REPORT ON EXAMINATION
OF
BUILD AMERICA MUTUAL ASSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **TEENA VARGHESE**
DATE OF REPORT: **JUNE 10, 2025**

TABLE OF CONTENTS

ITEM		PAGE NO.
1.	Scope of examination	2
2.	Description of Company	3
	A. Corporate governance	4
	B. Territory and plan of operation	4
	C. Reinsurance ceded	6
	D. Holding company system	10
	E. Significant ratios	13
	F. Accounts and records	13
3.	Financial statements	14
	A. Balance sheet	14
	B. Statement of income	16
	C. Capital and surplus	17
4.	Losses and loss adjustment expenses	18
5.	Subsequent events	19
6.	Compliance with prior report on examination	19
7.	Summary of comments and recommendations	20

June 10, 2025

Honorable Adrienne A. Harris
Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32675 dated July 3, 2024, attached hereto, I have made an examination into the condition and affairs of Build America Mutual Assurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Build America Mutual Assurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Build America Mutual Assurance Company, a multi-state insurer. The previous examination was conducted as of December 31, 2018. This examination covered the five-year period from January 1, 2019 through December 31, 2023. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Reinsurance
Holding company description
Financial statement presentation
Loss review and analysis
Significant subsequent events
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Build America Mutual Assurance Company was incorporated under the laws of the State of New York on March 16, 2012. It became licensed on July 20, 2012 and commenced business on the same date.

On July 17, 2012, the Company received its initial funding with the proceeds from the sale of Series 2012-A Surplus Notes and Series 2012-B Surplus Notes to HG Holdings Ltd. ("HG Holdings"), a Bermuda holding company, and its wholly owned subsidiary, HG Re Ltd ("HG Re"), in the amounts of $203,000,000 and $300,000,000, respectively. The Series 2012-B Surplus Notes were held in a Supplemental Trust Account that is used to collateralize reinsurance obligations from HG Re to the Company under a first loss reinsurance treaty.

On August 2, 2017, the Department approved a series of transactions that (i) merged the two series of surplus notes into a new single class of notes and (ii) provided for the deposit of the entire class into the Supplemental Trust Account supporting the Company's reinsurance treaty with HG Re. Accordingly, on August 14, 2017, HG Re surrendered the Series 2012-A and Series 2012-B Surplus Notes and the Company issued surplus notes in the amount of $503 million "Series 2017 Surplus Notes" to HG Re in order to consolidate the Series 2012-A ($203,000,000) and Series 2012-B ($300,000,000) Surplus Notes into a single series.

The Company was organized as a mutual financial guaranty insurance company and is owned by and operated for the benefit of U.S. cities, states, and other municipal agencies that use the Company's financial guaranty to lower their cost of funding in the municipal market. Issuers whose debt is insured by the Company become members of the Company for as long as they have debt outstanding insured by the Company. Pursuant to the Company's by-laws, a member's ownership/voter interest is determined by a formula which relates the principal amount of outstanding obligations of the member insured by the Company to the largest member principal amount insured.

Upon the issuance of a policy, members are required to contribute to the Company's surplus. These paid-in amounts are called member surplus contributions. As of the examination date, the Company's surplus as regards policyholders included $545,163,778 in member surplus contributions.

The Company's by-laws state that it shall only issue non-assessable policies without the contingent mutual liability of the members for assessments.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of seven members. The board meets at least four times during each calendar year. At December 31, 2023, the board of directors was comprised of the following seven members:

Name and Residence	Principal Business Affiliation
Clarence Edward Anthony West Palm Beach, Florida	Chief Executive Officer and Executive Director, National League of Cities
Suzanne Marie Finnegan Bouton Cary, North Carolina	Chief Credit Officer and Secretary, Build America Mutual Assurance Company
Reid Tarlton Campbell Sarasota, Florida	President, White Mountains Insurance Group, Ltd.
Natalie Rena Cohen New York, New York	President and Founder, National Municipal Research, Inc.
Sean Wallace McCarthy New York, NY	Managing Director and Chief Executive Officer, Build America Mutual Assurance Company
George Manning Rountree Grafton, New Hampshire	Chief Executive Officer, White Mountains Insurance Group, Ltd.
Francis John White Philadelphia, Pennsylvania	Managing Director and Chairman, PFM Group

As of December 31, 2023, the principal officers of the Company were as follows:

Name	Title
Sean Wallace McCarthy	Managing Director and Chief Executive Officer
Suzanne Marie Finnegan Bouton	Chief Credit Officer and Secretary
Elizabeth Ann Keys	Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business in all 50 states and in the District of Columbia.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
16 (C)(D)(E)(F)(G)(H)(I)	Surety
25	Financial guaranty

Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13, 41 and 69 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $65,000,000.

