

MBIA Issues Letter to Owners

ARMONK, N.Y.--(BUSINESS WIRE)--MBIA Inc. (NYSE:MBI - News):

Dear Owners:

In my first letter to you last Tuesday the 19th, I told you that I believe the structure of the financial guarantee industry needs to be changed. I said that we are looking at a number of different approaches to transform MBIA with the goal of ensuring that if we're ever faced with an industry crisis even close to the magnitude of the one we're experiencing today, we would be in a position to maintain our operating flexibility and manage our capital needs on a more cost effective basis. We would continue to be more than capable of honoring our obligations to all of our policyholders, as we are doing today, while continuing to write new business.

It's been a non-stop first week back for me, and I'm pleased to tell you that we've made a number of important decisions that will help guide the transformation of our business and allow us to achieve the goals that I laid out for you last week. Just last Wednesday I met with the Honorable Eric Dinallo, Superintendent of the New York State Insurance Department, and shared my vision of MBIA's future with him. We're in frequent and active contact with Mr. Dinallo and his team, who have been enormously supportive of our efforts. We're indebted to them for their guidance and encouragement throughout our discussions. We are also in close contact with the rating agencies to assure that our transformation strategy achieves the highest ratings for our insurance business.

One of the points we've made clear in our discussions is that we will only restructure on a timeframe and in a manner that allows us to carefully consider the needs of all of our stakeholders. First among all considerations is that we will protect the interests of all of our policyholders. That is why, as soon as it's feasible but within a five-year period, we will restructure the company in such a way as to insure public and structured finance business from separate operating entities. We have already made the decision to cease ensuring new derivative credit contracts from our insurance companies. My goal is to retain the highest ratings that we can for both our structured and public finance businesses, and I believe this can be accomplished by separating these two business lines and leaving the derivative market to the traders on Wall Street.

While we continue to evaluate our options, I have suspended the writing of all new structured finance business for approximately six months. Further, the flexibility and preservation of our capital remains a high priority for us. That is why today your board voted today to eliminate the quarterly dividend, effective immediately. This move will preserve approximately \$174 million, which is the amount that the Company paid out in dividends in 2007.

I fully support this decision by the board, even though – as MBIA's largest individual shareholder – I'm the first one to feel the pinch. But I hope you see this, along with the fact that I have never sold a share of MBIA stock or exercised any options during my previous tenure, along with my commitment to buy a substantial number of additional shares, as a demonstration of my absolute commitment to be aligned with our owners. Going forward we will declare and pay dividends on an annual, rather than quarterly basis.

In a move to level the playing field in terms of the cost of capital, we will escalate our efforts to campaign vigorously against the ability of U.S. financial guarantors to reinsure U.S. domestic financial guarantee transactions with foreign affiliates without paying U.S. corporate tax rates. As more money comes into existing and new competitors' public finance business, the discrepancy this loophole allows becomes even more pronounced. In a competitive and open market to provide all American public entities with access to the capital markets, it makes no sense to allow foreign competitors with U.S. domiciled operations to operate without paying their fair share of U.S. taxes. After nine years of trying to use mainly logic to make this argument to those who can affect this change, we have decided to enlist help and thus will earmark a minimum of \$1 million this year to support the Coalition for a Domestic Insurance Industry. We are prepared to pay more if that proves insufficient! I've been against this loophole for years, and discussed it in my first investor conference in 1999. I still don't look good in Bermuda shorts but we will eventually have to move the company if the U.S. tax code is not modified.

Also related to capital outlay (and some might say significant capital outlay) is executive compensation – in

particular, the compensation packages structured for our executives. Starting with me, we will ask our shareholders at our next annual meeting to vote on the restricted stock awarded to me that you saw in a recent 8K filing. Our commitment to "say on pay" is to lead rather than be compelled, and we will provide an opportunity for our owners to vote on the board's significant decisions on executive pay beginning at the 2009 annual meeting. We're working for you, and you should be able to tell your board if you think we're worth what we're being paid.

In addition to coordinating our plan going forward, I spent a good portion of the last week and weekend with our financial team reviewing our draft 2007 financial statements which will be filed in a few days. As you might expect, a significant portion of that time has been spent on the two key areas requiring both the most extensive analysis and sound judgment: loss reserves and our mark-to-market (MTM) on credit derivative transactions. If I was not already familiar with the company's existing valuation approaches, this is all I would have been doing as it is a difficult and complex task for both the internal teams and the company's auditors to establish best estimates in the most volatile credit markets in the company's history. I have a few more follow-up questions that need to be answered for me to confirm the company's preliminary results which were released a few weeks ago. That said, it is clear that the continued lack of any market valuations based on cash trades continues, and the extreme spread widening we and others are forced to rely on for valuation in the credit derivative market means we are likely to have another MTM in the first quarter. And the continued uncertainty surrounding the housing market, liquidity for refinancings, impact of the interest rate cuts and Congress' economic stimulus legislation mean we will need to continuously review our loss reserve modeling assumptions.

Everything we are working towards right now is centered on regaining stability in these volatile times. You can find a list of the decisions and principles we're using to guide our transformation on www.mbia.com. Make no mistake, we still have work to do, and I will keep you informed as we make progress with our plans. But the net of it is this: we know where we're going. We're on a path now that will allow us to achieve and deliver financial stability to our many constituents for the long term. Our path is not the same road that others in our industry are taking. For example, we were the only monoline to pursue an aggressive capital plan, and we raised over \$2.6 billion in new capital and preserved over \$500 million in a two-month period. Yes, we're following our own course, but this shouldn't surprise anyone. Our direction is consistent with actions only the industry leader could take.

But as the leading monoline, we are also a convenient and attractive target for self-interested parties such as Mr. William Ackman. Many of you have asked me in the past few days whether there is something personal between us. In actual fact we have many similarities. We are both extremely passionate in our beliefs and are persistent in overcoming all obstacles in terms of reaching our objectives. The real difference is that I am leading a regulated institution that provides security, jobs and peace of mind to tens of thousands of institutions and millions of individual investors. Mr. Ackman's objective is less complex; he will stop at nothing to increase his already enormous personal profits as he systematically tries to destroy our franchise and our industry. His campaign against us has increased our cost of capital, but his intent to force a collapse has no chance to succeed.

The continuing uncertainty in the mortgage markets tells me that we can expect a bumpy ride over the coming months and possibly longer. I am truly thrilled to be back in the driver's seat at MBIA, and I fully expect that together we'll reach our goal of financial stability and long-term value in the years ahead.

As always, thank you for your continuing loyalty and confidence in our company.

Sincerely,

Jay Brown
Chairman and CEO
MBIA

This release contains statements about future results that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Readers are cautioned that these statements are not guarantees of future performance. There are a variety of factors, many of which are beyond MBIA's control, which affect the operations, performance, business strategy and results and could cause its actual results to differ materially from the expectations and

objectives expressed in any forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date they are made. MBIA does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements are made. The reader should, however, consult any further disclosures MBIA may make in its future filings of its reports on Form 10-K, Form 10-Q and Form 8-K.

MBIA Inc., through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA's innovative and cost-effective products and services meet the credit enhancement, financial and investment needs of its public and private sector clients, domestically and internationally. MBIA Inc.'s principal operating subsidiary, MBIA Insurance Corporation, has the following financial strength ratings: Triple-A from Fitch Ratings with ratings on Rating Watch Negative; Triple-A with a negative outlook from Standard & Poor's Ratings Services; and Triple-A on review for possible downgrade from Moody's Investors Service. Please visit MBIA's Web site at www.mbia.com.

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