

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

2011 Annual Board Meeting

May 25, 2011

New York Insurance Captive of



Prepared by: Marsh Captive Solutions Group

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

ANNUAL BOARD MEETING

MAY 25, 2011

NOTICE

The 2011 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 347 Madison Avenue, New York, NY on May 25, 2011.

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TAB A



First Mutual Transportation Assurance Company 2011 Annual Meeting Update

Marsh Captive Solutions, together with MTA Risk and Insurance Management, presents the following update for First Mutual Transportation Assurance Company ("FMTAC") for the year ended December 31, 2010. The comparative financial statements and supporting schedules as of the same date accompany this report.

REGULATORY COMPLIANCE

CURRENT BUSINESS PLAN – The First Mutual Transportation Assurance Company ("FMTAC") is a captive insurance company licensed in New York and is approved to insure and reinsure the risks of the Metropolitan Transportation Authority ("MTA"). FMTAC provides the following lines of coverage to the MTA and its agencies:

General Liability	Stations Liability
Auto Liability – Paratransit	Force Liability
All Agency Protective Liability	Property and Terrorism Insurance
Owner Controlled Insurance Programs ("OCIP")	Excess Loss Program

FMTAC CALENDAR:

<i>Description</i>	<i>Completion / Due Date</i>	<i>Comments</i>
2010 New York Annual Report	24-Feb-11	Filed with NYS Insurance Dept
2010 Loss Reserve Certification	25-Feb-11	Filed with NYS Insurance Dept
2010 NY Premium Tax Return	N/A	N/A - Exempted
2011 NY Annual Meeting	25-May-11	Scheduled
2010 Audited Financial Statements	21-Apr-11	Completed
2011 NY Insurance License	30-Jun-11	Pending
NY Section 332 Assessments	Quarterly	N/A - Exempted
Policy Issuance	Ongoing	Various Renewal dates
2011 Monthly Accounting Submission	30 days	After Month End
2011 Actuarial Reserve Review - Initial	30-Sep-11	Performed by Milliman
2011 Actuarial Reserve Review - Final	31-Dec-11	Performed by Milliman

(*) - FMTAC is excluded from all state premium tax and other assessments levied by the New York State Insurance Department.

Summary of Selected Financial Information

(in thousands), except ratios

Period Ended	12/31/10	12/31/09	12/31/08	12/31/07
Balance Sheet:				
Total Cash and Invested Assets	494,849	458,686	409,563	378,814
Total Other Assets	97,810	126,493	122,199	161,468
Total Assets	592,659	585,179	531,762	540,282
Total Insurance Reserves	325,941	306,087	268,401	250,966
Total Liabilities	446,448	458,224	435,419	448,550
Total Equity	146,212	126,954	96,343	91,733
Unrealized Gain / (Loss) on Invts	9,326	(2,199)	(28,542)	1,914
Income Statement:				
Premium Written	91,698	94,026	53,501	186,529
Premium Earned	98,584	75,469	72,948	46,043
Net Investment Income	18,323	11,198	19,143	16,963
Losses and LAE Incurred	(99,813)	(72,851)	(46,919)	(48,549)
Other Underwriting and Operating Exp.	(9,362)	(9,547)	(10,104)	(9,174)
Net Income	7,733	4,268	35,067	5,284
Ratios:				
Loss Ratio	101.2%	96.5%	64.3%	105.4%
Expense Ratio	9.5%	12.7%	13.9%	19.9%
Combined Ratio	110.7%	109.2%	78.2%	125.4%

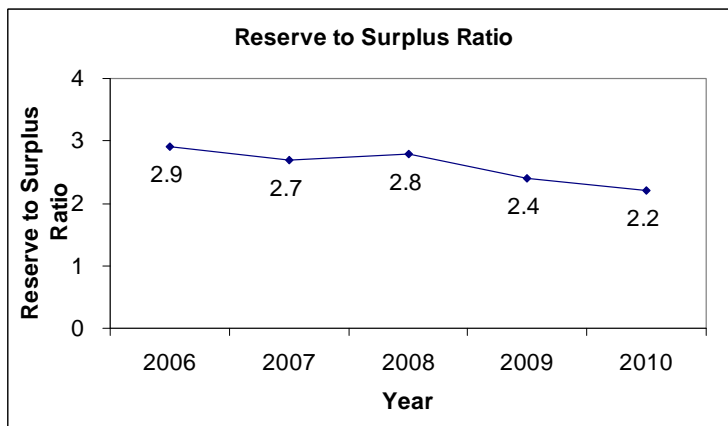
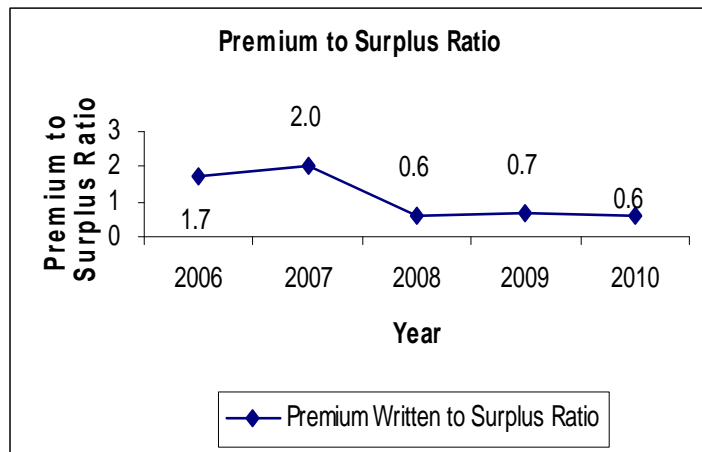
- **Total assets** have increased by \$7.5 million (1%) and **Total liabilities** have decreased by \$11.8 million (3%) during 2010. The 1% increase in total assets is due to a rise in the market value of investments at year end. The 3% decrease in total liabilities is a result of a reduction in the unearned premium liability relating to the Owner Controlled Insurance Programs (“OCIP”).
- **Total equity** was \$146.2 million at year end 2010, which includes a \$9.3 million unrealized gain on investments. Equity increased \$19.2 million (15%) from 2009 due to investment income earned and market value recovery on investments during 2010.
- **Premium written** decreased \$2.3 million (2%) from 2009. The decrease is a result of reduced premiums from policy exposure audits. **Premium earned** was \$98.5 million for 2010 which was \$23.1 million (31%) greater than 2009. The increase is attributable to the recognition of unearned premium on OCIP policies.
- **Net investment income earned** was \$18.3 million for 2010, which was \$7.1 million (64%) greater than 2009.
- **Losses and LAE incurred expenses** increased by \$26.9 million during 2010 which is attributable to higher actuarial loss reserve estimates for the Paratransit and Excess Loss Programs.

KEY RATIOS

➤ **Premium-to-Surplus Ratio** is a measure of an insurer's financial strength and future solvency. It measures the adequacy of an insurer's surplus, relative to its operating exposure. A 5:1 ratio or lower is suggested in the captive industry. A low ratio indicates there is surplus to support future premium written.

Calculation: Premium Written divided by Total Equity. The terms "Equity" and "Surplus" are used interchangeably.

Conclusion: FMTAC is operating well within an acceptable premium-to-surplus ratio.



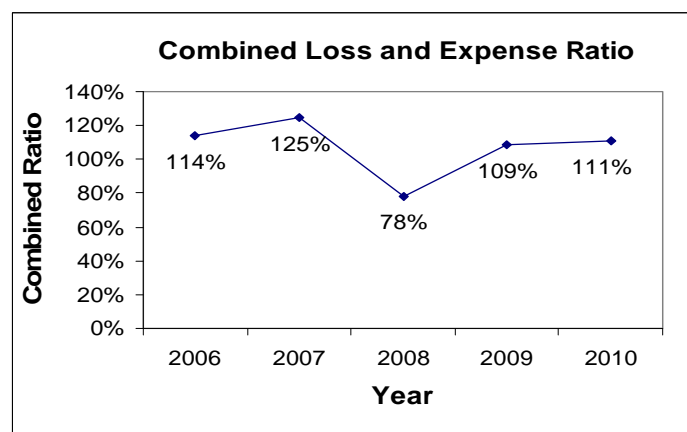
➤ **Reserves-to-Surplus Ratio** measures how much the insurer's surplus and capital may be impaired if loss reserves are undervalued. A 10:1 ratio or lower is suggested in the captive industry. A low ratio indicates there is surplus to support future negative fluctuations in loss reserves.

Calculation: Total Insurance Reserves divided by Total Equity.

Conclusion: FMTAC is operating well within an acceptable reserve to surplus ratio.

➤ **Combined Loss and Expense Ratio** measures the percentage of premium dollars spent on claims and operating expenses. When the combined ratio is under 100%, incurred losses and expenses came in at under or at expected levels. When the ratio is over 100%, incurred losses and expenses were higher than expected.

Calculation: Losses & LAE Incurred plus Other Underwriting & Operating Exp divided by Premium Earned.



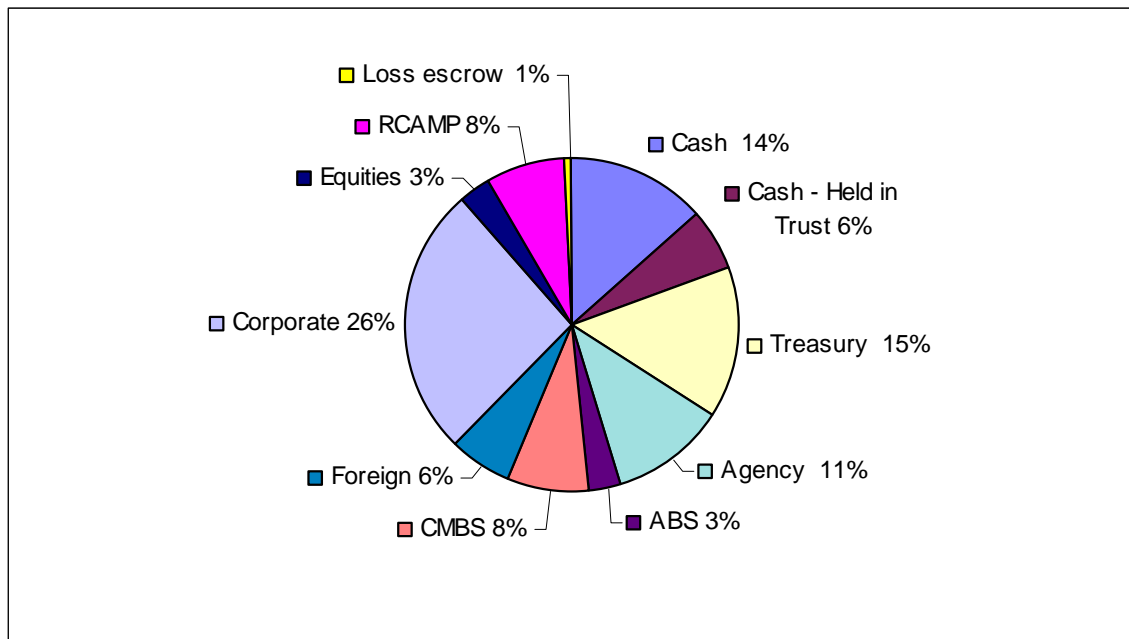
Conclusion: The combined loss and expense ratio went above 100% in 2006 and 2007 due to FMTAC assuming responsibility for the MTA Risk Management budget and the development of higher than expected Paratransit losses. In 2008, the ratio fell below 100% due to a lower actuarial valuation of loss reserves and additional earned premium from the Owner Controlled Insurance Programs. In both 2009 and 2010, the ratio went above 100% due to higher actuarial loss reserves for Paratransit and Excess Loss claims.

INVESTMENTS

At December 31, 2010, FMTAC held \$494.8 million in cash, investments and restricted loss trust or escrow accounts. Dwight Asset Management provides investment advisory services to FMTAC. For a detailed investment report, please see section called "Investment Portfolio Review by Dwight Asset Management".

Investment Type	MV%	Dec 31, 2010 Market Value (in thousands)
Cash	14%	67,639
Cash - Held in Trust	6%	28,588
Treasury	15%	73,384
Agency	11%	54,772
Asset Backed Securities	3%	14,311
Commercial Mortgage Backed Securities	8%	38,909
Foreign Bonds	6%	30,751
Corporate Bonds	26%	129,620
Equities	3%	16,036
OCIP Collateral ("RCAMP Trust")	8%	37,665
Loss Escrows	1%	3,174
Total	100%	494,849

Cash and Invested Assets at 12/31/10 Market Values



TAB B

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(A NEW YORK STATE WHOLLY OWNED INSURANCE SUBSIDIARY OF MTA)
COMPARATIVE BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31, 2004 TO DECEMBER 31, 2010
AUDITED

	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
ASSETS							
Cash & Cash Equivalents	\$ 54,253,991	\$ 41,275,830	\$ 31,621,449	\$ 23,532,334	\$ 6,220,880	\$ (64,833)	\$ (88,780)
Cash & Investments - LOC Collateral	41,592,784	-	-	-	-	-	-
Investments - GOA	158,259,296	184,057,972	162,755,328	147,405,007	141,764,100	126,846,746	94,078,294
Security Trust - Reliance	-	233,376	232,384	225,983	3,015,733	2,913,805	2,865,359
Security Trust - Liberty	24,746,232	23,102,961	21,012,524	21,813,413	20,954,868	11,854,975	11,660,957
Security Trust - Liberty '06	26,116,891	24,512,157	22,070,215	23,125,604	11,208,166	-	-
Security Trust - ELF	74,103,905	67,606,955	61,510,252	76,453,029	82,540,258	83,243,054	80,734,932
Security Trust - Builders Risk	46,348,524	42,730,456	33,728,389	-	-	-	-
Security Trust - ACE	-	-	-	-	-	-	19,188,631
Discover Re Trust Fund	28,588,176	-	-	-	-	-	-
RCAMP Trust Fund	37,664,841	72,291,723	72,692,733	82,618,594	80,859,232	81,211,369	92,491,423
Premium Receivable	64,859,051	57,855,220	69,809,859	139,369,894	77,433,619	38,389,516	23,043,076
Intercompany Receivable - MTA	-	36,301,112	26,051,545	-	-	-	-
Reinsurance Reserve Recoverable	29,108,438	26,159,714	21,861,625	18,036,950	14,070,731	12,314,343	5,485,434
Escrow Paid Loss Deposit Funds	3,174,394	2,874,394	3,940,000	3,640,000	3,640,000	3,140,000	3,140,000
Interest Income Receivable	2,946,717	3,269,931	2,942,037	2,335,852	1,941,882	1,448,916	1,086,519
Loss Receivable	896,057	2,778,289	1,533,460	1,720,089	-	-	-
Deferred Incentive Award Receivable	-	128,515	-	-	-	-	-
Prepaid Expenses	-	-	-	5,710	-	93,653	-
Deferred Policy Acquisition Costs	-	-	-	-	-	32,786	-
TOTAL ASSETS	\$ 592,659,298	\$ 585,178,605	\$ 531,761,801	\$ 540,282,459	\$ 443,649,468	\$ 361,424,330	\$ 333,685,845
LIABILITIES							
IBNR Loss Reserves	\$ 195,516,334	\$ 157,239,654	\$ 139,893,150	\$ 131,798,677	\$ 108,030,011	\$ 103,016,745	\$ 128,307,078
Case Loss Reserves	69,789,399	56,196,173	38,014,524	30,100,219	45,005,515	36,721,800	27,684,811
Reserves - Deemed Recoverable	29,108,438	26,034,714	21,861,625	18,036,950	14,070,731	12,314,343	5,485,434
Deferred Losses Payable - RCAMP	31,399,018	66,616,353	68,116,654	68,871,386	71,208,029	74,671,885	80,713,553
Unearned Premium Reserve							
(net of Deferred Reinsurance Premium)	118,782,805	149,356,192	158,647,049	179,975,092	98,651,446	54,909,485	20,884,486
Deferred Incentive Award Payable	128,049	-	514,693	2,158,875	2,374,737	3,554,619	6,191,600
Other Due	1,598,651	2,781,065	1,690,542	2,136,507	1,271,504	404,797	238,209
Intercompany Payable - MTA	125,000	-	-	-	-	-	-
Ceded Premium Payable	-	-	6,681,000	15,472,200	19,191,802	-	-
Brokerage & Fronting Fees	-	-	-	-	-	-	179,969
Losses & LAE Payable	-	-	-	-	95,983	1,529,206	111,166
TOTAL LIABILITIES	446,447,695	458,224,151	435,419,237	448,549,906	359,899,758	287,122,880	269,796,308
STOCKHOLDER'S EQUITY							
Contributed Surplus - Cash	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Additional Policyholder Surplus	77,668,919	77,668,919	77,668,919	77,668,919	77,668,919	77,668,919	77,668,919
Retained Earnings	48,484,415	44,216,135	9,149,296	3,865,603	(7,876,536)	(17,906,599)	(25,391,364)
Net Income	7,732,551	4,268,280	35,066,839	5,283,693	11,742,139	10,030,064	7,484,765
Unrealized Gain / (Loss) on Investments	9,325,719	(2,198,881)	(28,542,490)	1,914,338	(784,812)	1,509,066	1,127,217
TOTAL STOCKHOLDER'S EQUITY	146,211,603	126,954,453	96,342,564	91,732,553	83,749,710	74,301,449	63,889,537
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 592,659,298	\$ 585,178,604	\$ 531,761,801	\$ 540,282,459	\$ 443,649,468	\$ 361,424,330	\$ 333,685,845

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(A NEW YORK STATE WHOLLY OWNED INSURANCE SUBSIDIARY OF MTA)
COMPARATIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004 TO DECEMBER 31, 2010
AUDITED

	<u>Dec 31, 2010</u>	<u>Dec 31, 2009</u>	<u>Dec 31, 2008</u>	<u>Dec 31, 2007</u>	<u>Dec 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Dec 31, 2004</u>
UNDERWRITING INCOME							
Gross Written Premiums							
Direct	\$ 91,698,473	\$ 94,026,021	\$ 53,501,428	\$ 186,528,560	\$ 117,370,836	\$ 66,760,254	\$ 60,736,215
Assumed	-	-	-	-	21,317,000	13,494,849	16,258,345
Total Written Premium	91,698,473	94,026,021	53,501,428	186,528,560	138,687,836	80,255,102	76,994,560
Premium Ceded	(23,687,716)	(27,848,250)	(1,932,123)	(59,111,008)	(53,047,436)	(34,287,266)	(31,606,700)
Net Retained Premium	68,010,757	66,177,771	51,569,304	127,417,552	85,640,400	45,967,836	45,387,861
Change in Unearned Premium - Net	30,573,387	9,290,856	21,378,460	(81,374,062)	(43,741,961)	(34,024,999)	2,037,505
Net Earned Premium	98,584,144	75,468,628	72,947,764	46,043,490	41,898,439	11,942,837	47,425,366
LOSS & LOSS ADJUSTMENT EXPENSES:							
Paid Losses & LAE	48,097,121	37,492,466	30,513,873	40,856,446	26,118,378	17,062,426	15,872,088
Change in Case Reserves	16,905,412	22,847,693	11,691,385	(10,392,333)	8,959,213	15,864,198	3,122,647
Change in IBNR Loss Reserves	34,810,050	12,510,595	4,714,174	18,084,645	4,847,775	(31,361,033)	21,555,958
Total Incurred Losses & LAE	99,812,583	72,850,754	46,919,432	48,548,758	39,925,366	1,565,591	40,550,693
UNDERWRITING EXPENSES:							
Safety & Loss Control	2,924,218	2,795,292	3,606,429	4,110,361	4,156,528	3,016,155	3,562,600
Commissions	419,910	1,015,747	255,152	477,443	320,205	801,119	(0)
Change in Deferred Acquisition Costs	-	-	-	-	32,786	(32,786)	1,228,847
Other Underwriting Expense	-	-	-	-	-	-	-
Total Underwriting Expenses	3,344,128	3,811,039	3,861,581	4,587,804	4,509,519	3,784,488	4,791,447
NET UNDERWRITING INCOME / (LOSS)	(4,572,566)	(1,193,166)	22,166,752	(7,093,072)	(2,536,446)	6,592,758	2,083,226
OTHER EXPENSES							
Risk Management Fees	5,187,309	5,000,000	5,673,982	3,582,893	2,734,405	3,824,899	-
Other Misc. Charges	830,925	728,608	473,248	768,207	541,904	217,471	172,013
Management Fees	-	7,750	187,500	225,000	175,000	155,040	150,000
Audit Fees	-	-	(30,000)	10,000	(20,000)	10,000	10,000
Legal Fees	-	-	(62,000)	-	6,000	6,000	6,000
Total Other Expenses	6,018,234	5,736,358	6,242,730	4,586,100	3,437,309	4,213,410	338,013
INCOME / (LOSS) BEFORE INVESTMENT INCOM	(10,590,800)	(6,929,524)	15,924,021	(11,679,172)	(5,973,755)	2,379,348	1,745,213
INVESTMENT INCOME							
Investment Income	18,323,351	11,197,804	19,142,817	16,962,865	17,715,894	7,650,716	5,739,553
Total Investment Income	18,323,351	11,197,804	19,142,817	16,962,865	17,715,894	7,650,716	5,739,553
NET INCOME / (LOSS)	\$ <u>7,732,551</u>	\$ <u>4,268,280</u>	\$ <u>35,066,839</u>	\$ <u>5,283,693</u>	\$ <u>11,742,139</u>	\$ <u>10,030,064</u>	\$ <u>7,484,765</u>

TAB C

First Mutual Transportation Assurance Company

(Subsidiary of the Metropolitan Transportation
Authority)

Financial Statements as of and for the Years
Ended December 31, 2010 and 2009, and
Independent Auditors' Report

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(Subsidiary of the Metropolitan Transportation Authority)

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INDEPENDENT AUDITORS' REPORT

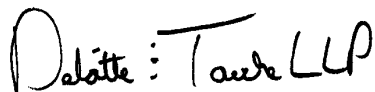
To the Members of the Board of
Metropolitan Transportation Authority:

We have audited the accompanying balance sheets of First Mutual Transportation Assurance Company (the "Company"), a wholly owned public benefit corporation subsidiary of Metropolitan Transportation Authority ("MTA"), as of December 31, 2010 and 2009, and the statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Company, as of December 31, 2010 and 2009, and the respective changes in revenues, expenses and changes in net assets, and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Company's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we do not express an opinion on it.