The following schedule shows the direct written premiums and premiums assumed by the Company for the period under examination:

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2019	$27,862,895	$10,600,167	$38,463,062
2020	$61,516,296	$ 195,157	$61,711,453
2021	$51,229,548	$ 4,508,770	$55,738,318
2022	$64,246,024	$ 1,306,775	$65,552,799
2023	$59,870,726	$ 0	$59,870,726

The Company was established to provide bond insurance in the United States to the small and mid-sized municipal bond market. The Company's business plan provides that it only insures investment grade bonds that are secured by general obligation, general fund obligation and first budget obligation pledges; dedicated tax revenues; or revenues of essential public services. The Company is a direct guarantor of principal and interest, when due, on debt obligations issued by state and local municipal governments and authorities. The Company places all of its business directly without the use of agents or brokers. One state (Alabama) requires a licensed agent to countersign all policies in that state and the Company has an appointed agent for that function. The Company's direct distribution system has the Company representatives (employees) generally dealing with four categories of decision makers in the issuance of municipal bonds: (i) financial advisors who represent municipalities as they create a bond issue, (ii) investment bankers/broker dealers who underwrite and structure the bond issue, (iii) investors who look to purchase new issues and secondary market municipal bonds and (iv) in limited circumstances, the municipal issuers themselves.

During the examination period, the Company's assumed business is attributed to three reinsurance contracts:

1) On November 1, 2018, the Company and Ambac Assurance Corporation ("AMBAC") entered into a Financial Guaranty 100% Quota Share Reinsurance Agreement. This agreement was amended by Endorsement One dated September 25, 2019, Endorsement Two dated June 30, 2020 and Endorsement Three dated January 28, 2021. AMBAC is a Wisconsin domiciled financial guaranty insurance company that ceased writing new insurance contracts in 2007. Pursuant to the terms of the agreement, the Company reinsured, on a retroactive basis, 100% of a portfolio of municipal credits originally written by AMBAC.

2) On September 1, 2019, the Company and AMBAC entered into a Financial Guaranty Variable Percentage Quota Share Reinsurance Agreement. This agreement was amended by Endorsement One dated June 30, 2020. Pursuant to the terms of the agreement, the Company reinsured a certain portion, that varied by credit, of a portfolio or municipal bonds covered by such agreement.

3) On May 31, 2022, the Company and ACA Financial Guaranty Corporation ("ACA") entered into a 100% Quota Share and Assumption Reinsurance Agreement. ACA, a Maryland domiciled financial guaranty insurance company, ceased writing new business in December 2007. It had been operating as a run-off company until 2023, when it eliminated the remainder of its insurance obligations and then withdrew its states' insurance licenses. Pursuant to the terms of the agreement, the Company reinsured 100% of a portfolio of municipal credits originally written by ACA. In March 2023, the policies were subsequently novated, becoming direct obligations of the Company.

In 2023, New York, Texas and California accounted for approximately 36%, 26%, and 8%, respectively, of direct premiums written. All other states had less than 5% of direct premiums written.

C. Reinsurance Ceded

As of the examination date, the Company's primary reinsurance agreement is the Ninth Amended and Restated First Loss Reinsurance Treaty Agreement ("FLRT"), with HG Re, an exempted Bermuda limited liability company.

The FLRT, dated January 7, 2022, amends and restates the First Loss Reinsurance Treaty dated July 20, 2012 and subsequently amended and restated on October 1, 2013, July 30, 2014, November 16, 2015, January 1, 2017, August 14, 2017, December 3, 2018, December 31, 2019, and January 1, 2021. Pursuant

to the terms of the agreement, HG Re agrees to indemnify the Company on any policy for an amount up to 15% of the par amount outstanding of the bonds, notes, obligations, or other instruments that are subject of such policy. For the purposes of determining losses ceded under the FLRT, the principal amount of the bonds, notes, obligations or other instruments insured under such policy is deemed to be fixed at the time the Company establishes a gross loss reserve with respect to any policy. As of the examination date, the Company has not incurred losses and has established $0 in gross loss reserves. The agreement was non-disapproved by the Department on January 4, 2022.

