

MBIA INC  
Form 11-K  
June 27, 2005  
Table of Contents

---

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

---

## FORM 11-K

---

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004 or

.. TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9583

---

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

**MBIA INC.**  
**401(k) Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

**MBIA Inc.**

**113 King Street**

**Armonk, N. Y. 10504**

---

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**DECEMBER 31, 2004 AND 2003**

**SUPPLEMENTAL SCHEDULE**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2004**

---

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**FINANCIAL STATEMENTS**

**INDEX**

|   | <b>Page</b> |
|---|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>  | 2           |
| Financial Statements:   |             |
| <u>Statements of Net Assets Available for Plan Benefits as of December 31, 2004 and 2003</u>                          | 3           |
| <u>Statements of Changes in Net Assets Available for Plan Benefits for the years ended December 31, 2004 and 2003</u> | 4           |
| <u>Notes to Financial Statements</u>  | 5-10        |
| <u>Schedule of Assets (Held at End of Year) as of December 31, 2004</u>   | 11          |
| <u>Signatures</u>   | 12          |
| <u>Consent of Independent Registered Public Accounting Firm</u>   | 13          |

Schedules other than those listed above have been omitted since they are either not required or not applicable.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Participants and Administrator of

MBIA Inc. 401(k) Plan:

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for benefits of MBIA Inc. 401(k) Plan (the Plan) at December 31, 2004 and December 31, 2003, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ PricewaterhouseCoopers LLP

New York, NY

June 27, 2005

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS**

|  | <b>December 31,</b>   | <b>December 31,</b>   |
|--|-----------------------|-----------------------|
|  | <b>2004</b>           | <b>2003</b>           |
|  | <u>          </u>     | <u>          </u>     |
| Investments, at fair value: (Note 4)   |                       |                       |
| Mutual funds                           | \$ 56,594,332         | \$ 53,837,167         |
| Common stock                           | 46,733,518            | 49,726,478            |
|  | <u>          </u>     | <u>          </u>     |
|  | 103,327,850           | 103,563,645           |
| Plan receivable                        |                       | 21,471                |
| Participant loans                      | 755,317               | 934,847               |
|  | <u>          </u>     | <u>          </u>     |
| Net assets available for plan benefits | <u>\$ 104,083,167</u> | <u>\$ 104,519,963</u> |

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

**Table of Contents****MBIA INC.****401(k) PLAN****STATEMENTS OF CHANGES IN NET ASSETS****AVAILABLE FOR PLAN BENEFITS**

|  | <b>Years ended December 31</b> |                       |
|--|--------------------------------|-----------------------|
|  | <b>2004</b>                    | <b>2003</b>           |
| <b>Additions:</b>                                      |                                |                       |
| Additions to net assets attributed to:                 |                                |                       |
| Investment income:                                     |                                |                       |
| Net appreciation in fair value of investments (Note 4) | \$ 6,329,584                   | \$ 22,258,497         |
| Interest and dividends                                 | 2,192,109                      | 1,681,832             |
| Contributions:   |                                |                       |
| Employees' salary deferral                             | 4,773,465                      | 4,569,621             |
| Employer   | 2,972,978                      | 2,980,435             |
| Plan receivable  |                                | 21,471                |
| <b>Total additions</b>                                 | <b>16,268,136</b>              | <b>31,511,856</b>     |
| <b>Deductions:</b>                                     |                                |                       |
| Deductions from net assets attributed to:              |                                |                       |
| Benefit distributions                                  | (16,704,932)                   | (4,638,985)           |
| Other distributions                                    |                                | (314,122)             |
| <b>Total deductions</b>                                | <b>(16,704,932)</b>            | <b>(4,953,107)</b>    |
| <b>Net (decrease) increase</b>                         | <b>(436,796)</b>               | <b>26,558,749</b>     |
| Net assets available for plan benefits:                |                                |                       |
| Beginning of year                                      | 104,519,963                    | 77,961,214            |
| <b>End of year</b>                                     | <b>\$ 104,083,167</b>          | <b>\$ 104,519,963</b> |

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

---

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS**

**1. Plan Description**

The MBIA Inc. 401(k) Plan (the Plan), formerly known as the MBIA, Inc. Employees Profit Sharing and 401(k) Salary Deferral Plan, is a defined contribution plan for employees of MBIA Inc. and Subsidiaries (the Company) who are at least 21 years of age. Leased employees, temporary employees and employees classified as interns are not eligible to participate in the Plan. Under a 401(k) deferral feature, eligible participants may defer up to 10% of their total eligible compensation. Matching contributions are made by the Company, in the form of MBIA Inc. common stock, at the rate of 100% of the participant's contribution up to a maximum of 5% of the participant's eligible compensation. Effective January 1, 2002, the Plan was amended to allow employees that met certain criteria to diversify the Company matching contribution. Participants may request loans from their accounts in accordance with established guidelines.