April 21, 2011

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Subsidiary of the Metropolitan Transportation Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction — The following is a narrative overview and analysis of the financial activities of the First Mutual Transportation Assurance Company (the “Company” or “FMTAC”) for the years ended December 31, 2010 and 2009. This discussion analysis is intended to serve as an introduction to the Company’s financial statements which have the following components: (1) Management’s Discussion and Analysis (“MD&A”), (2) Financial Statements and (3) Notes to the Financial Statements.

Management’s Discussion and Analysis — This MD&A provides an assessment of how the Company’s position has improved or deteriorated and identifies the factors that, in management’s view, significantly affected the Company’s overall financial position. It may contain opinions, assumptions or conclusions by the Company’s management that should not be considered a replacement for, and must be read in conjunction with, the financial statements.

The Financial Statements Include — The Balance Sheets provide information about the nature and amounts of investments in resources (assets) and the obligations to the Company’s creditors (liabilities), with the difference between the two reported as net assets.

The Statements of Revenues, Expenses and Changes in Net Assets show how the Company’s net assets changed during each year and accounts for all of the revenues and expenses, measures the success of the Company’s operations from an accounting perspective over the past year, and can be used to determine how the Company has funded its costs.

The Statements of Cash Flows provide information about the Company’s cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing, and investing activities.

The Notes to the Financial Statements — The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements.

2. FINANCIAL REPORTING ENTITY

On December 5, 1997, the Metropolitan Transportation Authority (“MTA”) began its operation of its newly incorporated captive insurance company, FMTAC. FMTAC was created by the MTA to engage in the business of acting as a pure captive insurance company under Section 7005, Article 70 of the Insurance Law and Section 1266 Subdivision 5 of the Public Authorities Law of the State of New York. FMTAC’s mission is to continue, develop, and improve the insurance and risk management needs as required by the MTA. The MTA and the Company are component units of the State of New York.

3. CONDENSED FINANCIAL INFORMATION

The following sections will discuss the significant changes in the Company's financial position for the years ended December 31, 2010 and 2009. Additionally, examinations of major economic factors that have contributed to these changes are provided. It should be noted that for purposes of the MD&A, summaries of the financial statements and the various exhibits presented are extracted from the Company's financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America. All dollar amounts are in thousands.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2010	2009	2008	2010-2009	2009-2008
ASSETS					
CURRENT ASSETS	\$ 250,454	\$ 247,177	\$ 485,819	\$ 3,277	\$ (238,642)
NONCURRENT ASSETS	<u>342,205</u>	<u>338,001</u>	<u>45,943</u>	<u>4,204</u>	<u>292,058</u>
TOTAL ASSETS	<u>\$ 592,659</u>	<u>\$ 585,178</u>	<u>\$ 531,762</u>	<u>\$ 7,481</u>	<u>\$ 53,416</u>

Significant Changes in Assets:

December 31, 2010 versus 2009

Total Assets have increased by \$7,481 or 1 percent, from December 31, 2009 to December 31, 2010. The fluctuations in the assets of FMTAC are a result of the normal operations of the Company.

December 31, 2009 versus 2008

Total Assets have increased by \$53,416 or 10 percent, from December 31, 2008 to December 31, 2009. This increase is due to an increase in the market value of investments at December 31, 2009. All other fluctuations in the assets of FMTAC are a result of the normal operations of the Company.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2010	2009	2008	2010-2009	2009-2008
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES	\$ 150,332	\$ 176,606	\$ 187,671	(26,274)	(11,065)
NONCURRENT LIABILITIES	296,116	281,617	247,749	14,499	33,868
RESTRICTED NET ASSETS	<u>146,211</u>	<u>126,955</u>	<u>96,342</u>	<u>19,256</u>	<u>30,613</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 592,659</u>	<u>\$ 585,178</u>	<u>\$ 531,762</u>	<u>\$ 7,481</u>	<u>\$ 53,416</u>

Significant Changes in Liabilities:

December 31, 2010 versus 2009

Total liabilities from December 31, 2009 to December 31, 2010 have decreased by \$11,775 or 3 percent. This decrease is a result of a reduction in unearned premium for the OCIP Liberty programs and increase in loss reserves from the most recent actuarial analysis.

December 31, 2009 versus 2008

Total liabilities from December 31, 2008 to December 31, 2009 have increased by \$22,803 or 5 percent. This increase is due to an increase in loss reserves from the most recent actuarial analysis.

Significant Changes in Net Assets:

December 31, 2010 versus 2009

In 2010, the restricted net assets increase of \$19,256 is comprised of operating revenue of \$98,583 and non-operating income of \$29,848, less operating expenses of \$109,175.

December 31, 2009 versus 2008

In 2009, the restricted net assets increase of \$30,613 is comprised of operating revenue of \$75,469 and non-operating income of \$37,543, less operating expenses of \$82,399.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

(In thousands)	2010	2009	2008	Increase/(Decrease)	
				2010-2009	2009-2008
OPERATING REVENUE	\$ 98,583	\$ 75,469	\$ 72,947	\$ 23,114	\$ 2,522
OPERATING EXPENSES	<u>109,175</u>	<u>82,399</u>	<u>57,023</u>	<u>26,776</u>	<u>25,376</u>
OPERATING (LOSS) INCOME	(10,592)	(6,930)	15,924	(3,662)	(22,854)
NON-OPERATING INCOME (LOSS)	<u>29,848</u>	<u>37,543</u>	<u>(11,314)</u>	<u>(7,695)</u>	<u>48,857</u>
NET INCOME	19,256	30,613	4,610	(11,357)	26,003
RESTRICTED NET ASSETS — Beginning of year	<u>126,955</u>	<u>96,342</u>	<u>91,732</u>	<u>30,613</u>	<u>4,610</u>
RESTRICTED NET ASSETS — End of year	<u>\$146,211</u>	<u>\$126,955</u>	<u>\$ 96,342</u>	<u>\$ 19,256</u>	<u>\$ 30,613</u>

Operating Revenues — The increase of \$23,114 or 31 percent, over the 2009 operating revenue is due to earned premium on the OCIP Liberty programs.

The increase of \$2,522 or 3 percent, over the 2008 operating revenue is due to the additional premium on various insurance programs.

Operating Expenses — Operating expenses between 2009 and 2010 increased by 32 percent, or \$26,776. This increase is due to loss reserve adjustments from the most recent actuarial analysis.

Operating expenses between 2008 and 2009 increased by 45% percent, or \$25,376. This increase is due to reserve adjustments resulting in the most recent actuarial analysis, specifically for the Paratransit and Excess Loss Programs.

Non-operating Income — Non-operating income between 2009 and 2010 decreased by 20 percent, or \$7,695. The decrease is a result of a reduction in unrealized gains on investments held by FMTAC.

Non-operating income between 2008 and 2009 increased by 432 percent, or \$48,857. The increase is being driven by the reduction in unrealized losses of \$26,344 on investments held by FMTAC.

4. OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

Results of Operations — Operating as a pure captive insurance company domiciled in the State of New York requires that all business plans and changes to said plans have to be reviewed and approved by the New York Insurance Department. As of December 31, 2010, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2010 and 2009, FMTAC received its annual loss reserve certification. The actuary determined that reserves recorded by FMTAC were adequate and no adjustments were deemed necessary.

U.S. Insurance Market — After two difficult years, the U.S. P/C insurance industry proved relatively resilient to the global financial crisis that crippled so many companies and industries in 2008 and 2009. Although the industry suffered from sharp declines in asset values, its capital position proved more than sufficient to weather the crisis. By the end of 2010, policyholders' surplus is likely to be at record levels. The United States avoided a major hurricane landfall for the second consecutive year. In addition, the industry will report favorable prior-year loss reserve development for the fifth consecutive year.

Although insurers generally manage very conservative investment portfolios, the global financial crisis is a reminder of how volatile the investment environment can be. During 2010, many insurers took additional steps to "de-risk" their investment portfolios by reducing their exposure to more volatile asset classes. Despite the overall turnaround in investment performance, the P/C industry will continue to face near-term investment challenges as historically low interest rates continue to produce lower yields. In turn, insurers will be forced to focus on underwriting profitability.

The U.S. P/C industry faces challenges in 2011. Although the financial markets stabilized in 2010 and investment returns generally improved, they likely will be modest, if not flat, in 2011. Investment earnings cannot be viewed, as they were in the past, as a reliable source of significant earnings. Insurers will need to be extremely disciplined in underwriting if they are to achieve risk-appropriate rates. Underwriting profitability will be crucial to maintaining financial strength. This will be the biggest challenge for insurers in 2011 as broad-based hardening of rates is not expected in the near term. Overall, the P/C insurance industry appears strong. Insurers' profitability will be pressured in 2011 given the slow economic recovery, low interest rates, and the expected reduction in reserve releases. In addition, competition among commercial insurers is likely to intensify. Management will be under pressure to generate returns to meet their cost of capital and improve market share. Organic growth is very difficult in a soft market unless companies are willing to cut rates, which in turn hurts profitability. P/C insurers in 2011, in an effort to protect their balance sheets, are likely to stay focused on fundamentals including pricing adequacy and underwriting discipline, capital planning, and capturing catastrophe exposures in preparation for the possibility of large-scale catastrophe losses.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Effective November 26, 2002, President Bush passed the Terrorism Risk Insurance Act (TRIA). Effective December 22, 2006, TRIA was extended through December 31, 2007. On December 31, 2007, the U.S. Treasury Department issued Interim Guidance Concerning the Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) which has been extended through December 31, 2014. For additional information, please refer to the property section under Footnote 5.

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FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(Subsidiary of the Metropolitan Transportation Authority)

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash (Note 3)	\$ 99,401	\$ 70,923
Restricted investments (Note 4)	44,686	3,758
Funds held by reinsurer (Note 5)	37,665	72,292
Premiums receivable due from affiliates (Note 7)	64,859	94,156
Interest income receivable (Note 4)	2,947	3,270
Other assets	896	2,778
Total current assets	<u>250,454</u>	<u>247,177</u>
NONCURRENT ASSETS:		
Restricted investments (Note 4)	313,097	311,712
Reinsurance recoverable	29,108	26,160
Deferred incentive reward receivable	-	129
Total noncurrent assets	<u>342,205</u>	<u>338,001</u>
TOTAL ASSETS	<u>\$592,659</u>	<u>\$585,178</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Unearned premiums	\$118,783	\$149,356
Reinsurance recoverable reserves — current portion (Note 6)	426	580
Loss and loss adjustment expenses (Note 6)	29,399	23,889
Due to affiliates	923	2,274
Accrued expenses	801	507
Total current liabilities	<u>150,332</u>	<u>176,606</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expenses (Note 6)	235,906	189,547
Reinsurance recoverable reserves (Note 6)	28,683	25,454
Owner Controlled Insurance Programs liability (Note 5)	31,399	66,616
Deferred incentive award payable	128	-
Total noncurrent liabilities	<u>296,116</u>	<u>281,617</u>
Total liabilities	446,448	458,223
RESTRICTED NET ASSETS	<u>146,211</u>	<u>126,955</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$592,659</u>	<u>\$585,178</u>

See notes to financial statements.

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(Subsidiary of the Metropolitan Transportation Authority)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009
OPERATING REVENUE:		
Gross premiums written	\$ 91,698	\$ 94,026
Premiums ceded	(23,688)	(27,848)
Change in unearned premiums	<u>30,573</u>	<u>9,291</u>
Total operating revenues	<u>98,583</u>	<u>75,469</u>
OPERATING EXPENSES:		
Loss and loss adjustment	99,813	72,851
Underwriting	3,344	3,811
Management fee	-	8
General and administrative	<u>6,018</u>	<u>5,729</u>
Total operating expenses	<u>109,175</u>	<u>82,399</u>
OPERATING LOSS	<u>(10,592)</u>	<u>(6,930)</u>
NONOPERATING REVENUES:		
Net investment income	18,323	11,199
Unrealized gain on investments	<u>11,525</u>	<u>26,344</u>
Total nonoperating income	<u>29,848</u>	<u>37,543</u>
CHANGE IN NET ASSETS	19,256	30,613
RESTRICTED NET ASSETS — Beginning of year	<u>126,955</u>	<u>96,342</u>
RESTRICTED NET ASSETS — End of year	<u>\$ 146,211</u>	<u>\$ 126,955</u>

See notes to financial statements.

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(Subsidiary of the Metropolitan Transportation Authority)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other receipts	\$ 97,307	\$ 61,203
Other operating expenses	<u>(56,687)</u>	<u>(48,895)</u>
Net cash provided by operating activities	<u>40,620</u>	<u>12,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(173,966)	(121,078)
Sales and maturities of investments	143,178	102,418
Earnings on investments	<u>18,646</u>	<u>10,871</u>
Net cash used in investing activities	<u>(12,142)</u>	<u>(7,789)</u>
NET INCREASE IN CASH	28,478	4,519
CASH — Beginning of year	<u>70,923</u>	<u>66,404</u>
CASH — End of year	<u><u>\$ 99,401</u></u>	<u><u>\$ 70,923</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (10,592)	\$ (6,930)
Adjustments to reconcile to net cash used in operating activities:		
Net (decrease) increase in accounts payable, accrued expenses and other liabilities	(11,775)	22,803
Net decrease (increase) in receivables	<u>62,987</u>	<u>(3,565)</u>
Net cash provided by operating activities	<u><u>\$ 40,620</u></u>	<u><u>\$ 12,308</u></u>

See notes to financial statements.

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Subsidiary of the Metropolitan Transportation Authority)

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In thousands)

1. BASIS OF PRESENTATION

Reporting Entity — First Mutual Transportation Assurance Company (the “Company”), a wholly owned subsidiary of the Metropolitan Transportation Authority (“MTA”), was incorporated under the laws of the State of New York (the “State”) as a pure captive insurance company on December 5, 1997, and commenced operations on that date. The Company was established to maximize the flexibility and effectiveness of the MTA’s insurance program and is governed by a Board of Directors consisting of members of the MTA. The Company’s financial position and results of operations are included in the MTA’s Comprehensive Annual Financial Report. The MTA is a component unit of the State and is included in the State of New York’s Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

The New York captive insurance statute requires \$250 minimum unimpaired paid-in-capital and surplus be maintained by a pure captive insurance company. The capital can be maintained by a Letter of Credit, issued by an approved bank and/or cash.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Company applies all applicable GASB pronouncements as well as all Financial Accounting Standards Board (“FASB”) Statements and Interpretations issued on or before November 30, 1989, that do not conflict with GASB pronouncements. Subsequent to November 30, 1989, the Company exclusively applies all applicable GASB pronouncements.

Use of Management’s Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash — include highly liquid investments. Cash is stated at cost, which approximates fair value.

Investments — Investments are recorded on the balance sheet at fair value which is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in the fair value of investments, is reported as revenue (either as net investment income or unrealized gain (loss) on investments) on the statement of revenues, expenses and changes in net assets.

Net Assets — Net assets are restricted for payment of insurance claims

Operating Revenues —

Premiums — Earned premiums are determined over the term of their related policies, which approximates one year, or for certain Owner Controlled Insurance Programs (“OCIP”), as a percent of completed construction costs. Accordingly, an unearned premium liability is established for the portion of premiums written applicable to the unexpired period of policies in force or uncompleted construction projects. The Company does not directly pay premium taxes in accordance with its relationship as a component of New York State.

Operating Expenses —

Loss and Loss Adjustment Expenses — Loss and loss adjustment expenses are established for amounts estimated to settle incurred losses on individual cases and estimates for losses incurred but not reported.

Loss and loss adjustment expenses are based on loss estimates for individual claims and actuarial estimates and, therefore, the ultimate liabilities may vary from such estimates. The Company does not yet have sufficient historical loss experience to determine whether the actual incurred loss and loss adjustment expenses will reasonably conform to the assumptions used in determining the liability. Any adjustments to these estimates, which could be significant, will be reflected in income in the period in which the estimates are changed or payments are made.

Non-Operating Revenues and Expenses — Investment income and unrealized gain (loss) on investments account for FMTAC’s non-operating revenues and expenses.

Income Taxes — The Company is not subject to income taxes arising on profits since it is a wholly owned subsidiary of the MTA. The MTA and its subsidiaries are exempt from income taxes.

3. CASH

At December 31, 2010 and 2009, cash consisted of (in thousands):

	2010		2009	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 5	\$ 19	\$ 25	\$ 25
Loss escrows	3,174	3,174	2,874	2,874
Restricted Funds for Security Trust	28,588	28,588	-	-
Uninsured deposits	67,634	67,633	68,024	68,024
	<u>\$ 99,401</u>	<u>\$ 99,414</u>	<u>\$ 70,923</u>	<u>\$ 70,923</u>

The Company is required to set aside funds in escrow accounts that are used to settle claims on behalf of the Company. The account balances of the target escrow are \$3,174 and \$2,874 for the years ended December 31, 2010 and 2009, respectively.

As outlined in the above schedule, the carrying amounts differ from the bank balance due to outstanding checks and/or deposits in transit.

All other funds are invested by the Company as described in Footnote 4.

4. INVESTMENTS

The market value and cost basis of investments consist of the following at December 31, 2010 and 2009 (in thousands):

	2010		2009	
	Market	Cost	Market	Cost
Restricted for claim payments	\$ 266,559	\$ 259,021	\$ 273,391	\$ 276,232
Security Trust Funds	49,631	47,968	42,079	41,437
Restricted Funds for Letter of Credit	41,593	41,467	-	-
	<u>\$ 357,783</u>	<u>\$ 348,456</u>	<u>\$ 315,470</u>	<u>\$ 317,669</u>

All investments are registered and held by the Company or its agent in the Company's name.

The Company makes funds available to claims processors to allow for adequate funding for submitted claims. The funds, labeled as Restricted Investments and Security Trust Funds in the above table, are invested primarily in fixed income investments such as U.S. Government Bonds. All investments outlined above are restricted per the balance sheet and are to be used to pay claims or pay administration expenses of the Company or as collateral for letter of credit obligations.

All funds of the Company not held as cash are invested by the Company in accordance with the Company's investment guidelines. Investments may be further limited by individual security trust agreements. The Company's investment policies comply with the New York State Comptroller's guidelines for such policies. Those policies permit investments in fixed income securities that are investment grade or higher and the policy also allows for the investment in equities.

Investments maturing and expected to be utilized within the year of December 31 have been classified as current assets in the financial statements.

All investments are recorded on the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue/(expense) on the statement of revenues, expenses and changes in net assets. Fair values have been determined using quoted market values at December 31, 2010 and 2009.

The fair value of the above investments consists of \$266,559 and \$273,391 in 2010 and 2009 in investments restricted for claim payments, respectively, \$49,631 and \$42,079 in 2010 and 2009 in security trust funds, respectively and \$41,593 for letter of credit obligations in 2010. The yield to maturity rate on the above investments was 3.76% for the year ended December 31, 2010, and 3.85% during the year ended December 31, 2009. The net unrealized gain (loss) on investments for the years ended December 31, 2010 and 2009, was \$11,525 and \$26,344, respectively.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of bond price's sensitivity to 100 basis point change in interest rates.

