. Plaintiffs filed an amended complaint on January 15, 2016. In December of 2021, the parties agreed to settle the dispute and it was dismissed with prejudice.

Tilton et al. v. MBIA Inc. et al., Adversary Case No. 19-50390 (KBO) (Bankr. Del.)

On October 1, 2019, Lynn Tilton and certain affiliated entities commenced an adversary proceeding in the Zohar Funds Bankruptcy Cases against MBIA Inc., MBIA Corp. and other Zohar Funds creditor seeking the equitable subordination of those creditors' claims with respect to the Zohar Funds. Plaintiffs claim they are entitled to relief due to inequitable and unfair conduct by defendants. Plaintiffs filed an amended complaint on January 6, 2022, which the defendants have moved to dismiss in its entirety. Those motion to dismiss will be fully submitted, argument is scheduled to be heard, as of March 3, 2022.

Zohar CDO 2003-1, Ltd., et al. v. Patriarch Partners, LLC et al., Case No. 1:17-cv-0307-WHP (S.D.N.Y.)

On November 27, 2017, Lynn Tilton and certain affiliated entities including Patriarch Partners, LLC commenced a third-party complaint against MBIA Inc., MBIA Insurance Corp. and other Zohar Fund stakeholders seeking damages for alleged breaches of the contracts governing the Zohar Funds and additional alleged legal duties and obligations relating to the Funds. On December 22, 2020, the Company and the other third-party defendants moved to dismiss the third-party complaint. On July 6, 2021, following the completion of briefing on those motions to dismiss, the presiding judge, the Honorable William H. Pauley died, and the case was reassigned to the Honorable P. Kevin Castel. On September 29, 2021, Judge Castel issued a decision on the motions to dismiss; granting them almost in full, with certain claims being stayed rather than dismissed, pending further developments in the Adversary Proceedings pending in the Zohar Funds Bankruptcy Cases in Delaware Bankruptcy Court.

MBIA Insurance Corp. v. Tilton et al., Adversary Case No. 20-50776 (KBO) (Bankr. Del.)

On July 30, 2020, MBIA Corp. commenced an adversary proceeding in the Zohar Funds Bankruptcy Cases against Lynn Tilton and certain affiliated entities seeking damages incurred by MBIA Corp. in connection with insurance policies it issued on senior notes issued by Zohar I and Zohar II. On July 23, 2021, the court denied in part and granted in part Tilton's and her affiliated defendants' motion to dismiss the complaint. The court denied defendants' motion with respect to MBIA's claims for breach of contract, tortious interference, unjust enrichment, and malicious prosecution of claims commenced by Tilton in Delaware. On February 1, 2022, MBIA filed an Amended Complaint consistent with the court's rulings on defendants' motion to dismiss and related filings.

The Financial Oversight and Management Board for Puerto Rico, as representative of The Puerto Rico Electric Power Authority, et al., *Case No. 17 BK 4780-LTS* (D.P.R. July 19, 2017) (Swain, J.)

On July 18, 2017, National, together with other PREPA bondholders, asked the court overseeing PREPA's Title III bankruptcy proceeding to lift the automatic bankruptcy stay, and permit bondholders to seek appointment of a receiver to oversee PREPA. On September 14, 2017, the court held that PROMESA barred relief from the stay. The bondholders appealed the decision to the First Circuit. On August 8, 2018, the First Circuit issued an order reversing the Court's decision on jurisdictional grounds and remanding the motion. On October 3, 2018, National, together with other monolines filed an updated motion for relief from the automatic stay to allow Movants to exercise their statutory right to have a receiver appointed at PREPA. The Oversight Board filed a motion to dismiss the receiver motion. These motions have been stayed until five business days following the ruling on the PREPA 9019 Settlement Motion. The PREPA 9019 Settlement Motion has been adjourned until further order of the Court.

Note 19: Commitments and Contingencies (continued)

On May 3, 2019, PREPA, the Oversight Board, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Ad Hoc Group of PREPA bondholders (the "Ad Hoc Group"), and Assured Guaranty Corp. and Assured Guaranty Municipal Corp. ("Assured") (together, the "RSA Parties") entered into the RSA. On September 9, 2019 National, Syncora Guarantee Inc. ("Syncora"), and the RSA Parties agreed on an amendment to the RSA pursuant to which National and Syncora joined the RSA. The RSA includes the agreement for resolving PREPA's restructuring plan issues and arrangements.

Pursuant to the RSA, the Oversight Board filed a Rule 9019 motion with the Title III court in May of 2019 seeking approval of the RSA (the "Settlement Motion"). The RSA requires, upon entry of the order approving the Settlement Motion (the "9019 Order"), that Movants will withdraw the Receiver Motion, and the Ad Hoc Group will support such withdrawal. As contemplated by the RSA, on July 1, 2019, the Oversight Board and AAFAF also filed an adversary complaint against the Trustee for the PREPA Bonds, challenging the validity of the liens arising under the Trust Agreement that secure insured obligations of National. The adversary proceeding is stayed until the earlier of (a) 60 days after the Court denies the Settlement Motion, (b) consummation of a Plan, (c) 60 days after the filing by the Oversight Board and AAFAF of a Litigation Notice, or (d) further order of the Court. The hearing for the Settlement Motion has been adjourned until further order of the Court.

Cortland Capital Market Services LLC, et al. v. The Financial Oversight and Management Board for Puerto Rico et al., Case No. 19-00396 (D.P.R. July 9, 2019) (Swain, J.)

On July 9, 2019, the "Fuel Line Lenders," parties who extended approximately $700 million to PREPA beginning in 2012 to fund fuel purchases, filed an adversary complaint against the Oversight Board, PREPA, AAFAF, and the Trustee for the PREPA Bonds, alleging that they are entitled to be paid in full before National and other bondholders have any lien on or recourse to PREPA's assets, including pursuant to the RSA. On September 30, 2019, the Fuel Line Lenders filed an amended complaint which added National, Assured, Syncora, and the Ad Hoc Group as defendants. Defendants moved to dismiss the Fuel Line Lenders' adversary complaint on November 11, 2019. The Fuel Line Lenders filed their opposition to the motion to dismiss on December 5, 2019. Defendants' reply in support of the motion to dismiss was filed February 3, 2020. The hearing on the motion to dismiss was adjourned until the Court determines when the 9019 Settlement Motion and related litigation will recommence.

The Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, et al. v. the Puerto Rico Public Buildings Authority, Case No. 18-00149 (D.P.R. December 21, 2018) (Swain, J.)

On December 21, 2018, the Oversight Board and the Official Committee of Unsecured Creditors of all Debtors other than COFINA filed an adversary complaint against the PBA, seeking a declaration that leases purportedly entered into by PBA are in fact disguised financing transactions and that PBA therefore has no right under PROMESA or the Bankruptcy Code to receive post-petition payments from the Title III debtors or administrative claims against the debtors. On January 28, 2019, National filed a motion to intervene in the proceeding. On March 12, 2019, the Court granted National's intervention motion. On March 19, 2019, National filed an answer to the complaint. On September 27, 2019, the Oversight Board filed a voluntary petition for relief for PBA pursuant to PROMESA, commencing a case under Title III. The complaint has been stayed indefinitely by order of the Court. As part of the GO PSA, National has agreed to stay its participation in this litigation subject to the effective date of the Commonwealth plan of adjustment.

The Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, et al. v. National Public Finance Guarantee Corporation, et al., Case No. 19-00291 (D.P.R. May 2, 2019) (Swain, J.)

On May 2, 2019, the Oversight Board and the Official Committee of Unsecured Creditors of all Title III Debtors (other than COFINA) (the "Committee") filed lien avoidance adversary complaints against several hundred defendants, including National, challenging the existence, extent, and enforceability of GO bondholders' liens. After an approximately five-month stay of litigation entered by the Court on July 24, 2019, these adversary

Note 19: Commitments and Contingencies (continued)

proceedings resumed pursuant to an interim schedule entered by the Court in December 2019. On February 5, 2020, National and Assured Guaranty Municipal Corp. filed a motion to dismiss the adversary proceeding. The motion has been stayed indefinitely by order of the Court. As part of the GO PSA, National has agreed to stay its participation in this litigation subject to the effective date of the Commonwealth plan of adjustment.

The Financial Oversight and Management Board for Puerto Rico, as Representative of the Commonwealth of Puerto Rico, et al., Case No. 17-03567 LTS (D.P.R. July 17, 2020) (Swain, J.)

On July 17, 2020, National, Ambac Assurance Corporation, Assured Guaranty Corp., Assured Guaranty Municipal Corp. and Financial Guaranty Insurance Company sought appointment as trustees under Section 926 of Title 11 of the United States Code to pursue certain claims on behalf of HTA against the Commonwealth of Puerto Rico. On August 11, 2020, the Court denied the motion. The movants appealed to the First Circuit Court of Appeals, and briefing is underway. As part of the GO PSA and HTA PSA, National's participation in this litigation will be stayed subject to the effective date of the Commonwealth plan of adjustment.

National Public Finance Guarantee Corporation et al. v. UBS Financial Services, Inc. et al., No. SJ2019CV07932 (Superior Court San Juan)

On August 8, 2019, National and MBIA Corp. filed suit in the Court of First Instance in San Juan, Puerto Rico against UBS Financial Services, Inc., UBS Securities LLC, Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Merrill Lynch, Fenner & Smith Inc., RBC Capital Markets LLC, and Santander Securities LLC, bringing two claims under Puerto Rico law: doctrina de actos propios (the doctrine of one's own acts) and unilateral declaration of will. These claims concern the insurance by National of bonds issued by the Commonwealth of Puerto Rico and its instrumentalities that were underwritten by these defendants. National alleges that, when the defendants solicited bond insurance, they represented through their acts that they would investigate certain information they provided to National and that they had a reasonable basis to believe that information was true and complete. National further alleges that the defendants did not perform such investigations and that key information was untrue or incomplete. National seeks damages to be proven at trial. On September 16, 2020, Defendants filed a motion to dismiss the complaint. National filed its objection to that motion on October 7, 2020, and briefing concluded on November 30, 2020. On June 2, 2021, the Superior Court denied Defendants' motion to dismiss. Defendants appealed but filed an answer to the complaint on July 15, 2021. On December 17, 2021, the Commonwealth of Puerto Rico Court of Appeals issued a judgment reversing the Superior Court's decision on the motion to dismiss. On January 4, 2022, National filed with the Court of Appeals a motion for reconsideration of its judgment concerning the motion to dismiss. On February 17, 2022, the Court of Appeals issued an order denying National's motion for reconsideration.

Complaint Objecting to Defendants' Claims and Seeking Related Relief, Case No. 17-03283-LTS (D.P.R. January 16, 2020) (Swain J.)

