REPORT ON EXAMINATION

OF

BUILD AMERICA MUTUAL ASSURANCE COMPANY

AS OF

DECEMBER 31, 2018

DATE OF REPORT	MARCH 19, 2020
EXAMINER	KEVIN MCNAMEE

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March 19, 2020

Honorable Linda A. Lacewell
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 31938 dated April 10, 2019, attached hereto, I have made an examination into the condition and affairs of Build America Mutual Assurance Company as of December 31, 2018, and submit the following report thereon.

Wherever the designation "the Company" or "BAM" 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.

The examination was conducted at the Company's home office located at 200 Liberty Street, New York, NY 10281.

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, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. 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
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to the recommendation 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, and the Department approved the Declaration of Intention and Charter on that same date. The Company became licensed and commenced operations on July 20, 2012.

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 to 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 Ltd. to BAM under a first loss reinsurance treaty (refer to section C for further description of this treaty).

By letter of 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 BAM’s reinsurance treaty with HG Re. Repayment of these notes (principal and/or interest) by the Company is subject to the prior approval of the Department.

BAM was organized as a New York domiciled 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 BAM’s financial guaranty to lower their cost of funding in the municipal market. Issuers whose debt is insured by BAM become members of BAM for as long as they have debt outstanding insured by BAM. Pursuant to the BAM’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 BAM to the largest member principal amount insured.

Upon the issuance of a policy, members are required to contribute to BAM’s surplus. These paid-in amounts are called member surplus contributions. As of the examination date, the Company’s surplus as regards policyholders included $191,796,223 in member surplus contributions.

BAM’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 met at least four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following members:

Name and Residence	Principal Business Affiliation
Reid T. Campbell New Canaan, Connecticut	Executive Vice President and Chief Financial Officer, White Mountains Insurance Group, Ltd.
Robert P. Cochran New York, New York	Managing Director, Secretary and Chairman, Build America Mutual Assurance Company
Sean W. McCarthy New York, New York	Managing Director and Chief Executive Officer, Build America Mutual Assurance Company
Edward G. Rendell Philadelphia, Pennsylvania	Special Counsel, Ballard Spahr, LLP
G. Manning Rountree Grafton, New Hampshire	Chief Executive Officer, White Mountains Insurance Group, Ltd.
Robert A. Vanosky Rancho Santa Fe, California	Retired
F. John White Philadelphia, Pennsylvania	Managing Director and Chairman, PFM Group

A review of the minutes of the board of directors revealed that members of the audit committee changed between the May 2016 and May 2017 board meetings.

Section 89.12(e) of Department Regulation 118 states:

> "The company shall give written notice of the selection of its audit committee within 30 days of the effective date of this Part and within 30 days of any change in membership of the audit committee. The notice shall include a description of the reason for the change."

It is 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.

As of December 31, 2018, the principal officers of the Company were as follows:

Name	Title
Robert P. Cochran	Managing Director, Secretary and Chairman
Sean W. McCarthy	Managing Director and Chief Executive Officer
Elizabeth A. Keys	Chief Financial Officer and Treasurer

B. Territory and Plan of Operation

As of December 31, 2018, the Company was licensed to write business in all 50 states and 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 and I)	Surety
25	Financial guaranty

Based upon the lines of business for which the Company is licensed, 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.

BAM was established to provide bond insurance in the United States to the small and mid-sized municipal bond market. BAM'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. BAM 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 that a licensed agent countersign all policies written in that state.

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

Calendar Year	Direct Premiums	Assumed Premiums	Total Gross Premiums
2014	$15,433,775	$ 0	$15,433,775
2015	$25,306,492	$ 0	$25,306,492
2016	$38,376,065	$ 0	$38,376,065
2017	$60,328,021	$ 0	$60,328,021
2018	$43,049,109	$8,078,221	$51,127,330

On November 1, 2018, the Company entered into a 100% quota share facultative reinsurance agreement with Ambac Assurance Corporation ("AMBAC"). 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 assumed, on a retroactive basis, a portfolio of municipal credits originally written by AMBAC.

