

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
December 31, 2013

Build America Mutual Assurance Company

Quarterly Operating Supplement

December 31, 2013

<u>Table of Contents</u>	<u>Page</u>
Cautionary Statement Regarding Forward Looking Statements	2
Company Profile.....	3
Statutory Statements of Assets, Liabilities and Capital and Surplus	4
Claims Paying Resources and Leverage Statistics.....	5
Business Production	6
Gross Par Outstanding by Sector	7
Gross Par Outstanding by State	8
Rating Distribution of Gross Par Outstanding.....	9
Contractual Amortization of Gross Par Outstanding	10
Top 25 U.S. Public Finance Exposures	11
Fixed Income Investment Portfolio	12
Glossary	13

Build America Mutual Assurance Company

Quarterly Operating Supplement

December 31, 2013

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

Quarterly Operating Supplement

December 31, 2013

Company Profile

Build America 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 (the "Department") 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' were reaffirmed by Standard & Poor's Ratings Services on August 13, 2013.

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 insured portfolio benefits from a first loss reinsurance treaty with HG Re Ltd. ("HG Re"), a Bermuda domiciled special purpose insurance company. Build America is HG Re's sole primary insurer, and HG Re currently does not assume risks from any other insurers or reinsurers. Under the terms of the first loss reinsurance treaty, HG Re assumes all of Build America's directly insured losses in an amount up to 15% of the par outstanding for each insured obligation. HG Re's obligations under the reinsurance agreement are secured by, and limited to the value of, assets held in trust, which are pledged for the benefit of Build America.

Build America Mutual Assurance Company

Quarterly Operating Supplement

December 31, 2013

Statutory Statements of Assets, Liabilities and Capital and Surplus

(in millions)	December 31, 2013	December 31, 2012
ADMITTED ASSETS		
Bonds	\$ 450.0	\$ 467.1
Cash, Cash Equivalents and Short-term Investments	33.6	21.1
Total Cash and Invested Assets	<u>\$ 483.6</u>	<u>\$ 488.2</u>
Investment Income Due and Accrued	2.7	2.8
Other Assets	0.2	0.2
Total Admitted Assets	<u><u>\$ 486.5</u></u>	<u><u>\$ 491.2</u></u>
LIABILITIES		
Unearned Premiums	\$ 3.0	\$ -
Ceded Reinsurance Premiums Payable	2.0	-
Mandatory Contingency Reserve	1.1	-
Accrued and Payable Expenses	11.4	7.5
Total Liabilities	<u>\$ 17.5</u>	<u>\$ 7.5</u>
CAPITAL AND SURPLUS		
Surplus Notes	\$ 503.0	\$ 503.0
Member Surplus Contributions	17.3	0.3
Unassigned Funds - Deficit	(51.3)	(19.6)
Total Capital and Surplus	<u>\$ 469.0</u>	<u>\$ 483.7</u>
Total Liabilities, Capital and Surplus	<u><u>\$ 486.5</u></u>	<u><u>\$ 491.2</u></u>

Build America Mutual Assurance Company
Quarterly Operating Supplement
December 31, 2013

Claims Paying Resources and Leverage Statistics

(in millions)

<u>U.S. Statutory Basis</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Policyholders' Surplus	\$ 469.0	\$ 483.7
Contingency Reserve	1.1	-
Qualified Statutory Capital	\$ 470.1	\$ 483.7
Unearned Premiums, Net of Reinsurance	3.0	-
Loss and Loss Adjustment Expense Reserves	-	-
First Loss Reinsurance Collateral Trusts ⁽¹⁾	105.4	100.3
Claims Paying Resources	\$ 578.5	\$ 584.0
<u>Gross Par Outstanding</u>		
Investment Grade ⁽²⁾	\$ 4,703.7	\$ 25.8
Below Investment Grade ("BIG") ⁽²⁾	-	-
Total	\$ 4,703.7	\$ 25.8
<u>Leverage Statistics</u>		
Total Gross Par Outstanding ÷ Total Claims Paying Resources	8.1x	n.m.
BIG Gross Par Outstanding ÷ Total Claims Paying Resources	-	-

⁽¹⁾ Excludes BAM surplus notes and related accrued interest.