On January 16, 2020, the Oversight Board filed an adversary complaint against National, Ambac, Assured Guaranty, Assured Guaranty Municipal Corp., Financial Guaranty Insurance Company, Peaje Investments LLC and the Bank of New York Mellon as fiscal agent. The Oversight Board challenges the claims and validity of the liens asserted against the Commonwealth by holders of HTA bonds. The complaint contains 201 counts against the bondholder parties objecting to proofs of claim and security interests asserted regarding the Commonwealth's retention of certain revenues previously assigned to HTA. This matter is currently stayed but the Court permitted the Oversight Board to file certain limited cross motions on April 28, 2020. The cross motions for summary judgment were filed on July 16, 2020. On September 23, 2020, the Court heard argument on the limited cross motions for summary judgment, which remain pending. On January 20, 2021, the Court issued an order deferring the adjudication of the summary judgment motions so that defendant monolines can seek limited discovery from the Oversight Board on all documents related to the collection and flow of Excise Taxes and pledged revenue into and out of its accounts, among other things. On April 6, 2021, the Oversight Board filed a motion to lift the litigation stay for the limited purpose of filing further summary judgment motions that would dispose of substantially all of the remaining claims challenged in this complaint. The hearing on this motion was held April 28, 2021, and the motion was denied. As part of the GO PSA and HTA PSA, National has agreed to stay its participation in this litigation subject to the effective date of the HTA plan of adjustment.

Note 19: Commitments and Contingencies (continued)

Complaint Objecting to Defendants' Claims and Seeking Related Relief, Case No. 20-00007-LTS (January 16, 2020) (Swain J.)

On January 16, 2020, the Oversight Board and the Creditors Committee filed an adversary complaint against National and other defendants challenging the claims and validity of the liens asserted against HTA by holders and insurers of HTA bonds. The complaint contains 302 counts challenging the claims and liens asserted against HTA. This matter has been stayed indefinitely by order of the Court. As part of the GO PSA and HTA PSA, National has agreed to stay its participation in this litigation subject to the effective date of the Commonwealth plan of adjustment.

For those aforementioned actions in which it is a defendant, the Company is defending against those actions and expects ultimately to prevail on the merits. There is no assurance, however, that the Company will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on the Company's ability to implement its strategy and on its business, results of operations, cash flows and financial condition. At this stage of the litigation, there has not been a determination as to the amount, if any, of damages. Accordingly, the Company is not able to estimate any amount of loss or range of loss. The Company similarly can provide no assurance that it will be successful in those actions in which it is a plaintiff.

There are no other material lawsuits pending or, to the knowledge of the Company, threatened, to which the Company or any of its subsidiaries is a party.

Leases

The Company has a lease agreement for its headquarters in Purchase, New York. The initial lease term expires in 2030 with the option to terminate the lease in 2025 upon the payment of a termination amount. This lease agreement included an incentive amount to fund certain leasehold improvements, renewal options, escalation clauses and a free rent period. This lease agreement has been classified as an operating lease and the Company recognizes operating rent expense on a straight-line basis. The following below table presents the Company's operating lease information as of December 31, 2021:

$ in millions	As of December 31, 2021	Balance Sheet Location
Right-of-use asset	$ 18	Other assets
Lease liability	$ 18	Other liabilities
Weighted average remaining lease term (years)	7.5	
Discount rate used for operating leases	7.5%	
Total future minimum lease payments	$ 26	

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was performed under the supervision and with the participation of the Company's senior management, including the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Company's Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2021, the end of the period covered by this report.

Management's Report on Internal Control over Financial Reporting

Management of MBIA Inc. and its subsidiaries is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

MBIA's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and, (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of MBIA Inc.'s internal control over financial reporting as of December 31, 2021. In making its assessment, management used the criteria described in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, management has determined that the Company's internal control over financial reporting as of December 31, 2021 was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8, "Financial Statements."

Changes in Internal Control over Financial Reporting

As required by Rule 13a-15(d) under the Exchange Act, the Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the Company's internal control over financial reporting to determine whether any changes occurred during the fourth fiscal quarter covered by this annual report that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the fourth fiscal quarter of 2021.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding directors will be set forth under “Proposals for Shareholder Approval Recommended by the Board—Proposal 1: Election of Directors” and “Board of Directors Corporate Governance—The Board of Directors and its Committees” in the Company’s Proxy Statement to be filed within 120 days of the end of our fiscal year ended December 31, 2021 (the “Proxy Statement”) and is incorporated by reference.

Information regarding executive officers is set forth under Part I, Item 1, “Business—Executive Officers of the Registrant,” included in this annual report.

Information regarding Section 16(a) beneficial ownership reporting compliance will be set forth in the section “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated by reference.

Information regarding the Company’s Audit Committee will be set forth under “Board of Directors Corporate Governance—The Board of Directors and its Committees” in the Proxy Statement and is incorporated by reference.

The Company has adopted a code of ethics that applies to all employees of the Company including its Chief Executive Officer, Chief Financial Officer and its controller. A copy of such code of ethics can be found on the Company’s internet website at www.mbia.com. The Company intends to satisfy the disclosure requirements under Item 10 of Form 8-K regarding an amendment to, or waiver from, a provision of its code of ethics and that relates to a substantive amendment or material departure from a provision of the Code by posting such information on its internet website at www.mbia.com.

Item 11. Executive Compensation

Information regarding compensation of the Company’s directors and executive officers will be set forth under “Board of Directors Corporate Governance—The Board of Directors and its Committees,” “Compensation and Governance Committee Report,” “Compensation Discussion and Analysis” and “Executive Compensation Tables” in the Proxy Statement and is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding security ownership of certain beneficial owners and management will be set forth under “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Directors and Executive Officers” in the Proxy Statement and is incorporated by reference.

The following table provides information as of December 31, 2021, regarding securities authorized for issuance under our equity compensation plans. All outstanding awards relate to our common stock. For additional information about our equity compensation plans refer to “Note 15: Benefit Plans” in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

	(a)	(b)	(c)
Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)**	**Weighted average exercise price of outstanding options, warrants and rights**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(2)**
Equity compensation plans approved by security holders	62,406	$ 12.96	2,243,735
Equity compensation plans not approved by security holders	—	—	—
Total	62,406	$ 12.96	2,243,735

(1)—Represents phantom shares granted under the Deferred Compensation and Stock Ownership Plan for Non-Employee Directors.
(2)—Includes 2,085,874 shares of common stock available for future grants under the MBIA Inc. 2005 Omnibus Incentive Plan and 157,861 shares of common stock available for future grants under the Deferred Compensation and Stock Ownership Plan for Non-Employee Directors.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding certain relationships and related transactions will be set forth under “Certain Relationships and Related Transactions” in the Proxy Statement and is incorporated by reference. Information regarding director independence will be set forth under “Proposals for Shareholder Approval Recommended by the Board—Proposal 1: Election of Directors—Director Independence” in the Proxy Statement and is incorporated by reference.

Item 14. Principal Accounting Fees and Services

Information regarding principal accounting fees and services will be set forth under “Principal Accountant Fees and Services” in the Proxy Statement and is incorporated by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements and Financial Statement Schedules and Exhibits

1. Financial Statements

The following financial statements of MBIA Inc. have been included in Part II, Item 8 hereof:

Report of Independent Registered Public Accounting Firm.

Consolidated balance sheets as of December 31, 2021 and 2020.

Consolidated statements of operations for the years ended December 31, 2021, 2020 and 2019.

Consolidated statements of comprehensive income (loss) for the years ended December 31, 2021, 2020 and 2019.

Consolidated statements of changes in shareholders' equity for the years ended December 31, 2021, 2020 and 2019.

Consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019.

Notes to consolidated financial statements.

2. Financial Statement Schedules

The following financial statement schedules are filed as part of this Annual Report on Form 10-K.

Schedule	Title
I.	Summary of investments, other than investments in related parties, as of December 31, 2021.
II.	Condensed financial information of Registrant:
	Condensed balance sheets as of December 31, 2021 and 2020.
	Condensed statements of operations for the years ended December 31, 2021, 2020 and 2019.
	Condensed statements of cash flows for the years ended December 31, 2021, 2020 and 2019.
	Notes to condensed financial statements.
IV.	Reinsurance for the years ended December 31, 2021, 2020 and 2019.

The report of the Registrant's Independent Registered Public Accounting Firm with respect to the above listed financial statement schedules is included within the report listed under Item 15.1 above.

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

An exhibit index immediately preceding the Exhibits indicates the exhibit number where each exhibit filed as part of this report can be found.

*(**Note Regarding Reliance on Statements in Our Contracts**: In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember that they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about MBIA Inc., its subsidiaries or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement; (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.)*

3. Articles of Incorporation and By-Laws.

3.1. Amended and Restated Certificate of Incorporation, dated May 5, 2005, incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2005.

3.2. By-Laws as Amended as of February 28, 2019 incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2018.

4. Instruments Defining the Rights of Security Holders, including Indentures.

4.1. Indenture, dated as of August 1, 1990, between MBIA Inc. and The First National Bank of Chicago, Trustee, incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 as amended by the First Supplemental Indenture, dated as of August 22, 2002, between MBIA Inc. and Bank One Trust Company, N.A., as Trustee, in connection with the $300,000,000 6.4% senior notes due 2022, incorporated by reference to the Exhibit 4.04 to the Company's Current Report on Form 8-K filed on August 22, 2002, and the Second Supplemental Indenture, dated as of November 21, 2012, between MBIA Inc. and The Bank of New York Mellon, as Trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 26, 2012.

4.2. Senior Indenture, dated as of November 24, 2004, between MBIA Inc. and The Bank of New York, as Trustee, incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed on November 29, 2004 as amended by the First Supplemental Indenture, dated as of November 24, 2004, between MBIA Inc. and The Bank of New York, as Trustee, in connection with the $350,000,000 5.70% senior notes due 2034, incorporated by reference to Exhibit 4.02 to the Company's Current Report on Form 8-K filed on November 29, 2004 as amended by the Second Supplemental Indenture, dated as of November 21, 2012, between MBIA Inc. and The Bank of New York Mellon, as Trustee, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on November 26, 2012.

4.3. Fiscal Agency Agreement, dated as of January 16, 2008, between MBIA Insurance Corporation and The Bank of New York, incorporated by reference to Exhibit 4.01 to the Company's Current Report on Form 8-K filed on January 17, 2008.

4.4. Form of MBIA Corp. 14% Fixed-to-Floating Rate Global Note due January 15, 2033, incorporated by reference to Exhibit 4.02 to the Company's Current Report on Form 8-K filed on January 17, 2008.