In 2018, New York accounted for approximately 39.2% of direct premiums written, followed by California (12.6%). Additionally, as of the examination date, California accounted for 23.1% of BAM's insured exposure, represented by gross par outstanding, followed by Texas (13.4%). New York represented 6.2%.

Due to its reinsurance program, the net exposure of the Company is significantly different than its direct and assumed exposure.

C. Reinsurance Ceded

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

The FLRT, dated December 3, 2018, amends and restates the First Loss Reinsurance Treaty Agreement dated July 20, 2012, and subsequently amended and restated on October 1, 2013, July 30, 2014, November 16, 2015, January 1, 2017 and August 14, 2017. Pursuant to the terms of the FRLT, 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 the subject of such policy. For the purpose 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 established $0 in gross loss reserves.

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. BAM can recognize 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 Account. 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 BAM's Series B Surplus Notes. In 2017, BAM'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. 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 (referred to as the "Series 2018 Surplus Notes") without notification to the Trustee and a right of first refusal to redeem the shares prior to any such sale. The funds in the Supplemental Trust Account collateralize the ceded contingency reserves. As of December 31, 2018, the Company reported ceded contingency reserves of approximately $17.3 million.

At such times when the Department approves payments on the surplus notes, the payment amount allocated to principal will remain 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, the Supplemental Trust Account held approximately $106 million in liquid assets plus the ICAV shares representing the holding of the illiquid surplus notes and accrued interest due from the Company.

The FLRT states that BAM may draw directly from either trust account to pay or reimburse itself for the payment of any loss, up to its 15% reinsurance coverage limit. Assets in the Regulation 114 Trust Account are invested subject to the provisions of Department Regulation 114. The Regulation 114 Trust was reviewed and approved by the Department as a condition of its initial licensing of the Company.

The net cost of this reinsurance is 60% of the gross written premium (defined in the FLRT as premiums collected by the Company, less cancellations, returns and premium that might be ceded to other reinsurers). The net cost number represents the difference between the amount of the gross written premium ceded and the ceding commission allowed to the Company. The percentage of gross premium ceded and the ceding commission allowed the Company varies with the treaty year, but the net difference between the two figures is always 60% of the net written premium. As of December 31, 2018, the gross premium ceded and ceding commission were 85.71% and 30%, respectively. The FLRT provides for annual renewal of the percentages for gross premium ceded and ceding commission by agreement between the Company and the reinsurer; if not so renewed, the gross premium ceded and ceding commission will be set to 63.2% and 5%, respectively.

Additionally, the FLRT provides for the cession of unearned premium reserves in proportion to the specified amount of gross written premium ceded for the treaty year. Effective January 1, 2016, statutory contingency reserves are ceded, pursuant to the terms of the treaty, and are collateralized by assets held in the Supplemental Trust Account. Loss reserves (as of the examination date, the Company has not incurred losses) are ceded in accordance with the reinsurer's liability per the FLRT.

The FLRT is perpetual in its term and remains in full force and effect, until it is terminated by mutual written consent of both BAM and HG Re. The terms and conditions of the FLRT may be amended from time to time, subject to Department approval. Upon any such amendment, BAM has the option to purchase HG Re, or cause another reinsurer to purchase HG Re, at fair value. Additionally, pursuant to the terms of the FLRT, BAM's underwriting guidelines may only be amended with the consent of HG Re.

Effective April 19, 2018, BAM is a 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 ("Covered Portfolio") up to a total reimbursement of

$100,000,000. The Covered Portfolio included 95% of BAM's policies issued through December 31, 2017, which consisted of approximately 73% of gross par in force for BAM's portfolio of financial guaranty policies as of December 31, 2018. The Company's excess of loss reinsurance protection provided by Fidus does not meet the criteria for risk transfer and, accordingly, is not reflected in Schedule F of the Company's 2018 Annual Statement.

As of the examination date, the reinsurance agreements 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.

Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Management has represented that the ceded reinsurance agreement transferred 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 a risk transfer analysis and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC annual statement instructions. As of the examination date, the Company was party to one reinsurance contract that was accounted for using deposit accounting. Ceded reinsurance agreements were accounted for by utilizing the accounting as set forth in SSAP No. 62R.

D. Holding Company System

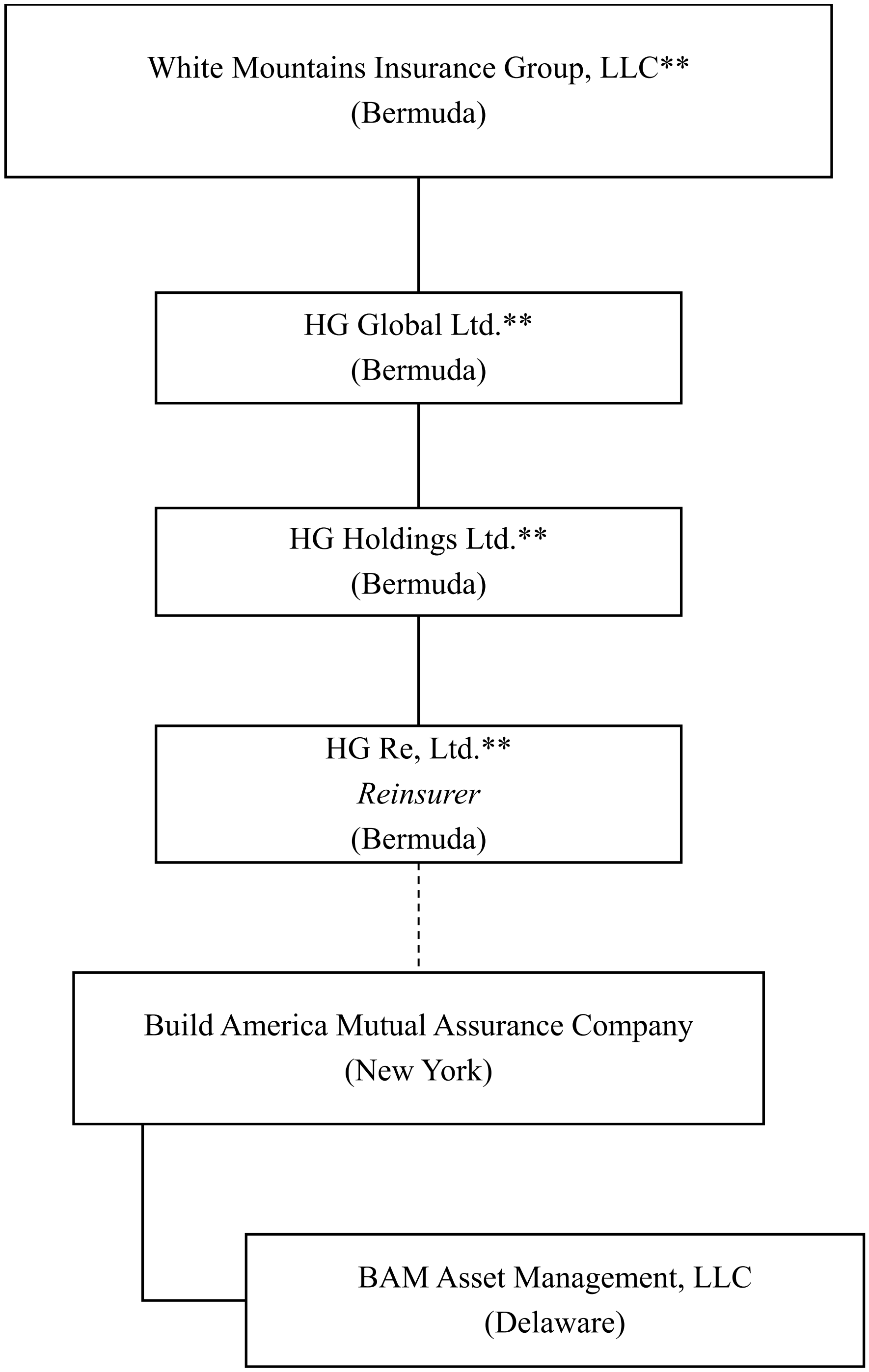
BAM is organized in New York as a mutual insurer and as such is exempt from holding company matters and filings required under Article 15 of the New York Insurance Law. White Mountains Insurance Group, Ltd. ("White Mountains") is an exempted Bermuda limited liability company whose principal businesses are conducted through its subsidiaries and affiliates. It is the controlling parent of HG Global, Ltd. ("HG Global"), a Bermuda company, which in turn wholly-owns HG Holdings and HG Re. White Mountains formed HG Global to fund the startup of BAM, and to provide BAM reinsurance through HG Re. White Mountains is a public company that consolidates BAM's results in its financial statements, attributable to non-controlling interests.