⁽²⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

Build America Mutual Assurance Company

Quarterly Operating Supplement

December 31, 2013

Business Production

(in millions)

Gross Par Written

U.S. Public Finance - New Issue

	Three Months Ended December 31, 2013	Twelve Months Ended December 31, 2013
General Obligations	\$ 886.2	\$ 2,991.9
Utilities	216.2	640.1
General Funds	160.3	363.6
Public Higher Education	-	80.5
Dedicated Tax	112.6	191.4
Other Public Finance	-	30.5
Transportation	36.9	59.9
Total U.S. Public Finance - New Issue	\$ 1,412.2	\$ 4,357.9

U.S. Public Finance - Secondary Market

General Obligations	\$ 125.7	\$ 199.1
Transportation	42.9	95.1
Utilities	0.8	29.3
General Funds	10.5	25.0
Dedicated Tax	-	1.0
Public Higher Education	-	1.0
Total U.S. Public Finance - Secondary Market	\$ 179.9	\$ 350.5

Total Gross Par Written

Total Gross Par Written	\$ 1,592.1	\$ 4,708.4
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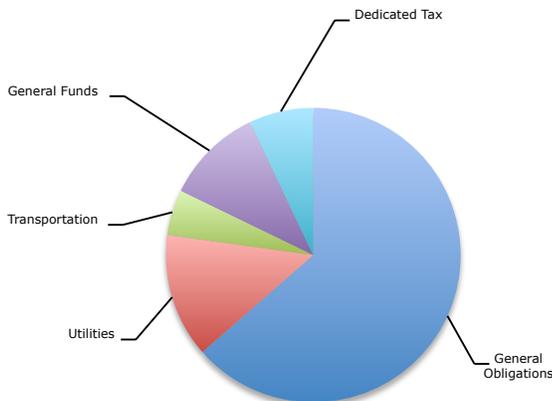
**Gross Risk Premiums and Member Surplus
Contributions Collected**

Gross Risk Premiums Written	\$ 5.4	\$ 13.6
Member Surplus Contributions	5.6	17.0

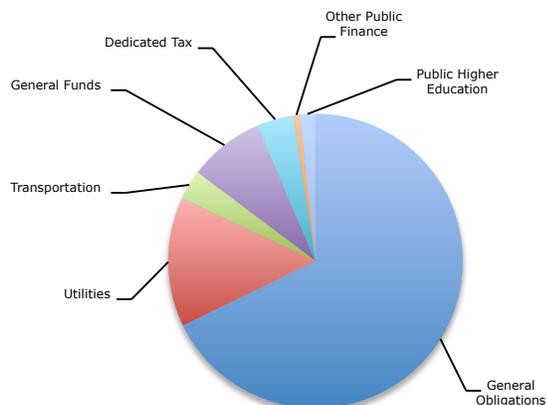
**Total Gross Risk Premiums and Member
Surplus Contributions Collected**

Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 11.0	\$ 30.6
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**Gross Par Written
For the three months ended December 31, 2013**