4.5. Amended and Restated Subordinated Note Indenture, dated as of July 10, 2019, between MZ Funding LLC and Wilmington Savings Fund Society, FSB, as Trustee and Collateral Agent, incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.6. Amended and Restated Credit Agreement dated as of July 10, 2019 between MBIA Insurance Corp. and MZ Funding LLC, incorporated by reference to Exhibit 99.5 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.7. Amended and Restated Security Agreement dated as of July 10, 2019 between MBIA Insurance Corp. as Grantor and MZ Funding LLC as Secured Party, incorporated by reference to Exhibit 99.6 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.8. Amended and Restated Security Agreement dated as of July 10, 2019 between MZ Funding LLC as Grantor and Wilmington Savings Fund Society, FSB as Collateral Agent under the Subordinated Note Indenture referenced herein as Exhibit 4.7 and incorporated by reference to Exhibit 99.8 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.9. Pledge Agreement dated as of July 10, 2019 between MBIA Inc. as Pledgor and Wilmington Savings Fund Society, FSB as Collateral Agent under the Subordinated Note Indenture referenced herein as Exhibit 4.5 and incorporated by reference to Exhibit 99.9 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.10. Intercreditor Agreement dated as of July 10, 2019 amongst Wilmington Savings Fund Society, FSB as Trustee MZ Funding LLC and MBIA Insurance Corp. as Insurer, incorporated by reference to Exhibit 99.10 to the Company's Current Report on Form 8-K filed on July 10, 2019.

4.11. Omnibus Amendment to the Subordinated Indenture, Insurance Policy, Insurance Agreement and Credit Agreement, dated as of January 13, 2022, amongst MZ Funding LLC, as Issuer and as Lender, Wilmington Savings Fund Society, FSB, as Trustee and Collateral Agent, and MBIA Insurance Corporation, as Insurer and as Borrower.

4.12. Form of MZ Funding LLC $53,836,742.98 12% Subordinated Secured Notes due January 20, 2022, as amended by the Omnibus Amendment referenced herein as Exhibit 4.11, to be 7% Subordinated Secured Notes due April 20, 2022.

10. Material Contracts

Executive Compensation Plans and Arrangements

The following Exhibits identify all existing executive compensation plans and arrangements:

10.1. MBIA Inc. Annual Incentive Plan, effective January 1, 2016, incorporated by reference to Exhibit A to the Company's Proxy Statement filed on March 24, 2015.

10.2. Amended and Restated MBIA Inc. Omnibus Incentive Plan, as amended through May 5, 2020, incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed on March 25, 2020.

10.3. Key Employee Employment Protection Plan, amended as of February 27, 2007, incorporated by reference to Exhibit 10.80 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as further amended by Amendment No. 2, effective February 22, 2010, incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

10.4. Form of Key Employee Employment Protection Agreement, amended as of February 27, 2007, incorporated by reference to Exhibit 10.81 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

10.5. MBIA Inc. 2005 Non-Employee Director Deferred Compensation Plan (as amended through February 2014), incorporated by reference to Exhibit 10.1 to the Company's Form S-8 filed on March 5, 2014 (Reg. No. 333-194335).

10.6. Amended and Restated MBIA Inc. Deferred Compensation and Excess Benefit Plan, effective as of March 22, 2010, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010.

10.7. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and Daniel M. Avitabile, incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

10.8. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and Adam T. Bergonzi, incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

10.9. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and William C. Fallon, incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

10.10. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and Jonathan C. Harris, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 15. Exhibits, Financial Statement Schedules (continued)

10.11. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and Anthony McKiernan, incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

10.12. Restricted Stock Agreement, dated as of November 8, 2018, between MBIA Inc. and Christopher H. Young, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

10.13. Form of Restricted Stock Agreement Template between MBIA Inc. and (Named Executive Officers/ Grantees) for grants of restricted stock pursuant to the Amended and Restated MBIA Inc. Omnibus Incentive Plan, as amended.

21. List of Subsidiaries.

23. Consent of PricewaterhouseCoopers LLP.

31.1. Chief Executive Officer—Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2. Chief Financial Officer—Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1. Chief Executive Officer—Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2. Chief Financial Officer—Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.1. Quota Share Reinsurance Agreement between MBIA Insurance Corporation and MBIA Insurance Corp. of Illinois dated February 17, 2009, incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on February 20, 2009.

99.2. Novation Agreement, dated as of September 14, 2012, between Financial Guaranty Insurance Company and National Public Finance Guarantee Corporation, incorporated by reference to Exhibit 99.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013.

99.3. Amended and Restated Tax Sharing Agreement, dated as of September 8, 2011, between MBIA Inc. and certain of its subsidiaries, incorporated by reference to Exhibit 99.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

101.INS. XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.

101.SCH. XBRL Taxonomy Extension Schema Document.

101.CAL. XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF. XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB. XBRL Taxonomy Extension Label Linkbase Document.

101.PRE. XBRL Taxonomy Extension Presentation Linkbase Document.

104.Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

MBIA Inc.
(Registrant)

Dated: February 28, 2022

By /s/ William C. Fallon
Name: William C. Fallon
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ William C. Fallon **William C. Fallon**	Director and Chief Executive Officer	February 28, 2022
/s/ Anthony McKiernan **Anthony McKiernan**	Chief Financial Officer	February 28, 2022
/s/ Joseph R. Schachinger **Joseph R. Schachinger**	Assistant Vice President and Controller (Chief Accounting Officer)	February 28, 2022
/s/ Charles R. Rinehart **Charles R. Rinehart**	Chairman and Director	February 28, 2022
/s/ Diane L. Dewbrey **Diane L. Dewbrey**	Director	February 28, 2022
/s/ Steven J. Gilbert **Steven J. Gilbert**	Director	February 28, 2022
/s/ Janice L. Innis-Thompson **Janice L. Innis-Thompson**	Director	February 28, 2022
/s/ Theodore Shasta **Theodore Shasta**	Director	February 28, 2022
/s/ Richard C. Vaughan **Richard C. Vaughan**	Director	February 28, 2022

SCHEDULE I

MBIA INC. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS, OTHER THAN INVESTMENTS IN RELATED PARTIES
December 31, 2021
(In millions)

	December 31, 2021		
Type of investment	**Cost**	**Fair Value**	**Amount at which shown in the balance sheet**
Available-for-sale:			
U.S. Treasury and government agency	$ 515	$ 566	$ 566
State and municipal bonds	140	167	167
Foreign governments	11	11	11
Corporate obligations	881	930	930
Mortgage-backed securities:			
Residential mortgage-backed agency	190	192	192
Residential mortgage-backed non-agency	80	92	92
Commercial mortgage-backed	10	10	10
Asset-backed securities:			
Collateralized debt obligations	101	101	101
Other asset-backed	90	90	90
Total long-term available-for-sale	2,018	2,159	2,159
Short-term available-for-sale	298	298	298
Total available-for-sale	2,316	2,457	2,457
Investments at fair value	323	336	336
Total investments	$2,639	$2,793	$ 2,793
Assets of consolidated variable interest entities:			
Investments at fair value	$ 68	$ 60	$ 60
Loans receivable	108	77	77
Total investments of consolidated variable interest entities	$ 176	$ 137	$ 137

SCHEDULE II

MBIA INC. (PARENT COMPANY)
CONDENSED BALANCE SHEETS
(In millions except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $556 and $621)	$ 618	$ 719
Investments carried at fair value	—	1
Investments pledged as collateral, at fair value (amortized cost $3 and $10)	4	1
Short-term investments held as available-for-sale, at fair value (amortized cost $52 and $31)	52	31
Total investments	674	752
Cash and cash equivalents	15	26
Investment in wholly-owned subsidiaries	336	728
Other assets	5	139
Total assets	**$ 1,030**	**$ 1,645**
Liabilities and Shareholders' Equity		
Liabilities:		
Investment agreements	$ 274	$ 269
Long-term debt	306	312
Affiliate loans payable	579	695
Income taxes payable	3	12
Derivative liabilities	130	164
Other liabilities	51	57
Total liabilities	**1,343**	**1,509**
Shareholders' Equity:		
Preferred stock, par value $1 per share; authorized shares—10,000,000; issued and outstanding—none	—	—
Common stock, par value $1 per share; authorized shares—400,000,000; issued shares—283,186,115 and 283,186,115	283	283
Additional paid-in capital	2,931	2,962
Retained earnings (deficit)	(458)	(13)
Accumulated other comprehensive income (loss), net of tax	100	115
Treasury stock, at cost—228,630,003 and 229,508,967 shares	(3,169)	(3,211)
Total shareholders' equity of MBIA Inc.	**(313)**	**136**
Total liabilities and shareholders' equity	**$ 1,030**	**$ 1,645**

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto and the accompanying notes.

SCHEDULE II

MBIA INC. (PARENT COMPANY)
CONDENSED STATEMENTS OF OPERATIONS
(In millions)

	Years ended December 31,		
	2021	2020	2019
Revenues:			
Net investment income	$ 26	$ 28	$ 35
Net gains (losses) on financial instruments at fair value and foreign exchange	52	(67)	(57)
Net gains (losses) on extinguishment of debt	30	—	(1)
Other net realized gains (losses)	(6)	—	(2)
Total revenues	102	(39)	(25)
Expenses:			
Operating	10	10	10
Interest	75	83	90
Total expenses	85	93	100
Gain (loss) before income taxes and equity in earnings of subsidiaries	17	(132)	(125)
Provision (benefit) for income taxes	(3)	(4)	(99)
Gain (loss) before equity in earnings of subsidiaries	20	(128)	(26)
Equity in net income (loss) of subsidiaries	(465)	(450)	(333)
Net income (loss)	$(445)	$(578)	$(359)

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto and the accompanying notes.

SCHEDULE II

MBIA INC. (PARENT COMPANY)
CONDENSED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Investment income received	$ 80	$ 101	$ 156
Operating expenses paid and other operating	(14)	(47)	(17)
Interest paid, net of interest converted to principal	(50)	(60)	(88)
Income taxes (paid) received	6	5	34
Net cash provided (used) by operating activities	22	(1)	85
Cash flows from investing activities:			
Purchases of available-for-sale investments	(150)	(216)	(278)
Sales of available-for-sale investments	202	183	319
Paydowns and maturities of available-for-sale investments	20	41	179
Purchases of investments at fair value	(2)	(2)	5
Sales, paydowns and maturities of investments at fair value	3	2	—
Sales, paydowns and maturities (purchases) of short-term investments, net	(27)	137	(61)
(Payments) proceeds for derivative settlements	(17)	(16)	(98)
Return of capital from subsidiaries	11	—	—
Contributions (to) from subsidiaries, net	—	—	(14)
Net cash provided (used) by investing activities	40	129	52
Cash flows from financing activities:			
Proceeds from investment agreements	2	12	15
Principal paydowns of investment agreements	(2)	(18)	(20)
Principal paydowns of long-term debt	—	(115)	(150)
Payments for affiliate loans	(81)	—	(19)
Restricted stock awards settlements	8	8	8
Net cash provided (used) by financing activities	(73)	(113)	(166)
Effect of exchange rates on cash and cash equivalents	—	—	—
Net increase (decrease) in cash and cash equivalents	(11)	15	(29)
Cash and cash equivalents—beginning of year	26	11	40
Cash and cash equivalents—end of year	$ 15	$ 26	$ 11
Reconciliation of net income (loss) to net cash provided (used) by operating activities:			
Net income (loss)	$(445)	$(578)	$(359)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Change in:			
Intercompany accounts receivable	(7)	(39)	(16)
Current income taxes	6	5	23
Equity in earnings of subsidiaries	465	450	333
Dividends from subsidiaries	60	81	134
Net (gains) losses on financial instruments at fair value and foreign exchange	(52)	67	57
Deferred income tax provision (benefit)	(3)	(4)	(88)
(Gains) losses on extinguishment of debt	(30)	—	1
Other operating	28	17	—
Total adjustments to net income (loss)	467	577	444
Net cash provided (used) by operating activities	$ 22	$ (1)	$ 85

The condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto and the accompanying notes.