The Plan's assets are managed by Fidelity Management Trust Company (Fidelity), the investment advisor, trustee and custodian. The participants of the Plan have the option to direct the investment of their contribution share into one or more of nineteen Fidelity funds, one or more of two Baron Asset Management Company, Inc. (Baron) funds, one or more of three 1838 Investment Advisors, LLC (1838) funds, one Morgan Stanley fund, one PIMCO fund and the Employer Stock Fund. In May 2004, the Company sold the assets of its wholly-owned subsidiary, 1838. The Company is currently evaluating whether it will continue to offer the 1838 managed funds as investment options under the Plan. The transactions with Fidelity and the Company qualify as exempt party-in-interest transactions.

Vesting in employer contributions begins after two years of service and full vesting is achieved after five years of service. Participants are fully vested in their salary deferred contributions at all times. Upon reaching the normal retirement date, death or becoming disabled, a participant will be entitled to receive benefit payments. Nonvested benefits remaining after termination of employment are forfeited and generally may serve to pay the Plan's administrative expenses and are otherwise used to reduce future Company contributions. During 2002 and 2003, no forfeitures had been utilized pursuant to the terms of the Plan and therefore the Company was entitled to receive a distribution to correct this oversight. The distribution of \$334,235 inadvertently included \$20,113 of earnings that constituted a nonexempt prohibited transaction under ERISA which the Company returned to the Plan with interest of \$2,782 in July 2004. During 2004, \$177,358 of forfeitures were used to fund the Company's matching obligation pursuant to the terms of the Plan. The forfeiture balance as of December 31, 2004 and 2003 was \$7,331 and \$78,948, respectively.

A participant is entitled to the benefit that can be provided by the contributions and income thereon, including net realized and unrealized investment gains and losses of each participant's account. Upon retirement, disability, death or termination, a participant or beneficiary can elect to receive either a lump-sum distribution or installment distributions.



**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ( ERISA ). Participants should refer to the Summary Plan Description and Plan Document for specific information regarding Plan provisions.

**2. Summary of Significant Accounting Policies**

The financial statements have been prepared on the basis of 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, changes therein and disclosure 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.

The Plan provides for various investment options in any combination of stocks, bonds, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the Statement of Net Assets Available for Plan Benefits. Approximately 45% of the Net Assets Available for Plan Benefits is comprised of the Company's common stock.

Significant accounting policies are as follows:

***Basis of Accounting***

The financial statements of the Plan are prepared under the accrual method of accounting.

***Investments***

The Plan's shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. The Plan's common stock is valued at the current fair value based on last reported sales price on the last business day of the year. Participant loans are stated at cost, plus accrued interest, which approximates market value.

Interest income from investments is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date.

The Plan's net appreciation (depreciation) in the fair value of its investments consists of the realized gains or losses and the unrealized appreciation (depreciation) on investments.

***Contributions***

Contributions from eligible participants and matching Company contributions are recorded in the month the related payroll deductions are made.

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

***Participant Accounts***

Each participant has an account which is credited with the Company's contribution, employees' contribution and the net results from the investment activities of the participant's account.

***Participant Loans***

Loan balances outstanding are reflected as assets of the Plan. Interest income on the loans is recorded as earned.

***Payment of Benefits***

Benefits are recorded when paid.

***Administrative Expenses***

Administrative expenses, which consist primarily of investment management, record keeping and auditing fees, are paid directly by the Company rather than out of Plan assets. Employee loan fees are paid out of the participants' accounts.

**3. Plan Termination**

The Company has not expressed any intent to discontinue its contributions or terminate the Plan. However, it reserves the right to temporarily suspend contributions to or amend or terminate the Plan. Upon termination of the Plan, the accounts of all participants shall become fully vested, and the net assets of the Plan shall be distributed among the participants and beneficiaries of the Plan in proportion to their respective account balances, subject to the provisions of ERISA.