**Gross Par Written
For the twelve months ended December 31, 2013**



Build America Mutual Assurance Company

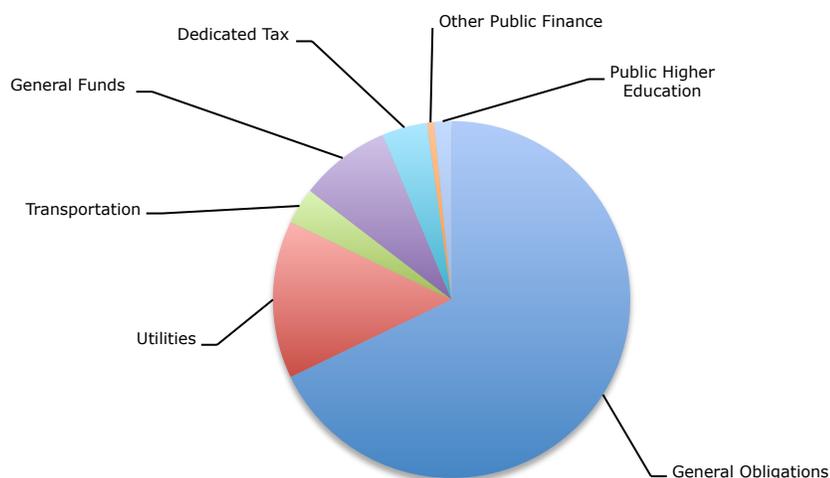
Quarterly Operating Supplement

December 31, 2013

Gross Par Outstanding by Sector

(in millions)	<u>As of</u> <u>December 31, 2013</u>
U.S. Public Finance - New Issue	
General Obligations	\$ 2,992.7
Utilities	642.7
General Funds	363.6
Public Higher Education	72.6
Dedicated Tax	191.4
Other Public Finance	30.4
Transportation	59.9
Total U.S. Public Finance - New Issue	\$ 4,353.3
U.S. Public Finance - Secondary Market	
General Obligations	\$ 199.1
Transportation	95.1
Utilities	29.2
General Funds	25.0
Dedicated Tax	1.0
Public Higher Education	1.0
Total U.S. Public Finance - Secondary Market	\$ 350.4
Total Gross Par Outstanding	\$ 4,703.7

**Gross Par Outstanding
As of December 31, 2013**



Build America Mutual Assurance Company

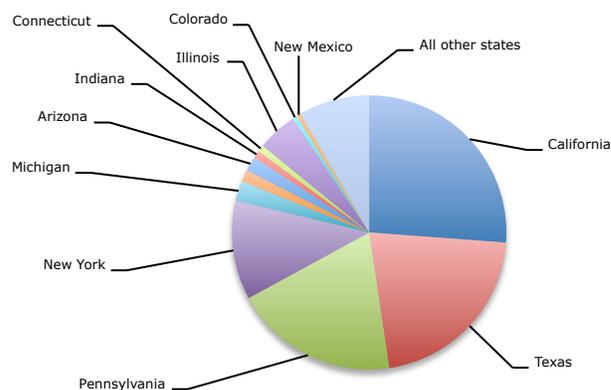
Quarterly Operating Supplement

December 31, 2013

Gross Par Outstanding by State

(in millions)	<u>As of December 31, 2013</u>	<u>% of Total</u>
California	\$ 1,231.6	26.2%
Texas	1,010.4	21.5%
Pennsylvania	912.0	19.4%
New York	550.1	11.7%
Illinois	220.9	4.7%
Michigan	110.4	2.3%
Florida	86.3	1.8%
Arizona	81.6	1.7%
Alabama	70.1	1.5%
New Jersey	65.2	1.4%
Oklahoma	48.9	1.0%
Indiana	40.8	0.9%
Connecticut	38.1	0.8%
Kansas	30.7	0.7%
Ohio	29.9	0.6%
Massachusetts	29.5	0.6%
Louisiana	28.1	0.6%
Colorado	27.4	0.6%
Wisconsin	23.7	0.5%
New Mexico	22.0	0.5%
Nevada	16.6	0.4%
South Carolina	12.0	0.3%
Rhode Island	8.4	0.2%
Tennessee	6.0	0.1%
Oregon	3.0	0.1%
Total Gross Par Outstanding	\$ 4,703.7	100.0%