HG Re, an unauthorized insurer, secures its obligations under the FLRT through two trust accounts: (i) the Regulation 114 Trust Account and (ii) the Supplemental Trust Account. Unearned premium is accumulated and maintained in the Regulation 114 Trust Account, in addition to any amounts needed for loss reserves, in order to collateralize the reinsurer's obligation pursuant to the provisions of the FLRT. The Company recognizes credit in its statutory financial statements for any unearned premium and loss reserves ceded to HG Re to the extent of the amount collateralized in the Regulation 114 Trust. Contingency reserves ceded under the FLRT are collateralized in the Supplemental Trust Account.

The Supplemental Trust Account was initially funded with $100 million in cash and $300 million of the Company's Series B Surplus Notes. In 2017, the Company's Series A Surplus Notes were also deposited into the Supplemental Trust; the Series A and Series B Surplus Notes were merged into a single class of surplus notes ("Series 2017 Surplus Notes").

In 2018, HG Re established an investment vehicle, the Irish Collective Asset Management Vehicle ("ICAV"), to hold the surplus notes. HG Re's beneficial interest in the Series 2018 Surplus Notes (discussed further herein) was pledged for the benefit of the Company. ICAV shares representing beneficial ownership of the surplus notes were deposited into the Supplemental Trust Account. At that time, a legend was revised on the Surplus Notes to restrict sale, transfer, pledge or assignment of the Surplus Notes (the revised surplus notes are now known as the "Series 2018 Surplus Notes") without notification to the Trustee and right of first refusal to redeem the shares prior to any such sale. On December 30, 2022, the Series 2018 Surplus Notes were withdrawn from the ICAV and are now held directly by HG Re. As of December 31, 2023, the Company reported ceded contingency reserves of approximately $99.8 million.

At such times when the Department approves payments on the surplus notes (refer to section 3C for itemization of payments), the payment amount allocated to principal remains in the Supplemental Trust Account in accordance with that trust's provisions; the amount allocated to interest is divided pro rata

among (i) interest earned on the 2012 Series A Surplus Notes prior to the combination of the surplus notes, (ii) interest earned on the 2012 Series B Surplus Notes and previously assigned to HG Re, and (iii) interest due to the Supplemental Trust as beneficial owner of the Series 2018 Surplus Notes (which may be withdrawn on a quarterly basis). As of the examination date, assets held in the Supplemental Trust Account totaled approximately $245.6 million.

Assets in the Regulation 114 Trust Account are invested subject to the provisions of Department Regulation 114. The examiner confirmed these assets as of the examination date. No exceptions were noted.

Pursuant to the terms of the FLRT, the Company shall pay the reinsurer a pre-defined percentage (ranging from 63.2% to 85.71%) of net premium written collected by the Company per calendar year and the reinsurer shall allow a pre-defined ceding commission (ranging from 5% to 30%) for each calendar year.

Subsequent to the examination date, the Company and HG Re entered into the Tenth Amended and Restated First Loss Reinsurance Treaty Agreement dated July 1, 2024, which amends and restates the First Loss Reinsurance Treaty dated July 20, 2012 and subsequently amended and restated on October 1, 2013, July 30, 2014, November 16, 2015, January 1, 2017, August 14, 2017, December 3, 2018, December 31, 2019, January 1, 2022 and January 7, 2022. The agreement was non-disapproved by the Department on June 12, 2024.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 114. No exceptions were noted.

All significant ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review found that the Schedule F data reported by the Company in its filed annual statement accurately reflected its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles ("SSAP") No. 62R. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual

statement instructions. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62R.

As of the examination date, the Company was party to the following four reinsurance contracts that were accounted for using deposit accounting, and accordingly, were not included in Schedule F Part 3 of the filed annual statements:

1) Effective April 19, 2018, Fidus Re, Ltd., a Bermuda based special purpose insurer created solely to provide reinsurance protection to the Company, was capitalized by the issuance of $100,000,000 of insurance linked securities ("Fidus Re 2018 Agreement"). Under the Fidus Re 2018 Agreement, Fidus Re, Ltd. reinsures 90% of aggregate losses exceeding $165,000,000 on a portion of the Company's financial guarantee portfolio issued through December 31, 2017 ("2018 Covered Portfolio") up to a total reimbursement of $100,000,000. The Fidus Re 2018 Agreement does not provide coverage for losses in excess of $276,000,000. The 2018 Covered Portfolio consists of approximately 23% of the Company's gross par outstanding as of December 31, 2023.

