

**BAM**

**BUILD AMERICA MUTUAL**

**Quarterly Operating Supplement  
June 30, 2019**

**Build America Mutual Assurance Company**

Quarterly Operating Supplement

June 30, 2019

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## **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS**

The information contained in this report may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which Build America Mutual Assurance Company ("Build America" or "BAM") expects or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward looking statements. These forward looking statements include, among others, statements with respect to Build America's:

- changes in U.S. statutory basis surplus or claims paying resources;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and loss adjustment expense reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss), dividends, market share or other financial forecasts;
- expansion and growth of its business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by Build America in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to Build America, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond Build America's control.

Consequently, all of the forward looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Build America will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on Build America or its business or operations. Build America assumes no obligation to update publicly any such forward looking statements, whether as a result of new information, future events or otherwise.

## **Build America Mutual Assurance Company**

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### **Company Profile**

Build America Mutual Assurance Company (“Build America” or the “Company”) is a New York domiciled mutual financial guaranty insurance company. The Company was capitalized on July 17, 2012 and received its license to write financial guaranty insurance from the New York State Department of Financial Services and commenced operations on July 20, 2012. Build America is also licensed in the District of Columbia and the remaining 49 states. Build America’s financial strength and counterparty credit ratings of ‘AA/Stable Outlook’, from Standard & Poor’s Ratings Services, were reaffirmed on June 27, 2019. Build America is not licensed to write financial guaranty insurance in Puerto Rico or any other territory or possession of the United States and it has no exposure to debt issued in Puerto Rico or any other territory or possession of the United States.

The first mutual bond insurance company, Build America is owned by and operated for the benefit of the cities, states and other municipal agencies—the municipal issuers—that use the Company’s ‘AA/Stable Outlook’ rated financial guaranty to lower their cost of funding in the U.S. municipal market.

Build America’s first-loss reinsurance protection is provided by HG Re, Ltd. (“HG Re”) via a reinsurance treaty, whereby HG Re assumes losses in an amount up to 15% of the par outstanding for each insurance policy. HG Re’s obligations under the Reinsurance Agreement are secured by, and limited to the value of the assets held in trusts, which include a beneficial interest in the Series 2018 Surplus Notes as well as other high quality assets, which are pledged for the benefit of Build America.

In addition to the first-loss protection provided by HG Re, BAM is party to a collateralized excess of loss reinsurance agreement provided by Fidus Re, Ltd. (“Fidus”), a Bermuda based special purpose insurer created solely to provide reinsurance protection to BAM. Fidus was capitalized by the issuance of \$100,000,000 of insurance linked securities. Fidus provides prospective reinsurance for 90% of aggregate losses exceeding \$165,000,000 on a portion of BAM’s financial guarantee portfolio up to a total reimbursement of \$100,000,000.

The Company became a member of the Federal Home Loan Bank of New York on June 13, 2019.

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**Statutory Statements of Assets, Liabilities and Capital and Surplus**

(in millions)	<b>As of</b> <b>June 30, 2019</b>	<b>As of</b> <b>December 31, 2018</b>
<b>ADMITTED ASSETS</b>		
Bonds	\$ 479.3	\$ 477.7
Common Stock	0.1	-
Cash, Cash Equivalents and Short-term Investments	33.0	44.9
Total Cash and Invested Assets	\$ 512.4	\$ 522.6
Investment Income Due and Accrued	3.8	3.5
Receivable for Securities Sold	7.9	-
Other Assets	0.6	0.2
Total Admitted Assets	<u>\$ 524.7</u>	<u>\$ 526.3</u>
<b>LIABILITIES</b>		
Unearned Premiums	\$ 38.3	\$ 36.2
Mandatory Contingency Reserve	57.9	50.3
Payable for Securities Purchased	-	2.2
Accrued and Payable Expenses	17.9	23.9
Total Liabilities	<u>\$ 114.1</u>	<u>\$ 112.6</u>
<b>CAPITAL AND SURPLUS</b>		
Surplus Notes	\$ 481.3	\$ 481.3
Member Surplus Contributions	211.7	191.8
Unassigned Funds - Deficit	(282.4)	(259.4)
Total Capital and Surplus	<u>\$ 410.6</u>	<u>\$ 413.7</u>
Total Liabilities, Capital and Surplus	<u>\$ 524.7</u>	<u>\$ 526.3</u>