SCHEDULE II

MBIA INC. (PARENT COMPANY)
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Condensed Financial Statements

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. This includes the statements of comprehensive income (loss) which is exactly the same as the Company's consolidated statements of comprehensive income (loss). It is suggested that these condensed financial statements be read in conjunction with the Company's consolidated financial statements and the notes thereto.

The activities of MBIA Inc. (the "Parent Company") consist of general corporate activities and funding activities, which principally include holding and managing investments, servicing outstanding corporate debt, investment agreements issued by the Parent Company and its subsidiaries, and posting collateral under investment agreement and derivative contracts.

The Parent Company is subject to the same liquidity risks and uncertainties as described in footnote 1 to the Company's consolidated financial statements. As of December 31, 2021, the liquidity position of the Parent Company, which included cash and cash equivalents or short-term investments comprised of highly rated commercial paper, money market funds and municipal, U.S. agency and corporate bonds for general corporate purposes, excluding the amount held in escrow under its tax sharing agreement, was $239 million.

During 2021, MBIA Corp. purchased $5 million principal amount of the Parent company 6.625% Debentures due 2028 and $1 million principal amount of Parent company 7.15% Debentures due 2027. During 2020, the Parent Company redeemed the remaining $115 million principal amount of its 6.400% Senior Notes due 2022 at a cost of 100% of par value plus accrued interest. Additionally, as of December 31, 2021, National owned $308 million principal amount of the 5.700% Senior Notes due 2034 and $10 million principal amount of MBIA Inc. 7.000% Debentures due 2025, and MBIA Inc., through its corporate segment, owned $13 million of MBIA Corp. surplus notes. These amounts are eliminated from the Parent Company's condensed balance sheet.

2. Accounting Policies

The Parent Company carries its investments in subsidiaries under the equity method.

For a further discussion of significant accounting policies and recent accounting pronouncements, refer to footnotes 2 and 3 to the Company's consolidated financial statements.

3. Dividends from Subsidiaries

During 2021, National declared and paid a dividend of $60 million to its ultimate parent, MBIA Inc.

During 2020, National declared and paid dividends of $81 million to its ultimate parent, MBIA Inc.

During 2019, National declared and paid dividends of $134 million to its ultimate parent, MBIA Inc.

4. Deferred Tax Asset, Net of Valuation Allowance

The Parent Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on tax assets and liabilities is recognized in income in the period that includes the enactment date. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized.

The Parent Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of its existing deferred tax assets. A significant piece of objective negative evidence evaluated was the Parent Company having a three-year cumulative loss. Such objective evidence limits the ability to consider other subjective evidence, such as the Parent Company's projections of pre-tax income. On the basis of this evaluation, the Parent Company has recorded a full valuation allowance against its net deferred tax asset.

For a further discussion of the net deferred tax asset, refer to footnote 11 to the Company's consolidated financial statements.

5. Obligations under Investment Agreements

Refer to footnote 10 to the Company's consolidated financial statements for information on investment agreements.

6. Pledged Collateral

Substantially all of the obligations under investment agreements require the Parent Company and its subsidiaries to pledge securities as collateral. As of December 31, 2021 and 2020, the fair value of securities pledged as collateral with respect to these investment agreements approximated $280 million and $282 million, respectively. The Parent Company's collateral as of December 31, 2021, consisted principally of U.S. Treasury and government agency and state and municipal bonds, and was primarily held with major U.S. banks.

Under derivative contracts entered into by the Parent Company, collateral postings are required by either the Parent Company or the counterparty when the aggregate market value of derivative contracts entered into with the same counterparty exceeds a predefined threshold. As of December 31, 2021 and 2020, the Parent Company and its subsidiaries pledged securities with a fair value of $159 million and $214 million, respectively, to derivative counterparties.

7. Affiliate Loans Payable

Affiliate loans payable consists of loans payable to MBIA Global Funding, LLC ("GFL"). GFL raised funds through the issuance of medium-term notes with varying maturities, which were, in turn, guaranteed by MBIA Corp. GFL lent the proceeds of these medium-term note issuances to the Parent Company.

SCHEDULE IV

MBIA INC. AND SUBSIDIARIES
REINSURANCE

Years Ended December 31, 2021, 2020 and 2019
(In millions)

Column A Insurance Premium Written	Column B Direct Amount	Column C Ceded to Others	Column D Assumed From Other Companies	Column E Net Amount	Column F Percentage of Amount Assumed to Net
2021	$ 8	$ 2	$ —	$ 6	0%
2020	$ 1	$ 1	$ —	$ —	0%
2019	$ 3	$ —	$ —	$ 3	0%

Exhibit 4.11

OMNIBUS AMENDMENT TO THE
SUBORDINATED INDENTURE, INSURANCE POLICY, INSURANCE AGREEMENT
AND CREDIT AGREEMENT

THIS OMNIBUS AMENDMENT TO THE SUBORDINATED INDENTURE, INSURANCE POLICY AND CREDIT AGREEMENT, dated as of January 13, 2022 (this "*Omnibus Amendment*") is entered into by and among the entities identified on the respective signature pages hereof. Reference is hereby made to the following documents:

i. the Amended and Restated Subordinated Indenture, dated as of July 10, 2019 (the "*Subordinated Indenture*"), between MZ Funding LLC ("*MZF*"), as issuer (in such capacity, the "*Issuer*") and Wilmington Savings Fund Society, as Trustee and as Collateral Agent (the "*Trustee*");

ii. the Financial Guaranty Insurance Policy No. 1406072, dated as of July 10, 2019 (the "*Insurance Policy*"), issued by MBIA Insurance Corporation ("*MBIA Corp.*"), as Insurer (in such capacity, "*Insurer*"), to the Trustee on behalf of the Holders and insuring the timely payment of principal and interest under the Subordinated Indenture;

iii. the Insurance and Indemnity Agreement, dated as of July 10, 2019, by and among the Issuer, the Insurer and Wilmington Savings Fund Society, FSB, as Trustee under the Subordinated Indenture (the "Insurance Agreement"); and

iv. the Amended and Restated Credit Agreement, dated as of July 10, 2019 (the "*Credit Agreement*"), between MZF, as lender, and MBIA Corp., as borrower.

Capitalized terms used herein without definition shall have the meanings assigned thereto in the Subordinated Indenture, and if not defined therein, in the Credit Agreement, and if not defined therein, in the Insurance Policy or Insurance Agreement.

PRELIMINARY STATEMENTS:

WHEREAS, the parties hereto are parties, as applicable, to the Subordinated Indenture, the Insurance Policy, the Insurance Agreement and/or the Credit Agreement;

WHEREAS, the Issuer desires to amend the terms of the Subordinated Indenture as outlined herein in accordance with Section 10.02 of the Subordinated Indenture;

WHEREAS, pursuant to 10.02 of the Subordinated Indenture, the Subordinated Indenture may be amended with the consent of the Insurer and the consent of each Holder of an Outstanding Security;

WHEREAS, MBIA Inc. ("*MBIA Inc.*" or "*Holder*") is the sole beneficial Holder of 100% of the Outstanding Securities and is willing to consent to the amendment of the Subordinated Indenture pursuant to Section 10.02 of the Subordinated Indenture;

WHEREAS, the Insurer is willing to consent to the amendment of the Subordinated Indenture pursuant to Section 10.02 of the Subordinated Indenture;

WHEREAS, the conditions set forth for entry into an amendment of the Subordinated Indenture pursuant to Section 10.02 and 10.03 of the Subordinated Indenture have been satisfied;

WHEREAS, the Insurer and the Trustee, agree to amend the terms of the Insurance Policy as outlined herein in accordance with the terms thereof;

WHEREAS, the Insurer, the Issuer and the Trustee agree to amend the terms of the Insurance Agreement as outlined herein in accordance with the terms thereof; and

WHEREAS, MZF, MBIA Corp. and the Trustee agree to amend the terms of the Credit Agreement as outlined herein in accordance with Section 7.02 of the Credit Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto hereby agree as follows:

SECTION 1. Amendments to the Subordinated Indenture and the Securities. Effective as of the date hereof, the Subordinated Indenture (including the Exhibits thereto) is amended as follows:

a) The phrase “12% Subordinated Secured Notes due 2022” shall be replaced in every instance in the Subordinated Indenture (including the Exhibits thereto) with “7% Subordinated Secured Notes due April 2022”.

b) The phrase “12% Subordinated Secured Notes due 2022” shall be replaced in every instance in the Securities with “7% Subordinated Secured Notes due April 2022”.

c) References to a Maturity of January 20, 2022 in the Outstanding Securities held by MBIA Inc. shall be replaced with “April 20, 2022”.

d) References in Exhibit 1.1 to Appendix A to the Subordinated Indenture to a Maturity of January 20, 2022 shall be replaced with “April 20, 2022” .

e) References in Exhibit 1.2 to Appendix A to the Subordinated Indenture to a Maturity of January 20, 2022 shall be replaced with “April 20, 2022”.

SECTION 2. Amendment to the Insurance Policy. Effective as of the date hereof, the Insurance Policy is amended by replacing the phrase “12% Subordinated Secured Notes due 2022” in every instance in the Insurance Policy with the phrase “7% Subordinated Secured Notes due April 2022”, and it is hereby acknowledged that the current aggregate principal amount of such 7% Subordinated Secured Notes due April 20, 2022 is $53,836,742.98.

SECTION 3. Amendment to the Credit Agreement. Effective as of the date hereof, the Credit Agreement is amended by replacing the phrase “January 20, 2022” in the definition of “Final Maturity Date” with the phrase “April 20, 2022”; and replacing the phrase “12% Subordinated Secured Notes due 2022” in every instance in Exhibit A to the Credit Agreement with the phrase “7% Subordinated Secured Notes April 2022”.