2) Effective February 17, 2021, Fidus Re, Ltd. issued an additional $150,000,000 of insurance linked securities ("Fidus Re 2021 Agreement"). Under the Fidus Re 2021 Agreement, Fidus Re, Ltd. reinsures 90% of aggregate losses exceeding $135,000,000 on a portion of the Company's financial guarantee portfolio issued from January 1, 2018 through December 31, 2020 ("2021 Covered Portfolio") up to a total reimbursement of $150,000,000. The Fidus Re 2021 Agreement does not provide coverage for losses in excess of $302,000,000. The 2021 Covered Portfolio consists of approximately 27% of the Company's gross par outstanding as of December 31, 2023.

3) Effective November 9, 2022, Fidus Re, Ltd. issued an additional $150,000,000 of insurance linked securities ("Fidus Re 2022 Agreement"). Under the Fidus Re 2022 Agreement, Fidus Re, Ltd. reinsures 90% of aggregate losses exceeding $110,000,000 on a portion of the Company's financial guarantee portfolio issued from January 1, 2021 through September 30, 2022 ("2022 Covered Portfolio") up to a total reimbursement of $150,000,000. The Fidus Re 2022 Agreement does not provide coverage for losses in excess of $277,000,000. The 2022 Covered Portfolio consists of approximately 29% of the Company's gross par outstanding as of December 31, 2023.

Subsequent to the examination date, effective February 19, 2025, Fidus Re, Ltd. issued an additional $275,000,000 of insurance linked securities ("Fidus Re 2025 Agreement"). Under the Fidus Re 2025 Agreement, Fidus Re, Ltd. reinsures 90% of aggregate losses exceeding $190,000,000 on a portion of the

Company's financial guarantee portfolio issued or entered into by the Company as of November 30, 2024 (but excludes any exposures covered by the Fidus Re 2021 or Fidus Re 2022 transactions), up to a total reimbursement of $275,000,000. The 2025 Fidus Re Agreement does not provide coverage for losses in excess of $495,000,000. In addition, the Fidus Series 2018 Notes were redeemed and the Fidus Re 2018 Agreement was terminated. The insured portfolio covered by the Fidus Re 2018 Agreement that remained outstanding and that was eligible for inclusion was incorporated into the Fidus Re 2025 Agreement.

4) Effective April 28, 2022, the Company entered into a Second Amended and Restated Individual Credit Excess of Loss Facultative Reinsurance Treaty ("XOL") with HG Re. The XOL amends and restates the treaty entered into January 15, 2020, and subsequently amended and restated on February 25, 2020. The XOL provides last dollar protection for exposures on municipal bonds insured by the Company subject to an aggregate limit equal to $125 million and is used to manage single risk exposure for statutory and rating agency purposes. The agreement was non-disapproved by the Department on April 28, 2022.

Subsequent to the examination date, the Third Amended and Restated Individual Credit Excess of Loss Facultative Reinsurance Treaty dated July 1, 2024 amends and restates the treaty dated January 15, 2020 and subsequently amended and restated on February 25, 2020 and April 28, 2022. The agreement was non-disapproved by the Department on June 12, 2024.

D. Holding Company System

The Company is organized in New York as a mutual insurer and as such is exempt from holding company matters and filings required under Article 15 of the New York Insurance Law. White Mountains Insurance Group, Ltd. ("White Mountains") is an exempted Bermuda limited liability company whose principal businesses are conducted through its subsidiaries and affiliates. Its principal businesses are: property and casualty insurance and reinsurance; municipal bond reinsurance; capital solutions for asset and wealth management firms, property and casualty insurance distribution; and other operations. White Mountains is a public company and is the controlling parent of HG Global, Ltd. ("HG Global"), a Bermuda company, which in turn wholly owns HG Holdings and HG Re Ltd. White Mountains formed HG Global to fund the startup of the Company and to provide the Company reinsurance through HG Re.