**Build America Mutual Assurance Company**

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**Statutory Statement of Operations**

(in millions)	<b>Six Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2018</b>
Gross premiums written	\$ 20.2	\$ 23.4
Ceded premiums written	(17.3)	(20.1)
Net premiums written	2.9	3.3
Premiums earned, net	\$ 0.8	\$ 0.7
Underwriting deductions:		
Operating expenses	\$ 26.7	\$ 25.6
Excise & premium taxes	0.8	0.5
Ceding commission income	(5.2)	(6.0)
Total underwriting expenses	\$ 22.3	\$ 20.1
Net underwriting gain (loss)	(21.5)	(19.4)
Net investment income	\$ 5.4	\$ 2.8
Net realized capital gains (losses)	-	-
Net investment gain	\$ 5.4	\$ 2.8
Net (loss) before federal income tax expense	(16.1)	(16.6)
Federal income tax expense incurred	-	-
Net (loss)	<u>\$ (16.1)</u>	<u>\$ (16.6)</u>

**Statutory Comprehensive Income<sup>(1)</sup>**

(in millions)	<b>Six Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2018</b>
Net (loss)	\$ (16.1)	\$ (16.6)
Member surplus contributions collected, net of income taxes	19.9	14.8
Statutory comprehensive income (loss) <sup>(1)</sup>	<u>\$ 3.8</u>	<u>\$ (1.8)</u>

<sup>(1)</sup> In addition to reporting BAM's financial results in accordance with the U.S. Statutory basis of accounting ("Statutory"), BAM reports Statutory Comprehensive Income, a non-Statutory financial measure. A non-Statutory financial measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with the U.S. Statutory basis of accounting. We are presenting this non-Statutory financial measure because it provides greater transparency and enhanced visibility into the underlying drivers of our business. Statutory Comprehensive Income is not a substitute for BAM's U.S. Statutory basis of accounting, should not be viewed in isolation and may differ from similar reporting provided by other companies, which may define non-Statutory financial measures differently.

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**Claims Paying Resources and Leverage Statistics**

(in millions)	<u>As of June 30, 2019</u>	<u>As of December 31, 2018</u>
Member Surplus Contributions	\$ 211.7	\$ 191.8
Surplus Notes	481.3	481.3
Unassigned Funds <sup>(1)</sup>	(282.4)	(259.4)
<b>Policyholders' Surplus</b>	<b>\$ 410.6</b>	<b>\$ 413.7</b>
Contingency Reserve	57.9	50.3
<b>Qualified Statutory Capital</b>	<b>\$ 468.5</b>	<b>\$ 464.0</b>
HG Re, Ltd Collateral Trusts <sup>(2)</sup>	274.4	258.3
Fidus Re, Ltd Collateral Trust	100.0	100.0
<b>Total Hard Capital</b>	<b>\$ 842.9</b>	<b>\$ 822.3</b>
Unearned Premiums, Net of Reinsurance	38.3	36.2
Loss and Loss Adjustment Expense Reserves	-	-
Present Value of Installment Gross Risk Premiums and Member Surplus Contributions <sup>(3)</sup>	13.4	12.9
<b>Claims Paying Resources</b>	<b>\$ 894.6</b>	<b>\$ 871.4</b>
<b><u>Gross Par Outstanding</u></b>		
Investment Grade <sup>(4)</sup>	\$ 56,043.9	\$ 52,201.6
Below Investment Grade ("BIG") <sup>(4)</sup>	-	-
Total	<b>\$ 56,043.9</b>	<b>\$ 52,201.6</b>

**Leverage Statistics**

Total Gross Par Outstanding ÷ Total Hard Capital	<b>66.5x</b>	<b>63.5x</b>
BIG Gross Par Outstanding ÷ Total Hard Capital	-	-
Total Gross Par Outstanding ÷ Total Claims Paying Resources	<b>62.6x</b>	<b>59.9x</b>
BIG Gross Par Outstanding ÷ Total Claims Paying Resources	-	-

<sup>(1)</sup> Represents the sum of inception to date Statutory Net Income (Loss) and direct charges relating to contributions to the Contingency Reserve and for the non-admission of certain assets.