Gross Par Outstanding by State As of September 30, 2013



Build America Mutual Assurance Company

Quarterly Operating Supplement

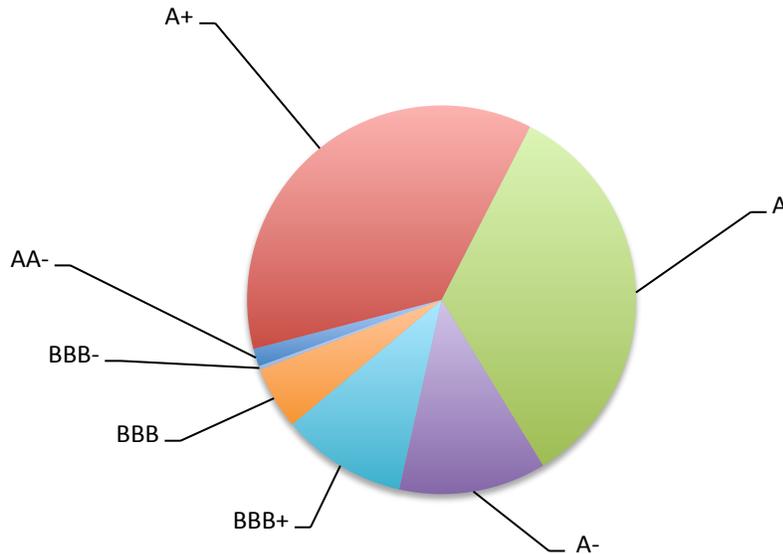
December 31, 2013

Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	Percentage of Gross Par Outstanding as of December 31, 2013
AAA	0.2%
AA	0.1%
AA-	2.5%
A+	32.0%
A	30.9%
A-	16.6%
BBB +	11.0%
BBB	6.3%
BBB-	0.4%
BIG	- %
Total Gross Par Outstanding	<u>100.0%</u>

Weighted Average Rating A

**Rating Distribution of Gross Par Outstanding⁽¹⁾
As of September 30, 2013**



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Build America Mutual Assurance Company
Quarterly Operating Supplement
December 31, 2013

Contractual Amortization of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of December 31, 2013:		\$ 4,703.7
Year 2014	\$ 132.2	4,571.5
Year 2015	154.1	4,417.4
Year 2016	167.9	4,249.5
Year 2017	179.2	4,070.3
Subtotal	<u>633.4</u>	
Years 2018 to 2022	999.6	3,070.7
Years 2023 to 2027	1,037.8	2,032.9
Years 2028 to 2032	868.2	1,164.7
Year 2033 and thereafter	1,164.7	-
Total	<u><u>\$ 4,703.7</u></u>	

⁽¹⁾ Depicts contractual amortization of existing guaranteed portfolio (principal only) and assumes no unscheduled, advance refundings as of December 31, 2013.

Build America Mutual Assurance Company
Quarterly Operating Supplement
December 31, 2013

Top 25 U.S. Public Finance Exposures

(in millions)

Obligor	Rating⁽¹⁾	Gross Par Outstanding	% of Total Gross Par Outstanding
Sweetwater Union High School District Public Financing Authority, CA	A	\$ 72.1	1.5%
Plum Borough SD, PA (Allegheny County)	A+	67.4	1.4%
Allegheny County Sanitary Authority, PA, (Allegheny County), Sewer Revenue	A	64.8	1.4%
Roosevelt UFSD, NY (Nassau County)	A+	59.4	1.3%
Chicago Board of Education, IL (Cook County)	A-	58.6	1.2%
Tehachapi Valley Healthcare District, CA (Kern County)	A	57.9	1.2%
Texas Southern University System, TX (state-wide)	BBB	54.8	1.2%
Hesperia USD, CA (San Bernardino County)	A-	52.7	1.1%
Polk County, FL, (Polk County), Combined Water & Sewer	AA-	51.1	1.1%
Palmdale SD, CA (Los Angeles County)	A	45.2	1.0%
Niagara Falls Public Water Authority, NY (Niagara County), Water	A-	44.5	0.9%
Nassau County, NY (Nassau County)	A-	43.8	0.9%
Westminster SD, CA, (Orange County)	AA-	43.3	0.9%
Val Verde USD, CA (Riverside County)	A	39.1	0.8%
Tulare County Board of Education, CA (Tulare County)	A+	39.0	0.8%
Alabama Municipal Electric Authority, AL (State-Wide) Electric	A-	37.6	0.8%
Westlands Water District, CA (Fresno County And Kings County), Water	A+	37.6	0.8%
Tulsa Airport, OK, (Tulsa County), Airport GARBs	A-	36.9	0.8%
Township HSD No. 502, IL (Bureau County)	A-	35.5	0.8%
North Port, City of, FL (Sarasota County)	A+	35.2	0.7%
Genesee, County of, MI, (Genesee County)	A	35.0	0.7%
Temecula Valley USD, CA (Riverside County)	A	35.0	0.7%
Chicago, City of, IL (Cook County)	BBB+	34.7	0.7%
Paramount USD, CA (Los Angeles County)	A	34.0	0.7%
Elmira City SD, NY (Chemung County)	A+	33.8	0.7%
Total - Top 25 U.S. Public Finance Exposures		\$ 1,149.0	24.4%