SECTION 4. Amendment to Insurance Agreement. Effective as of the date hereof, the Insurance Agreement is amended by replacing the phrase “12% Subordinated Secured Notes due 2022” in every instance in the Insurance Agreement with the phrase “7% Subordinated Secured Notes due April 2022”.

SECTION 5. Representation of the Holder. MBIA Inc. hereby represents that it is the sole beneficial Holder of 100% of the Outstanding Securities issued pursuant to the Subordinated Indenture, and by its execution hereof directs and instructs the Trustee to enter into this Omnibus Amendment for all purposes hereunder, and to record the amendments set forth in Section 1 on the Outstanding Securities in accordance with the Trustee’s customary procedures.

SECTION 6. Reference to and Effect on the Related Documents; Ratification.

(a) On and after the date hereof, (i) each reference in any of the Subordinated Indenture, the Insurance Policy, the Insurance Agreement or the Credit Agreement (collectively, the “*Amended Documents*”) to “this Agreement”, “hereunder”, “hereof” or words of like import referring to such Subordinated Indenture, Insurance Policy, Insurance Agreement or Credit Agreement or other reference thereto shall mean such Subordinated Indenture, Insurance Policy, Insurance Agreement or Credit Agreement as amended by this Omnibus Amendment, and (ii) any reference in any other related Note Documents (including the Security Agreement) to such Subordinated Indenture, Insurance Policy, Insurance Agreement or Credit Agreement shall mean such Subordinated Indenture, Insurance Policy, Insurance Agreement or Credit Agreement as amended by this Omnibus Amendment.

(b) Except as otherwise expressly provided herein, the Amended Documents as specifically amended by this Omnibus Amendment shall continue to be in full force and effect, and are hereby in all respects ratified and confirmed.

(c) This Omnibus Amendment (i) shall be effective only in this specific instance and for the specific purposes set forth herein, and (ii) does not allow any other or further departure from the terms of the Amended Documents, which terms shall continue in full force and effect. Except as expressly provided herein, the execution, delivery and effectiveness of this Omnibus Amendment shall not operate as a waiver of any right, power or remedy under the Amended Documents or under any other document, nor constitute a waiver of any provision of the Amended Documents.

(d) The parties hereto agree that in entering into this Omnibus Amendment the Trustee shall be protected by and shall enjoy all of the rights, immunities, protections and indemnities granted to it under the Indenture and the other Note Documents. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Omnibus Amendment or the recitals contained herein.

SECTION 7. Headings. Section headings herein are included for convenience of reference only and shall not constitute a part of this Omnibus Amendment for any other purpose.

SECTION 8. Execution in Counterparts. This Omnibus Amendment may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Counterparts may be executed and delivered via facsimile, electronic mail or other transmission method and may be executed by electronic signature (including, without limitation, any PDF file, .jpeg file, or any other electronic or image file, or any "electronic signature" as defined under the United States Electronic Signatures in Global and National Commerce Act or New York's Electronic Signatures and Records Act, which includes any electronic signature provided using any platform identified by the Issuer and reasonably available at no undue burden or expense to the Trustee) and any counterpart so delivered shall be valid, effective and legally binding as if such electronic signatures were handwritten signatures and shall be deemed to have been duly and validly delivered for all purposes hereunder. Delivery of an executed counterpart of this Omnibus Amendment by electronic means (including email or telecopy) will be effective as delivery of a manually executed counterpart of this Omnibus Amendment.

SECTION 9. Governing Law. THIS OMNIBUS AMENDMENT AND ANY CLAIM, CONTROVERY OR DISPUTE RELATED TO OR IN CONNECTION WITH THIS OMNIBUS AMENDMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY, THE RELATIONSHIP OF THE PARTIES HERETO AND THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION, SECTION 5-1401 ET SEQ OF THE GENERAL OBLIGATIONS LAW, BUT OTHERWISE WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS).

EACH PARTY HERETO HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT IN THE STATE OF NEW YORK IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND RELATED TO OR IN CONNECTION WITH THIS OMNIBUS AMENDMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY AND CONSENTS TO THE PLACING OF VENUE IN NEW YORK COUNTY OR OTHER COUNTY PERMITTED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY WAIVES AND AGREES NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR PROCEEDING ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT ANY INSTRUMENT REFERRED TO HEREIN MAY NOT BE LITIGATED IN OR BY SUCH COURTS. TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO AGREES NOT TO SEEK AND HEREBY WAIVES THE RIGHT TO ANY REVIEW OF THE JUDGMENT OF ANY SUCH COURT BY ANY COURT OF ANY OTHER NATION OR JURISDICTION WHICH MAY BE CALLED UPON TO GRANT AN ENFORCEMENT OF SUCH JUDGMENT. EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS OMNIBUS AMENDMENT.

SECTION 10. Successors and Assigns. This Omnibus Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 11. Entire Agreement. This Omnibus Amendment constitutes the entire understanding among the parties hereto with respect to the subject matter hereof and supersedes any prior agreements, written or oral, with respect thereto.

[Signature Pages Follow]

IN WITNESS WHEREOF, each party hereto has caused this Omnibus Amendment to be executed by its duly authorized officer as of the date first above written.

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 2, 3 and 4 of this Omnibus Amendment:</u>

MZ FUNDING LLC, as Issuer

By: /s/ Anthony McKiernan
Name: Anthony McKiernan
Title: Chief Executive Officer

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 2, 3 and 4 of this Omnibus Amendment:</u>

WILMINGTON SAVINGS FUND SOCIETY, FSB, as Trustee and Collateral Agent

By: /s/ Geoffrey J. Lewis
Name: Geoffrey J. Lewis
Title: Vice President

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 3 and 4 of this Omnibus Amendment:</u>

MBIA INSURANCE CORPORATION, as Insurer

By: /s/ Gary Saunders
Name: Gary Saunders
Title: General Counsel and Secretary

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 3 and 4 of this Omnibus Amendment:</u>

WILMINGTON SAVINGS FUND SOCIETY, FSB, as Trustee

By: /s/ Geoffrey J. Lewis
Name: Geoffrey J. Lewis
Title: Vice President

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 4 of this Omnibus Amendment:

MZ FUNDING LLC, as Lender

By: /s/ Anthony McKiernan
Name: Anthony McKiernan
Title: Chief Executive Officer

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 4 of this Omnibus Amendment:</u>

MBIA INSURANCE CORPORATION, as Borrower

By: /s/ Gary Saunders
Name: Gary Saunders
Title: General Counsel and Secretary

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

<u>The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 4 of this Omnibus Amendment:</u>

WILMINGTON SAVINGS FUND SOCIETY, FSB, as Trustee

By: /s/ Geoffrey J. Lewis
Name: Geoffrey J. Lewis
Title: Vice President

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 3 of this Omnibus Amendment:

MZ FUNDING LLC, as Issuer

By: /s/ Anthony McKiernan
Name: Anthony McKiernan
Title: Chief Executive Officer

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 3 of this Omnibus Amendment:

MBIA INSURANCE CORPORATION, as Insurer

By: /s/ Gary Saunders
Name: Gary Saunders
Title: General Counsel and Secretary

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

The Following Signatures are With Respect to this Omnibus Amendment Other Than Sections 1, 2 and 3 of this Omnibus Amendment:

WILMINGTON SAVINGS FUND SOCIETY, FSB, as Trustee

By: /s/ Geoffrey J. Lewis
Name: Geoffrey J. Lewis
Title: Vice President

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

THE AMENDMENTS TO THE SUBORDINATED INDENTURE INCLUDED IN SECTION 1 OF THIS OMNIBUS AMENDMENT ARE ACKNOWLEDGED AND CONSENTED TO BY:

MBIA INSURANCE CORPORATION, as Insurer

By: /s/ Gary Saunders
Name: Gary Saunders
Title: General Counsel and Secretary

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

THE AMENDMENTS INCLUDED IN THIS OMNIBUS AMENDMENT ARE ACKNOWLEDGED, AGREED AND CONSENTED TO BY:

MBIA INC., as sole beneficial Holder of the Outstanding Securities

By: /s/ Anthony McKiernan

Name: Anthony McKiernan

Title: Executive Vice President and Chief Financial Officer

[SIGNATURE PAGE TO OMNIBUS AMENDMENT]

Exhibit 4.12

[FORM OF FACE OF RULE 144A SECURITY]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER (1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR (C) TO AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(A) (1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(B) ABOVE OR (2)(C) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE) MUST BE DELIVERED TO THE TRUSTEE. THE COMPANY ALSO RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE (1) ACQUIRER REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED PURCHASER," AS THAT TERM IS DEFINED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (A "QUALIFIED PURCHASER"), AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT TO A QUALIFIED PURCHASER.

EACH PERSON ACQUIRING OR HOLDING THIS SECURITY OR ANY INTEREST HEREIN SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT, FOR SO LONG AS IT HOLDS A SECURITY OR INTEREST THEREIN (I) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN SUCH ENTITY WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) ("BENEFIT PLAN INVESTOR"), OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE ("SIMILAR LAW"), AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH SECURITIES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH GOVERNMENTAL, CHURCH, NON-U.S. OR

OTHER PLAN, OR (B) IF IT IS, OR IS ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN SUBJECT TO SIMILAR LAW, ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH SECURITIES (OR INTERESTS THEREIN) WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW, AND (II) IT WILL NOT SELL OR TRANSFER SUCH SECURITIES (OR INTERESTS THEREIN) TO AN ACQUIROR ACQUIRING SUCH SECURITIES (OR INTERESTS THEREIN) UNLESS THE ACQUIROR MAKES OR IS DEEMED TO MAKE THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS DESCRIBED IN CLAUSE (I) HEREOF. ANY PURPORTED TRANSFER OF THE SECURITIES IN VIOLATION OF THE REQUIREMENTS SET FORTH IN THIS PARAGRAPH SHALL BE NULL AND *VOID AB INITIO*.

[THIS GLOBAL SECURITY IS HELD BY THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS SECURITY) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 2.3 OF APPENDIX A TO THE INDENTURE, (II) THIS GLOBAL SECURITY MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 2.4 OF APPENDIX A TO THE INDENTURE, (III) THIS GLOBAL SECURITY MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 2.10 OF THE INDENTURE AND (IV) THIS GLOBAL SECURITY MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.][1]

1 [To be affixed to Global Securities]

No.________

$______

CUSIP NO.
ISIN NO.

MZ FUNDING LLC

Amended and Restated

12% Subordinated Secured Notes due 2022

MZ Funding LLC, a Delaware limited liability company (herein called the "Company", which term includes any Successor Company under the Indenture hereinafter referred to), for value received, promises to pay to CEDE & CO., or its registered assigns, the principal sum of ______________________ UNITED STATES DOLLARS ($________), subject to adjustments listed on the Schedule of Increases or Decreases in Global Security attached hereto, on January 20, 2022.