<sup>(2)</sup> See details of investments held in First Loss Reinsurance Collateral Trusts on page 14.

<sup>(3)</sup> Represents the present value of future installment risk premiums, gross of reinsurance, and member surplus contributions, discounted at a risk-free rate.

<sup>(4)</sup> Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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**Business Production**

(in millions)

**Gross Par Written**

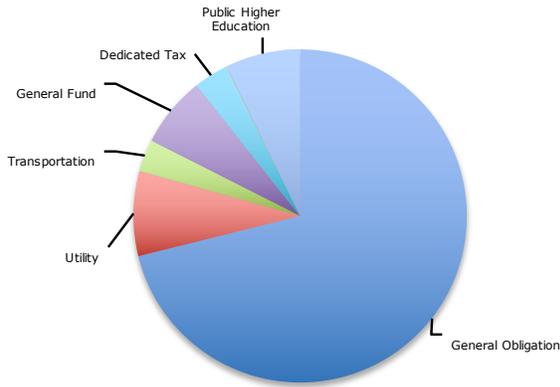
**U.S. Public Finance**

	<b>Three Months Ended June 30, 2019</b>	<b>Six Months Ended June 30, 2019</b>
General Obligation	\$ 2,074.6	\$ 3,412.5
Utility	240.1	387.7
Public Higher Education	210.8	366.0
General Fund	199.6	339.3
Dedicated Tax	99.4	180.4
Transportation	91.3	152.9
Other Public Finance	1.5	3.5
<b>Total Gross Par Written</b>	<b>\$ 2,917.3</b>	<b>\$ 4,842.3</b>

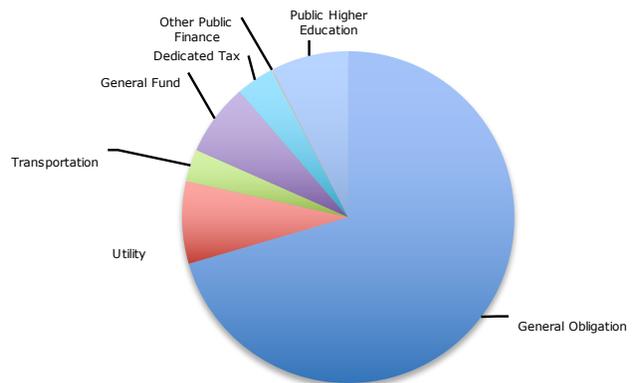
**Gross Risk Premiums Written and Member  
 Surplus Contributions Collected**

Gross Risk Premiums Written	\$ 12.5	\$ 20.2
Member Surplus Contributions Collected	12.0	19.9
<b>Total Gross Risk Premiums and Member              Surplus Contributions Collected</b>	<b>\$ 24.5</b>	<b>\$ 40.1</b>