HG Holdings has the right to designate two directors for election to BAM's board of directors. Because BAM's business plan is strongly aligned and intertwined with that of HG Holdings and HG Re, BAM has agreed to submit to this 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 BAM, 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 BAM. Services include, but are not be 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 submitted and non-disapproved by the Department.

On April 16, 2014 the Company formed a subsidiary, BAM Asset Management, LLC. ("BAM AM"). BAM AM is a limited liability company formed under the laws of Delaware. The subsidiary was created to administer a program to purchase uninsured municipal bonds in the secondary market that meet BAM's insurance criteria, purchase insurance from BAM and then resell the newly insured bonds back in the secondary market. The subsidiary had initially been funded with $5,001,000. BAM suspended the program and the subsidiary never commenced operations. BAM AM subsequently returned $4,998,000 during 2014 in the form of cash and marketable securities, resulting in a net capital contribution to BAM AM of $3,000. The Company reported BAM AM with a fair value of $1,713 in its 2018 Annual Statement – Schedule BA, and non-admitted this asset.

The following is an abridged chart of the deemed holding company system* at December 31, 2018:



*As noted previously, BAM 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 BAM. It is reflected in this chart due to its unique relationship (as previously described in the report) with BAM.

At December 31, 2018, the Company was party to a service agreement with BAM AM to provide a variety of services. Because BAM AM is dormant, no services have been provided and no payments have been made or reported in the 2018 Annual Statement under the service agreement.

E. Significant Ratios

The Company's operating ratios, computed as of December 31, 2018, 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	2%
Adjusted liabilities to liquid assets	21%
Two-year overall operating	92%

Underwriting Ratios

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

	Amounts	Ratio
Losses and loss adjustment expenses incurred	$ 0	0.00%
Other underwriting expenses incurred	188,095,822	4,689.41
Net underwriting gain (loss)	(184,084,746)	(4,589.41)
Premiums earned	$ 4,011,076	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 required by Section 4110(a) of the New York Insurance Law, for the entire examination period. Additionally, the Company's pro forma expense limit analysis indicates that it will continue to exceed the management expense limit through 2021.

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, 2018, as reported by the Company:

Assets

	Assets	Non-admitted Assets	Net Admitted Assets
Bonds	$477,687,716	0	$477,687,716
Cash, cash equivalents and short-term investments	44,931,455	0	44,931,455
Other invested assets	1,713	1,713	0
Receivables for securities	10,998	0	10,998
Investment income due and accrued	3,527,699	0	3,527,699
Electronic data processing equipment and software	2,971,010	2,897,738	73,272
Furniture and equipment, including health care delivery assets	764,220	764,220	0
Prepaid assets	1,336,068	1,336,068	0
Other assets	73,048	0	73,048
Total assets	$531,303,927	$4,999,739	$526,304,188

Liabilities, Surplus and Other Funds

Liabilities

Other expenses (excluding taxes, licenses and fees)		$ 23,339,022
Taxes, licenses and fees (excluding federal and foreign income taxes)		227,449
Unearned premiums		36,233,633
Payable for securities		2,244,070
Mandatory contingency reserve		50,325,665
Deposit liability		200,000
Total liabilities		$112,569,839