Interest Rate: 12% per annum

Interest Payment Dates: March 31, June 30, September 30 and December 31

Record Dates: March 26, June 25, September 25 and December 26.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

[**SIGNATURE PAGE FOLLOWS**]

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officer.

Dated: _________________________

MZ FUNDING LLC

By: ______________________________

Name:

Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 12% Subordinated Secured Notes due 2022 described in the within-mentioned Indenture.

Wilmington Savings Fund Society, FSB as Trustee

By: ______________________________

Authorized Signatory

Dated: ______________________________

[FORM OF REVERSE SIDE OF RULE 144A SECURITY]

MZ FUNDING LLC

Amended and Restated

12% Subordinated Secured Notes due 2022

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. MZ Funding LLC (the "Company") promises to pay interest on the principal amount of this Security at 12% per annum. The Company shall pay interest quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing September 30, 2019. Interest on the Securities shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from July 10, 2019. Interest shall be calculated on the basis of a year of 360 days. The Company shall pay interest on overdue principal, interest and other overdue amounts at a rate per annum equal to the rate which is 5.00% in excess of the rate which would have been payable if such overdue amount had, during the period of non-payment, constituted an outstanding amount of the Securities. Such interest shall be payable in accordance with Section 2.11 of the Indenture.

2. METHOD OF PAYMENT. The Company shall pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the March 26, June 25, September 25 and December 26 next preceding the interest payment date even if such Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium and interest) shall be made by wire transfer of immediately available funds to the accounts specified by the Depositary. The Company shall make all payments in respect of a certificated Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; *provided*, *however*, that payments on a certificated Security shall be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion). Notwithstanding the foregoing and subject to and as provided in Section 2.11 of the Indenture are insufficient to pay interest on the Securities in cash, the Company may elect to pay any such shortfall by increasing the principal amount of this Security or issuing new Securities in accordance with Section 2.02 of the Indenture. The Company must elect the form of interest payment by delivering a notice to the Trustee on or before the third Business Day prior to the Interest Payment Date, a copy of which shall promptly be forwarded by the Trustee to the Holders. On any Interest Payment Date with respect to which the Company has elected to pay interest by increasing the principal amount of this Security, the principal amount of this Security shall be so increased.

3. PAYING AGENT AND REGISTRAR. Initially, Wilmington Savings Fund Society, FSB, a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"), shall act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its Affiliates incorporated or organized within The United States of America may act as Paying Agent, Registrar or co-registrar.

4. INDENTURE AND SUBORDINATION. The Company issued the Securities under an Indenture dated as of July 10, 2019 (the "Indenture"), among the Company, the Trustee and the Collateral Agent. This Security is one of a duly authorized issue of notes of the Company designated as its 12% Subordinated Secured Notes due 2022, initially issued in the aggregate principal amount of $53,836,742.98. The Securities are subordinated as set forth in the Indenture and the Intercreditor Agreement to all obligations in respect of the Senior Obligations (including all interest accrued or accruing on the Senior Obligations after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for the interest is allowed as a claim in the case or proceeding with respect to the Senior Obligations). The terms of the Securities include those stated in the Indenture, and Holders are referred to the Indenture for a statement of those terms (which for greater certainty includes the right of exchange of the Securities provided in Appendix A to the Indenture, which is an express term of this Security). To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

5. OPTIONAL REDEMPTION. The Company shall be entitled at its option to redeem the Securities, in whole or in part, at a redemption price equal to 100% of the principal amount of the Securities being redeemed plus any applicable Make-Whole Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

6. PREPAYMENT. The Securities are subject to prepayment as described in Section 3.08 of the Indenture

7. DENOMINATIONS; TRANSFER; EXCHANGE. The Securities are in registered form without coupons in denominations of a minimum principal amount of $2,000 and integral multiples of $1,000 in excess thereof, except that the Securities may be in other denominations to the extent that the principal amount of a Security is increased at the election of the Company to pay interest as provided in Section 3.08 of the Indenture; and provided that any transfer of a beneficial interest in the Security evidenced by this certificate shall be in a minimum denomination of $250,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and the Company will require a Holder to pay any taxes and fees required by law or by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date. A Security may be transferred only to the Depositary or to another Person if both (i) such Person is a Qualified Purchaser and (ii) such transfer is (x) to a Qualified Institutional Buyer in compliance with Rule 144A or (y) to an Institutional Accredited Investor in a private transaction. Transfer may otherwise be restricted as provided in the Indenture.

8. PERSONS DEEMED OWNERS. The registered Holder of this Security may be treated as the owner of it for all purposes.

9. UNCLAIMED MONEY. If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. [RESERVED].

11. AMENDMENT AND WAIVER. The Indenture, the Securities and the other Note Documents may be amended or waived in the manner provided in the Indenture.

12. DEFAULTS AND REMEDIES. The Events of Default relating to the Securities are defined in Section 6.01 of the Indenture. Upon the occurrence of an Event of Default, the rights and obligations of the Company, the Insurer, the Trustee and the Holders shall be as set forth in the applicable provisions of the Indenture or other applicable Note Document.

13. TRUSTEE DEALINGS WITH COMPANY. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may become a creditor of, or otherwise deal with the Company or any of its Affiliates, with the same rights it would have if it were not Trustee.

14. NO RECOURSE AGAINST OTHERS. A director, officer, employee, member or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture, this Indenture or any other Note Document, as applicable, or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder shall waive and release all such liability. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. SECURITY DOCUMENTS. The obligations of the Company under the Indenture, the Securities and the Security Documents will be secured by a Lien granted to the Collateral Agent on the Collateral.

16. AUTHENTICATION. This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) signs manually or by facsimile the certificate of authentication on the other side of this Security.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

18. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders of Securities. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. GOVERNING LAW. THIS SECURITY AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SECURITY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 ET SEQ OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS).

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

MZ Funding LLC
c/o MBIA Inc.
One Manhattanville Road
Suite 301
Purchase, New York 10577
Attention: Anthony Reynolds

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this

Security to: ____

(Insert assignee's legal name)

____

(Insert assignee's soc. sec. or tax I.D. no.)

____

____

____

(Print or type assignee's name, address and zip code)

and irrevocably appoint ____ as agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated: ____________________________

Your Signature: ____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: ____

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made:

Date of Exchange	Amount of decrease in Principal amount of this Global Security	Amount of increase in Principal amount of this Global Security	Principal amount of this Global Security following such decrease or increase)	Signature of authorized officer of Trustee or Securities Custodian

[FORM OF INSTITUTIONAL ACCREDITED INVESTOR SECURITY]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER (1) REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(A)(1), (2),(3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT (AN “INSTITUTIONAL ACCREDITED INVESTOR”); AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT OR (D) TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A PRIVATE TRANSACTION. PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH (2)(B) ABOVE OR (2)(C) ABOVE, A DULY COMPLETED AND SIGNED CERTIFICATE (THE FORM OF WHICH MAY BE OBTAINED FROM THE TRUSTEE) MUST BE DELIVERED TO THE TRUSTEE. THE COMPANY ALSO RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

BY ITS ACQUISITION HEREOF, THE (1) ACQUIRER REPRESENTS THAT IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED PURCHASER,” AS THAT TERM IS DEFINED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (A “QUALIFIED PURCHASER”), AND (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT TO A QUALIFIED PURCHASER.

EACH PERSON ACQUIRING OR HOLDING THIS SECURITY OR ANY INTEREST HEREIN SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT, FOR SO LONG AS IT HOLDS A SECURITY OR INTEREST THEREIN (I) EITHER (A) IT IS NOT, AND IS NOT ACTING ON BEHALF OF, AN EMPLOYEE BENEFIT PLAN, AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), APPLIES, OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-101 (AS MODIFIED BY SECTION 3(42) OF ERISA) (“BENEFIT PLAN INVESTOR”), OR A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), AND NO PART OF THE ASSETS TO BE USED BY IT TO ACQUIRE OR HOLD SUCH SECURITIES OR ANY INTEREST THEREIN CONSTITUTES THE ASSETS OF ANY BENEFIT PLAN INVESTOR OR SUCH GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN, OR (B) IF IT IS, OR IS ACTING ON BEHALF OF, A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN SUBJECT TO SIMILAR LAW, ITS ACQUISITION, HOLDING AND DISPOSITION

OF SUCH SECURITIES (OR INTERESTS THEREIN) WILL NOT CONSTITUTE OR RESULT IN A VIOLATION OF ANY SUCH SIMILAR LAW, AND (II) IT WILL NOT SELL OR TRANSFER SUCH SECURITIES (OR INTERESTS THEREIN) TO AN ACQUIROR ACQUIRING SUCH SECURITIES (OR INTERESTS THEREIN) UNLESS THE ACQUIROR MAKES OR IS DEEMED TO MAKE THE FOREGOING REPRESENTATIONS, WARRANTIES AND AGREEMENTS DESCRIBED IN CLAUSE (I) HEREOF. ANY PURPORTED TRANSFER OF THE SECURITIES IN VIOLATION OF THE REQUIREMENTS SET FORTH IN THIS PARAGRAPH SHALL BE NULL AND VOID AB INITIO.

No.________ $______

CUSIP NO.
ISIN NO.

MZ FUNDING LLC

Amended and Restated

12% Subordinated Secured Notes due 2022

MZ Funding LLC, a Delaware limited liability company (herein called the "Company", which term includes any Successor Company under the Indenture hereinafter referred to), for value received, promises to pay to CEDE & CO., or its registered assigns, the principal sum of _____________________ UNITED STATES DOLLARS ($________) on January 20, 2022.

Interest Rate: 12% per annum

Interest Payment Dates: March 31, June 30, September 30 and December 31.

Record Dates: March 26, June 25, September 25 and December 26.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

[**SIGNATURE PAGE FOLLOWS**]

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officer.

Dated: _________________________

MZ FUNDING LLC

By: ______________________________
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the 12% Subordinated Secured Notes due 2022 described in the within-mentioned Indenture.

Wilmington Savings Fund Society, FSB, as Trustee

By: ______________________________
Authorized Signatory

Dated: ______________________________

[FORM OF REVERSE SIDE OF INSTITUTIONAL ACCREDITED INVESTOR SECURITY]

MZ FUNDING LLC

Amended and Restated

12% Subordinated Secured Notes due 2022

Capitalized terms used herein shall have the meanings assigned to them in the Indenture referred to below unless otherwise indicated.