**Gross Par Written  
 For the Three Months Ended June 30, 2019**



**Gross Par Written  
 For the Six Months Ended June 30, 2019**

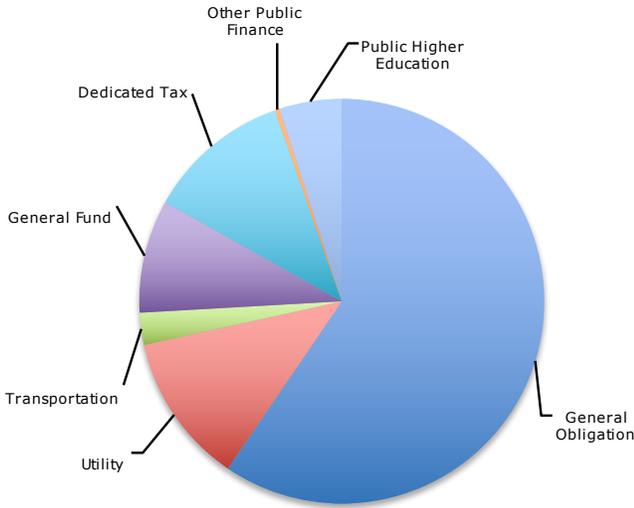


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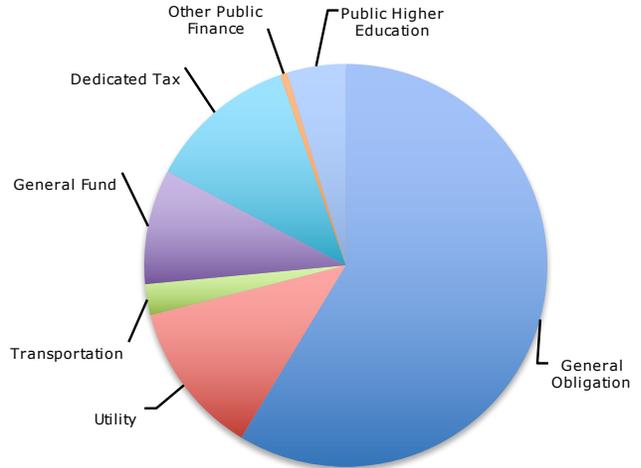
**Gross Par Outstanding by Sector**

(in millions)	<b>As of June 30, 2019</b>	<b>As of December 31, 2018</b>
<b>U.S. Public Finance</b>		
General Obligation	\$ 33,353.7	\$ 30,626.8
Utility	6,736.8	6,451.1
Dedicated Tax	6,441.6	6,263.8
General Fund	5,063.3	4,812.5
Public Higher Education	2,782.1	2,452.7
Transportation	1,437.3	1,293.6
Other Public Finance	229.1	301.1
<b>Total Gross Par Outstanding</b>	<b>\$ 56,043.9</b>	<b>\$ 52,201.6</b>

**Gross Par Outstanding  
As of June 30, 2019**



**Gross Par Outstanding  
As of December 31, 2018**



# Build America Mutual Assurance Company

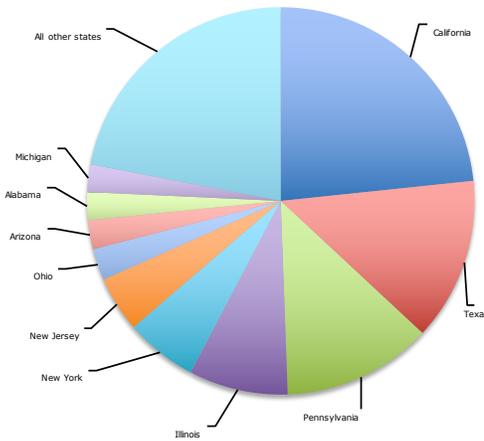
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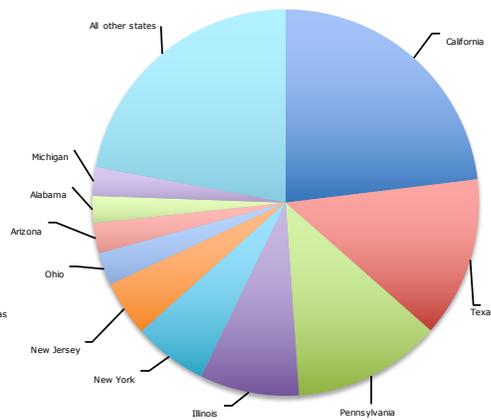
### Gross Par Outstanding by State

