

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

2014 Annual Board Meeting

May 21, 2014

New York State Insurance Captive of



FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

ANNUAL BOARD MEETING

May 21, 2014

NOTICE

The 2014 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 347 Madison Avenue, New York, NY on May 21, 2014.

TABLE OF CONTENTS

Tab	Document
1	FMTAC Newsletter
2	December 31, 2013 Financial Statements – Multi Year Comparatives
3	December 31, 2013 Audited Financial Statements
4	December 31, 2013 Actuarial Certification
5	Regulatory Checklist
6	Investment Report
7	FMTAC Partners – Service Providers
8	Glossary of Insurance Terms



First Mutual Transportation Assurance Company 2014 Annual Meeting Update

MTA Risk and Insurance Management presents the following update for First Mutual Transportation Assurance Company ("FMTAC") for the year ended December 31, 2013. 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 New York captive insurance company. FMTAC is approved to insure and reinsure the risks of the Metropolitan Transportation Authority ("MTA") and its family of agencies. FMTAC provides the following lines of coverage to the MTA and its agencies:

General Liability	Stations and Force Liability
Auto Liability – Paratransit and Non Revenue	Property and Terrorism
All Agency Protective Liability	Excess Loss
Owner Controlled Insurance Program ("OCIP")	Builder's Risk

FMTAC CALENDAR:

<i>Description</i>	<i>Completion / Due Date</i>	<i>Comments</i>
2013 New York Annual Statement	27-Feb-14	Filed with NYSDFS
2013 Loss Reserve Certification	28-Feb-14	Filed with NYSDFS
2013 Audited Financial Statements	In progress	Filed with NYSDFS
2014 NY Insurance License	In progress	Filed with NYSDFS
2014 NY Annual Meeting	21-May-14	Scheduled
2014 Actuarial Reserve Review - Initial	30-Sep-14	To be performed by Milliman
2014 Actuarial Reserve Review - Final	31-Dec-14	To be performed by Milliman
2014 Policy Issuance	Ongoing	Various Renewal dates
2014 Monthly Accounting Submission	30 days	After Month End
NY Premium Tax Return	N/A	Exempted *
NY Section 206 Assessments	N/A	Exempted *

(*) - FMTAC is excluded from all state premium tax and assessments levied by the New York State Department of Financial Services ("NYSDFS")

FINANCIAL ACTIVITY

Summary of Selected Financial Information

(in thousands), except ratios

Period Ended	12/31/13	12/31/12	12/31/11	12/31/10
Balance Sheet:				
Total Cash and Invested Assets	\$ 579,697	\$ 527,981	\$ 506,195	\$ 494,849
Total Insurance Reserves Recoverable	669,326	811,175	82,298	29,108
Total Other Assets	83,983	127,873	76,163	68,702
Total Assets	1,333,006	1,467,029	664,656	592,659
Total Insurance Reserves	1,046,981	1,147,800	404,735	325,941
Total Liabilities	1,197,973	1,291,147	505,324	446,448
Total Equity	135,033	175,882	159,332	146,212
Unrealized Gain / (Loss) on Invts	9,483	17,253	9,686	9,326
Income Statement:				
Premium Written	\$ 145,826	\$ 152,966	\$ 95,308	\$ 91,698
Premium Earned	74,762	82,504	95,815	98,584
Net Investment Income	10,614	12,474	21,927	18,324
Losses and LAE Incurred Exp	106,395	75,159	95,411	99,813
Other Underwriting and Operating Exp	12,060	10,836	9,570	9,362
Net Income / (Net Loss)	(33,079)	8,983	12,761	7,733
Ratios:				
Loss Ratio	142.3%	91.1%	99.6%	101.2%
Expense Ratio	16.1%	13.1%	10.0%	9.5%
Combined Ratio	158.4%	104.2%	109.6%	110.7%