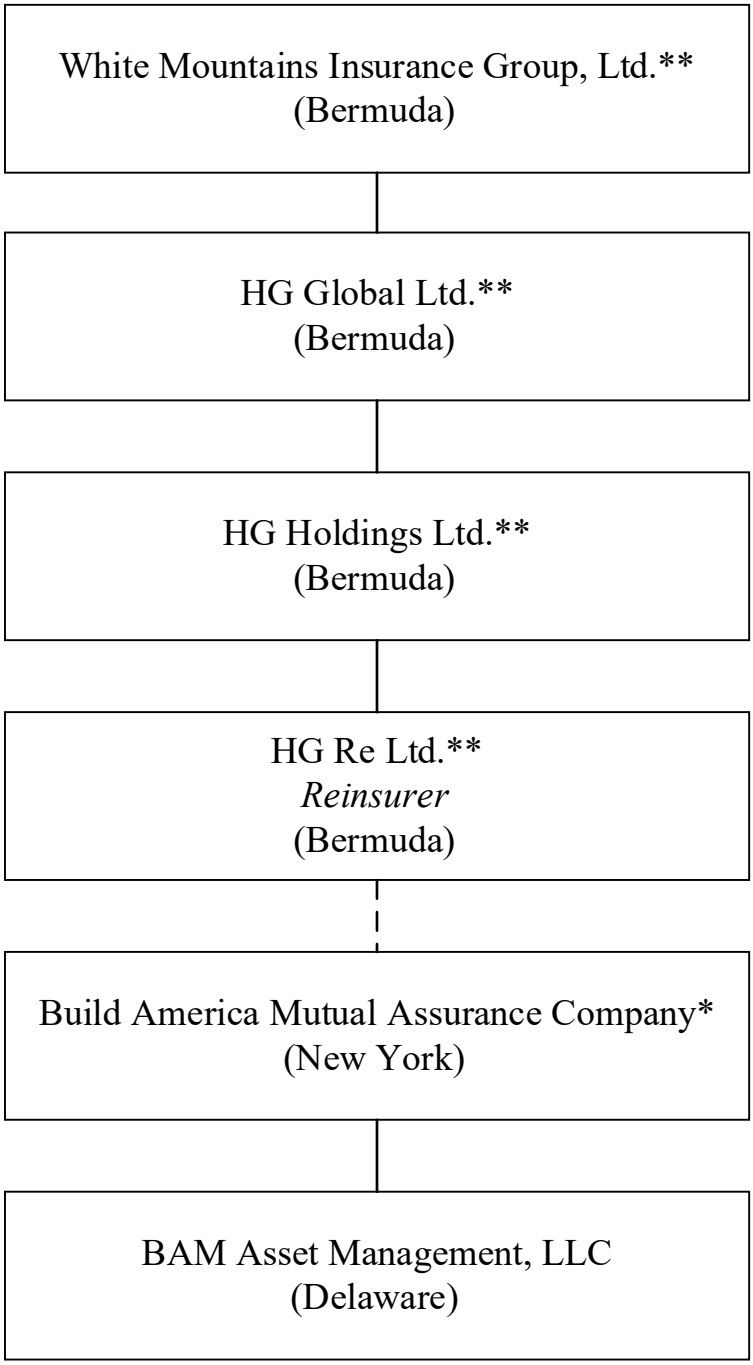
HG Holdings has the right to designate two directors for election to the Company's board of directors. Since the Company's business plan is strongly aligned and intertwined with that of HG Holdings and HG Re, the Company has agreed to submit to the Department any agreements or amendments thereto,

with or between any entities within the HG Holdings group of affiliated entities or with any "controlling person" (as that term is defined by the New York Insurance Law Section 1501) of HG Holdings, as if the Company, HG Holdings, and any of HG Holdings affiliated entities and controlling persons were subject to Article 15 of the New York Insurance Law.

Effective October 1, 2013, the Company entered into a service agreement with HG Services Ltd. Under this agreement, HG Services Ltd. provides analytical services as requested and directed by the Company. Services include, but are not limited to, analyzing and reporting on primary issuance activity, trading activity, investor activity and competitive bond insurance activity within the municipal bond market. The agreement was non-disapproved by the Department on October 1, 2013.

Effective September 1, 2014, the Company entered into a service agreement with BAM Asset Management, LLC ("BAM AM"), a limited liability company formed under the laws of Delaware. Since BAM AM is dormant, no services have been provided and no payments have been made or reported under this agreement. The Company reported BAM AM with a fair value of $1,101 in its 2023 Annual Statement – Schedule BA, and non-admitted this asset.