(in millions)	As of June 30, 2019	% of Total	As of December 31, 2018	% of Total
California	\$ 13,081.1	23.3%	\$ 12,044.6	23.1%
Texas	7,627.2	13.6%	7,015.4	13.4%
Pennsylvania	6,990.1	12.5%	6,460.1	12.4%
Illinois	4,639.4	8.3%	4,342.0	8.3%
New York	3,368.6	6.0%	3,234.9	6.2%
New Jersey	2,598.9	4.6%	2,429.1	4.7%
Ohio	1,472.0	2.6%	1,420.8	2.7%
Arizona	1,357.5	2.4%	1,314.2	2.5%
Alabama	1,308.6	2.3%	1,180.9	2.3%
Michigan	1,293.4	2.3%	1,261.8	2.4%
Louisiana	1,239.8	2.2%	1,208.5	2.3%
Florida	1,136.9	2.0%	1,145.0	2.2%
Connecticut	1,058.6	1.9%	921.8	1.8%
Indiana	908.4	1.6%	921.9	1.8%
Kansas	845.4	1.5%	716.7	1.4%
Colorado	692.6	1.2%	642.5	1.2%
Arkansas	682.4	1.2%	675.3	1.3%
Kentucky	615.0	1.1%	521.3	1.0%
Mississippi	548.5	1.0%	417.2	0.8%
Wisconsin	533.7	1.0%	485.0	0.9%
Iowa	532.1	0.9%	489.0	0.9%
South Carolina	494.0	0.9%	496.2	1.0%
Washington	353.3	0.6%	361.0	0.7%
Tennessee	305.1	0.5%	262.8	0.5%
Massachusetts	292.1	0.5%	283.1	0.5%
Missouri	225.5	0.4%	232.1	0.4%
Oklahoma	221.6	0.4%	221.3	0.4%
New Mexico	195.2	0.3%	191.7	0.4%
Georgia	194.8	0.3%	197.2	0.4%
West Virginia	171.2	0.3%	178.5	0.3%
North Carolina	158.3	0.3%	45.2	0.1%
Nevada	139.6	0.2%	143.6	0.3%
Oregon	130.3	0.2%	126.3	0.2%
Utah	111.3	0.2%	111.0	0.2%
Maryland	98.1	0.2%	98.0	0.2%
Wyoming	88.3	0.2%	89.7	0.2%
Minnesota	86.7	0.2%	79.0	0.2%
Rhode Island	70.0	0.1%	73.4	0.1%
Nebraska	28.2	0.1%	28.2	0.1%
Vermont	28.0	0.1%	28.0	0.1%
North Dakota	21.5	0.1%	22.6	0.0%
Idaho	19.4	0.1%	19.4	0.0%
Hawaii	18.6	0.1%	18.6	0.0%
Virginia	16.8	0.1%	16.8	0.0%
Delaware	16.7	0.1%	-	0.0%
Maine	16.4	0.0%	16.9	0.0%
South Dakota	12.7	0.0%	13.0	0.0%
<b>Total Gross Par Outstanding</b>	<b>\$ 56,043.9</b>	<b>100%</b>	<b>\$ 52,201.6</b>	<b>100%</b>

Gross Par Outstanding by State  
As of June 30, 2019



Gross Par Outstanding by State  
As of December 31, 2018

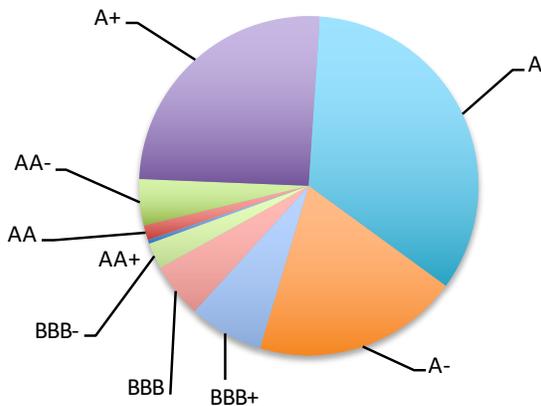


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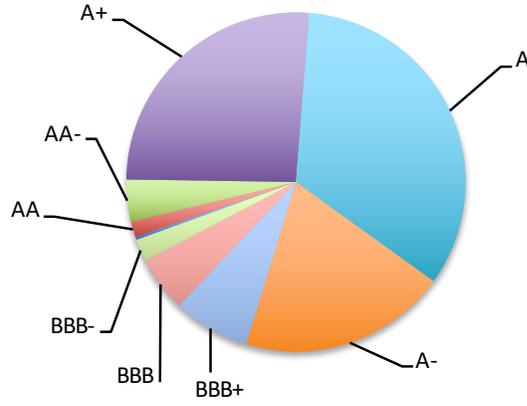
**Rating Distribution of Gross Par Outstanding<sup>(1)</sup>**

(in millions)	<u>Percentage of Gross Par Outstanding as of June 30, 2019</u>	<u>Percentage of Gross Par Outstanding as of December 31, 2018</u>
AA+	0.4%	0.3%
AA	1.4%	1.5%
AA-	4.4%	4.0%
A+	25.4%	26.0%
A	34.0%	33.7%
A-	19.6%	19.8%
BBB+	7.1%	7.3%
BBB	5.2%	5.3%
BBB-	2.5%	2.1%
BIG	- %	- %
<b>Total Gross Par Outstanding</b>	<b>100.0%</b>	<b>100.0%</b>
 Weighted Average Rating	 A	 A