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Build America Mutual Assurance Company
 Quarterly Operating Supplement
 December 31, 2013

Fixed Income Investment Portfolio
 (in millions)

Investment Category	Fair Value	Amortized Cost	U.S. Statutory Basis Yield⁽¹⁾	Actual U.S. Statutory Basis Investment Income For the Twelve Months Ended December 31, 2013
Long-term Investments				
Corporate Obligations	\$ 291.3	\$ 297.1	1.33%	\$ 3.8
U.S. Agency Obligations - MBS	83.2	85.3	1.22%	1.0
U.S. Agency Obligations - Non-MBS	52.4	52.6	0.66%	0.4
U.S. Government Obligations	14.8	15.0	0.36%	0.1
Total long-term investments	441.7	450.0	1.16%	5.3
Short-term Investments	20.0	20.0	0.13%	0.0
Total Investments	\$ 461.7	\$ 470.0	1.13%	\$ 5.3
Investment Expenses				0.7
U.S. Statutory-basis Net Investment Income				\$ 4.6

Rating Distribution of Fixed Income Investment Portfolio
 As of December 31, 2013

Rating ⁽²⁾	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 34.8	7.5%
U.S. Agency Obligations	135.6	29.4%
AAA	-	-
AA	40.9	8.9%
A	250.4	54.2%
BBB	-	-
Below Investment Grade	-	-
Not Rated	-	-
Total	\$ 461.7	100.0%

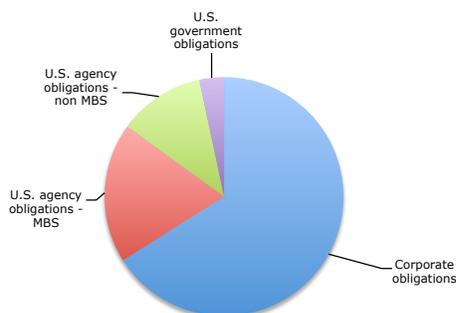
Weighted Average Rating

AA-

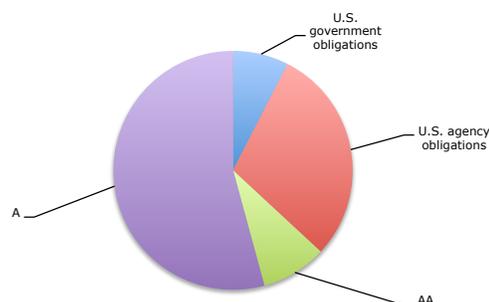
Duration of Fixed Income Investment Portfolio

3.21 years

Fixed Income Investment Portfolio⁽³⁾
 As of December 31, 2013



Rating Distribution of Fixed Income Investment Portfolio⁽²⁾
 As of December 31, 2013



⁽¹⁾ Represents the annualized ratio of U.S. Statutory basis investment income (gross of investment expenses) to the weighted average U.S. Statutory basis invested asset balance for the twelve months ended December 31, 2013.

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

⁽³⁾ Based on amortized cost.

Build America Mutual Assurance Company

Quarterly Operating Supplement

December 31, 2013

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.

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

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 financial guaranty insurance for which a BAM insurance was subsequently purchased by the owner of that bond.

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.

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



BAMSM

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ASSURANCE COMPANY**

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