

**Research Update:**

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

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## 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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [www.spcapitaliq.com](http://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](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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