The following is abridged chart of the deemed holding company system* at December 31, 2023:



*As a mutual insurer, the Company is owned by its policyholders and has no controlling person(s) other than its policyholders. As previously noted, the Company agreed to submit agreements or amendments thereto as if HG Holdings, and any of HG Holdings affiliated entities and controlling persons were subject to Article 15 of the New York Insurance Law.

**The entity is not a controlling person, as defined by Section 1501 of the New York Insurance Law, of the Company. It is reflected in this chart due to its unique relationship (as previously described in this report) with the Company.

E. Significant Ratios

The following operating ratios, computed as of December 31, 2023, fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the NAIC.

Operating Ratios	Result
Net premiums written to policyholders' surplus	3%
Adjusted liabilities to liquid assets	46%

The Company's two year overall operating ratio of 776% falls outside the benchmark range.

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amount	Ratio
Losses and loss adjustment expenses incurred	$ 0	0.00%
Other underwriting expenses incurred	229,031,535	1,430.09%
Net underwriting gain (loss)	(213,016,364)	(1,330.09)%
Premiums earned	$ 16,015,171	100.00%

F. Accounts and Records

Section 4110(a) of the New York Insurance Law states, in part:

> "No domestic mutual property/casualty insurance company licensed to write a kind of insurance specified in paragraph…sixteen …of subsection (a) of section one thousand one hundred thirteen of this chapter shall expend in any one calendar year for management expenses a greater amount than thirty percent of the sum of its net premium income and seventy-five percent of its investment income for such year . . ."

The examiner's review found that the Company exceeded the management expense limit, as defined in Section 4110(a) of the New York Insurance Law, for the entire examination period.

It is recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law. This recommendation was also made in the prior report on examination.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2023, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$464,414,392	$ 0	$464,414,392
Common stocks (stocks)	116,600		116,600
Cash, cash equivalents and short-term investments	31,431,134		31,431,134
Other invested assets	1,101	1,101	0
Investment income due and accrued	3,468,900		3,468,900
Electronic data processing equipment and software	2,879,553	2,759,544	120,009
Furniture and equipment, including health care delivery assets	617,342	617,342	0
Prepaid assets	1,395,555	1,395,555	0
Other assets	471,340	0	471,340
Total assets	$504,795,917	$4,773,542	$500,022,375

Liabilities, Surplus and Other Funds

Liabilities

Losses and Loss Adjustment Expenses		$ 0
Other expenses (excluding taxes, licenses and fees)		32,837,120
Taxes, licenses and fees (excluding federal and foreign income taxes)		260,473
Unearned premiums		60,741,722
Ceded reinsurance premiums payable (net of ceding commissions)		14,568
Mandatory contingency reserve		136,150,537
Deposit liability		689,146
Total liabilities		$230,693,566

Surplus and Other Funds

Member surplus contributions	$ 545,163,778	
Surplus notes	322,191,623	
Unassigned funds (surplus)	(598,026,592)	
Surplus as regards policyholders		269,328,809
Total liabilities, surplus and other funds		$500,022,375

Note: The Internal Revenue Service has not audited tax returns covering tax years 2019 through 2023. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net loss for the examination period as reported by the Company was $253,102,692, as detailed below:

Underwriting Income		
Premiums earned		$ 16,015,171
Deductions:		
Other underwriting expenses incurred	$229,031,535	
Total underwriting deductions		229,031,535
Net underwriting gain or (loss)		$(213,016,364)
Investment Income		
Net investment income earned	$(41,986,370)	
Net realized capital gain	1,900,042	
Net investment gain or (loss)		(40,086,328)
Net income (loss)		$(253,102,692)

C. Capital and Surplus

Surplus as regards policyholders decreased $144,405,540 during the five-year examination period January 1, 2019 through December 31, 2023, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2018			$413,734,349
	Gains in Surplus	Losses in Surplus	
Net income		$253,102,692	
Net unrealized capital gains or (losses)		612	
Change in nonadmitted assets	$ 226,197		
Change in surplus notes		159,071,116	
Member surplus contributions	353,367,555		
Change in mandatory contingency reserve	0	85,824,872	
Total gains and losses	$353,593,752	$497,999,292	
Net increase (decrease) in surplus			(144,405,540)
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$269,328,809

No adjustments were made to surplus as a result of this examination.

