

RatingsDirect®

Research Update:

BAM, MBIA, National Ratings Placed On CreditWatch Negative On Review Of Bond Insurers' Competitive Positions

Primary Credit Analyst:

David S Veno, Hightstown (1) 212-438-2108; david.veno@spglobal.com

Secondary Contact:

Lakshmi Shalini, New York 212-438-0091; lakshmi.shalini@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

CreditWatch

Related Criteria

Ratings List

Research Update:

BAM, MBIA, National Ratings Placed On CreditWatch Negative On Review Of Bond Insurers' Competitive Positions

Overview

- We intend to review the bond insurers and may adjust certain ratings based on a company's competitive strengths or weaknesses relative to its peers.
- We are placing our ratings on BAM and National on CreditWatch Negative, as our review may lead to a downgrade of both of those entities.
- We expect to complete our review within the next three months.

Rating Action

On June 6, 2017, S&P Global Ratings placed its 'AA' financial strength rating on Build America Mutual Assurance Co. (BAM) on CreditWatch with negative implications. We also placed our 'A-' long-term counterparty credit rating on MBIA Inc. and our 'AA-' financial strength rating on National Public Finance Guarantee Corp. (National) on CreditWatch with negative implications.

Rationale

The CreditWatch placements are based on our view that BAM and National's competitive positions may be sufficiently weaker within the industry than Assured Guaranty Ltd.'s operating subsidiaries, making greater rating differentiation appropriate.

The rating action on BAM is based on our view that, although the company has experienced an increase in business volume year-over-year, its share of the amount of industry insured par and premiums written, as well as its risk-based pricing, may not support the rating. In addition, an underwriting strategy focused solely on the U.S. public finance market--and not all sectors within that market--may limit BAM's competitive position more than we originally thought.

The rating actions on National and MBIA Inc. are based on our view that National has been struggling to gain wide market acceptance. In addition, its risk-adjusted pricing, although improving, is currently the lowest within the industry. With an underwriting strategy also focused on the U.S. public finance market, National is exposed to volatility and the macroeconomics of a single market, in our view. Our rating on MBIA reflects its structural subordination to National.

We are unlikely to take a rating action on Assured's bond insurance subsidiaries as part of this review, and have therefore not placed those ratings on CreditWatch. Assured's strong competitive position is built on a proven track record of credit discipline and market leadership in terms of par insured, premiums written, and risk-based pricing. Although much of the company's business has been in the U.S. public finance market, it has the most diverse underwriting strategy of any bond insurer, also conducting business in the global structured finance and international markets. We believe this strategy provides flexibility to capitalize on growth trends and pricing opportunities in one sector while others see less-favorable trends.

CreditWatch

To resolve our CreditWatch listings, we expect to review each bond insurer's competitive position and relative performance in depth. If we determine that a downgrade of BAM is appropriate, we do not expect to lower our ratings by more than one notch. If we determine that a downgrade of National and MBIA Inc. is appropriate, we do not expect to lower our ratings by more than three notches.

Related Criteria

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - Bond: Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Build America Mutual Assurance Company		
Counterparty Credit Rating		
Local Currency	AA/Watch Neg/--	AA/Stable/--
Financial Enhancement Rating		
Local Currency	AA/Watch Neg/--	AA/Stable/--
Financial Strength Rating		
Local Currency	AA/Watch Neg/--	AA/Stable/--
MBIA Inc.		
Counterparty Credit Rating	A-/Watch Neg/--	A-/Stable/--
Municipal Bond Insurance Assn.		

National Public Finance Guarantee Corp.

Counterparty Credit Rating

Local Currency

AA-/Watch Neg/--

AA-/Stable/--

Financial Strength Rating

Local Currency

AA-/Watch Neg/--

AA-/Stable/--

National Public Finance Guarantee Corp.

Financial Enhancement Rating

Local Currency

AA-/Watch Neg/--

AA-/Stable/--

MBIA Inc.

Senior Unsecured

A-/Watch Neg

A-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.