**Table of Contents****MBIA INC.****401(k) PLAN****NOTES TO FINANCIAL STATEMENTS (Continued)****4. Investments**

The Plan's investments at fair value as of December 31, 2004 and 2003, are presented in the following table:

|   | <u>December 31,</u><br><u>2004</u> | <u>December 31,</u><br><u>2003</u> |
|---|------------------------------------|------------------------------------|
| Common Stock:   |                                    |                                    |
| MBIA Inc. Stock   | \$ 46,733,518*                     | \$ 49,726,478*                     |
| Mutual Funds:   |                                    |                                    |
| Fidelity Puritan Fund                                       | 1,646,466                          | 1,541,139                          |
| Fidelity Magellan Fund                                      | 3,589,986                          | 3,935,323                          |
| Fidelity Growth Company Fund                                | 5,446,159*                         | 5,409,058*                         |
| Fidelity Growth and Income Portfolio                        | 11,508,820*                        | 12,047,109*                        |
| Fidelity Intermediate Bond Fund                             | 3,195,325                          | 2,876,256                          |
| Fidelity Value Fund   | 2,550,352                          | 1,832,563                          |
| Fidelity Overseas Fund                                      | 3,698,021                          | 3,333,822                          |
| Fidelity Blue Chip Growth Fund                              | 4,865,832                          | 4,744,644                          |
| Fidelity Spartan U.S. Equity Index Fund                     | 6,079,040*                         | 5,242,447*                         |
| Fidelity Managed Income Fund                                | 9,266,479*                         | 7,494,367*                         |
| Fidelity Low-priced Stock Fund                              | 790,311                            | 345,463                            |
| Fidelity Freedom Fund 2010                                  | 47,005                             |                                    |
| Fidelity Freedom Fund 2015                                  | 1,595                              |                                    |
| Fidelity Freedom Fund 2020                                  | 49,343                             |                                    |
| Fidelity Freedom Fund 2025                                  | 36,162                             |                                    |
| Fidelity Freedom Fund 2030                                  | 22,997                             |                                    |
| Fidelity Freedom Fund 2035                                  | 1,636                              |                                    |
| Fidelity Freedom Fund 2040                                  | 66                                 |                                    |
| Baron Asset Fund  | 592,869                            | 334,116                            |
| Baron Growth Fund   | 769,547                            | 202,769                            |
| 1838 International Equity Fund                              | 950,347                            | 1,516,067                          |
| 1838 Large Cap Equity Fund                                  |                                    | 1,996,734                          |
| 1838 Fixed Income Fund                                      | 527,899                            | 564,134                            |
| PIMCO High Yield Bond Fund                                  | 458,056                            | 195,643                            |
| Morgan Stanley Inst. International Equity Portfolio-Class B | 500,019                            | 225,513                            |
|   | <u>\$ 103,327,850</u>              | <u>\$ 103,563,645</u>              |
| Participant Loans**   | 755,317                            | 934,847                            |

\* Each of these investments, at fair value, represents 5% or more of the Plan's net assets at December 31, 2004 and 2003, respectively.

\*\* Interest rates range from 6.25% - 11.5%. Maturity dates range from 2/28/05 - 5/9/14.



**Table of Contents****MBIA INC.****401(k) PLAN****NOTES TO FINANCIAL STATEMENTS (Continued)**

The Plan's net appreciation in fair value of investments for the year ended December 31, 2004 and 2003, were as follows:

|                                 | <b>Years ended December 31,</b> |                      |
|---------------------------------|---------------------------------|----------------------|
|                                 | <b>2004</b>                     | <b>2003</b>          |
| <b>Investments:</b>             |                                 |                      |
| Mutual funds                    | \$ 3,452,519                    | \$ 8,635,214         |
| Common stock                    | 2,877,065                       | 13,623,283           |
| <b>Net change in fair value</b> | <b>\$ 6,329,584</b>             | <b>\$ 22,258,497</b> |

**5. Nonparticipant-Directed Investments**

Information about the net assets and the significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

|                    | <b>Years ended December 31,</b> |                      |
|--------------------|---------------------------------|----------------------|
|                    | <b>2004</b>                     | <b>2003</b>          |
| <b>Net assets:</b> |                                 |                      |
| Common stock       | \$ 46,733,518                   | \$ 49,726,478        |
| <b>Total</b>       | <b>\$ 46,733,518</b>            | <b>\$ 49,726,478</b> |

|                              | <b>Year ended</b>        |           |
|------------------------------|--------------------------|-----------|
|                              | <b>December 31, 2004</b> |           |
| <b>Change in net assets:</b> |                          |           |
| Net appreciation             | \$                       | 2,877,065 |
| Interest and dividends       |                          | 753,116   |
| Contributions                |                          | 3,180,514 |

|   |                |
|---|----------------|
| Benefit distributions                         | (6,308,787)    |
| Transfers to participant-directed investments | (3,494,868)    |
|   | <hr/>          |
| Net change in fair value                      | \$ (2,992,960) |
|   | <hr/>          |

**6. Tax Status**

The Internal Revenue Service has advised that the Plan constitutes a qualified plan under Section 401 (a) of the Internal Revenue Code and is therefore exempt from federal income taxes under provisions of Section 501 (a). The Plan obtained its latest determination letter on April 30, 2003 in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. There have been no Plan amendments since the date of the determination letter.