**Rating Distribution of Gross Par Outstanding<sup>(1)</sup>  
As of June 30, 2019**



**Rating Distribution of Gross Par Outstanding<sup>(1)</sup>  
As of December 31, 2018**



<sup>(1)</sup> Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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**Contractual Amortization of Gross Par Outstanding<sup>(1)</sup>**

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of June 30, 2019:		\$ 56,043.9
July 1, 2019 to December 31, 2019	\$ 1,264.0	54,779.9
Year 2020	2,317.4	52,462.5
Year 2021	2,514.5	49,948.0
Year 2022	2,574.2	47,373.8
Year 2023	2,682.5	44,691.3
Subtotal	<u>11,352.6</u>	
Years 2024 to 2028	13,680.5	31,010.8
Years 2029 to 2033	12,631.5	18,379.3
Years 2034 to 2038	9,660.0	8,719.3
Year 2039 and thereafter	8,719.3	-
<b>Total</b>	<u><b>\$ 56,043.9</b></u>	

<sup>(1)</sup> Depicts contractual amortization of existing guaranteed portfolio (principal only) and assumes no unscheduled, advance refundings.

**Build America Mutual Assurance Company**  
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**Top 25 U.S. Public Finance Exposures**

(in millions)

<b>Obligor</b>	<b>As of June 30, 2019</b>			
	<b>S&amp;P Rating<sup>(1)(3)</sup></b>	<b>Moody's Rating<sup>(2)(3)</sup></b>	<b>Gross Par Outstanding</b>	<b>% of Total Gross Par Outstanding</b>
Illinois, State of	BBB-	Baa3	\$ 385.3	0.7%
Municipal Authority of Westmoreland County, PA (Westmoreland County) Water	A+	NR	329.9	0.6%
Suffolk County, NY (Suffolk County)	A-	Baa1	299.3	0.5%
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	A3	270.7	0.5%
New Jersey Transportation Trust Fund Authority, System & Program Bonds, NJ, Gas Tax - State	BBB+	Baa1	264.5	0.5%
New Jersey, State Of	BBB+	Baa1	258.2	0.5%
Eastern Michigan University, MI (Lapeer County), Public Higher Education - Gross Revenue	NR	A2	258.1	0.5%
Chicago, City of, IL (Cook County)	BBB+	Ba1	254.6	0.5%
Monroe County, NY (Monroe County)	A+	A2	247.1	0.4%
Hayward USD, CA (Alameda County)	A+	NR	231.3	0.4%
New Jersey Economic Development Authority (Motor Vehicle Surcharge)	BBB+	Baa2	229.2	0.4%
State of Louisiana	A+	A2	219.6	0.4%
Connecticut, State of	A	A2	214.5	0.4%
Natomas USD, CA (Sacramento County)	A	A1	208.9	0.4%
New Brunswick, City of, NJ (Middlesex County)	A+	A2	203.4	0.4%
West Travis County Public Utility Agency, TX (Travis County), Water & Sewer	A	A1	201.4	0.4%
Hamden, Town of, CT (New Haven County)	A	Baa2	201.0	0.4%
O'Hare Airport, IL (Cook County) GARB	A	A2	201.0	0.4%
Metropolitan Transit Authority, NY (State-Wide), Mass Transit - Farebox	A	A1	201.0	0.4%
Massachusetts, Commonwealth of	AA	Aa1	198.6	0.4%
Pennsylvania, Commonwealth of	A+	A1	197.6	0.4%
Illinois (State of) Build Illinois Bonds (Sales Tax Revenue Bonds)	BBB	Baa2	196.8	0.4%
Kentucky, Commonwealth of	A-	A1	190.6	0.3%
Springdale, City of, AR (Washington County), Sales Tax - Local	A+	NR	182.9	0.3%
Pennsylvania Higher Educational Facilities Authority, PA, Public Higher Education - Gross Revenue	NR	Aa3	177.6	0.3%
<b>Total - Top 25 U.S. Public Finance Exposures</b>			<b>\$ 5,823.1</b>	<b>10.4%</b>

<sup>(1)</sup> Represents the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") on the underlying obligation, excluding BAM's credit enhancement.