(In thousands) Investment Type	2010	
	Fair Value	Duration
Treasury (1)	\$ 73,631	5.61
Agency (2)	55,183	3.23
Asset backed securities	14,380	2.02
Commercial mortgage backed securities	39,074	2.89
Foreign bonds	31,189	3.52
Corporate bonds	<u>131,237</u>	<u>4.30</u>
Total	344,694	3.76
Equities (3)	16,036	
Less accrued interest	<u>(2,947)</u>	
Total investments	<u>\$ 357,783</u>	

Including but not limited to:

- (1) US Treasury Notes
- (2) Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation
- (3) Exchange Traded Funds

Investment Type	2009	
	Fair Value	Duration
Treasury (1)	\$ 34,803	5.23
Agency (2)	56,326	3.77
Asset backed securities	12,691	1.77
Commercial mortgage backed securities	36,156	3.11
Foreign bonds	40,195	3.84
Corporate bonds	<u>124,528</u>	<u>5.19</u>
Total	304,699	3.85
Equities (3)	14,041	
Less accrued interest	<u>(3,270)</u>	
Total investments	<u>\$ 315,470</u>	

Including but not limited to:

- (1) US Treasury Notes
- (2) Fannie Mae , Freddie Mac, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation
- (3) Exchange Traded Funds

Credit Risk

At December 31, 2010, the following credit quality rating has been assigned by a nationally recognized rating organization (in thousands):

Quality Rating	Fair Value	Percentage of Fixed Income Portfolio
AAA	\$ 55,642	16.1 %
AA	44,026	12.8
A	86,561	25.1
BBB	38,836	11.3
BB	2,233	0.6
B	493	0.1
C	<u>268</u>	<u>0.1</u>
Credit risk debt securities	228,059	66.1
U.S. Government bonds	<u>116,635</u>	<u>33.9</u>
Total fixed income securities	344,694	<u>100.0 %</u>
Equities	16,036	
Less accrued interest	<u>(2,947)</u>	
Total investments	<u>\$ 357,783</u>	

At December 31, 2009, the following credit quality rating has been assigned by a nationally recognized rating organization (in thousands):

Quality Rating	Fair Value	Percentage of Fixed Income Portfolio
AAA	\$ 59,080	19.4 %
AA	31,118	10.2
A	84,390	27.7
BBB	44,559	14.6
BB	2,472	0.8
C	<u>247</u>	<u>0.1</u>
Credit risk debt securities	221,866	72.8
U.S. Government bonds	<u>82,833</u>	<u>27.2</u>
Total fixed income securities	304,699	<u>100.0 %</u>
Equities	14,041	
Less accrued interest	<u>(3,270)</u>	
Total investments	<u>\$ 315,470</u>	

Foreign Currency Risk — Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Each investment manager, through the purchase of units in a commingled investment trust fund or international equity mutual fund establishes investments in international equities.

5. INSURANCE PROGRAMS

Property and Terrorism Coverage — Effective May 1, 2010, FMTAC renewed the all-agency property insurance program. For the period May 1, 2010 through May 1, 2011, FMTAC directly insures property damage claims of the related entities in excess of a \$25,000 per occurrence self-insured retention (“SIR”), subject to an annual \$75,000 aggregate. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7,500 per occurrence. The total program limit has been maintained at \$1,075,000 per occurrence covering property of the related entities collectively. With the exception of acts of terrorism (both domestic and foreign), and subject to certain parts of the program limit that have been retained by FMTAC as discussed in the next paragraph, FMTAC is fully reinsured in the domestic, London, European and Bermuda marketplaces for this coverage.

The property insurance, which was subject to a renewal on May 1, 2010, provides replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provides extra expense and business interruption coverage. This coverage expires on May 1, 2011.

With respect to acts of terrorism, FMTAC is reinsured by the United States Government for 85% of such “certified” losses, as covered by the Terrorism Risk Insurance Act of 2007 (originally introduced in 2002). Under the 2007 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. Until 2007, the Act only provided coverage for acts sponsored by foreign organizations.

The remaining 15% of MTA losses would be covered under an additional policy described below. Additionally, no federal compensation will be paid unless the aggregate industry insured losses exceed a \$100,000 (“trigger”).

To supplement the reinsurance to FMTAC through TRIA 2007, the MTA obtained an additional commercial reinsurance policy with Lexington Insurance Company part of Chartis. That policy provides coverage for (1) 15% of any “certified” act of terrorism — up to a maximum recovery of \$161,250 for any one occurrence, or (2) 100% of any “certified” terrorism loss which does not reach the \$100,000 trigger — up to a maximum recovery of \$100,000 for any occurrence. This coverage expires on May 1, 2011. Recovery under this policy is subject to retention of \$25,000 per occurrence and \$75,000 in the annual aggregate — in the event of multiple losses during the policy year. Should the MTA’s retention in any one year come to a total \$75,000, then future losses in that policy year are subject to retention of \$7,500.

Excess Loss Fund (“ELF”) — On October 31, 2003, the Company assumed the existing ELF program on both a retrospective and prospective basis. The retrospective portion contains the same insurance agreements, participant retentions and limits as existed under the ELF program for occurrences happening on or before October 30, 2003. The coverage limit will remain \$50,000 per occurrence or the proceeds of the program whichever is less. On a prospective basis, effective October 31, 2003, the Company issued insurance policies indemnifying the MTA, its subsidiaries and affiliates above their specifically assigned Self-Insured Retention with a limit of \$50,000 per occurrence with \$50,000 annual aggregate. The balance of the ELF, \$77,000 was transferred to and invested by the Company in order to secure any claims assumed from the ELF, as well as to capitalize the prospective programs and insure current and future claims. FMTAC charges appropriate annual premiums based on loss experience and exposure analysis to maintain the fiscal viability of the program. The premium for the one-year policy effective October 31, 2010, is \$4,100.

MTA also maintains an All-Agency Excess Liability Insurance Policy that affords the MTA and its subsidiaries and affiliates additional coverage limits of \$350,000, for a total of \$400,000 (\$350,000 excess of \$50,000). In certain circumstances, when the assets in the program are exhausted due to payment of claims, the All-Agency Excess Liability Insurance will assume the coverage position of \$50,000.

Effective October 31, 2010, the Company provides limits of \$100,000 excess \$200,000 that will be 100% reinsured by XL Insurance Europe and Torus Insurance (Bermuda) Limited., with the exception of claims arising from acts of terrorism. As of October 31, 2010, the Company provides limits of \$100,000 excess of \$300,000 reinsured by AIG Cat Excess with the exception of claims arising from acts of terrorism.

Stations and Force Liability — Effective December 15, 2010, the Company renewed its direct insurance for the first \$9,000 per occurrence losses for Long Island Rail Road Company and Metro-North Commuter Railroad Company with no aggregate stop loss protection.

All Agency Protective Liability — The Company issued a policy to cover MTA’s All Agency Protective Liability Program (“AAPL”), which is designed to protect the MTA and its agencies against the potential liability arising from independent contractors working on capital and noncapital projects. The net retention to the Company is \$2,000. The Company also issued a policy for \$6,000 excess of \$2,000 per occurrence with a \$12,000 annual aggregate. Effective June 1, 2010, the Company extended its current AAPL for an additional six months to January 1, 2011.

Paratransit — Effective March 1, 2010, the Company renewed its deductible reimbursement policy, insuring the auto liability on the NYCT Paratransit operations, to expire on March 1, 2011. The Company renewed its one-year policy on March 1, 2010, with USF&G (Discover Re). The Company is responsible for the first \$1,000 per occurrence of every claim covered by the policy. The limits are \$3,000 per occurrence.

Non-Revenue — Effective March 1, 2010, the Company renewed a deductible reimbursement policy, insuring the auto liability for the MTA and some of its agencies for the non-revenue fleet. The Company is responsible for the first \$500 per occurrence of every claim covered under the USF&G (Discover RE) policy. The limits are \$ 9,000 per occurrence for all participating agencies except MTA Long Island Bus where the per occurrence limit is \$2,600.

Owner-Controlled Insurance Programs — The MTA purchases Owner-Controlled Insurance Programs (“OCIP”) under which coverage is provided on a group basis for certain agency projects. The Company provides the collateral required by the OCIP insurers to cover deductible amounts. The Company records in the OCIP liability account the amount of principal paid by the MTA to the program. The interest earned is not recognized in the statements of operations. Rather, the amounts are recorded as Deferred Incentive Award Payable as the Company may have to make payments to contractors with favorable loss experience.

OCIP liability consists of the following at December 31, 2010 and 2009 (in thousands):

	2010	2009
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000-2004 Capital Improvement Program	(893)	8,017
NYCT 2000-2004 line structures/shops, yards and depots Capital Improvements Program	5,697	27,452
NYCT 2000-2004 stations and escalators/elevators Capital Improvements Program	2,234	9,961
LIRR/MNR 2005-2009 Capital Improvement Program	3,577	3,628
CCC Second Ave. Subway	<u>20,252</u>	<u>17,026</u>
OCIP liability	<u>\$ 31,399</u>	<u>\$ 66,616</u>

OCIPs Covering 2000-2004 Capital Program — The Company entered into three agreements with AIG covering portions of the 2000-2004 MTA Capital Program effective October 1, 2000: (1) LIRR/MNCR 2000-2004 capital improvement program; (2) NYCT 2000-2004 lines structures/shops, yards and depots capital improvement program; and (3) NYCT 2000-2004 stations and escalators/elevators capital improvement program. The combined collateral requirements are \$86,094 — \$10,384 for the LIRR/MNCR OCIP; \$52,709 for the NYCT 2000-2004 lines structures/shops, yards and depots capital improvement program; and \$23,000 for the NYCT 2000-2004 stations and escalators/elevators capital improvement program. The collateral posted by the Company to secure its reimbursement of the insurer’s payments is invested by the insurer with interest returning to the Company at a guaranteed annual rate of return. The Company earned \$444 and \$889 during the years ended December 31, 2010 and 2009, respectively. The interest earned will be used to make the Contractor Safety Incentive program payments to contractors with favorable loss experience. Any monies not used to pay losses or utilized for the Contractor Safety Incentive Program will be returned to the agencies at the end of the OCIPs. As part of the initial agreement and as amended in 2005, the Company was required to make additional contributions of \$2,368 to the LIRR/MNR capital

improvement program. In 2010 and 2009, respectively, the Company made claims payments totaling \$4,372 and \$8,911.

OCIP-LIRR/MNCR 2005-2009 Capital Improvement Projects — Effective June 1, 2006, the Company entered into a new OCIP insurance program for LIRR/MNCR for capital projects in the 2005-2009 MTA Capital Program. The Company collected \$2,192 in premiums beginning in 2006. The OCIP contracts will expire on June 1, 2014. The Company made claim payments totaling \$870 and \$503 during 2010 and 2009, respectively. Like the other programs, the interest income generated from the funds being held will be used to pay Contractor Safety Incentive program payments. As of December 31, 2010, the Company has accrued \$23 in interest income.

Second Avenue Subway Project — Effective January 31, 2007, the Company entered into an OCIP program for the \$2,500,000 Second Avenue Subway Project. This is a multi-year agreement with AIG covering Workers' Compensation and General Liability for the Third Party contractors, MTA and all its subsidiaries up to \$500,000. This OCIP, like the others, requires the Company to post collateral for all losses related to workers' injuries. In 2010, \$20,252 has been set aside to cover this exposure. The Company earned \$123 in interest with \$617 in loss payments on this OCIP during 2010. All interest generated will be used to pay for additional loss control services and a contractor incentive program.

The activity of all funds held by the OCIP reinsurer consists of the following for 2010 and 2009 (in thousands):

	2010	2009
Funds held by OCIP insurers — beginning of year	\$ 72,292	\$ 72,693
Interest income	590	1,099
Reimbursement to the Company for Safety and Loss Control	-	-
Claims payments	(5,859)	(9,455)
Additional contributions/(returned), net	<u>(29,358)</u>	<u>7,955</u>
Funds held by OCIP reinsurer	<u>\$ 37,665</u>	<u>\$ 72,292</u>

East Side Access Project ("ESA") — Effective April 1, 1999, the Company entered into an OCIP program for the \$6,340,000 East Side Access Project. It was a multi-year agreement with Liberty Mutual, the insurer, to insure third party contractors and the MTA and all its subsidiaries up to \$300,000 for Workers' Compensation and General Liability. The insurer required the Company to hold the collateral and loss funding for the first \$500 per occurrence.

Excess and Professional/Environmental — Kemper Insurance Company issued excess and professional/environment liability policies to the MTA and LIRR, on behalf of work performed on the ESA. The original policies issued by Kemper had effective dates of April 1, 1999 through December 31, 2010, and were cancelled effective June 30, 2003. Through novation and assumption agreements, effective June 30, 2003, the Company assumed 100% of the liabilities for the period of April 1, 1999 through June 30, 2003, from Kemper for the two insurance policies referenced above. The first policy issued has limits of \$48,000 excess of \$2,000 for liability coverage on an occurrence basis and the second policy is for professional and environmental coverage with limits of \$50,000 on a claim made basis. As of the date of this report, there are no known or reported claims. The company retained no premium for these programs, since the Company will seek reimbursement from the original insured if a claim arises.

NYCT 2005-2009 Capital Improvements Projects — Effective August 1, 2006, the Company entered into a multi-year agreement with Liberty Mutual whereby the Company will hold the collateral and loss funding for the first \$500 per occurrence resulting from Workers' Compensation and General Liability losses during the NYCTA's 2005-2009 Capital Improvement Projects.

Builder's Risk — Effective October 1, 2001, the Company renegotiated the terms and conditions of the reinsurance coverage it purchased from Zurich for the Builder's Risk Insurance Program (BR) provided to cover the following 2000-2004 capital program OCIPs:

1. Long Island Rail Road/Metro North Commuter Railroad Capital Improvement Program;
2. NYCT's Lines Structures/Shops, Yards & Depots Capital Improvement Program, and
3. NYCT's Stations & Elevators Capital Improvement Program

The Company's policy and reinsurance agreements provide the capital projects listed above with limits of \$50,000 in the aggregate. In consideration of \$950 in net retained premium, the Company issues a deductible reimbursement policy with limits of \$75 excess of \$25.

Similar to the above BR program, effective July 31, 2006, the Company entered into a new BR program for the following 2005-2009 capital program OCIPs:

1. Long Island Rail Road/Metro North Commuter Railroad Capital Improvement Program and
2. NYCT's 2005-2009 Capital Improvement Program

The Company's policy and reinsurance agreements from Zurich provide the capital projects listed above with limits of \$50,000 in the aggregate. In consideration of \$7,500 in net retained premium, the Company issues a deductible reimbursement policy with limits of \$475 excess of \$25.

In 2005, the Company received approval to expand its Builder's Risk Insurance Program to directly insure the MTA and its agencies for property claims while various capital improvement projects are under construction. The policy will cover selected capital improvement projects and was bound June 1, 2005, with limits of \$300,000 per occurrence PO subject to the \$100,000 self-insured retention. In consideration of a ceded premium of \$12,750, the Company purchased reinsurance for the East Side Access Project from Zurich limiting its exposure to the \$100,000 PO self-insured retention. In 2007, this limit was bought down to \$50,000 for an additional premium of \$5,053. The Company also purchased reinsurance for the Second Avenue Subway Project. In consideration of ceded premium of \$13,362, reinsurance covering losses up to \$500,000 excess of \$50,000 was purchased from Zurich. The reinsurance purchased by the Company will include an aggregate stop loss provision, whereby the Company will limit its total liability to \$125,000 in the aggregate.

6. LOSS AND LOSS ADJUSTMENT EXPENSES AND REINSURANCE

The following schedule presents changes in the loss and loss adjustment expense liabilities during 2010 and 2009 (in thousands):

	2010	2009
Loss and loss adjustment expenses — beginning of year	\$ 239,470	\$ 179,117
Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(25,454)</u>	<u>(21,111)</u>
Net balance — beginning of year	214,016	158,006
Loss and loss adjustment expenses	99,813	72,851
Payments attributable to insured events of the current year	<u>(48,098)</u>	<u>(16,841)</u>
Net balance — end of year	265,731	214,016
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>28,683</u>	<u>25,454</u>
Loss and loss adjustment expenses — end of year	294,414	239,470
Less current portion	<u>29,825</u>	<u>24,469</u>
Long-term liability	<u>\$ 264,589</u>	<u>\$ 215,001</u>

7. RELATED PARTY TRANSACTIONS

The Company provides insurance coverage for the MTA and its component and subsidiary units. The premium revenue from related parties during the period and receivable for the years ended December 31, 2010 and 2009, was as follows (in thousands):

	2010		2009	
	Receivable	Earned	Receivable	Earned
LIRR	\$ 8,959	\$ 11,611	\$ 9,153	\$ 12,946
MNCR	6,822	8,482	6,207	9,055
MTA	<u>49,078</u>	<u>78,490</u>	<u>78,796</u>	<u>53,468</u>
	<u>\$ 64,859</u>	<u>\$ 98,583</u>	<u>\$ 94,156</u>	<u>\$ 75,469</u>

For the years ended December 31, 2010 and 2009, respectively, the MTA charged \$5,187 and \$5,000, respectively, to FMTAC for risk management services provided to the Company.

* * * * *

BLUE SHEET

Statement of Actuarial Opinion

***Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2010***

IDENTIFICATION

I, Derek A. Jones, am associated with the firm of Milliman, Inc. I am a member of the American Academy of Actuaries and meet its qualification standards for Statements of Actuarial Opinion regarding fire and casualty insurance company statutory Annual Statements. I am also a member in good standing and Fellow of the Casualty Actuarial Society. I was appointed by the Board of Directors of First Mutual Transportation Assurance Company ("FMTAC" or "the Company") on August 1, 2006 to render this opinion.

The loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on those reserves based on my review.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2010. The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the disclosures shown in Exhibit B.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data and related information prepared by the Company. In this regard, I relied on Laureen Coyne, President of FMTAC, as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Company (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, the analysis underlying my opinion included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to the items included in Exhibit A, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets which have suitably scheduled maturities or adequate liquidity to meet cash flow requirements.

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2010

OPINION

In my opinion, the amounts carried in Items 3. and 5., as shown in Exhibit A:

- A. Meet the requirements of the captive insurance laws of the State of New York;
- B. Are consistent with reserves computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including the Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves); and
- C. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

Risk of Material Adverse Deviation

There are a variety of risk factors that expose the Company's reserves to significant variability. I have identified the major risk factors as the long-tailed nature of the liability coverages, the uncertainty of loss emergence patterns due to the immaturity of certain programs and the potential for catastrophic claims assumed by the Excess Loss Program ("ELP"). The potential impact of these risk factors is described in more detail in the following paragraphs and in the report supporting this opinion. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Company's reserves.

Historically, auto liability, general liability and workers compensation coverage have been subject to variability and uncertainty due to the long-tailed nature of the coverage. The payment of losses will likely be made over a long period of time and are subject to a number of uncertainties, such as inflation and the legal environment. Also, for the liability coverages, there may be significant time lags between the accident date, the claim reporting date and the claim settlement date. These time lags create considerable uncertainty regarding the ultimate value of claims incurred as of a particular date, particularly with regard to claims that have occurred but have not yet been reported.

The Company began operations in 1997. Lacking sufficient historical internal experience for the Company, especially for the Non-Revenue, Paratransit, and Capital Construction programs, which started after 2001, I have relied primarily upon industry data and data for Metropolitan Transportation Authority ("MTA") agencies' self-insurance programs as appropriate sources on which to base my assumptions regarding future loss emergence patterns. In my opinion, these data are relevant to the operations of the new program. However, the uncertainty of the resulting reserve estimates for the Company is increased due to the lack of sufficient internal experience. Further, it is likely that the Company's future loss emergence patterns will not develop exactly as anticipated by the benchmark patterns.

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2010

Through the ELP, the Company retains a net limit of \$50 million per occurrence for coverage provided to MTA agencies above a self-insured retention. The agencies' self-insured retentions vary by program and year and are as large as \$9 million per occurrence. As a result, the potential exposure to the ELP is significant and increases the uncertainty of the Company's ultimate claim liabilities.

I believe that the risk factors above, coupled with the variability that is inherent in any estimate of unpaid loss and loss adjustment expense obligations, could result in material adverse deviation from the carried net reserve amounts. By this, I mean that the probability of such a deviation occurring is not so low as to be remote. In making this determination, I have considered a material adverse deviation to be one in which the actual net outstanding losses and loss adjustment expenses exceed the amount carried in Item 5 in Exhibit A by an amount greater than \$14,889,570.

This materiality standard, shown as Item 5 in Exhibit B, is equal to 10% of the Company's capital and surplus. In selecting this materiality standard I considered several factors, such as the Company's reserve leverage ratio, the Company's history of reserve development, the policy limits and coverages written by the Company. My selection of the materiality standard (10% of capital and surplus) was based on the fact that this opinion is prepared for the regulatory review of the Company. Other measures of materiality might be used for reserves that are being evaluated in a different context.

Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

The actuarial report in support of this opinion includes a summary of the Company's ceded reinsurance that is or could be material to the Company's ceded loss and loss adjustment expense reserves as of December 31, 2010. The Company has represented that the summary is materially accurate and complete, and that the Company has determined that these contracts should be accounted for as reinsurance. The assessment of whether a reinsurance contract meets the requirements for reinsurance accounting is a management and accounting decision. As such, I express no opinion as to whether the Company's ceded reinsurance contracts meet the requirements for reinsurance accounting.

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2010

Based on my discussions with Company management and my understanding of the Company's ceded and assumed reinsurance, there are several assumed reinsurance treaties that are accounted for as financial reinsurance (defined as contractual arrangements that do not include transfer of both timing and underwriting risk) and, as such, use deposit accounting. Under an owner-controlled insurance program, MTA purchases insurance from Chartis and Liberty Mutual for the contractors' workers compensation, general liability and builders' risk exposures related to certain capital improvement projects. This underlying coverage is then reinsured by FMTAC. The maximum loss and loss adjustment expense assumed by FMTAC is equal to the assumed premium. Loss reserves carried by the Company for these programs are equal to the assumed premium. The majority of this exposure is 100% retroceded and the maximum loss to the retrocessionaire is equal to the premium paid under the retrocessional agreements. I am not aware of any other reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or as financial reinsurance.