**Table of Contents**

**MBIA INC.**

**401(k) PLAN**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**7. Indemnification**

In the normal course of business, the Plan enters into agreements that contain a variety of representations and warranties, which provide general indemnifications. The Plan's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Plan that have not yet occurred. However, based on experience, the Plan expects the risk of loss to be remote.



**Table of Contents****MBIA INC.****401(k) PLAN****SUPPLEMENTAL SCHEDULE****SCHEDULE OF ASSETS (HELD AT END OF YEAR)****December 31, 2004**

| <u>Identity of issue</u>                                    | <u>Description</u>    | <u>Cost <sup>(1)</sup></u> | <u>Current Value</u>  |
|---|-----------------------|----------------------------|-----------------------|
| MBIA Inc. Common Stock*                                     | Common stock          | \$ 43,909,237              | \$ 46,733,518         |
| Fidelity Puritan Fund*                                      | Mutual fund           |                            | 1,646,466             |
| Fidelity Magellan Fund*                                     | Mutual fund           |                            | 3,589,986             |
| Fidelity Growth Company Fund*                               | Mutual fund           |                            | 5,446,159             |
| Fidelity Growth and Income Portfolio*                       | Mutual fund           |                            | 11,508,820            |
| Fidelity Intermediate Bond Fund*                            | Mutual fund           |                            | 3,195,325             |
| Fidelity Value Fund*  | Mutual fund           |                            | 2,550,352             |
| Fidelity Overseas Fund*                                     | Mutual fund           |                            | 3,698,021             |
| Fidelity Blue Chip Growth Fund*                             | Mutual fund           |                            | 4,865,832             |
| Fidelity Spartan U.S. Equity Index Fund*                    | Mutual fund           |                            | 6,079,040             |
| Fidelity Managed Income Fund*                               | Mutual fund           |                            | 9,266,479             |
| Fidelity Low-priced Stock Fund*                             | Mutual fund           |                            | 790,311               |
| Fidelity Freedom Fund 2010*                                 | Mutual fund           |                            | 47,005                |
| Fidelity Freedom Fund 2015*                                 | Mutual fund           |                            | 1,595                 |
| Fidelity Freedom Fund 2020*                                 | Mutual fund           |                            | 49,343                |
| Fidelity Freedom Fund 2025*                                 | Mutual fund           |                            | 36,162                |
| Fidelity Freedom Fund 2030*                                 | Mutual fund           |                            | 22,997                |
| Fidelity Freedom Fund 2035*                                 | Mutual fund           |                            | 1,636                 |
| Fidelity Freedom Fund 2040*                                 | Mutual fund           |                            | 66                    |
| Baron Asset Fund  | Mutual fund           |                            | 592,869               |
| Baron Growth Fund   | Mutual fund           |                            | 769,547               |
| 1838 International Equity Fund                              | Mutual fund           |                            | 950,347               |
| 1838 Fixed Income Fund                                      | Mutual fund           |                            | 527,899               |
| PIMCO High Yield Bond Fund                                  | Mutual fund           |                            | 458,056               |
| Morgan Stanley Inst. International Equity Portfolio Class B | Mutual fund           |                            | 500,019               |
|   |                       |                            | <b>\$ 103,327,850</b> |
| Participant loans*  | Interest rates: 6.25% |                            |                       |
|   | -11.5%; Maturity      |                            |                       |
|   | dates: 2/28/05-5/9/14 |                            | 755,317               |
| <b>Total</b>  |                       |                            | <b>\$ 104,083,167</b> |

<sup>(1)</sup> Cost is not required for participant directed investments.

\* Fidelity Management Trust Company and MBIA Inc. are parties-in-interest.

**Table of Contents**

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 27, 2005

**MBIA Inc.  
401(k) Plan**

/s/ NICHOLAS FERRERI

---

Nicholas Ferreri  
Vice President  
Chief Financial Officer

Date: June 27, 2005

/s/ KEVIN D. SILVA

---

Kevin D. Silva  
Plan Administrator  
Chief Administrative Officer

**Table of Contents**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-46062) of MBIA Inc. 401(k) Plan of our report dated June 27, 2005, relating to the financial statements and schedule of MBIA Inc. 401(k) Plan, which appears in this Form 11-K.

/s/ PricewaterhouseCoopers LLP

New York, NY

June 27, 2005