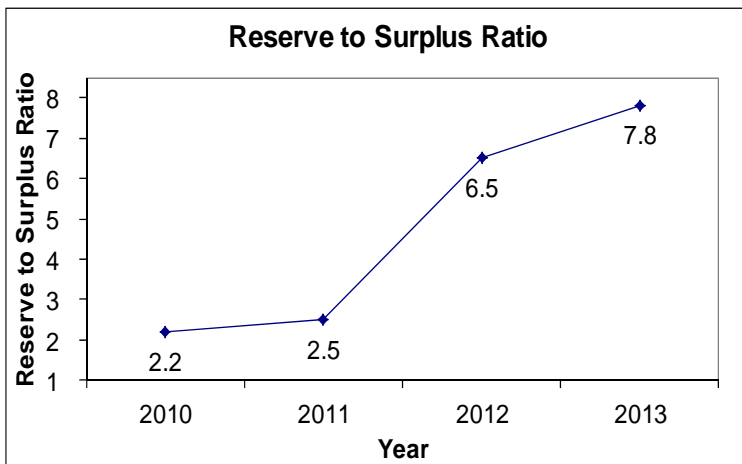
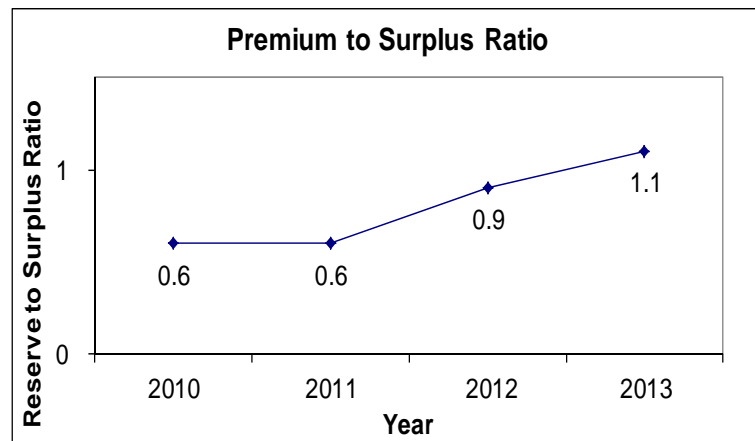
- **Total assets** have decreased by \$134.0 million (9%) and **Total liabilities** have decreased by \$93.2 million (7%) during 2013. The decrease in total assets is attributable to a partial settlement of the Tropical Storm Sandy property claim which reduced reinsurance loss reserves recoverable (asset). The decrease in total liabilities is a net result of i) the partial settlement of the Tropical Storm Sandy property claim which reduced insurance loss reserves (liability) and ii) an increase in insurance loss reserves relating to an excess loss claim from the December 1, 2013 MNR derailment.
- **Total equity** was \$135.0 million at year end 2013, which included a \$9.4 million unrealized gain on investments. Total equity decreased \$40.8 million (23%) from 2012, which is attributable to \$33.0 million of net loss and a \$7.8 million decrease in unrealized gain on investments.
- **Premium written** was \$145.8 million which decreased \$7.1 million (5%) from 2012. This decrease is a combined result of a reduction in Owner Controlled Insurance Program (“OCIP”) premiums and an increase in Property premiums. **Premium earned** was \$74.7 million for 2013, which was \$7.7 million (9%) less than 2012. The decrease is a result of reduced earned premium on older OCIP policies, which earn premium based on percentage of completion of construction projects.
- **Net investment income earned** was \$10.6 million for 2013, which was \$1.8 million (15%) less than 2012 due to lower investment yields.
- **Losses and LAE incurred expenses (“incurred expense”)** was \$106.3 million for 2013 which increased by \$31.2 million (42%) when compared to 2012. The increase is primarily attributable to an increase in insurance loss reserves relating to an excess loss claim from the December 1, 2013 MNR derailment.

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, with a Premium-to-Surplus ratio of 1.1:1 in 2013, is operating well within the accepted range of 5:1 or lower.



➤ **Combined Claim Loss and Operating Expense Ratio** measures the percentage of premium dollars spent on claim loss 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.