The Company has represented to me that it knows of no uncollectible reinsurance cessions and no disputed reinsurance balances. I also reviewed the ratings of the Company's reinsurers using the A.M. Best Insurance Reports published as of January 18, 2011. There are no material reinsurance recoverables with assuming companies that were rated vulnerable (B or lower) by A.M. Best or that were reported to be in liquidation, conservation or receivership. I have performed no additional review of the collectibility of the Company's reinsurance and am expressing no opinion on the financial condition of its reinsurers.

Based on the information cited above, my opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. I am not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Company as reflected in the data and other information provided to me.

Other Disclosures

Discounting

I evaluated the loss and loss adjustment expense reserves on an undiscounted basis with regard to the time value of money. The Company has represented that it does not reduce reserves to reflect discounting.

Asbestos and Environmental Exposure

I have reviewed the Company's exposure to asbestos and environmental claims. In my opinion, there is a remote chance of material liability, since there has been no claim activity since the Company's inception in 1997.

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2010

Contractual Liability for Service Contracts

The Company has represented that it does not provide contractual liability coverage for service contracts (vehicles, appliances, etc.).

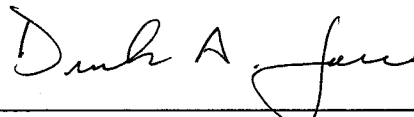
Salvage and Subrogation

The data underlying my review, and the resulting estimates, are net of subrogation and salvage recoveries. The Company has represented that its total carried reserves are net of anticipated salvage and subrogation recoveries. The Company has not quantified salvage and subrogation recoverable in the Annual Statement.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, will be provided to the Company to be retained for a period of seven years in the administrative offices of the Company and made available for regulatory examination.

This Statement of Actuarial Opinion is solely for the use of, and only to be relied upon by, the Company and the New York State Insurance Department, with which it files its Annual Statement.



Derek A. Jones, FCAS, MAAA
Milliman, Inc.
One Pennsylvania Plaza
New York, NY 10019
(646) 473-3416

February 24, 2011

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2010

Exhibit A: SCOPE

	Column 1 <u>Amount</u>
1. Reserve for Unpaid Losses (Page 2, Line 17)	\$275,216,728
2. Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$19,197,443
3. Total of 1. and 2.	\$294,414,171
4. Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$28,682,631
5. 3. Less 4.	\$265,731,540

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2010

Exhibit B: DISCLOSURES

	<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
1. Name of the Appointed Actuary		Jones	Derek	A.
2. The Appointed Actuary's Relationship to the Company Enter E or C based upon the following: E if an Employee; or C if a Consultant			C	
3. The Appointed Actuary is a Qualified Actuary based upon what qualification? Enter F, A, M, or O based upon the following: F if an FCAS; A if an ACAS; M if not a member of the CAS, but a Member of the American Academy of Actuaries approved by the Casualty Practice Council (and attach approval letter as documentation); or O for Other			F	
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R if Reasonable; I if Inadequate or Deficient Provision; E if Excessive or Redundant Provision; Q if Qualified (use Q when part of the opinion is Qualified); or N if No Opinion			R	
5. Materiality Standard expressed in US dollars (used to answer Question #6)	\$14,889,570			
6. Is there a Significant Risk of Material Adverse Deviation?			Yes [X]	No[]
7. Capital and Surplus (Page 2, Line 33)	\$148,895,697			

TAB D

CHECKLIST OF REGULATORY COMPLIANCE MATTERS

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

MAY 25, 2011

	Requirement	Due:	Date Filed:
1.	File Annual Report with New York State Insurance Department "NYSID"	Within 60 days of fiscal year end (March 1, 2011)	February 25, 2011
2.	File NY State Premium Tax (Franchise Tax) Return with NYS tax Dept	March 15, 2011	FMTAC is exempted from all NYS taxes and NYS assessments
3.	Obtain annual license renewal with NYSID	June 30, 2011	Pending
4.	File year end financial statements audited by an independent accounting (CPA) firm with NYSID	July 1, 2011	Audit complete on April 21, 2011 and filed with NYSID
5.	File actuarial certification and opinion of fiscal year end loss reserves with NYSID	No formal filing date. Normally filed with Annual Report (Item 1)	February 25, 2011
6.	File Parent Company Annual Report with the NYSID	June 30, 2011	Pending
7.	Hold Annual Meeting of Directors - must be held in NYS	Annually	Scheduled for May 25, 2011
8.	File Biographical affidavits for each director and officer with NYSID	Notification to be made within 30 days of appointment/election	Not applicable, MTA / FMTAC Directors subject to State Ethics Review
9.	File Five Year Financial Projection with NYSID	Due every Five Years or with a material change to business plan	Pending – preparing projections for 2012 to 2016
10.	NY Dept. of Insurance examinations	Organization Exam may be conducted shortly after licensure and additional examinations conducted approximately every 5 years.	Examination performed in 2004; final report issued March 21, 2006
11.	Maintain Minimum required capital and surplus is in prescribed form [Cash, LOC, or investment type as described in section 7004, section (b)(2)]	\$250,000 of total surplus (\$100,000 shall represent paid-in capital)	In Compliance
12.	Pay Assessment/Surcharge (section 332 of NY Insurance Law)	Pay as invoiced	FMTAC is exempted from all NYS taxes and NYS assessments

TAB E

**Please see separate handout from
Dwight Investments**

Presented by:

Sean M. Saia, CFA
Senior Vice President
Head of Insurance
(802) 383-4035
ssaia@dwight.com

Edward R. Sisson
Assistant Vice President
Associate Client Portfolio Manager
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(802) 383-4000
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Dwight Asset Management Company LLC

Presentation to:



**First Mutual Transportation
Assurance Company**

May 2011

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II. FMTAC Portfolio Reviews

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A. Notes on Methodology

SECTION I

ECONOMIC OVERVIEW & OUTLOOK



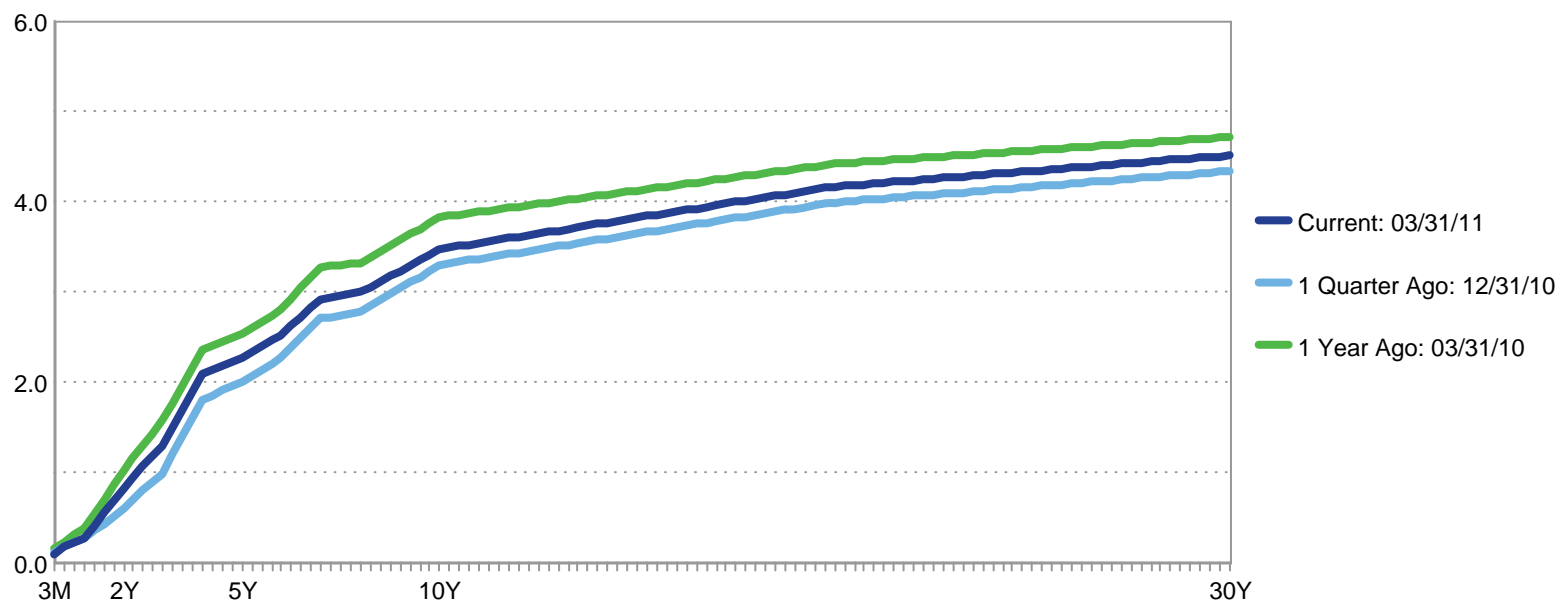
Lake Champlain, Vermont

MARKET CONDITIONS

as of 3/31/11

	CURRENT	1 QUARTER AGO	1 YEAR AGO
Treasury Yield (%)	03/31/11	12/31/10	03/31/10
3 Month	0.09	0.12	0.15
2 Year	0.82	0.59	1.02
5 Year	2.28	2.01	2.54
10 Year	3.47	3.29	3.83
30 Year	4.51	4.33	4.71
Option-Adjusted Spreads (bps)	03/31/11	12/31/10	03/31/10
Treasury	-	-	-
Agency	24	30	31
MBS	16	31	25
ABS	44	72	43
CMBS	213	248	316
Invest. Grade Corp.	140	156	150

HISTORICAL U.S. TREASURY YIELD CURVES



	CURRENT	1 QUARTER AGO	1 YEAR AGO
Treasury Yield (%)	03/31/11	12/31/10	03/31/10
3 Month	0.09	0.12	0.15
1 Year	0.27	0.26	0.38
2 Year	0.82	0.59	1.02
3 Year	1.30	0.99	1.57
5 Year	2.28	2.01	2.54
7 Year	2.92	2.70	3.28
10 Year	3.47	3.29	3.83
30 Year	4.51	4.33	4.71

- ◆ A minefield of risks is threatening the economy's growth outlook, and we have downgraded our full-year 2011 real GDP forecast to 2.8% from 3.5% as a result. While current economic momentum augurs for a 3.5% growth rate, we expect the data will begin to deteriorate a bit in coming months as a result of increased uncertainty and higher oil prices. If the data hold up, then our original forecast will probably be restored.
- ◆ The minefield of risks includes: global supply chain disruptions as a result of Japanese events; the potential for meaningful and lasting deterioration in Asian economic activity; rising oil prices as a result of unrest in the Middle East; the risk that U.S. involvement in the Middle East extends beyond the Libyan no-fly zone; the potential for a government shutdown as a result of expiring authorities for both spending and borrowing; the risk that the sovereign credit crisis in Europe escalates; the potential for a larger-than-expected decline in U.S. house prices; and the risk that financial markets are destabilized by these or other events. If any of these potential shocks escalates materially, then we may have to downgrade our forecast further.
- ◆ Fortunately, the economy is in fairly good shape and can withstand a significant amount of turbulence. Moreover, we expect monetary policymakers to err on the side of being overly accommodative as long as inflation expectations remain in check. Fiscal policymakers, however, are fighting over the steering wheel, and this is unsettling. If fiscal policy ends up being overly tight, then growth will be negatively impacted. If it is left excessively loose, then interest rates could rise materially.
- ◆ While monetary policy will remain highly accommodative this year, recent declines in the unemployment rate and increases in the core consumer inflation rate are consistent with a shift in the policy stance during the second half of the year. We expect QEII to be completed as currently designed, and then we expect the Fed to begin tightening policy during the second half of 2011 by ending reinvestment programs, adjusting the extended period language, and immobilizing a portion of excess reserves. Not until 2012 do we expect the Fed to raise the funds rate.
- ◆ The inflation outlook will determine the interest rate outlook. Headline consumer inflation has risen appreciably because of rising food and energy prices, and we now think it could top 3% this year. Core consumer inflation is likely to remain subdued, but it is rising and should reach 1.5% this year and the Fed's 2% target next year. We anticipate a bear flattening of the Treasury yield curve during the second half of 2011 in anticipation of tighter policy in 2012.
- ◆ If downside risks to our growth forecast materialize, we will probably shift our call for the first funds rate increase to later 2012 or possibly 2013 depending on the extent of the weakness and the inflation outlook. If upside risks materialize and there is a rise in inflation expectations, then we will bring forward our funds rate call.

This information reflects the viewpoint of Dwight Asset Management Company LLC as of March 25, 2011, and is subject to change. This report is provided for informational purposes only.

SECTION II

FMTAC PORTFOLIO REVIEWS



Lake Champlain, Vermont

PERFORMANCE VS. THE BENCHMARK

as of 3/31/2011

Total Return	Consolidated	Custom Benchmark
QTD	1.33%	1.04%
YTD	1.33%	1.04%
12 month	7.62%	6.60%

Total Return	ELF	Custom Benchmark	iShares S&P 500 Index Fund	S&P 500	iShares Russell 2000 Index Fund	Russell 2000	iShares MSCI EAFE Index Fund	MSCI EAFE
QTD	2.28%	1.88%	5.90%	5.92%	7.90%	7.94%	3.33%	3.36%
YTD	2.28%	1.88%	5.90%	5.92%	7.90%	7.94%	3.33%	3.36%
12 month	9.75%	8.32%	15.54%	15.65%	25.68%	25.79%	10.29%	10.42%

Total Return	GOA	Master Builders Risk	Custom Benchmark
QTD	1.17%	1.05%	0.80%
YTD	1.17%	1.05%	0.80%
12 month	7.44%	6.92%	6.19%

Total Return	Liberty	Liberty '06	Custom Benchmark
QTD	0.67%	0.73%	0.75%
YTD	0.67%	0.73%	0.75%
12 month	5.68%	5.59%	5.55%

FMTAC - EARNED INCOME REPORT

as of 3/31/2011

	MTD	YTD
Excess Loss Fund	265,330	689,394
General Operating Account	582,537	1,744,415
Master Builder Risk	165,323	489,591
Liberty Trust	79,232	238,932
Liberty '06 Trust	82,593	251,419
Total	\$1,175,016	\$3,413,750

SUMMARY STATISTICS: FMTAC CONSOLIDATED

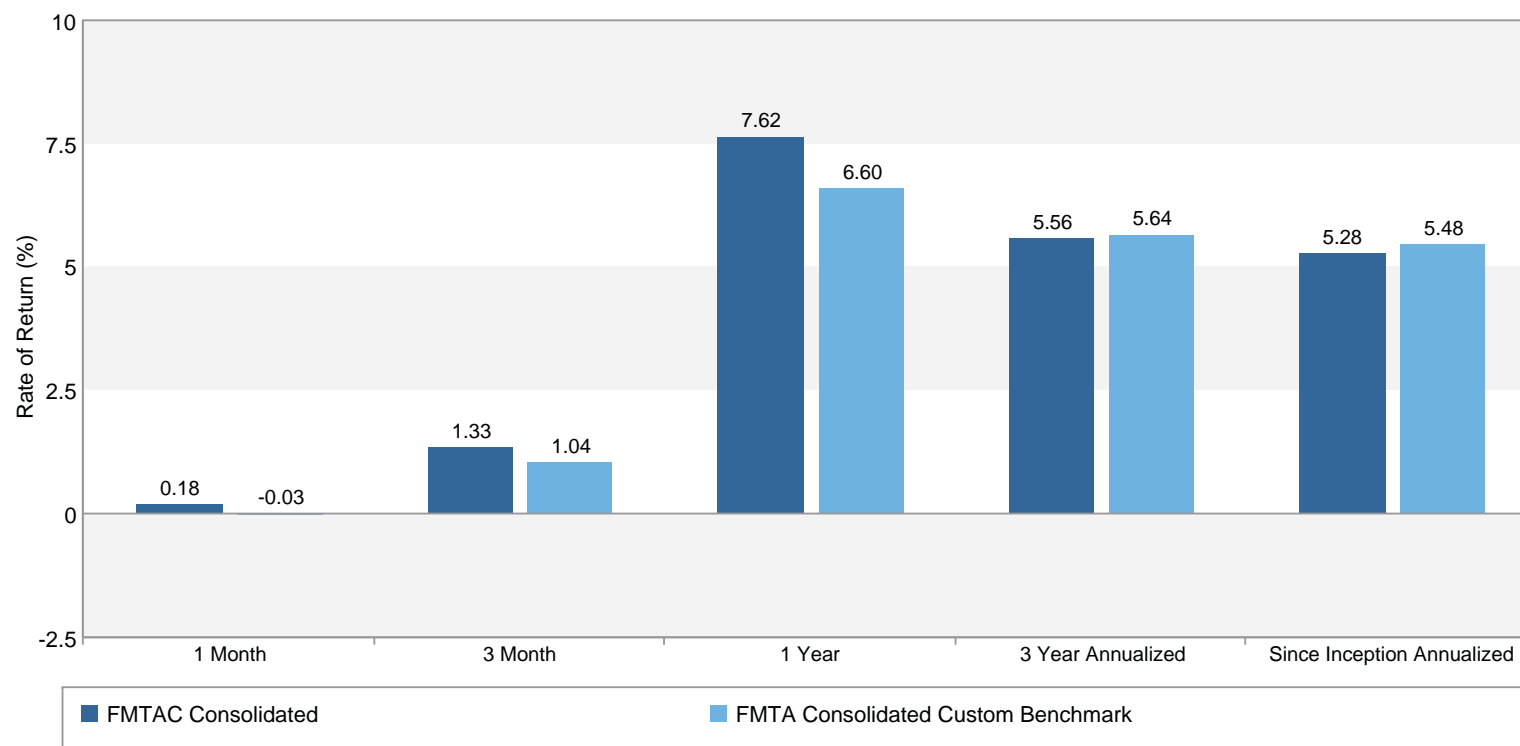
as of 3/31/11

	03/31/11		12/31/10	
	FMTAC Consolidated	FMTA Consolidated Custom SU	FMTAC Consolidated	FMTA Consolidated Custom SU
Book Value	\$324,949,116		\$319,839,419	
Book Yield	4.34%		4.29%	
Market Value	\$333,382,699		\$329,024,752	
Market Yield	3.16%	2.93%	2.94%	2.93%
Convexity	0.10	0.16	0.16	0.16
Effective Duration	3.90	4.20	3.76	4.20
Average Credit Quality (S&P)	AA-	AA-	AA	AA-

PERFORMANCE: FMTAC CONSOLIDATED

as of 3/31/11

INVESTMENT PERFORMANCE

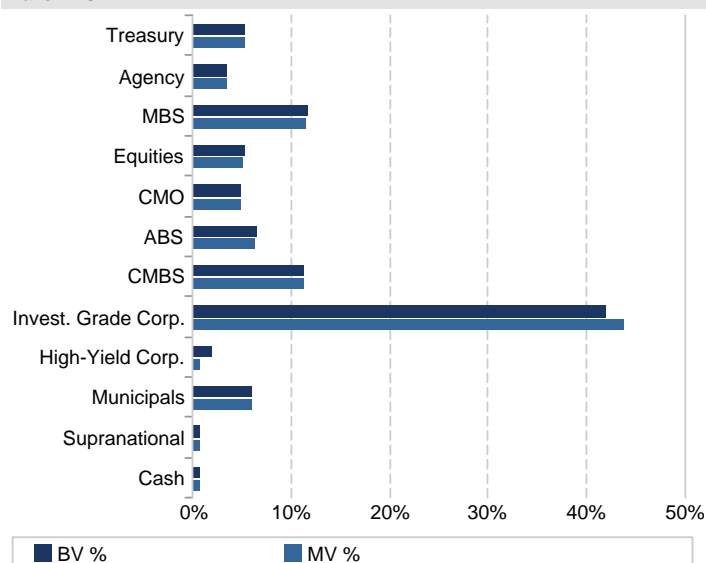


Returns are gross of fees and reflect reinvestment of interest income. Past performance does not guarantee future results.