As of January 1, 2019, the Series 2018 Surplus Notes had a par value of $481,262,739. During the examination period, the Department approved a series of payments, as follows:

Surplus Notes Payments

Date Approved	Payment	Allocated to Principal	Allocated to Interest
December 4, 2019	$ 32,000,000	$ 23,645,903	$ 8,354,097
January 3, 2020	$ 65,000,000	$ 47,878,609	$17,121,391
December 9, 2020	$ 30,100,000	$ 21,510,755	$ 8,589,245
November 23, 2021	$ 33,800,000	$ 23,619,846	$10,180,154
December 8, 2022	$ 36,000,000	$ 24,605,290	$11,394,710
December 7, 2023	$ 27,400,000	$ 17,810,712	$ 9,589,288
Total	$224,300,000	$159,071,116 ^	$65,228,885

As of the examination date, the Series 2018 Surplus Notes had a par value of $322,191,623, carry a variable interest rate, and mature on April 1, 2042.

^ Rounding difference of $1

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned item of $0 is the same as reported by the Company at December 31, 2023. For a financial guaranty insurer, this loss liability represents the case basis reserves net of salvage that is established for insured transactions. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including SSAP No. 60. The analysis found the case reserves to be adequate.

The Department's Capital Markets Unit reviewed the Company's underwriting and surveillance processes and found them to be satisfactory. Furthermore, the Company's staff was found to demonstrate experience in the modeling of cash flows of municipal insurance should the need to model such losses arise.

Pursuant to Section 6903(a) of the New York Insurance Law, the Company is required to establish and maintain contingency reserves for the protection of policyholders and claimants against the effect of excessive losses occurring during adverse economic cycles. As of the examination date, the Company reported a contingency reserve of $136,150,537.

In addition, the Company maintains an unearned premium reserve in accordance with Section 6903(c) of the New York Insurance Law. Unearned premiums represent the portion of premiums which are applicable to the unexpired risk on policies in force. As of December 31, 2023, the Company reported an unearned premium reserve of $60,741,722.

The Company's estimate of reserves for losses on its exposures is based on certain assumptions. Changes in such assumptions could materially adversely affect such reserve estimates, including those as a result of more adverse macroeconomic conditions, the bankruptcies of issuers of bonds insured, and the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond that assumed in the Company's reserve estimates (that may or may not result in an increase in such loss reserves). In rare cases, these conditions could result in the required reserves exceeding the invested assets.

5. SUBSEQUENT EVENTS

In August 2024, the Company formed BAM Services Pty Ltd. ("BAM Services"), a wholly owned subsidiary of the Company, to provide services for the Company in Australia. Effective November 15, 2024, the Company entered into a service agreement with BAM Services pursuant to which BAM Services will provide marketing and advertising services and activities necessary and appropriate in order to further the Company's effort to issue financial guaranties to issuers, bond holders or custodians in Australia, including, but not limited to, services related to community relations. In 2024, BAM Services provided services to the Company totaling approximately $226,000. As of December 31, 2024, BAM Services had a nominal book value of $13,830, which was non-admitted. The agreement was non-disapproved by the Department on September 19, 2024. In February 2025, the agreement was revised to include New Zealand as region where the subsidiary will provide services for BAM and to provide for the occasional posting of BAM employees to these regions to support BAM Services' activities. The agreement was non-disapproved by the Department on February 26, 2025.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Management It was recommended that the Company implement procedures to ensure that it notifies the Department within 30 days of any change in membership of the audit committee, as required by Department Regulation 118. The Company has complied with this recommendation.	4
B.	Accounts and Records It was recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law. The Company has not complied with this recommendation.	12

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Accounts and Records It is recommended that the Company comply with the management expense limitations set forth in Section 4110(a) of the New York Insurance Law. This is a repeat recommendation from the prior report on examination.	13

Respectfully submitted,

_____/S/_____
Teena Varghese
Financial Services Examiner 3

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Teena Varghese, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

_____/S/_____
Teena Varghese

Subscribed and sworn to before me

this_____ day of _____, 2025.

APPOINTMENT NO. 32675

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***Adrienne A. Harris****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Teena Varghese

as a proper person to examine the affairs of the

Build America Mutual Assurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 3rd day of July, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Joan Riddell

Joan Riddell
Deputy Bureau Chief