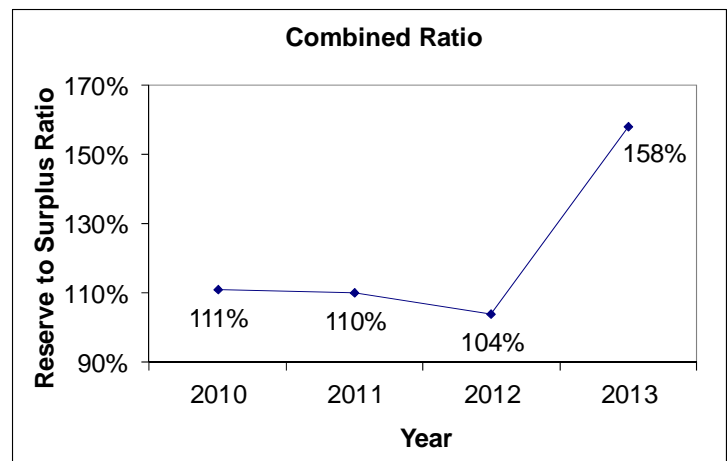
Calculation: Losses and LAE Incurred plus Other Underwriting and Operating Expense divided by Premium Earned.

Conclusion: In 2013, there was an increase in the ratio to 158%, which is primarily due to an excess loss claim reserve relating to a MNR derailment (producing a higher claim loss 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: In 2013, FMTAC's Reserve-to-Surplus ratio increased to 7.8:1 due to an excess loss claim relating to a MNR derailment. The ratio includes a property loss reserve for Tropical Storm Sandy, which is fully reinsured. Without the inclusion of the fully reinsured reserve for Tropical Storm Sandy, the net ratio would be 2.8:1. FMTAC remains within the accepted range of 10:1 or lower.

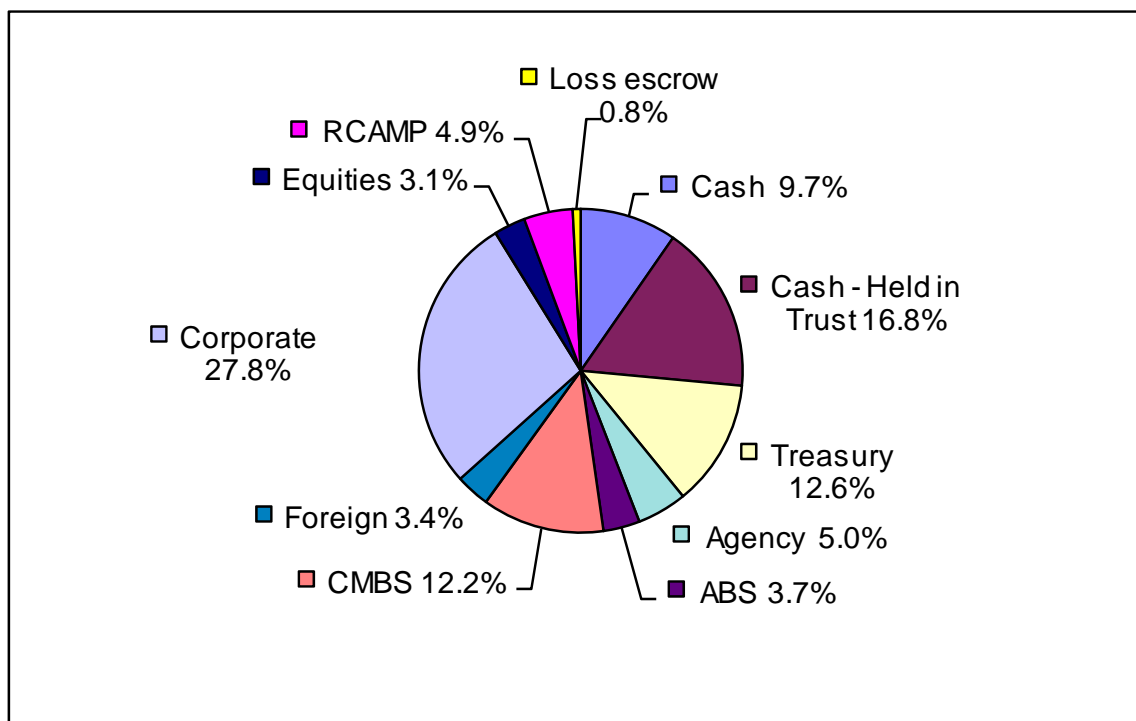


INVESTMENTS

At December 31, 2013, FMTAC held \$579.697 million in cash, investments and loss trust or escrow accounts. Goldman Sachs Asset Management provides investment advisory services to FMTAC. For a detailed investment report, please see “Investment Report” section of the meeting book.