SECTOR ALLOCATION: FMTAC CONSOLIDATED

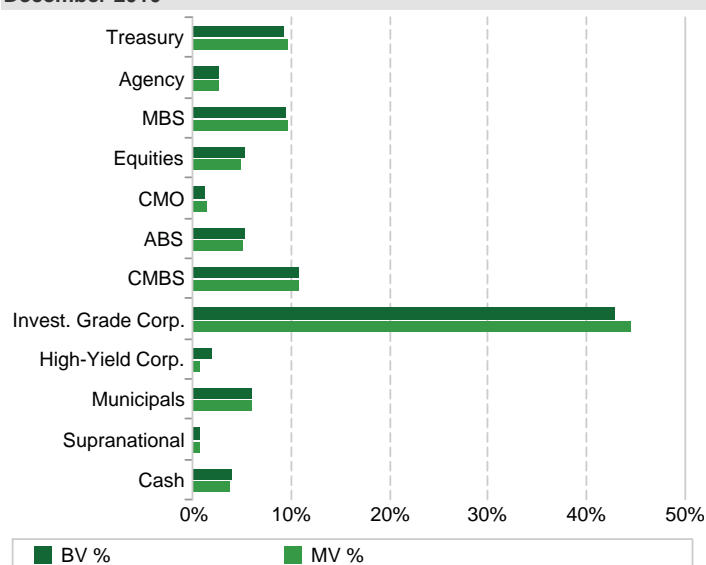
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	17,087,349	5.26	17,634,830	5.29	547,481
Agency	11,162,485	3.44	11,440,936	3.43	278,451
MBS	38,023,811	11.70	38,495,599	11.55	471,788
CMO	15,958,644	4.91	16,351,498	4.90	392,853
ABS	21,341,351	6.57	21,357,288	6.41	15,936
CMBS	36,838,594	11.34	37,715,195	11.31	876,601
Invest. Grade Corp.	136,518,740	42.01	145,928,338	43.77	9,409,597
High-Yield Corp.	6,680,770	2.06	2,694,050	0.81	(3,986,720)
Municipals	19,324,334	5.95	19,925,525	5.98	601,191
Supranational	2,215,226	0.68	2,330,110	0.70	114,883
Cash	2,648,541	0.82	2,648,541	0.79	0
Fixed Income Total	307,799,848	94.72	316,521,909	94.94	8,722,062
Equities	17,149,268	5.28	16,860,790	5.06	(288,478)
Total	324,949,116	100.00	333,382,699	100.00	8,433,584

December 2010

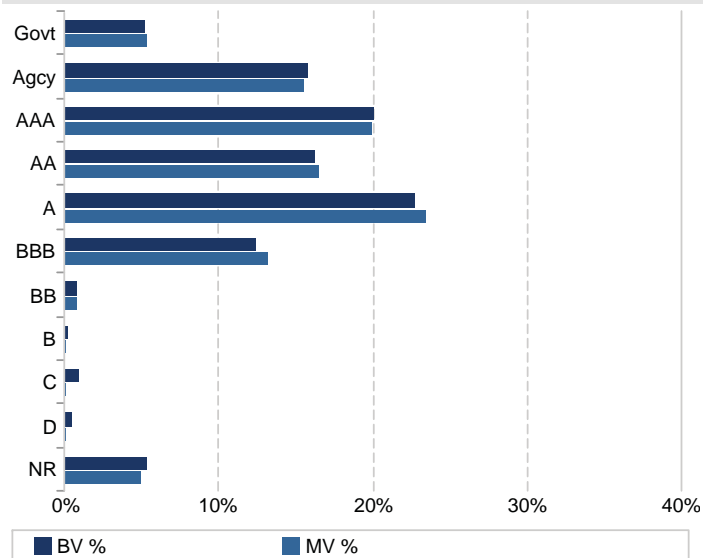


Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	29,679,415	9.28	31,790,810	9.66	2,111,395
Agency	8,936,216	2.79	9,239,139	2.81	302,923
MBS	30,283,465	9.47	31,711,663	9.64	1,428,198
CMO	4,245,848	1.33	4,574,472	1.39	328,624
ABS	16,815,543	5.26	16,564,620	5.03	(250,924)
CMBS	34,652,281	10.83	35,127,213	10.68	474,933
Invest. Grade Corp.	136,995,033	42.83	146,408,397	44.50	9,413,364
High-Yield Corp.	6,686,899	2.09	2,513,845	0.76	(4,173,054)
Municipals	19,345,190	6.05	19,952,120	6.06	606,930
Supranational	2,215,795	0.69	2,343,338	0.71	127,542
Cash	12,834,466	4.01	12,834,466	3.90	0
Fixed Income Total	302,690,151	94.64	313,060,082	95.15	10,369,931
Equities	17,149,268	5.36	15,964,670	4.85	(1,184,598)
Total	319,839,419	100.00	329,024,752	100.00	9,185,333

QUALITY ALLOCATION: FMTAC CONSOLIDATED

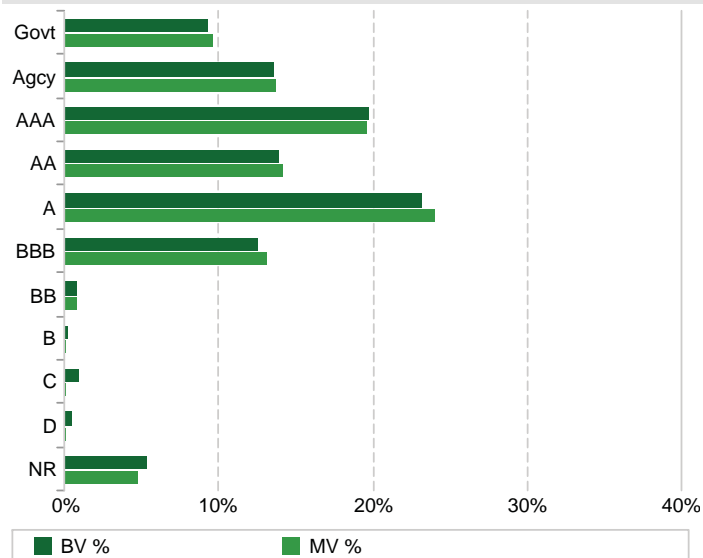
as of 3/31/11

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	17,087,349	5.26	17,634,830	5.28	547,481
Agcy	51,135,144	15.74	52,157,624	15.58	1,022,480
AAA	65,153,088	20.05	66,778,240	19.96	1,625,152
AA	52,647,385	16.20	54,717,594	16.44	2,070,209
A	73,700,297	22.68	77,892,303	23.46	4,192,007
BBB	40,308,679	12.40	43,694,121	13.18	3,385,442
BB	2,627,818	0.81	2,641,242	0.79	13,424
B	588,565	0.18	521,906	0.16	(66,660)
C	3,022,500	0.93	204,000	0.06	(2,818,500)
D	1,529,023	0.47	280,050	0.08	(1,248,973)
NR	17,149,268	5.28	16,860,790	5.01	(288,478)
Total	324,949,116	100.00	333,382,699	100.00	8,433,584

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	29,679,415	9.28	31,790,810	9.65	2,111,395
Agcy	43,305,094	13.54	45,347,401	13.71	2,042,307
AAA	63,169,769	19.75	64,741,676	19.60	1,571,907
AA	44,504,417	13.91	46,208,017	14.09	1,703,600
A	74,290,952	23.23	78,492,224	23.96	4,201,272
BBB	39,966,411	12.50	43,037,638	13.12	3,071,227
BB	2,632,848	0.82	2,611,992	0.80	(20,856)
B	588,565	0.18	491,479	0.15	(97,087)
C	3,022,500	0.95	71,340	0.02	(2,951,160)
D	1,530,180	0.48	267,505	0.08	(1,262,675)
NR	17,149,268	5.36	15,964,670	4.81	(1,184,598)
Total	319,839,419	100.00	329,024,752	100.00	9,185,333

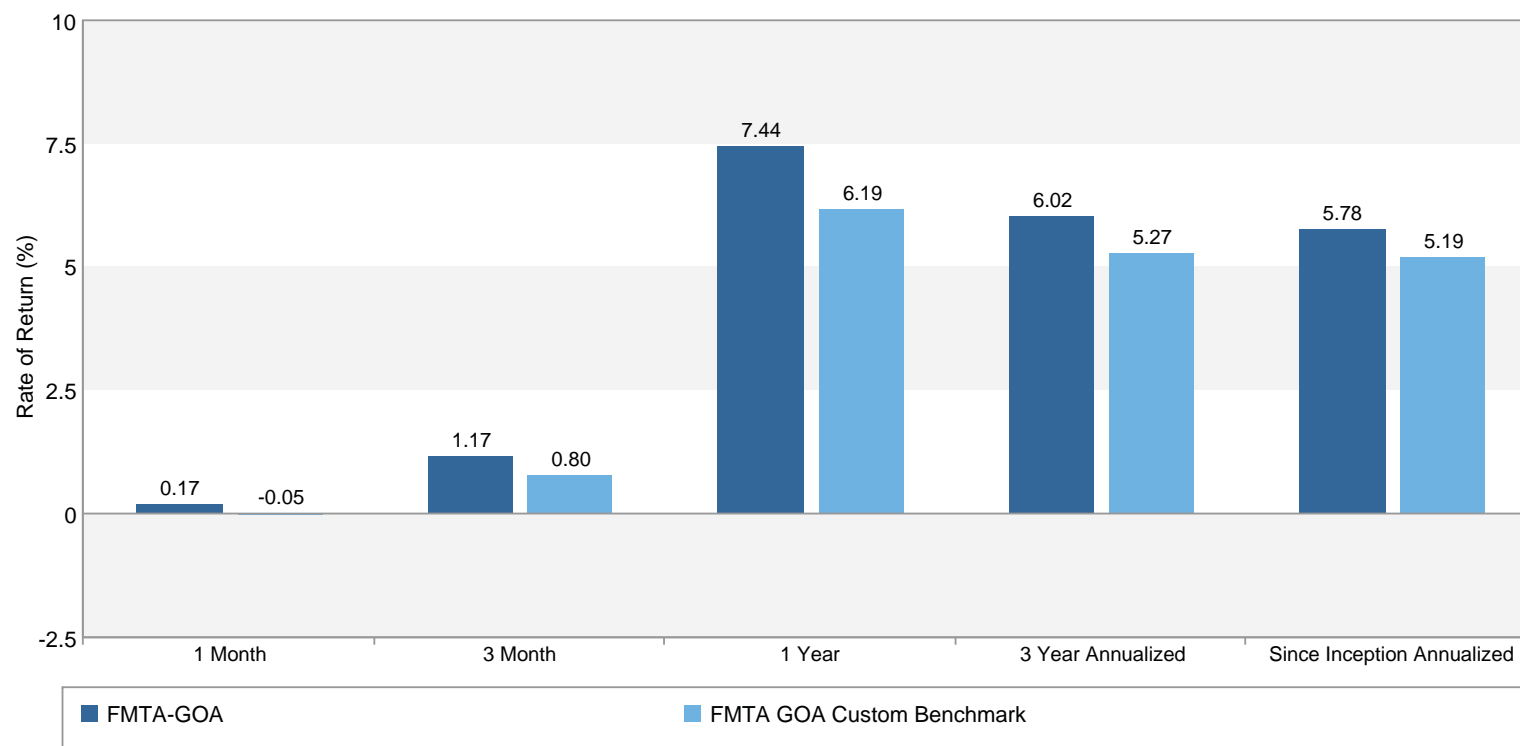
SUMMARY STATISTICS: FMTA-GOA

as of 3/31/11

	03/31/11		12/31/10	
	FMTA-GOA	FMTA GOA Custom Benchmark	FMTA-GOA	FMTA GOA Custom Benchmark
Book Value	\$156,241,438		\$153,607,300	
Book Yield	4.73%		4.66%	
Market Value	\$159,522,631		\$157,740,413	
Market Yield	3.22%	3.11%	2.98%	3.08%
Convexity	0.13	0.25	0.19	0.25
Effective Duration	4.32	4.54	4.09	4.57
Average Credit Quality (S&P)	AA-	AA-	AA-	AA-

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INVESTMENT PERFORMANCE

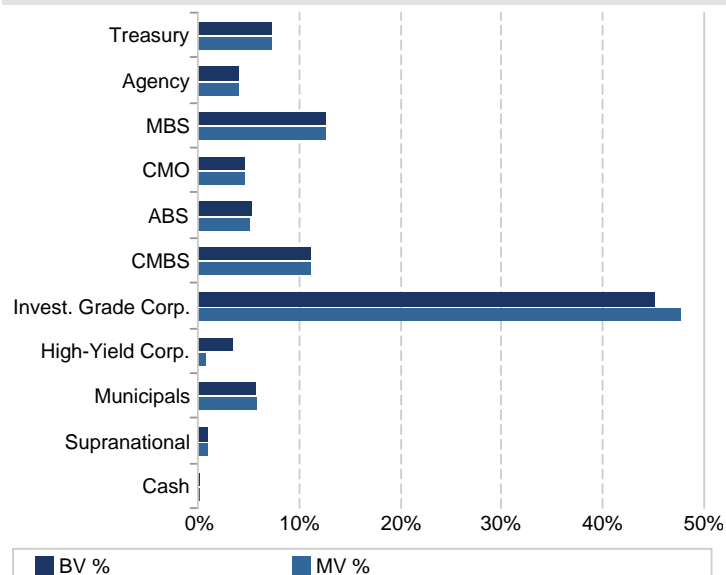


Returns are gross of fees and reflect reinvestment of interest income. Past performance does not guarantee future results.

SECTOR ALLOCATION: FMTA-GOA

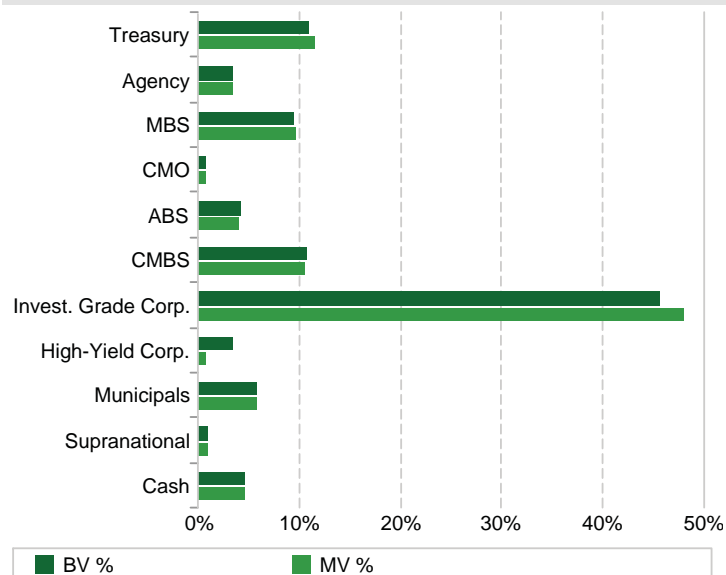
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	11,309,798	7.24	11,673,496	7.32	363,698
Agency	6,261,211	4.01	6,458,110	4.05	196,899
MBS	19,786,347	12.66	20,079,591	12.59	293,244
CMO	7,191,264	4.60	7,308,934	4.58	117,670
ABS	8,234,970	5.27	8,264,246	5.18	29,276
CMBS	17,325,606	11.09	17,781,966	11.15	456,360
Invest. Grade Corp.	70,422,465	45.07	75,921,300	47.59	5,498,835
High-Yield Corp.	5,296,759	3.39	1,257,550	0.79	(4,039,209)
Municipals	8,929,954	5.72	9,216,076	5.78	286,122
Supranational	1,467,172	0.94	1,545,468	0.97	78,297
Cash	15,893	0.01	15,893	0.01	0
Total	156,241,438	100.00	159,522,631	100.00	3,281,192

December 2010

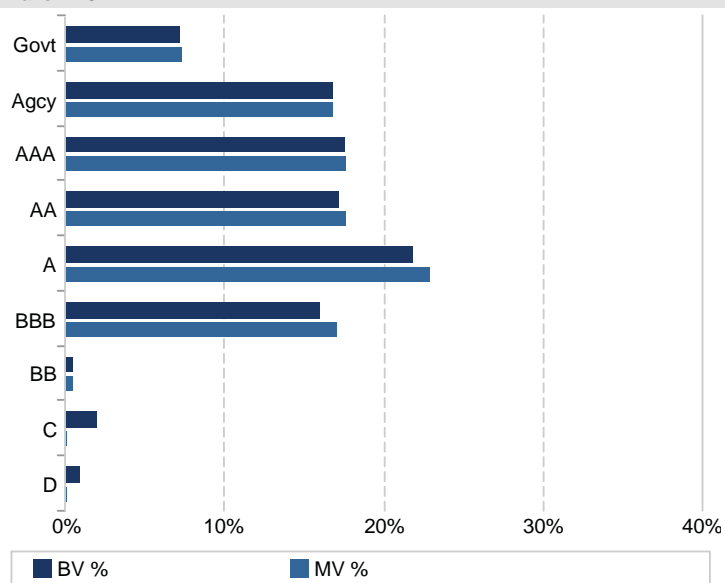


Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	16,747,029	10.90	18,069,384	11.46	1,322,355
Agency	5,274,858	3.43	5,498,352	3.49	223,494
MBS	14,601,383	9.51	15,401,067	9.76	799,684
CMO	1,098,498	0.72	1,176,054	0.75	77,556
ABS	6,474,144	4.21	6,293,201	3.99	(180,943)
CMBS	16,419,537	10.69	16,691,085	10.58	271,547
Invest. Grade Corp.	70,174,548	45.68	75,615,760	47.94	5,441,212
High-Yield Corp.	5,299,657	3.45	1,100,095	0.70	(4,199,562)
Municipals	8,939,968	5.82	9,231,280	5.85	291,313
Supranational	1,467,884	0.96	1,554,341	0.99	86,457
Cash	7,109,794	4.63	7,109,794	4.51	0
Total	153,607,300	100.00	157,740,413	100.00	4,133,113

QUALITY ALLOCATION: FMTA-GOA

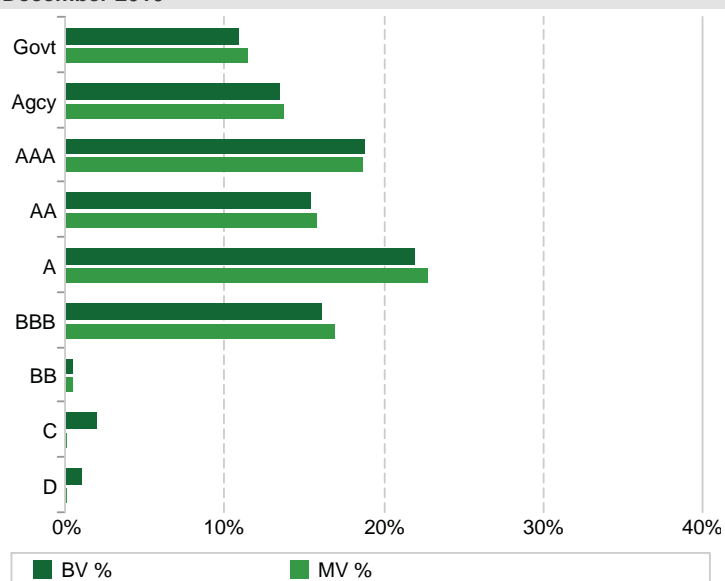
as of 3/31/11

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	11,309,798	7.24	11,673,496	7.29	363,698
Agcy	26,349,744	16.86	26,889,555	16.77	539,811
AAA	27,414,070	17.55	28,154,419	17.57	740,349
AA	26,873,033	17.20	28,185,828	17.67	1,312,795
A	34,039,659	21.79	36,238,239	22.80	2,198,580
BBB	24,958,375	15.97	27,123,543	17.10	2,165,168
BB	745,237	0.48	773,500	0.48	28,263
C	3,022,500	1.93	204,000	0.13	(2,818,500)
D	1,529,023	0.98	280,050	0.17	(1,248,973)
Total	156,241,438	100.00	159,522,631	100.00	3,281,192

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	16,747,029	10.90	18,069,384	11.44	1,322,355
Agcy	20,680,582	13.46	21,760,621	13.72	1,080,039
AAA	28,894,682	18.81	29,648,557	18.71	753,875
AA	23,681,455	15.42	24,733,286	15.74	1,051,831
A	33,610,818	21.88	35,749,743	22.75	2,138,925
BBB	24,693,078	16.08	26,678,727	16.95	1,985,649
BB	746,976	0.49	761,250	0.49	14,274
C	3,022,500	1.97	71,340	0.04	(2,951,160)
D	1,530,180	1.00	267,505	0.17	(1,262,675)
Total	153,607,300	100.00	157,740,413	100.00	4,133,113