1. INTEREST. MZ Funding LLC (the "Company") promises to pay interest on the principal amount of this Security at 12% per annum. The Company shall pay interest quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing September 30, 2019. Interest on the Securities shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from July 10, 2019. Interest shall be calculated on the basis of a year of 360 days. The Company shall pay interest on overdue principal, interest and other overdue amounts at a rate per annum equal to the rate which is 5.00% in excess of the rate which would have been payable if such overdue amount had, during the period of non-payment, constituted an outstanding amount of the Securities. Such interest shall be payable in accordance with Section 2.11 of the Indenture.

2. METHOD OF PAYMENT. The Company shall pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the March 26, June 25, September 25 and December 26 next preceding the interest payment date even if such Securities are canceled after the record date and on or before the interest payment date. Holders must surrender Securities to a Paying Agent to collect principal payments. The Company shall pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. The Company shall make all payments in respect of this Security (including principal, premium and interest) by mailing a check to the registered address of each Holder thereof; *provided*, *however*, that payments on this Security shall be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion). Notwithstanding the foregoing and subject to and as provided in Section 2.11 of the Indenture, the Company may elect to pay all or a portion of interest by increasing the principal amount of this Security or issuing new Securities in accordance with Section 2.02 of the Indenture. The Company must elect the form of interest payment by delivering a notice to the Trustee at least 3 Business Days prior to the Interest Payment Date, a copy of which shall be posted to MBIA Inc.'s website or in MBIA Inc.'s periodic SEC Reports. On any Interest Payment Date with respect to which the Company has elected to pay interest by increasing the principal amount of this Security, the principal amount of this Security shall be so increased.

3. PAYING AGENT AND REGISTRAR. Initially, Wilmington Savings Fund Society, FSB, a national banking association duly organized and existing under the laws of the United States of America (the "Trustee"), shall act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent, Registrar or co-registrar without notice. The Company or any of its Affiliates incorporated or organized within The United States of America may act as Paying Agent, Registrar or co-registrar.

4. INDENTURE AND SUBORDINATION. The Company issued the Securities under an Indenture dated as of July 10, 2019 (the "Indenture"), among the Company, the Trustee and the Collateral Agent. This Security is one of a duly authorized issue of notes of the Company designated as its 12% Subordinated Secured Notes due 2022, initially issued in the aggregate principal amount of $53,836,742.98. The Securities are subordinated as set forth in the Indenture and the Intercreditor Agreement to all obligations in respect of the Senior Obligations (including all interest accrued or accruing on the Senior Obligations after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for the interest is allowed as a claim in the case or proceeding with respect to the Senior Obligations). The terms of the Securities include those stated in the Indenture, and Holders are referred to the Indenture for a statement of those terms (which for greater certainty includes the right of exchange of the Securities provided in Appendix A to the Indenture, which is an express term of this Security). To the extent any provision of this Security conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

5. OPTIONAL REDEMPTION. The Company shall be entitled at its option to redeem the Securities, in whole or in part, at a redemption price equal to 100% of the principal amount of the Securities being redeemed plus any applicable Make-Whole Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date (subject to the right of Holders on the relevant record date to receive interest due on the relevant interest payment date).

6. PREPAYMENT. The Securities are subject to prepayment as described in Section 3.08 of the Indenture.

7. DENOMINATIONS; TRANSFER; EXCHANGE. The Securities are in registered form without coupons in denominations of a minimum principal amount of $2,000 and integral multiples of $1,000 in excess thereof, except that the Securities may be in other denominations to the extent that the principal amount of a Security is increased, or additional Securities are issued, at the election of the Company to pay interest as provided in Section 3.08 of the Indenture, and provided that if this is a Global Security, any transfer of a beneficial interest in the Security evidenced by this certificate shall be in a minimum denomination of $250,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and the Company will require a Holder to pay any taxes and fees required by law or by the Indenture. The Registrar need not register the transfer of or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities for a period of 15 days before a selection of Securities to be redeemed or 15 days before an interest payment date. A Security may be transferred only to the Depositary or to another Person if both (i) such Person is a Qualified Purchaser and (ii) such transfer is (x) to a Qualified Institutional Buyer in compliance with Rule 144A or (y) to an Institutional Accredited Investor in a private transaction. Transfer may otherwise be restricted as provided in the Indenture.

8. PERSONS DEEMED OWNERS. The registered Holder of this Security may be treated as the owner of it for all purposes.

9. UNCLAIMED MONEY. If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request unless an abandoned property law designates another Person. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee for payment.

10. [RESERVED.]

11. AMENDMENT AND WAIVER. The Indenture, the Securities and the other Note Documents may be amended or waived in the manner provided in the Indenture.

12. DEFAULTS AND REMEDIES. The Events of Default relating to the Securities are defined in Section 6.01 of the Indenture. Upon the occurrence of an Event of Default, the rights and obligations of the Company, the Insurer, the Trustee and the Holders shall be as set forth in the applicable provisions of the Indenture or other applicable Note Document.

13. TRUSTEE DEALINGS WITH COMPANY. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may become a creditor of, or otherwise deal with the Company or any of its Affiliates, with the same rights it would have if it were not Trustee.

14. NO RECOURSE AGAINST OTHERS. A director, officer, employee, member or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture, this Indenture or any other Note Document, as applicable, or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Holder shall waive and release all such liability. By accepting a Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

15. SECURITY DOCUMENTS. The obligations of the Company under the Indenture, the Securities and the Security Documents will be secured by a Lien granted to the Collateral Agent on the Collateral.

16. AUTHENTICATION. This Security shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) signs manually or by facsimile the certificate of authentication on the other side of this Security.

17. ABBREVIATIONS. Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

18. CUSIP NUMBERS. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders of Securities. No representation is made as to the accuracy of such numbers either as printed on the Securities or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. GOVERNING LAW. THIS SECURITY AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS SECURITY AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 ET SEQ OF THE NEW YORK GENERAL OBLIGATIONS LAW BUT OTHERWISE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS).

The Company shall furnish to any Holder upon written request and without charge a copy of the Indenture. Requests may be made to:

MZ Funding LLC
c/o MBIA Inc.
One Manhattanville Road
Suite 301
Purchase, New York 10577
Attention: Anthony Reynolds

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this

Security to: ____

(Insert assignee's legal name)

(Insert assignee's soc. sec. or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint ____________________________________ as agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated: _______________________ Your Signature: ____

(Sign exactly as your name appears on the other side of this Security.)

Signature Guarantee: ____

(Signature must be guaranteed)

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

Exhibit 10.13

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement (this "**Agreement**") is made and entered into as of _______ between MBIA Inc., a Connecticut corporation (together with its successors and assigns, the "**Company**"), and __________ (the "**Grantee**").

W I T N E S S E T H:

WHEREAS, the Company maintains the Amended and Restated MBIA Inc. Omnibus Incentive Plan (as amended, the "**Plan**"), pursuant to which the Compensation and Governance Committee (the "**Committee**") of the Company's Board of Directors (the "**Board**") may recommend that the Board grant, among other awards, shares of common stock (the "**Restricted Stock**"), par value $1 per share, of the Company, which are subject to certain forfeiture provisions and/or certain restrictions on transferability selected by the Committee pursuant to the terms of the Plan (capitalized terms used in this Agreement without definition shall have the meanings ascribed to such terms in the Plan);

WHEREAS, the Committee and the Board have approved the award to the Grantee on _____ (the "**Grant Date**") of (i) [INSERT NUMBER OF TIME BASED RESTRICTED STOCK] shares of Restricted Stock that are subject to the time based restrictions set forth in Section 2(a) below (the "**Time-Based Shares**"), and (ii) up to [INSERT 200% OF THE TARGET SHARES GRANTED] shares of Restricted Stock that are subject to the performance and time based restrictions set forth in Section 3 below (the "**Performance-Based Shares**", and collectively with the Time-Based Shares, the "**Shares**"), the ultimate number of Performance-Based Shares to be earned being contingent upon the Performance Score (as defined below) as of December 31, 202__, and subject to the terms and restrictions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and the Grantee (together, the "**Parties**") do hereby agree as follows:

1. Grant and Vesting of Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and conditions set forth in this Agreement and in accordance with the Plan, the Company hereby evidences its grant to the Grantee of (i) ___ Time-Based Shares and (ii) [INSERT TARGET NUMBER] Performance-Based Shares (the "**Target Performance Shares**"). The Target Performance Shares are subject to forfeiture, or additional Performance-Based Shares may be issued to the Grantee, in each case in accordance with Section 3(a) below.

(b) Restriction Period. Except as otherwise provided herein, the Shares granted hereby may not be sold, assigned, transferred, pledged, hypothecated or otherwise directly or indirectly encumbered or disposed of except to the extent that the Shares have become "vested" (i.e., become non-forfeitable) pursuant to Section 2 and 3 below.

2. Vesting of Time-Based Shares.

(a) Vesting of Time-Based Shares. To the extent not previously forfeited and except as set forth in Sections 2(b) and 2(c) below, one-third (1/3) of the Time-Based Shares shall become vested on each of the third (3rd), fourth (4th) and fifth (5th) anniversaries of the Grant Date if the Grantee is continuously employed by the Company, and does not breach the Restrictive Covenants, as defined below, through each such anniversary of the Grant Date. Except as provided in Sections 2(b) and 2(c) below, in the event the Grantee's employment terminates or breaches the Restrictive Covenants prior to the applicable vesting date, any Time-Based Shares that have not become vested on or prior to such vesting date shall be forfeited by the Grantee.

(b) Early Vesting of Time-Based Shares. Notwithstanding the general provisions of Section 2(a) above, the Time-Based Shares shall become vested immediately upon the occurrence of a Change in Control or upon the Grantee's death or Disability or the Company's termination of the Grantee's employment without Cause.

(c) Retirement. In the event of the Grantee's Retirement before the applicable vesting dates of the Time-Based Shares, the Time-Based Shares shall remain outstanding and subject to forfeiture through the vesting dates set forth in Section 2(a) above in the event the Grantee violates any applicable restrictions on post-employment activities that may include a non-compete and/or non-solicitation covenant ("**Restrictive Covenants**") through such dates. Any Time-Based Shares held by the Grantee after giving effect to the satisfaction of any tax withholding obligation as provided under Section 7 shall be subject to transfer restrictions and may not be sold until such Time-Base Shares would have vested under Section 2(a) had the Grantee remained employed though the applicable vesting date.

3. Earning and Vesting of Performance-Based Shares.

(a) Calculation of Earned Performance Shares. To the extent not previously forfeited, the number of Performance-Based Shares that will be earned by the Grantee as of the Earned Shares Calculation Date (as defined below) (such earned shares, the "**Earned Shares**") will be equal to [INSERT TARGET AWARD] *multiplied by* the Performance Score (determined as set forth below) and rounded to the nearest whole number, provided the Grantee is continuously employed by the Company through such date (except as otherwise set forth below). To the extent the number of Earned Shares is less than the number of Target Performance Shares, the portion of the Target Performance Shares that have not been earned shall be forfeited as of the Earned Shares Calculation Date, without any consideration. To the extent the number of Earned Shares is greater than the number of Target Performance Shares, the Grantee shall, within 60 days of the Earned Shares Calculation Date, be issued additional Performance-Based Shares equal to such excess.