<sup>(2)</sup> Represents the rating assigned by Moody's Investor Service, Inc. ("Moody's") on the underlying obligation, excluding BAM's credit enhancement.

<sup>(3)</sup> For single risks with multiple obligations, the rating shown represents a weighted average of the ratings on the underlying obligations, excluding BAM's credit enhancement.

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**Build America Mutual Assurance Company Fixed Income Investment Portfolio**  
 (in millions)

Investment Category	As of June 30, 2019		
	Fair Value	Amortized Cost	Book Yield <sup>(1)</sup>
Long-term Investments			
Municipal Obligations	\$ 297.4	\$ 286.3	3.27%
U.S. Agency Obligations	72.5	72.4	2.56%
U.S. Government Obligations	51.6	51.3	1.98%
Corporate Obligations	45.8	45.3	2.53%
Asset-backed Securities	24.1	24.0	2.84%
Subtotal Long-term Investments	\$ 491.4	\$ 479.3	2.93%
Short-term Investments and Cash Equivalents	26.9	26.9	2.15%
Total Fixed Income Investment Portfolio	\$ 518.3	\$ 506.2	2.89%

**Rating Distribution of Fixed Income Investment Portfolio**

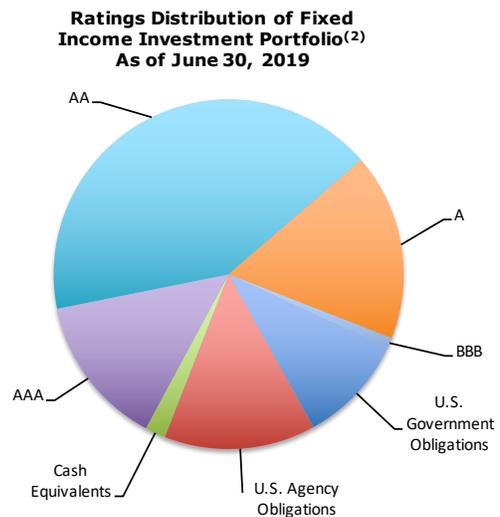
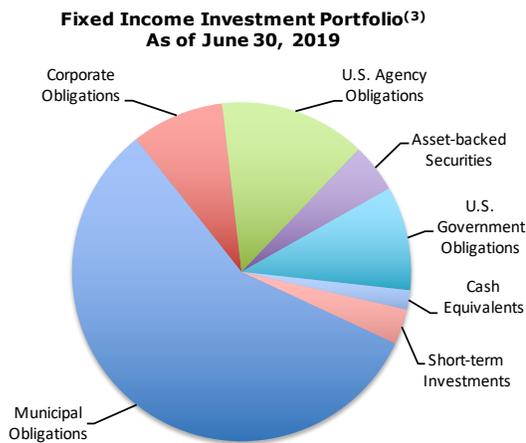
Rating <sup>(2)</sup>	As of June 30, 2019	
	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 51.6	10.0%
U.S. Agency Obligations	72.5	14.0%
Cash Equivalents	9.6	1.9%
AAA	72.8	14.0%
AA	216.8	41.8%
A	89.7	17.3%
BBB	5.3	1.0%
Below Investment Grade	-	-
Not Rated	-	-
Total	\$ 518.3	100.0%

Weighted Average Rating

AA

Duration of Fixed Income Investment Portfolio

3.8 years



(1) Represents the yield to worst of invested assets at June 30, 2019.

(2) Ratings are based on the lower of S&P's or Moody's rating. Rating distribution is calculated based on fair value.

(3) Based on fair value.