SUMMARY STATISTICS: FMTA MASTER BUILDERS *as of 3/31/11*

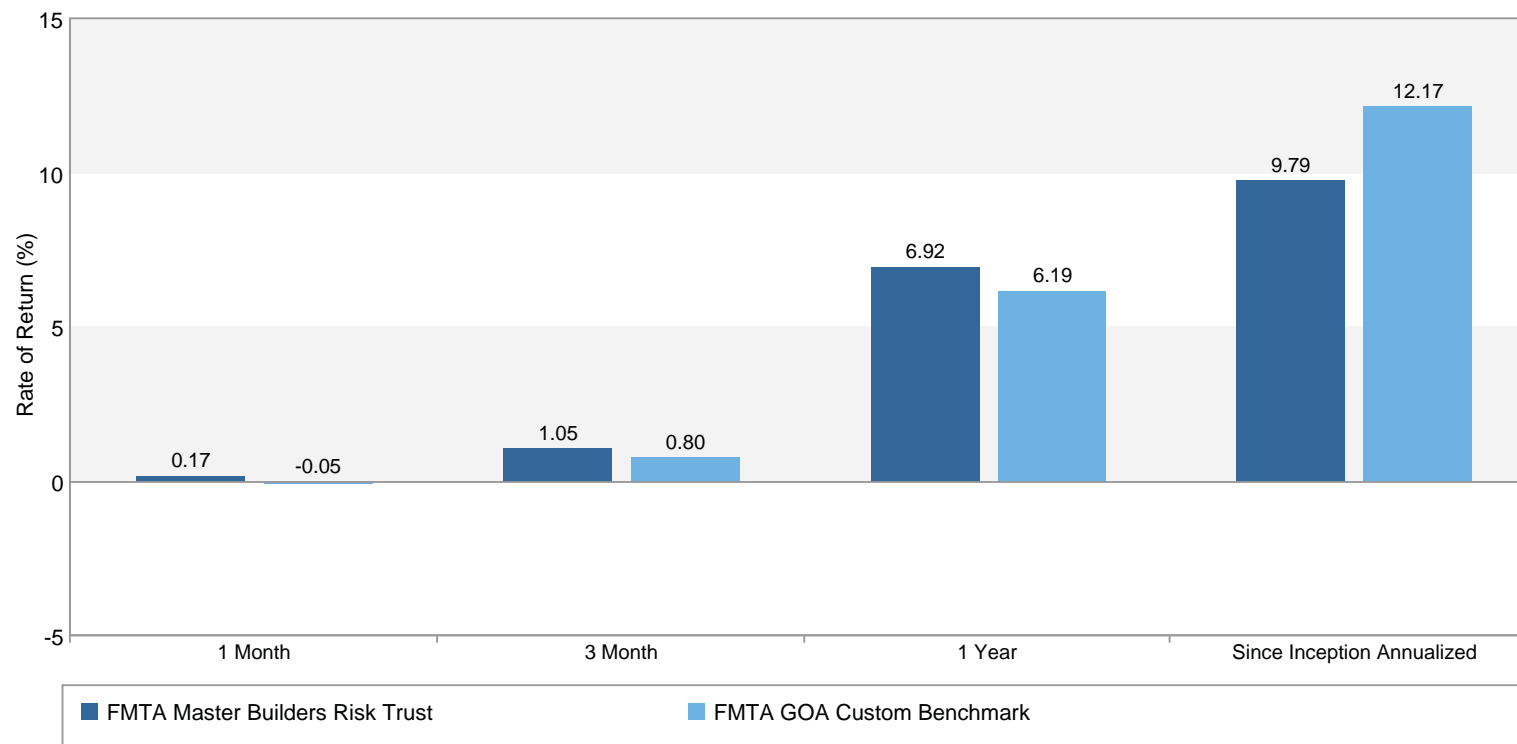
	03/31/11		12/31/10	
	FMTA Master Builders Risk Trust	FMTA GOA Custom Benchmark	FMTA Master Builders Risk Trust	FMTA GOA Custom Benchmark
Book Value	\$44,908,479		\$44,220,211	
Book Yield	4.50%		4.39%	
Market Value	\$46,856,677		\$46,348,524	
Market Yield	3.08%	3.11%	2.90%	3.08%
Convexity	0.12	0.25	0.20	0.25
Effective Duration	4.21	4.54	4.13	4.57
Average Credit Quality (S&P)	AA-	AA-	AA	AA-

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PERFORMANCE: FMTA MASTER BUILDERS

as of 3/31/11

INVESTMENT PERFORMANCE

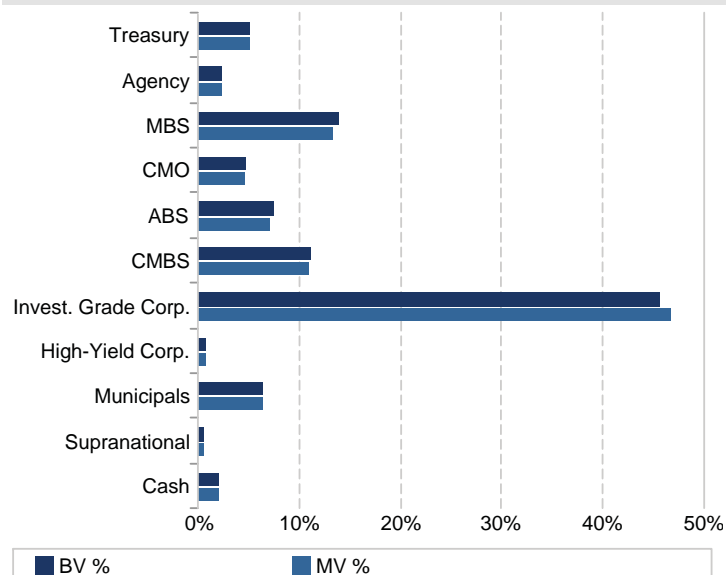


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SECTOR ALLOCATION: FMTA MASTER BUILDERS

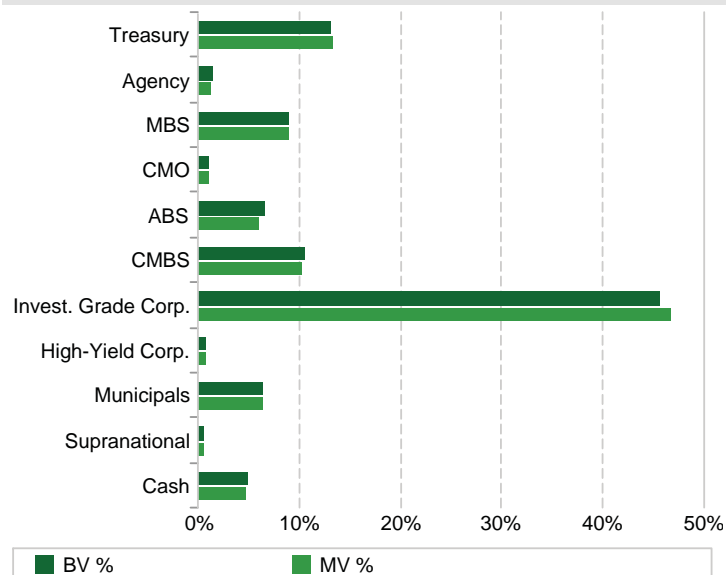
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	2,265,929	5.05	2,393,526	5.11	127,597
Agency	1,101,314	2.45	1,121,314	2.39	19,999
MBS	6,224,795	13.86	6,273,080	13.39	48,285
CMO	2,113,470	4.71	2,167,053	4.62	53,583
ABS	3,332,362	7.42	3,352,289	7.15	19,927
CMBS	5,030,375	11.20	5,163,573	11.02	133,198
Invest. Grade Corp.	20,505,093	45.66	21,900,181	46.74	1,395,088
High-Yield Corp.	319,387	0.71	331,500	0.71	12,113
Municipals	2,851,912	6.35	2,978,124	6.36	126,211
Supranational	249,352	0.56	261,547	0.56	12,196
Cash	914,490	2.04	914,490	1.95	0
Total	44,908,479	100.00	46,856,677	100.00	1,948,198

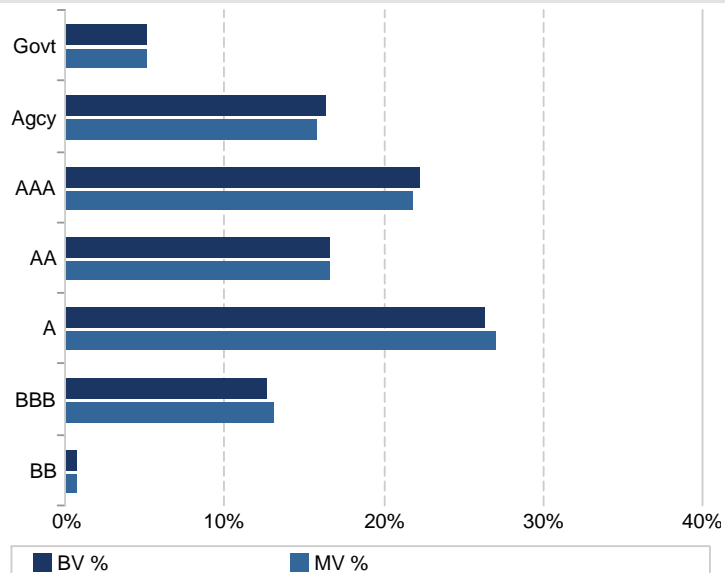
December 2010



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	5,786,570	13.09	6,135,297	13.24	348,727
Agency	605,499	1.37	624,019	1.35	18,520
MBS	3,992,132	9.03	4,146,491	8.95	154,359
CMO	492,161	1.11	534,691	1.15	42,530
ABS	2,872,852	6.50	2,817,005	6.08	(55,846)
CMBS	4,700,761	10.63	4,733,564	10.21	32,803
Invest. Grade Corp.	20,186,981	45.65	21,627,657	46.66	1,440,676
High-Yield Corp.	320,133	0.72	326,250	0.70	6,117
Municipals	2,855,123	6.46	2,981,855	6.43	126,732
Supranational	249,304	0.56	262,999	0.57	13,695
Cash	2,158,696	4.88	2,158,696	4.66	0
Total	44,220,211	100.00	46,348,524	100.00	2,128,313

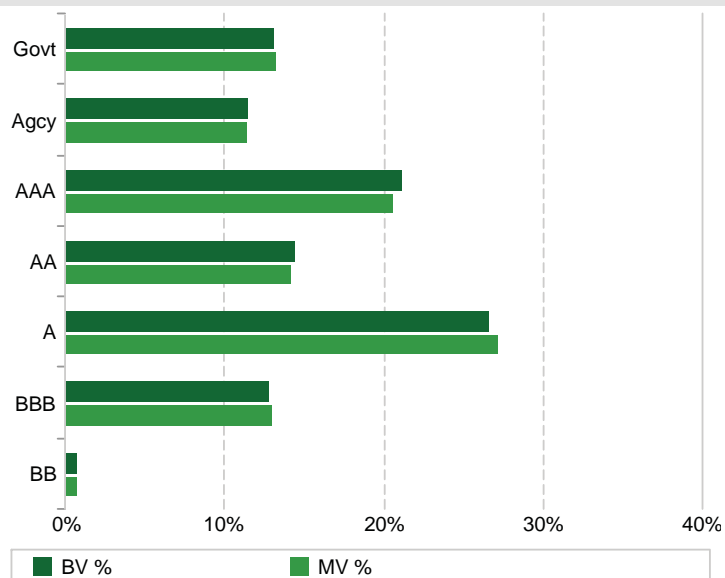
QUALITY ALLOCATION: FMTA MASTER BUILDERS *as of 3/31/11*

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	2,265,929	5.05	2,393,526	5.11	127,597
Agcy	7,322,086	16.30	7,427,551	15.78	105,465
AAA	10,010,568	22.29	10,226,356	21.75	215,788
AA	7,454,445	16.60	7,746,632	16.55	292,187
A	11,836,006	26.36	12,605,173	26.97	769,167
BBB	5,700,057	12.69	6,125,939	13.14	425,881
BB	319,387	0.71	331,500	0.71	12,113
Total	44,908,479	100.00	46,856,677	100.00	1,948,198

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	5,786,570	13.09	6,135,297	13.19	348,727
Agcy	5,089,791	11.51	5,305,201	11.38	215,409
AAA	9,334,487	21.11	9,543,352	20.51	208,865
AA	6,349,005	14.36	6,540,392	14.16	191,387
A	11,717,610	26.50	12,501,067	27.08	783,457
BBB	5,622,615	12.72	5,996,965	12.96	374,350
BB	320,133	0.72	326,250	0.72	6,117
Total	44,220,211	100.00	46,348,524	100.00	2,128,313

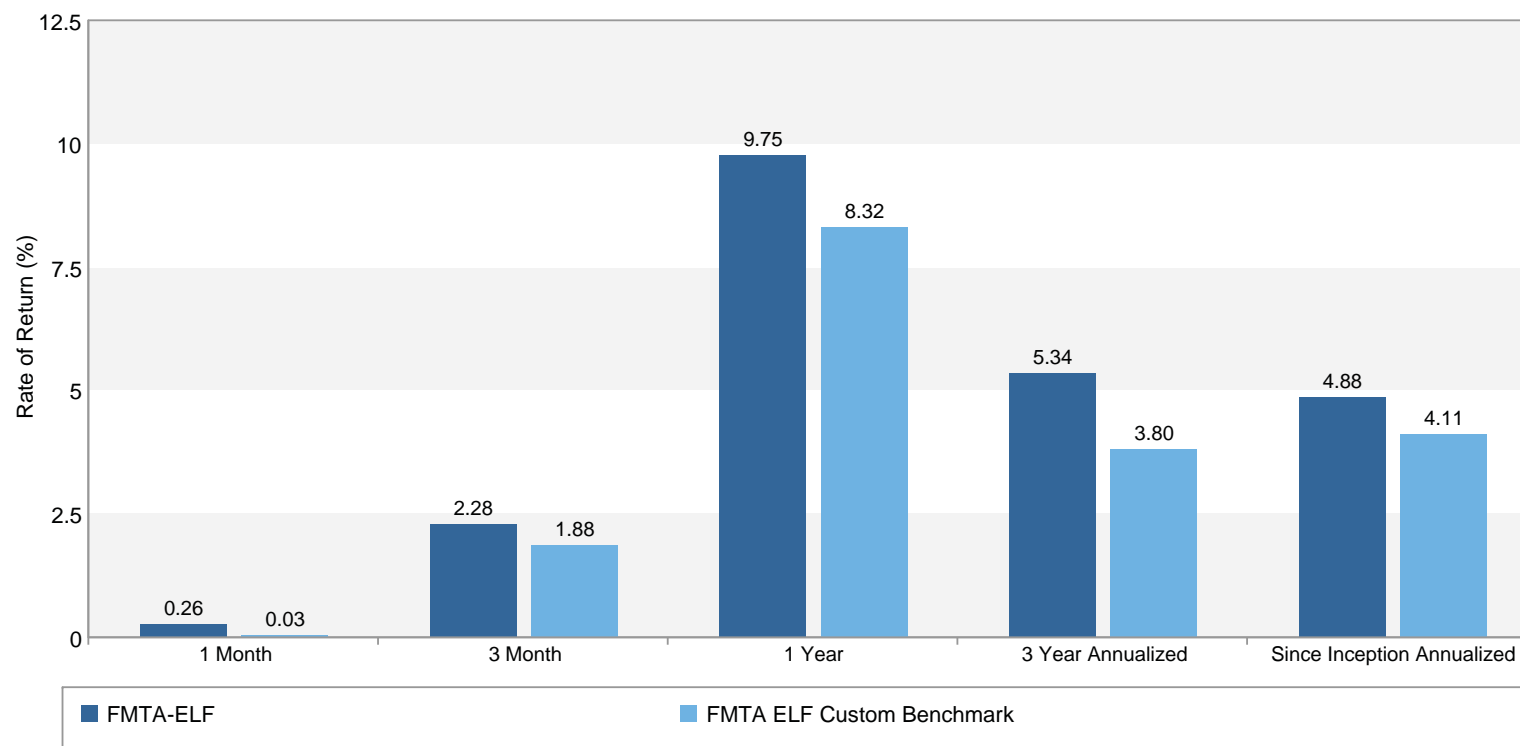
SUMMARY STATISTICS: FMTA-ELF

as of 3/31/11

	03/31/11		12/31/10	
	FMTA-ELF	FMTA ELF Custom Benchmark	FMTA-ELF	FMTA ELF Custom Benchmark
Book Value	\$73,924,862		\$72,843,205	
Book Yield	3.54%		3.50%	
Market Value	\$75,793,657		\$74,103,905	
Market Yield	3.29%	2.77%	3.13%	2.74%
Convexity	0.04	0.03	0.10	0.02
Effective Duration	3.12	3.66	3.11	3.64
Average Credit Quality (S&P)	AA-	AA-	AA-	AA-

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INVESTMENT PERFORMANCE

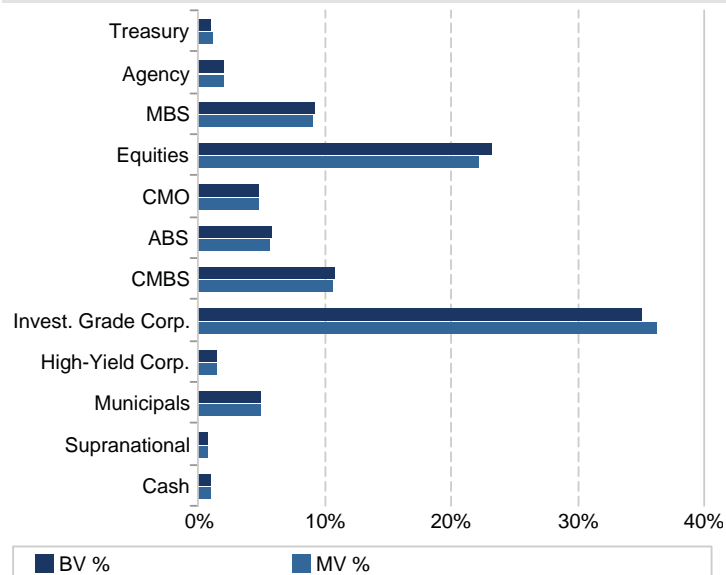


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SECTOR ALLOCATION: FMTA-ELF

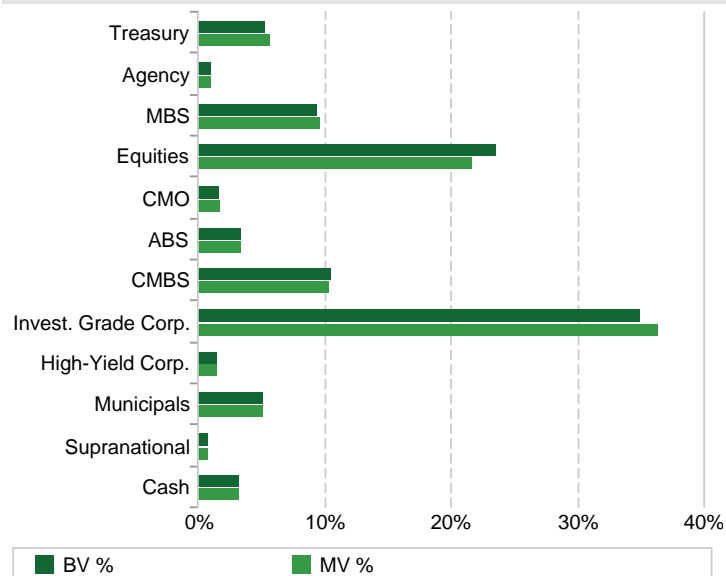
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	806,856	1.09	867,396	1.14	60,540
Agency	1,494,100	2.02	1,517,936	2.00	23,835
MBS	6,784,946	9.18	6,866,206	9.06	81,261
CMO	3,592,127	4.86	3,695,352	4.88	103,225
ABS	4,304,848	5.82	4,306,906	5.68	2,058
CMBS	7,955,005	10.76	8,060,769	10.64	105,764
Invest. Grade Corp.	25,863,627	34.99	27,480,779	36.26	1,617,151
High-Yield Corp.	1,064,624	1.44	1,105,000	1.46	40,376
Municipals	3,667,337	4.96	3,766,009	4.97	98,671
Supranational	498,703	0.67	523,094	0.69	24,391
Cash	743,420	1.01	743,420	0.98	0
Fixed Income Total	56,775,594	76.80	58,932,867	77.75	2,157,274
Equities	17,149,268	23.20	16,860,790	22.25	(288,478)
Total	73,924,862	100.00	75,793,657	100.00	1,868,796

December 2010

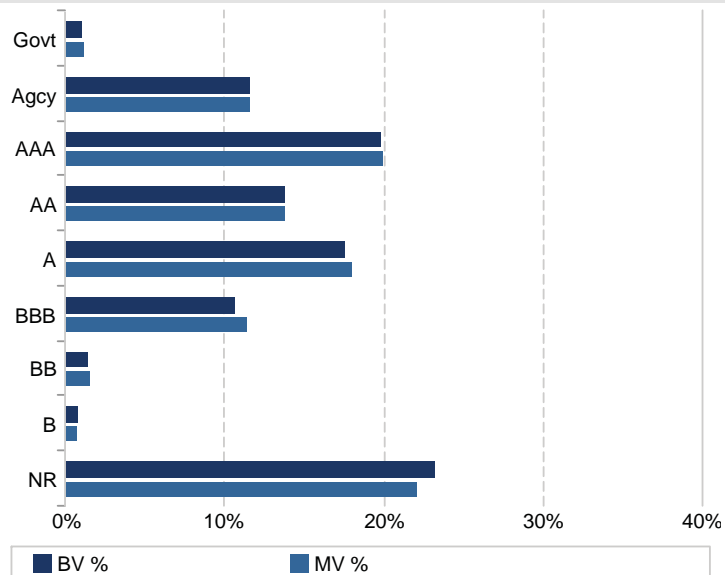


Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	3,860,021	5.30	4,191,373	5.66	331,352
Agency	749,788	1.03	766,791	1.03	17,003
MBS	6,818,895	9.36	7,090,579	9.57	271,684
CMO	1,199,364	1.65	1,285,741	1.74	86,377
ABS	2,447,339	3.36	2,454,276	3.31	6,937
CMBS	7,633,836	10.48	7,667,098	10.35	33,263
Invest. Grade Corp.	25,383,323	34.85	26,933,293	36.35	1,549,970
High-Yield Corp.	1,067,109	1.46	1,087,500	1.47	20,391
Municipals	3,670,739	5.04	3,771,671	5.09	100,932
Supranational	498,607	0.68	525,998	0.71	27,390
Cash	2,364,915	3.25	2,364,915	3.19	0
Fixed Income Total	55,693,937	76.46	58,139,235	78.46	2,445,298
Equities	17,149,268	23.54	15,964,670	21.54	(1,184,598)
Total	72,843,205	100.00	74,103,905	100.00	1,260,700