(b) Calculation of Performance Score. The performance score (the "**Performance Score**") will be based on the achievement of total shareholder return ("**TSR**") (the "**Performance Metric**"), determined as set forth below, over the three year period (the "**Performance Period**") starting on December 31, 202__ and ending on December 31, 202__ (the "**Earned Shares Calculation Date**"). The Performance Score shall be equal to the percentage score of the Performance Metric, not to exceed 200%, determined as of the Earned Shares Calculation Date based on the percentage achievement of the Performance Metric on such date as set forth in the following table, with the percentage achievement of the Performance Metric between the numbers set forth below to be determined by linear interpolation:

[INSERT PERFORMANCE METRIC]

As used herein TSR will be the percentage total shareholder return calculated as follows: "Performance Period End Price" *minus* "Performance Period Beginning Price" *plus* "Total Dividends" *divided by* "Performance Period Beginning Price" where (x) the "**Performance Period Beginning Price**" is $___, which was the closing price of the Company's stock on December 31, 202__, (y) the "**Performance Period End Price**" is the average closing price of the Company's stock for the preceding 60 trading days ending on and including the Earned Shares Calculation Date, and (z) the "**Total Dividends**" is the aggregate amount of dividends paid by the Company during the Performance Period.

(c) Vesting of Earned Shares. To the extent not previously forfeited and except as set forth in Sections 3(d) and 3(e) below, one-third (1/3) of the Earned Shares shall become vested on each of the third (3rd), fourth (4th) and fifth (5th) anniversaries of the Grant Date if the Grantee is continuously employed by the Company, and does not breach the Restrictive Covenants, through each such anniversary. Except as provided in Sections 3(d) and 3(e), in the event the Grantee's employment terminates or breaches the Restrictive Covenants prior to the applicable vesting date, any Earned Shares (and prior to the Earned Shares Calculation Date, any Target Performance Shares) that have not become vested on or prior to the applicable vesting date shall be forfeited by the Grantee.

(d) Treatment of Performance-Based Shares Upon Change in Control. Notwithstanding the general provisions of Sections 3(a) and Section 3(c) above, the then outstanding Performance-Based Shares shall be treated in a manner consistent with Section 9(a)(ii) of the Plan in the event of a Change in Control. In addition, notwithstanding the general provisions of Section 3(c) above, the Earned Shares shall become vested on the Earned Shares Calculation Date in the event the Grantee's employment terminates as a result of his death or Disability prior to such date.

(e) Treatment of Performance-Based Shares Upon Retirement; Termination without Cause. In the event of the Grantee's Retirement or the Grantee is terminated without Cause on or before December 31, 202__, the Performance-Based Shares shall be earned on the Earned Shares Calculation Date (and any additional Earned Shares issue) in accordance with Section 3(a) above. In the event of the Grantee's Retirement or the Grantee is terminated without Cause prior to the applicable vesting date, the Earned Shares shall remain outstanding and subject to forfeiture in the event the Grantee violates any Restrictive Covenants prior to the vesting dates set forth in Section 3(c) above. Any Earned Shares held by the Grantee after giving effect to the satisfaction of any tax withholding obligation as provided under Section 7 shall be subject to transfer restrictions and may not be sold until such Earned Shares would have vested under Section 3(c) had the Grantee remained employed though the applicable vesting date.

4. No Right to Continued Employment; Post-Employment Restrictions. The grant of the Shares hereunder shall not be construed as granting to the Grantee any right of continued employment, and the right of the Company to terminate the Grantee's employment at any time at will (whether by dismissal, discharge or otherwise) is specifically reserved.

5. Nonassignability of the Shares. The Shares are personal to the Grantee and, except as expressly permitted in this Agreement or the Plan, no rights granted hereunder may be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and no such rights shall be subject to execution, attachment or similar process, except that the Shares may be transferred, in whole or in part, to any Permitted Transferee, provided that such Permitted Transferees shall be bound by the provisions of this Agreement. Any person or entity to whom the Shares have been transferred in whole or in part in accordance with this Section 5 shall, to the extent of the transfer, succeed to the rights and obligations of the Grantee under this Agreement.

6. Legend. Until the vesting of the Shares and the end of any transfer restriction pursuant to Sections 2 and 3 above, each certificate evidencing such Shares shall be registered in the Grantee's name and shall bear the following legend: "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE) CONTAINED IN A RESTRICTED STOCK AGREEMENT BETWEEN MBIA INC. AND GRANTEE, AND NEITHER THIS CERTIFICATE NOR THE SHARES REPRESENTED BY IT ARE ASSIGNABLE OR OTHERWISE TRANSFERABLE EXCEPT IN ACCORDANCE WITH SUCH AGREEMENT, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY." Promptly following the vesting of any Shares or the end of any transfer restriction with respect to any Shares pursuant to Sections 2 and 3 above, the Grantee or any broker designated by the Grantee shall be furnished certificate(s) or book entry evidence of ownership of such Shares that bear no such legend for any such Shares that have vested or with respect to which the transfer restriction has ended.

7. Withholding. Without limiting the Company's authority under the Plan, the Grantee agrees that the Company shall withhold a sufficient number of vested Shares that have an aggregate Fair Market Value on the date of vesting required to cover any applicable tax withholding requirements arising out of this Agreement.

8. Amendment or Waiver. No provision of this Agreement may be amended unless such amendment is set forth in a writing that is signed by the Parties and that specifically identifies the provision(s) being amended. No waiver by any person of any breach of any condition or provision contained in this Agreement shall be deemed a waiver of any breach of a similar or dissimilar condition or provision at the same or any prior or any subsequent time. To be effective, any waiver must be in writing signed by the waiving person.

9. References and Headings. References herein to rights and obligations of the Grantee shall apply, where appropriate, to the estate or other legal representative of the Grantee or his successors and assigns as permitted under this Agreement, as the case may be, without regard to whether specific reference to such estate or other legal representative or his successors and assigns is contained in a particular provision of this Agreement. The headings of Sections contained in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

10. Notices. Any notice required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been given (**a**) when delivered directly to the person concerned or (**b**) three business days after being sent by postage-prepaid certified or registered mail or by nationally recognized overnight carrier, return receipt requested, duly addressed to the person concerned at the location indicated below (or to such changed address as such party may subsequently by similar process give notice of):

If to the Company, at the Company's headquarters and to the attention of the Office of the Secretary, with a copy to Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022, Attention: Lawrence K. Cagney.

If to the Grantee, at the Company's headquarters and to the attention of the Grantee.

If to a transferee permitted under Section 5, to the address (if any) supplied by the Grantee to the Company.

11. Resolution of Disputes. Any dispute or controversy arising out of or relating to this Agreement, the Grantee's employment with the Company, or the termination thereof, shall be resolved by binding confidential arbitration, to be held in New York City before three arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Each of the Parties shall be entitled to appoint one of the three arbitrators and the third arbitrator shall be appointed by the arbitrators appointed by the Parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Company shall promptly pay all costs and expenses, including without limitation reasonable attorneys' fees, incurred by the Grantee (or his permitted successors and assigns) in resolving any claim raised in such an arbitration, other than any claim brought by the Grantee (or the Grantee's permitted successors and assigns) that the arbitrator(s) determine to have been brought (**a**) in bad faith or (**b**) without any reasonable basis.

12. The Company's Representations. The Company represents and warrants that (**a**) it is fully authorized by action of the Board and of the Committee (and of any other person or body whose action is required) to enter into this Agreement and to perform its obligations hereunder; (**b**) the grant of the Shares and this Agreement have been approved in accordance with Rule 16b-3(d)(1) promulgated under the 1934 Act; (**c**) the execution, delivery and performance of this Agreement by the Company does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document of the Company; and (**d**) upon the execution and delivery of this Agreement by the Company and the Grantee, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

13. Successors.

(a) This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors, heirs (in the case of the Grantee) and assigns.

(b) No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights and obligations may be assigned or transferred pursuant to a merger, consolidation or other combination in which the Company is not the continuing entity, or a sale or liquidation of all or substantially all of the business and assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the business and assets of the Company and such assignee or transferee expressly assumes the liabilities, obligations and duties of the Company as set forth in this Agreement. In the event of any merger, consolidation, other combination, sale of business and assets, or liquidation as described in the preceding sentence, the Company shall use its best reasonable efforts to cause such assignee or transferee to promptly and expressly assume the liabilities, obligations and duties of the Company hereunder.

14. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Connecticut without regard to the principles of conflict of laws.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one document.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

MBIA INC.

GRANTEE

Grantee

Exhibit 21

SUBSIDIARIES OF MBIA INC.

Name of Subsidiary	State/Country of Incorporation
Alliance For Responsible Municipal Government, LLC	Delaware
MBIA Capital Corp.	Delaware
MBIA Global Funding, LLC	Delaware
MBIA Insurance Corporation	New York
MBIA Mexico, S.A. de C.V.	Mexico
MBIA Services Corporation	Delaware
Municipal Issuers Service Corporation	New York
MZ Funding LLC	Delaware
National Public Finance Guarantee Holdings, Inc.	Delaware
National Public Finance Guarantee Corporation	New York
Promotora de Infraestructura Registral II, S.A. de C.V., SOFOM, E.R.	Mexico

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-34101, 033-46062, 333-84300, 333-127539, 333-149839, 333-152894, 333-159648, 333-165713, 333-183529, 333-190738, 333-194335 and 333-262687) of MBIA Inc. of our report dated February 28, 2022 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
New York, New York
February 28, 2022

Exhibit 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William C. Fallon, certify that:

1. I have reviewed the Annual Report of MBIA Inc. (the “Company”) on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”);

2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;

4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and

   (d) disclosed in this Report any change in the Company’s internal control over financial reporting that occurred during the Company’s fourth quarter of 2021 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the audit committee of the board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ William C. Fallon

William C. Fallon
Chief Executive Officer
February 28, 2022

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony McKiernan, certify that:

1. I have reviewed the Annual Report of MBIA Inc. (the “Company”) on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”);
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
   (d) disclosed in this Report any change in the Company’s internal control over financial reporting that occurred during the Company’s fourth quarter of 2021 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the audit committee of the board of directors:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ Anthony McKiernan
Anthony McKiernan
Chief Financial Officer
February 28, 2022

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of MBIA Inc. (the “Company”) on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William C. Fallon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Fallon
William C. Fallon
Chief Executive Officer
February 28, 2022

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of MBIA Inc. (the “Company”) on Form 10-K for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony McKiernan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony McKiernan
Anthony McKiernan
Chief Financial Officer
February 28, 2022