**Build America Mutual Assurance Company**  
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**HG Re Ltd. Fixed Income Investment Portfolio**  
 (in millions)

Investment Category	As of June 30, 2019	
	Fair Value	Amortized Cost <sup>(1)</sup>
Long-term Investments		
Corporate Obligations	\$ 182.7	\$ 177.7
U.S. Agency Obligations - MBS	73.0	72.0
U.S. Government Obligations	17.3	16.9
Subtotal Long-term Investments	\$ 273.0	\$ 266.6
Cash Equivalents, net of payable for securities purchased	7.8	7.8
<b>Total Fixed Income Investment Portfolio</b>	<b>\$ 280.8</b>	<b>\$ 274.4</b>

**Rating Distribution of Fixed Income Investment Portfolio**

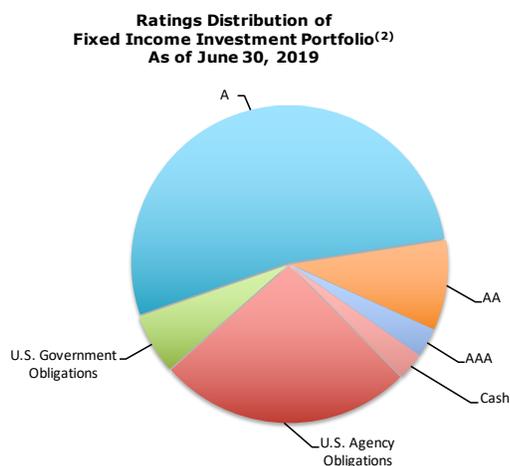
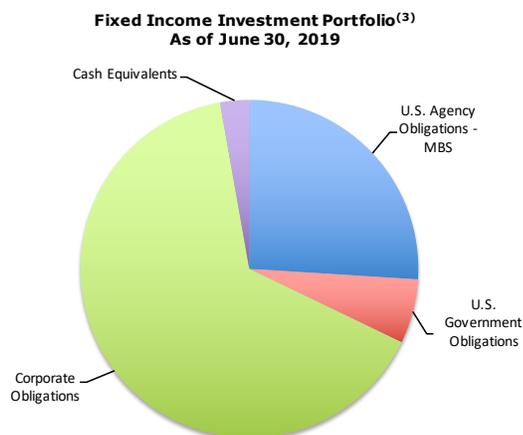
Rating <sup>(2)</sup>	As of June 30, 2019	
	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 17.3	6.2%
U.S. Agency Obligations	73.0	26.0%
Cash Equivalents, net of payable for securities purchased	7.8	2.8%
AAA	8.3	3.0%
AA	25.9	9.2%
A	148.5	52.9%
BBB	-	-
Below Investment Grade	-	-
Not Rated	-	-
<b>Total</b>	<b>\$ 280.8</b>	<b>100.0%</b>

Weighted Average Rating

AA-

Duration of Fixed Income Investment Portfolio

3.34 years



(1) Amortized cost Includes the accrued investment income.

(2) Ratings are based on the lower of S&P's or Moody's rating. Rating distribution is calculated based on fair value.

(3) Based on fair value.

## **Build America Mutual Assurance Company**

Quarterly Operating Supplement

June 30, 2019

### **Glossary**

**Contingency reserve** – a mandatory reserve required by New York State Insurance Law and the insurance laws of the other states in which BAM is licensed. The mandatory contingency reserve is a liability established to protect policyholders against the effect of adverse economic developments or cycles or other unforeseen circumstances.

**Fidus reinsurance collateral trust** - trust established by Fidus for the benefit of BAM, which are secured by high quality collateral and are available to fund excess of loss reinsurance claims.

**First loss reinsurance collateral trusts** – trusts established by HG Re for the benefit of BAM, which are secured by high quality collateral and are available to fund reinsurance claims.

**Gross par outstanding** – amount of remaining future contractual bond principal insured by BAM.

**Gross par written** – the principal amount of obligations insured during the period, excluding the effect of the first loss reinsurance treaty with HG Re.

**Gross risk premiums written** – a fee charged by BAM to insure the contractual principal and interest of a bond.

**Member surplus contribution** – a fee charged by BAM for the bond issuer to become a member of BAM.

**New issue** – a bond for which a BAM insurance policy was purchased by the issuer prior to the bond's issuance. New issue bonds are issued and sold in the market with BAM insurance protection in place.

**Secondary market** – a bond that was initially issued in the market without a BAM insurance policy for which a BAM insurance policy was subsequently purchased by the owner of that bond.

**Statutory comprehensive income** – Statutory net income plus member surplus contributions collected during the period.



**BAM**<sup>SM</sup>

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ASSURANCE COMPANY**

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