QUALITY ALLOCATION: FMTA-ELF

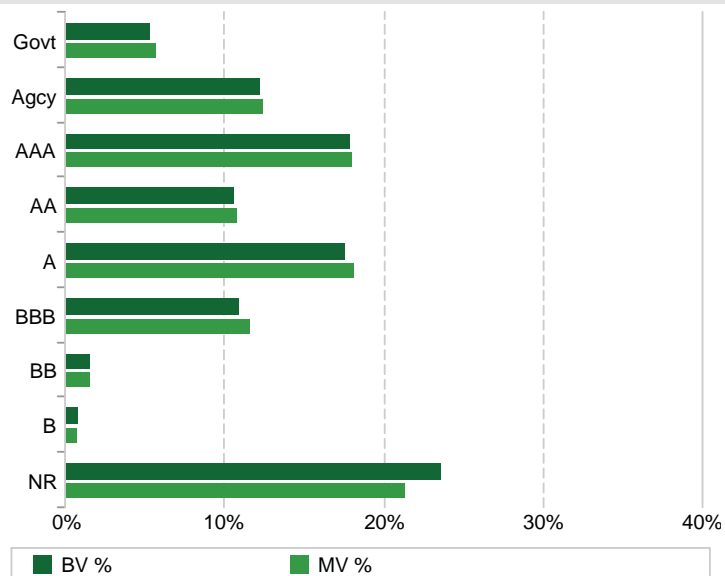
as of 3/31/11

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	806,856	1.09	867,396	1.15	60,540
Agcy	8,611,008	11.65	8,794,783	11.57	183,776
AAA	14,677,280	19.85	15,096,259	19.89	418,979
AA	10,167,783	13.75	10,425,310	13.82	257,528
A	12,941,716	17.51	13,518,171	17.94	576,455
BBB	7,917,762	10.71	8,604,042	11.41	686,280
BB	1,064,624	1.44	1,105,000	1.46	40,376
B	588,565	0.80	521,906	0.69	(66,660)
NR	17,149,268	23.20	16,860,790	22.08	(288,478)
Total	73,924,862	100.00	75,793,657	100.00	1,868,796

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	3,860,021	5.30	4,191,373	5.66	331,352
Agcy	8,876,764	12.19	9,254,476	12.44	377,712
AAA	12,963,674	17.80	13,334,705	17.96	371,031
AA	7,672,713	10.53	7,922,903	10.73	250,190
A	12,745,830	17.50	13,311,207	18.06	565,377
BBB	7,919,260	10.87	8,545,592	11.61	626,332
BB	1,067,109	1.46	1,087,500	1.50	20,391
B	588,565	0.81	491,479	0.66	(97,087)
NR	17,149,268	23.54	15,964,670	21.38	(1,184,598)
Total	72,843,205	100.00	74,103,905	100.00	1,260,700

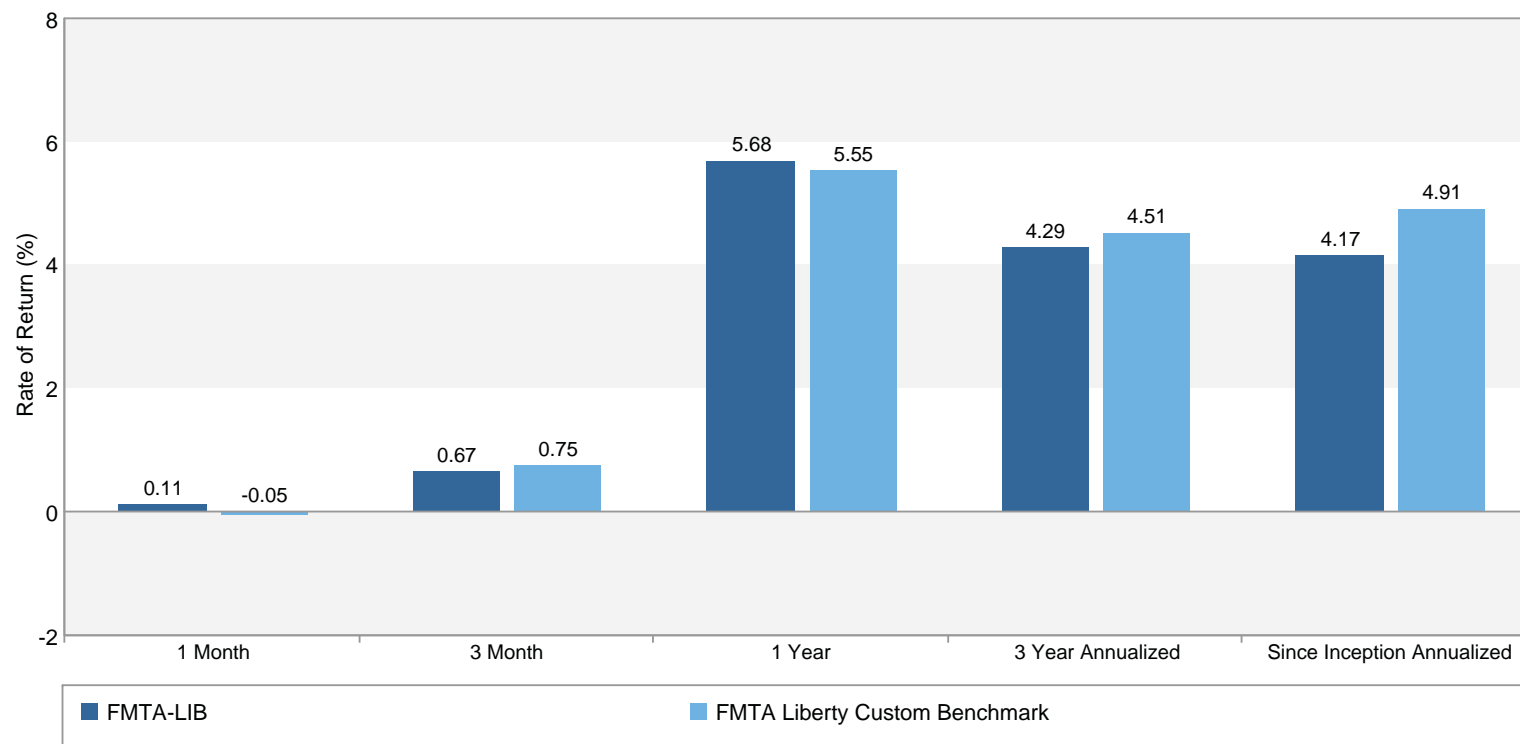
SUMMARY STATISTICS: FMTA-LIB

as of 3/31/11

	03/31/11		12/31/10	
	FMTA-LIB	FMTA Liberty Custom Benchmark	FMTA-LIB	FMTA Liberty Custom Benchmark
Book Value	\$24,148,835		\$23,798,080	
Book Yield	3.98%		4.07%	
Market Value	\$24,919,756		\$24,749,883	
Market Yield	2.80%	2.62%	2.58%	2.58%
Convexity	0.06	0.02	0.11	0.02
Effective Duration	3.50	3.56	3.33	3.56
Average Credit Quality (S&P)	AA	AA	AA	AA

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INVESTMENT PERFORMANCE

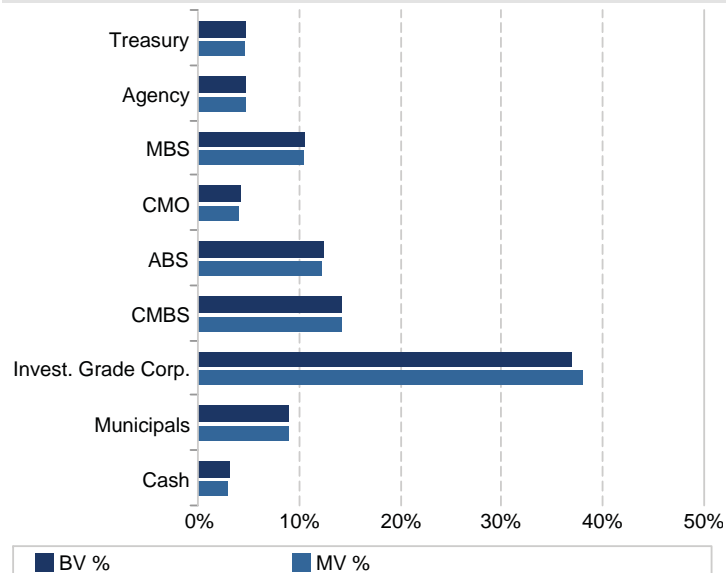


Returns are gross of fees and reflect reinvestment of interest income. Past performance does not guarantee future results.

SECTOR ALLOCATION: FMTA-LIB

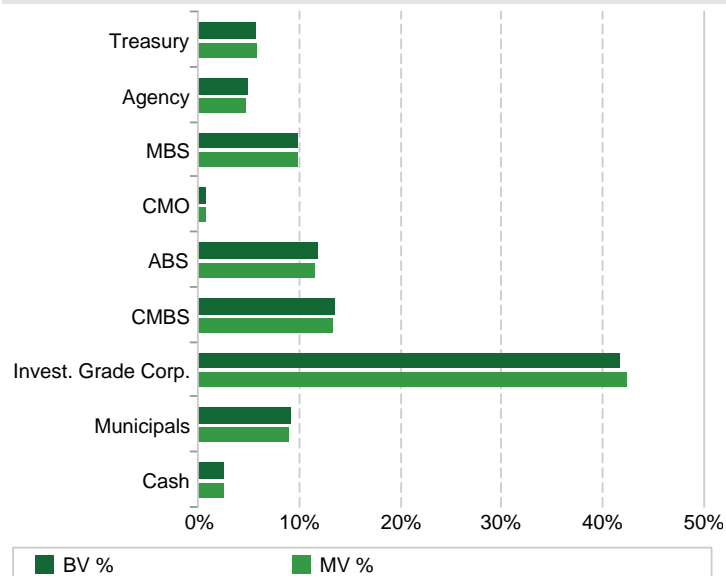
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	1,152,640	4.77	1,158,760	4.65	6,120
Agency	1,156,354	4.79	1,171,144	4.70	14,790
MBS	2,569,588	10.64	2,576,464	10.34	6,876
CMO	996,530	4.13	1,002,783	4.02	6,253
ABS	3,014,652	12.48	3,036,686	12.19	22,034
CMBS	3,428,342	14.20	3,546,884	14.23	118,543
Invest. Grade Corp.	8,914,990	36.92	9,451,102	37.93	536,112
Municipals	2,168,921	8.98	2,229,114	8.95	60,193
Cash	746,819	3.09	746,819	3.00	0
Total	24,148,835	100.00	24,919,756	100.00	770,920

December 2010

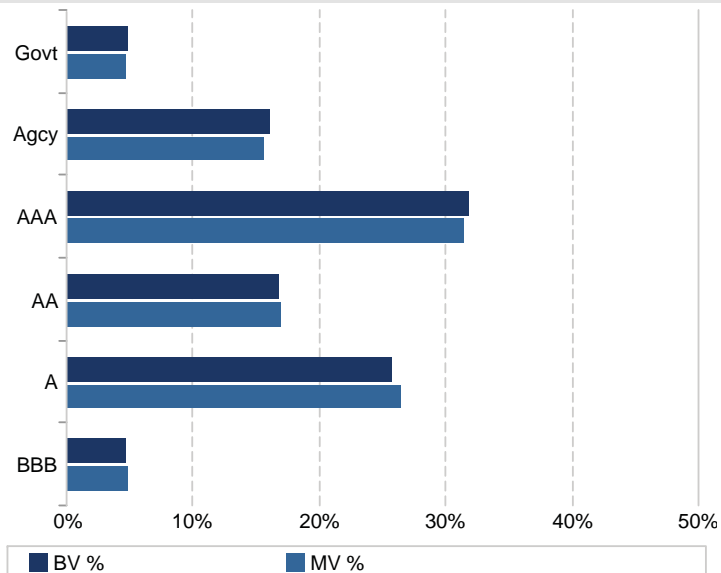


Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	1,363,446	5.73	1,428,449	5.77	65,003
Agency	1,156,662	4.86	1,174,556	4.75	17,895
MBS	2,359,040	9.91	2,451,999	9.91	92,959
CMO	193,283	0.81	194,105	0.78	822
ABS	2,816,872	11.84	2,843,980	11.49	27,108
CMBS	3,199,534	13.44	3,311,678	13.38	112,144
Invest. Grade Corp.	9,922,005	41.69	10,495,153	42.40	573,148
Municipals	2,171,080	9.12	2,233,805	9.03	62,725
Cash	616,159	2.59	616,159	2.49	0
Total	23,798,080	100.00	24,749,883	100.00	951,803

QUALITY ALLOCATION: FMTA-LIB

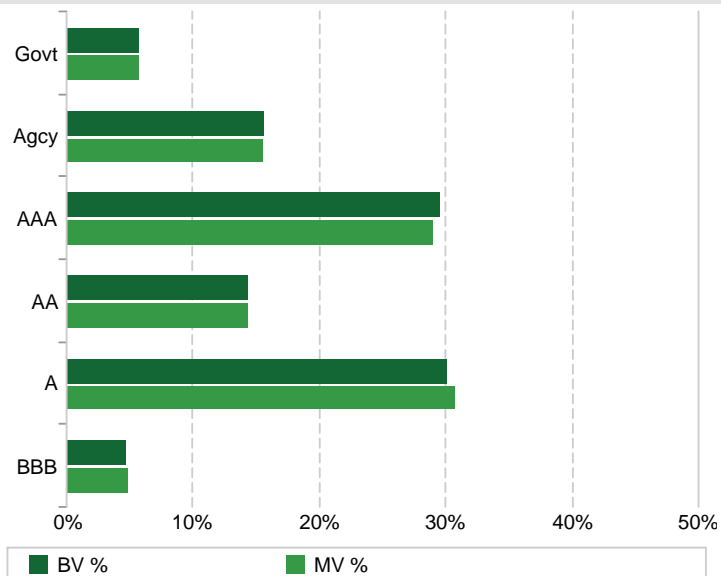
as of 3/31/11

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	1,152,640	4.77	1,158,760	4.63	6,120
Agcy	3,888,108	16.10	3,910,563	15.63	22,455
AAA	7,713,609	31.94	7,883,321	31.47	169,712
AA	4,050,697	16.77	4,210,034	16.97	159,337
A	6,226,897	25.79	6,567,544	26.48	340,647
BBB	1,116,884	4.63	1,189,534	4.82	72,650
Total	24,148,835	100.00	24,919,756	100.00	770,920

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	1,363,446	5.73	1,428,449	5.77	65,003
Agcy	3,733,990	15.69	3,846,274	15.46	112,284
AAA	7,022,363	29.51	7,201,608	28.99	179,245
AA	3,393,858	14.26	3,556,081	14.40	162,223
A	7,168,037	30.12	7,540,236	30.63	372,199
BBB	1,116,386	4.69	1,177,236	4.76	60,850
Total	23,798,080	100.00	24,749,883	100.00	951,803

SUMMARY STATISTICS: FMTA-L06

as of 3/31/11

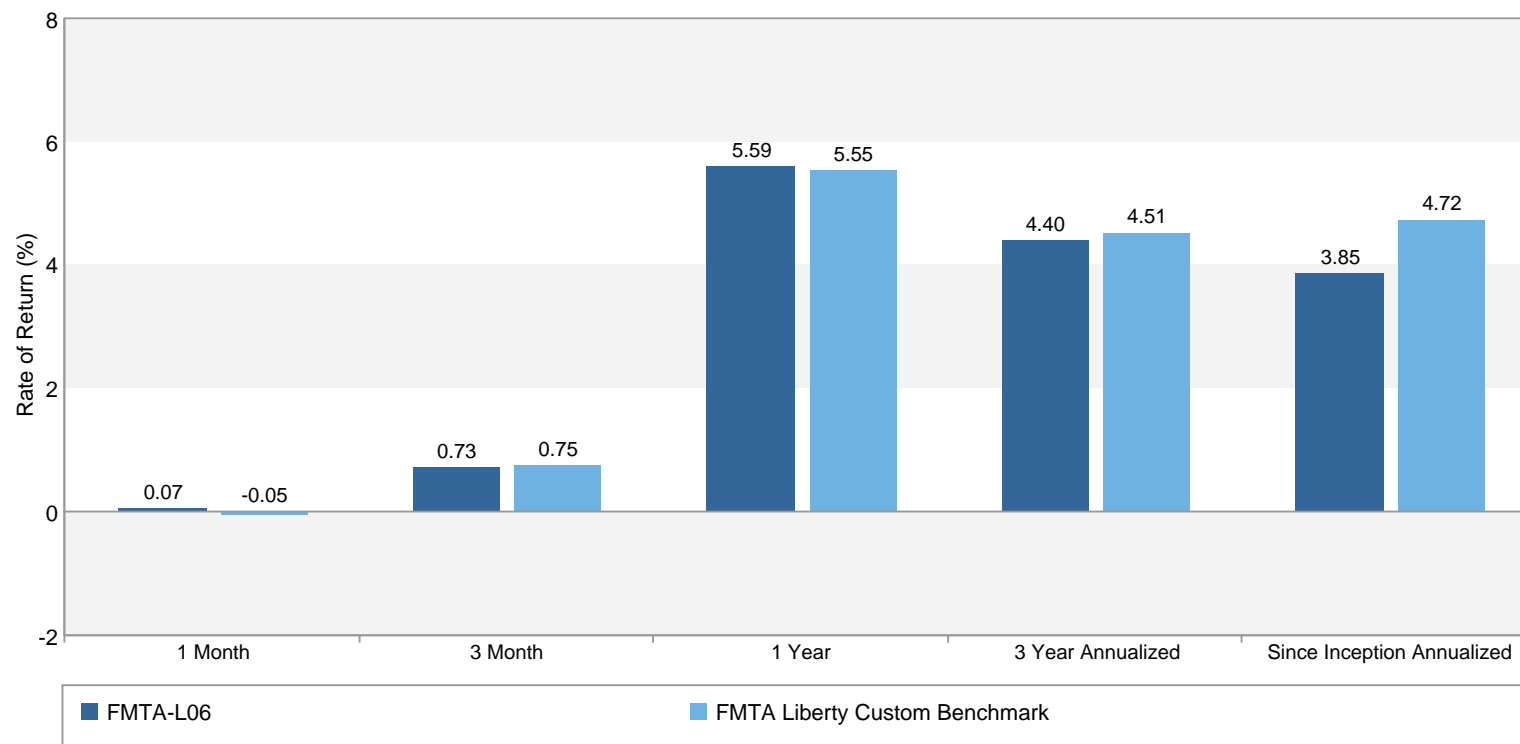
	03/31/11		12/31/10	
	FMTA-L06	FMTA Liberty Custom Benchmark	FMTA-L06	FMTA Liberty Custom Benchmark
Book Value	\$25,725,501		\$25,370,623	
Book Yield	4.00%		4.00%	
Market Value	\$26,289,978		\$26,082,027	
Market Yield	2.95%	2.62%	2.74%	2.58%
Convexity	(0.00)	0.02	0.06	0.02
Effective Duration	3.43	3.56	3.36	3.56
Average Credit Quality (S&P)	AA	AA	AA	AA

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PERFORMANCE: FMTA-L06

as of 3/31/11

INVESTMENT PERFORMANCE

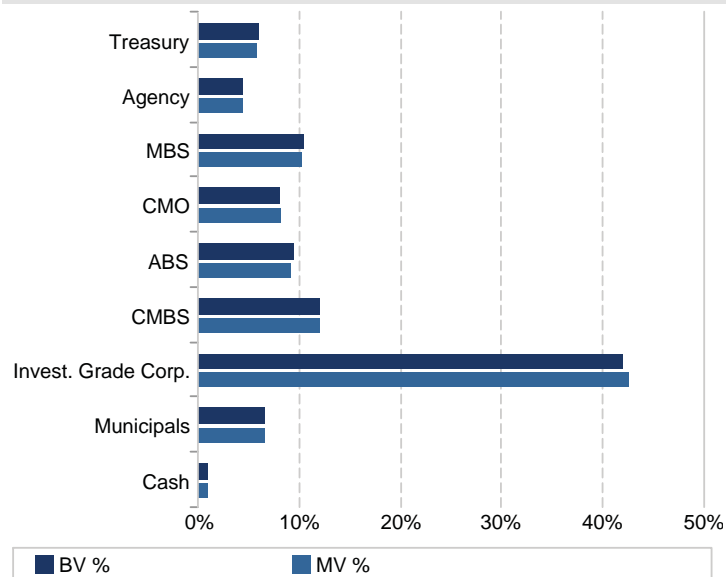


Returns are gross of fees and reflect reinvestment of interest income. Past performance does not guarantee future results.