Surplus and Other Funds

Member surplus contributions	$191,796,223	
Surplus notes	481,262,739	
Unassigned funds (surplus)	(259,324,613)	
Surplus as regards policyholders		413,734,349
Total liabilities, surplus and other funds		$526,304,188

Note: The Internal Revenue Service has not audited the Company's federal income tax returns for the period covered by this examination. 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 $156,536,896, as detailed below:

Underwriting Income		
Premiums earned		$ 4,011,076
Deductions:		
Other underwriting expenses incurred	$188,095,822	
Total underwriting deductions		188,095,822
Net underwriting gain or (loss)		$(184,084,746)
Investment Income		
Net investment income earned	$ 27,248,270	
Net realized capital gains	299,580	
Net investment gain or (loss)		$ 27,547,850
Net loss		$(156,536,896)

C. Capital and Surplus

Surplus as regards policyholders decreased $55,315,046 during the five-year examination period January 1, 2014 through December 31, 2018, as reported by the Company, detailed as follows:

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders, as reported by the Company as of December 31, 2013			$469,049,395
Net income		$156,536,896	
Net unrealized capital gains or (losses)		1,287	
Change in nonadmitted assets		2,250,789	
Change in surplus notes		21,737,261	
Change in contingency reserves		49,251,663	
Member surplus contributions	$174,462,849	0	
Rounding adjustment	1	0	
Net increase (decrease) in surplus	$174,462,850	$229,777,896	(55,315,046)
Surplus as regards policyholders, as reported by the Company as of December 31, 2018			$413,734,349

As previously stated, 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, a Bermuda holding company, and to its wholly-owned subsidiary HG Re, in the amount of $203,000,000 and $300,000,000, respectively.

On August 14, 2017, HG Re surrendered the Series 2012-A and Series 2012-B Surplus Notes and BAM issued surplus notes in the amount of $503 million “Series 2017 Surplus Notes” to HG Re in order to consolidate the Series 2012-A ($203.00 million) and Series 2012-B ($300.00 million) Surplus Notes into a single series.

On December 3, 2018, a legend was revised on the Surplus Notes to restrict the sale, transfer, pledge or assignment of the Surplus Notes (now known as the “Series 2018 Surplus Notes”) without notification to the Trustee and a right of first refusal to redeem the shares prior to any such sale. The Series 2018 Surplus Notes are held in the ICAV, an HG Re-sponsored vehicle. HG Re's beneficial interest in the Series 2018 Surplus Notes is pledged for the benefit of BAM.

In December 2018, the Department approved a surplus note payment of $23 million, of which the Company paid down the principal by approximately $17.7 million, and the interest by approximately $5.3 million. As of December 31, 2018, the Series 2018 Surplus Notes have a par value of $481,262,739, carry a variable interest rate, and mature on April 1, 2042.

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, 2018. 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 $50,325,665.

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, 2018, the Company reported an unearned premium reserve of $36,233,633.

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

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The risks and uncertainties surrounding the COVID-19 pandemic may impact the Company’s, and its competitors’, operational and financial performance. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets. All of these developments are uncertain and cannot be predicted. The related financial impact can not be reasonably estimated at this time.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

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

ITEM		PAGE NO.
A.	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.	10
	The Company has not complied with this recommendation. The same recommendation is made in this report on examination.	

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Management	
	It is 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.	4
B.	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 recommendation is a repeat from the prior report on examination.	12

Respectfully submitted,

____
Kevin McNamee
Associate Insurance Examiner

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

Kevin McNamee, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

____
Kevin McNamee

Subscribed and sworn to before me

this_________ day of __________________, 2020.

APPOINTMENT NO. 31938

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, Linda A. Lacewell, Acting 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:

Kevin McNamee

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 he 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 10th day of April, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

Joan Riddell
Deputy Bureau Chief