SECTOR ALLOCATION: FMTA-L06

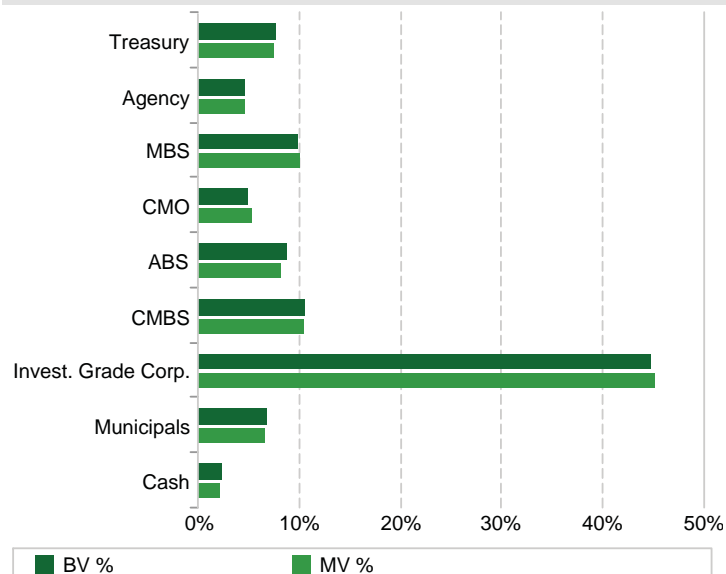
as of 3/31/11

March 2011



Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	1,552,126	6.03	1,541,652	5.86	(10,474)
Agency	1,149,506	4.47	1,172,433	4.46	22,927
MBS	2,658,136	10.33	2,700,258	10.27	42,122
CMO	2,065,253	8.03	2,177,374	8.28	112,121
ABS	2,454,519	9.54	2,397,161	9.12	(57,359)
CMBS	3,099,267	12.05	3,162,002	12.03	62,735
Invest. Grade Corp.	10,812,565	42.03	11,174,976	42.51	362,411
Municipals	1,706,210	6.63	1,736,203	6.60	29,993
Cash	227,919	0.89	227,919	0.87	0
Total	25,725,501	100.00	26,289,978	100.00	564,477

December 2010

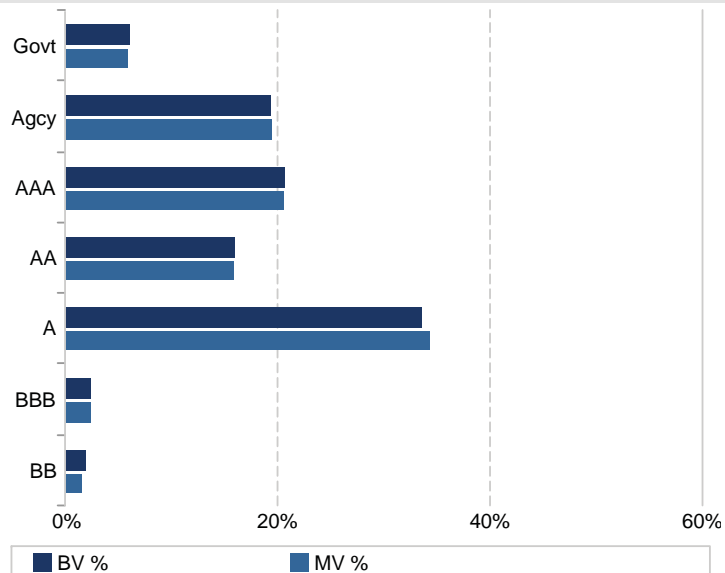


Sector	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Treasury	1,922,348	7.58	1,966,306	7.54	43,959
Agency	1,149,410	4.53	1,175,421	4.51	26,011
MBS	2,512,015	9.90	2,621,527	10.05	109,512
CMO	1,262,542	4.98	1,383,881	5.31	121,339
ABS	2,204,336	8.69	2,156,157	8.27	(48,179)
CMBS	2,698,613	10.64	2,723,789	10.44	25,175
Invest. Grade Corp.	11,328,177	44.65	11,736,535	45.00	408,358
Municipals	1,708,280	6.73	1,733,509	6.65	25,229
Cash	584,902	2.31	584,902	2.24	0
Total	25,370,623	100.00	26,082,027	100.00	711,404

QUALITY ALLOCATION: FMTA-L06

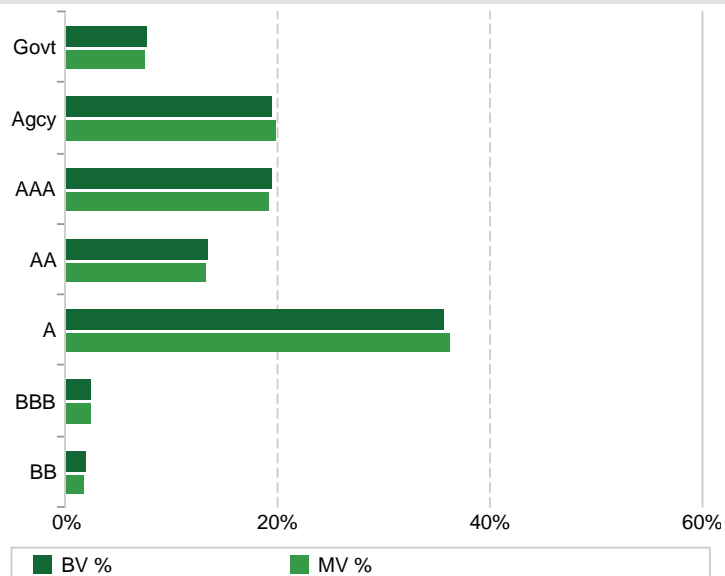
as of 3/31/11

March 2011



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	1,552,126	6.03	1,541,652	5.85	(10,474)
Agcy	4,964,198	19.30	5,135,171	19.47	170,973
AAA	5,337,561	20.75	5,417,885	20.53	80,323
AA	4,101,426	15.94	4,149,788	15.83	48,362
A	8,656,018	33.65	8,963,176	34.20	307,158
BBB	615,601	2.39	651,064	2.47	35,463
BB	498,570	1.94	431,242	1.64	(67,329)
Total	25,725,501	100.00	26,289,978	100.00	564,477

December 2010



S&P Rating	Book Value		Market Value		Unrealized Gain/(Loss)
	\$ Amt	%	\$ Amt	%	\$ Amt
Govt	1,922,348	7.58	1,966,306	7.52	43,959
Agcy	4,923,967	19.41	5,180,829	19.77	256,862
AAA	4,954,564	19.53	5,013,455	19.15	58,891
AA	3,407,387	13.43	3,455,356	13.29	47,970
A	9,048,658	35.67	9,389,971	36.14	341,313
BBB	615,071	2.42	639,117	2.45	24,046
BB	498,629	1.97	436,992	1.67	(61,637)
Total	25,370,623	100.00	26,082,027	100.00	711,404

APPENDIX A

NOTES ON METHODOLOGY



Lake Champlain, Vermont

NOTES ON METHODOLOGY

Benchmarks

Custom Index (3/31/11)

- FMTA-ELF Custom
- FMTA-GOA Custom
- FMTA-L06 Custom
- FMTA-LIB Custom
- FMTA-REL Custom

Portfolio Summaries

- Sources for Portfolio Summary Statistics are as follows:
 - PAM - Book Value, Market Value, Book Yield
 - PolyPaths - Convexity, Effective Duration, Average Credit Quality, Market Yield
- For Sector chart, Corporate bonds are coded IG and HY at time of purchase by Dwight portfolio managers. Movement of securities between these manager groups as a result of ratings changes are captured periodically by State Street update process. Sectors are based on classifications from Barclays Capital.
- Quality Allocation is presented using S&P rating nomenclature. These ratings are a calculated composite of the available ratings at the individual security level from S&P, Moody's and Fitch rating agencies.
- Accounting basis: STAT

TAB F

Marsh Captive Solutions Group – Captive Management

Marsh Captive Solutions Group (“MCSG”), comprised of over 500 captive advisory and management experts located throughout the globe, provides specialized expertise, strategic resources and management services to help create a comprehensive, result-focused captive solution to meet a client’s risk management needs. Marsh has been an integral part of the captive industry for over 40 years, currently managing more than 1300 captives worldwide. MCSG has established a reputation for excellence in captive management services and is dedicated to the provision of quality client services at the highest level.

Marsh Captive Solutions New York currently provides management services to 17 of 47 captives in New York, making us the largest captive manager in New York State as measured by captives under management, premium volume under management and capital/surplus under management. We are also committed to maintaining offices in New York to ensure we are easily accessible to our New York based clients. Our services include comprehensive captive administration services, financial accounting and regulatory compliance.

First Mutual Transportation Assurance Company Marsh Captive Management Client Service Team

Nisala Weerasooriya, Head of Office, has the overall responsibility for the performance of your Marsh service team. Nisala will ensure that quality is maintained and that the staff on your team is comprehensively trained and perform to your requirements. Nisala holds a CPA and Chartered Accounting designation and has over 18 years of captive management experience in U.S. and foreign domiciles.

Gemma Mah, Senior Account Manager, has the primary responsibility to ensure smooth financial reporting, regulatory compliance and administration of the company. Gemma holds a Chartered Accountant designation and has over 11 years of captive management experience in U.S. and foreign domiciles.

Feiona Churaman, Account Manager, provides administration support to FMTAC in areas of general operating and cash processing oversight. Feiona successfully completed the Certified Public Accountant’s examination and has 5 years of captive management experience with Marsh.

Marsh USA Inc MTA – Master Broker

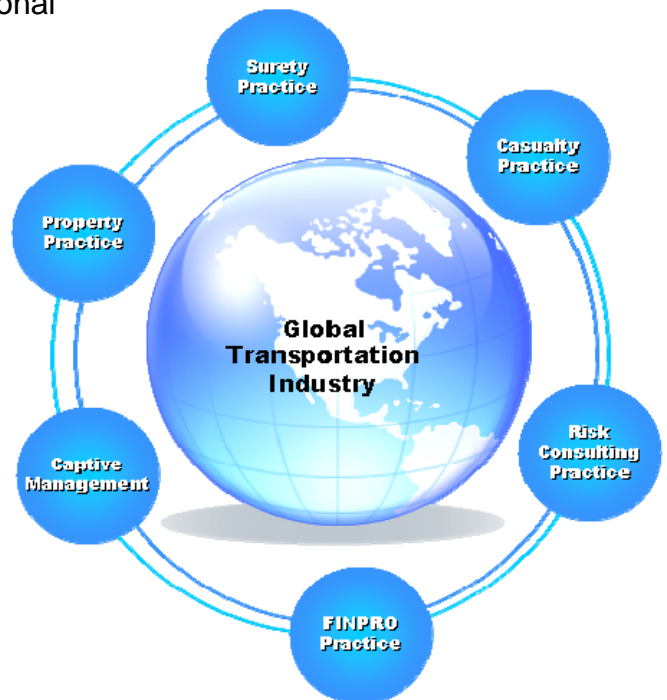
About Marsh

Marsh USA Inc., the world's leading risk and insurance services firm, has 26,000 employees and annual revenues approaching \$5 billion. Marsh provides global risk management, risk consulting, insurance broking, financial solutions, and insurance program management services for businesses, public entities, associations, professional services organizations, and private clients in over 120 countries. Marsh is the largest operating company of Marsh & McLennan Companies ("MMC"), a publicly-traded company (NYSE Euronext: MMC).

MMC is a global professional services firm providing advice and solutions in the areas of risk, strategy and human capital. It is the parent company of some of the world's leading risk experts and specialty consultants. With more than 56,000 employees worldwide and annual revenue of approximately \$11 billion, MMC provides analysis, advice, and transactional capabilities to clients around the world.

Industry Resources

Marsh combines traditional Risk Practices with Industry Specializations. The MTA is serviced by risk professionals in Marsh's Property, Casualty, Financial, Professional Liability, Surety, and Risk Consulting departments, while benefiting from the expertise of the Global Transportation Industry Practice. This structure enables Marsh to provide focused insurance advice founded on a solid understanding of the MTA.



MTA Client Service Team

ACCOUNT MANAGEMENT

Jerry Harley – Client Executive

Mr. Harley is a specialist in transportation and construction risk management. He is responsible for the overall account strategy and delivery of the risk management support services to the MTA.

CLIENT ADVISORY SERVICES

Michaela Grasshoff/Ryan O'Connor – Casualty Insurance Advisors

Kathy Bettencourt/Brian Simons – Property Insurance Advisors

These individuals provide support and expertise in coverage, exposures, and financial analysis with the goal of providing maximized coverage while reducing the MTA's total cost of risk. They also provide the MTA with information on emerging risk issues and industry, carrier and market trends.

GLOBAL PLACEMENT SERVICES

Martin Gould – Global Markets Coordinator

Keith Hennessey – Zurich

Vincent Guarino – Bermuda

Tom Davies – London

Jonathan Fennelly - Dubin

Marsh's Global Placement teams interact with the Client Advisors to design and place insurance for and reinsurance of FMTAC. Global Placement Specialists support the MTA in the placement of numerous general liability, environmental, automobile, property, terrorism, and excess liability coverages.

MARSH'S RISK CONSULTING PRACTICE

Tom Ryan – Team Leader

John Kanouse – Casualty Loss Control Manager

Carl Patchke – Casualty Claims Manager

These individuals support the MTA's pre- and post-loss initiatives with over 20 team members who specialize in risk analysis and cost of risk reduction. They are specialists in their respective disciplines and apply their knowledge of the transportation industry to create effective workforce, loss control, claims, and business continuity solutions for the MTA.



- Founded in 1983 and located in Burlington, VT
- Team management structure
- Single focus on institutional fixed income

Relationships

Dwight Asset Management Company focuses exclusively on fixed income investment services for institutional clients, including retirement plans, insurance companies, Taft-Hartley plans, endowment funds and foundations.

Dwight provides First Mutual Transportation Assurance Company with investment management, custom benchmarking, custom performance analysis and reporting services.

Client Service Team:

Sean Saia	Ted Sisson
Senior Vice President	Assistant Vice President
Head of Insurance	Associate Client Portfolio Manager

Perspective

From offices overlooking Lake Champlain, we have created an open environment that fosters the free exchange of ideas and a clear perspective.

Solutions

Our team of experienced professionals customizes solutions to meet the unique needs of each client.

Consistent and Competitive Performance

Dwight has broad investment capabilities across all sectors of the core fixed income market, bringing multiple sources of excess return to the investment process.

Total Return Fixed Income

We focus on spread sectors of the fixed income market, emphasizing security selection and sector rotation techniques, with the goal of adding value to a complete range of fixed income strategies.

Insurance

We combine more than 20 years of institutional fixed income investment experience with the industry knowledge required to meet the specific needs of insurance companies.

Stable Value

We offer high-quality stable value solutions with the goal of providing competitive returns while preserving capital.

MILIMAN, INC.

Milliman was founded in 1947, and was officially incorporated on July 5, 1957. We provide a full range of actuarial and other consulting services to our clients in the areas of Property & Casualty Insurance, Employee Benefits & Investment Consulting, Healthcare, and Life Insurance & Financial Services. Founded by Wendell Milliman and Stuart Robertson, Milliman has grown into a global firm of consultants and actuaries with more than 40 offices in the US and overseas.

In the alternative insurance market, Milliman advises clients on establishing and maintaining reserves for high-deductible retentions, self-insurance retentions, captive insurance companies and risk retention groups. Our services include independent evaluations of loss and loss adjustment expense liabilities and reserve opinions similar to what we provide to First Mutual Transportation Assurance Company. We also assist various agencies of the Metropolitan Transportation Authority, FMTAC's parent, in managing their self-insured claim obligations.

Our New York Metro practice is among the largest property/casualty insurance consulting practices in the Northeast and consists of over 35 actuaries, plus other highly qualified consulting professionals in several other fields, including: economics, claims management and underwriting management. With wide-ranging expertise, practical business intelligence, and the depth of resources to manage projects of any size, we deliver solutions tailored to our clients' needs. Our experience includes: mass tort reserve reviews, expert testimony, insurance product design and pricing, funding level estimation, financial forecasting, asset/liability management, and operational reviews.

Client Service Team:

Will Carbone, ACAS, is an Associate Actuary responsible for data management and implementation of the actuarial models that underlie our analyses of claim liabilities for FMTAC as well as developing reserve estimates for the captive.

Derek Jones, FCAS and Principal, manages the day-to-day operation for Milliman and signs the Statement of Actuarial Opinion for the captive.

Rick Soulsby, FCAS and Actuary, is the lead analyst for Milliman's actuarial review and is responsible for developing reserve estimates for the captive.

TAB G

Glossary of Captive Insurance Terms

Actuarial Report - An analysis intended to project ultimate loss costs using probability theory and other methods of statistical analysis. Used to determine the adequacy of a property and casualty insurer's statutory loss reserves and life insurer's unearned premium (technical) reserves.

Adjuster - A person who settles claims for insurers or self-insurance pools who may be either an employee of the insurance company or an independent contractor engaged by the insurer or self-insured.

Admitted Company - A company licensed or authorized to sell insurance to the general public. In the U.S., admitted companies are licensed on a state-by-state basis and differentiated from surplus lines insurers, which are authorized to sell insurance in a state on a non-admitted basis,

Affiliated Risk - The risks of the owners of the captive or their affiliates or of the participant in a captive cell when describing risks insured in a captive,

Aggregate - The greatest amount recoverable under a policy or reinsurance agreement from a single loss or all losses incurred during the contract period (can be multiyear or annual).

Aggregate Excess - Short for aggregate excess of loss. A method by which an insurer may recover excess losses after a policy or reinsurance aggregate or underlying deductible has been exhausted.

Broker - An intermediary who represents the insured in the purchase of insurance or reinsurance. Therefore, the broker's compensation should be from the insured, not the insurer, to prevent conflicts of interest.

Captive - An insurance company that has as its primary purpose the financing of the risks of its owners or participants. Typically licensed under special purpose insurer laws and operated under a different regulatory system than commercial insurers. The intention of such special purpose licensing laws and regulations is that the captive provides insurance to sophisticated insureds that require less policyholder protection than the general public.

Case Reserves - Loss reserves set up for an identified claim, with each claim assigned a case number.

Claims-made Insurance - Insurance that provides coverage for claims made against an insured within the policy period, regardless of when the action or accident giving rise to the claim occurred. The insured must have been notified of the claim after the retroactive date and must report it to the insurer before the expiration of the policy or any extended reporting period.

Deductible - An amount that an insured agrees to pay, per occurrence or on a per-policy basis, toward the total amount of the insured loss or losses. Insurance is written on this basis at reduced rates since the insured is responsible for the deductible payments as losses occur.

Deferred Acquisitions Cost - The amount of an insurer's acquisition costs incurred as premium is written but earned and expensed over the term of the policy. The deferred portion is capitalized and recognized as an asset on the insurer's balance sheet.

Deferred Tax Asset - The amount of loss reserves or unearned premium that is not deducted from an insurer's income when calculating income taxes. The deferral in the tax deduction arises because of the requirement to discount loss and unearned premium reserves. The insurer records an asset equal to the expected future amount of the tax deduction,

Earned Premium - The amount of premium covering the period a policy has been in force. Usually property, casualty, and health premium is earned in equal proportion to the amount of time elapsed since policy inception, i.e., 1/12 per month, but life insurance and some property and casualty policies insuring seasonal risks may earn in proportion to the amount of exposure.

Gross Written Premium (GWP) - The total premium written and assumed by an insurer before deductions for reinsurance and ceding commissions.

Incurred but not reported (IBNR) - The loss reserve value established by insurance and reinsurance companies in recognition of their liability for future payments on losses that have occurred but that have not yet been reported to them.

Incurred Loss - Total amount of a loss, including amounts paid and reserves for future payments.

Insured - Person or organization covered by an insurance policy, including the "named insured" and any additional insureds for-whom protection is provided under the policy term.

Liability Limits - The stipulated sum or sums beyond which an insurance company is not liable for payments due to a third party. The insured remains legally liable above the limits.

Limitation of Risk - The maximum amount an insurer or reinsurer must pay in any one loss event.

Loss - The destruction, reduction, or disappearance of value of tangible or intangible property; bodily or emotional injury; or reduction in income

Loss Adjustment Expense (LAE) - The expense incurred by the insurer in the investigation, defense, and settlement of claims under its policies.

Occurrence - An accident or incident, including continuous or repeated exposure to conditions that result in a loss neither expected nor intended from the standpoint of the insured, or an act or related series of acts that result in the same.

Premium - The sum paid for an insurance policy or consideration in the insurance contract. As income to the insurer, it is therefore the basis for taxes on the insurer.

Pure Premium - The amount of premium calculated for the risk to be insured, net of policy expenses. The amount of premium available to pay losses and allocated loss adjustment expenses (ALAEs).

Sponsor - The legal entity that contributes statutory capital to from a sponsored or association captive.

Standard Premium - Premium established by using rates believed by underwriters to reflect the standard or average risk for the class, before application of retrospective rating formulas. When debits and credits based on the insureds loss history or exposure are applied, the standard premium equals the pure premium.

Underwriting Expenses - 1. The cost incurred by an insurer when deciding whether to accept or decline a risk; may include meetings with the insureds or brokers, actuarial review of loss history, or physical inspections of exposures. 2. Expenses deducted from insurance company revenues (including incurred losses and acquisition costs) to determine underwriting profit.

Underwriting Profit- Insurer profit before investment income and income taxes.

Underwriting Risk - Uncertainty about whether or when a loss will occur and its amount.

Unearned Premium (UEP) - In property and casualty insurance, the fraction of written premium corresponding to the unexpired paid-up portion of the policy. If a policy has cancellation provisions, this is reserved on either a gross or short-rate basis (both discounted for income tax calculations).

Yellow Book - The annual reporting form for property and casualty insurers in the U.S.