Investment Type	MV %	Dec 31, 2013 Market Value (in thousands)
Cash	9.7%	55,968
Cash - Held in Trust	16.8%	97,562
Treasury	12.6%	73,220
Agency	5.0%	28,901
Asset Backed Securities	3.7%	21,200
Commercial Mortgage Backed Securities	12.2%	70,787
Foreign Bonds	3.4%	19,733
Corporate Bonds	27.8%	161,214
Equities	3.1%	18,221
OCIP Collateral ("RCAMP Trust")	4.9%	28,283
Loss Escrows	0.8%	4,608
Total	100.0%	579,697

Cash and Invested Assets at 12/31/13 Market Values



FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(A NEW YORK STATE WHOLLY OWNED INSURANCE SUBSIDIARY OF MTA)
COMPARATIVE BALANCE SHEET - AUDITED
FOR THE YEARS ENDED DECEMBER 31, 2010 TO DECEMBER 31, 2013

	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>	<u>Dec 31, 2010</u>
ASSETS				
Cash & Cash Equivalents	\$ 47,412,092	\$ 50,099,695	\$ 32,096,441	\$ 54,253,991
Cash & Investments - LOC Collateral	30,845,196	37,300,627	44,694,229	41,592,784
Investments - GOA	171,923,993	150,711,831	166,359,710	158,259,296
Security Trust - Liberty	27,366,433	27,475,209	26,163,987	24,746,232
Security Trust - Liberty '06	28,850,833	28,951,376	27,724,756	26,116,891
Investments - ELF	63,147,468	68,421,105	64,563,721	74,103,905
Investments - Builders Risk	52,489,849	52,889,961	49,943,982	46,348,524
Security Trust - ACE	27,207,937	-	-	-
Discover Re Trust Fund	95,186,789	78,587,868	56,286,102	28,588,176
RCAMP Trust Fund	28,283,096	30,435,387	35,254,002	37,664,841
Premium Receivable	77,463,655	124,217,263	70,940,678	64,859,051
Reinsurance Premium Deposit - MetroCat	2,375,000	-	-	-
Reinsurance Loss Recoverable	670,964,467	811,175,185	82,298,278	29,108,438
Escrow Paid Loss Deposit Funds	4,608,399	3,108,399	3,108,399	3,174,394
Interest Income Receivable	2,504,300	2,333,568	2,661,115	2,946,717
Deferred Incentive Award Receivable	1,858,055	1,301,505	531,547	-
Prepaid Losses	498,796	-	2,029,316	896,057
Deferred Policy Acquisition Costs	19,944	19,564	-	-
TOTAL ASSETS	\$ <u>1,333,006,301</u>	\$ <u>1,467,028,543</u>	\$ <u>664,656,263</u>	\$ <u>592,659,298</u>
LIABILITIES				
IBNR Loss Reserves	\$ 194,382,346	\$ 196,995,699	\$ 217,236,280	\$ 195,516,334
Case Loss Reserves	161,672,656	115,770,117	76,393,075	69,789,399
Reserves - Deemed Recoverable	669,326,388	811,175,185	82,298,278	29,108,438
Deferred Losses Payable - RCAMP	21,599,126	23,859,082	28,807,182	31,399,018
Losses & LAE Payable	-	848,487	-	-
Unearned Premium Reserve (net of Deferred Reinsurance Premium)	123,802,714	135,791,047	94,046,198	118,782,805
Other Due	3,198,389	3,942,954	5,742,757	1,598,651
Ceded Premium Payable	23,990,971	2,663,887	-	-
Intercompany Payable - MTA	-	100,000	800,072	125,000
TOTAL LIABILITIES	<u>1,197,972,589</u>	<u>1,291,146,458</u>	<u>505,323,842</u>	<u>446,447,694</u>
STOCKHOLDER'S EQUITY				
Contributed Surplus - Cash	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
Retained Earnings	77,960,568	68,977,712	56,216,965	48,484,415
Net Income / (Net Loss)	(33,079,185)	8,982,856	12,760,747	7,732,551
Unrealized Gain / (Loss) on Investments	9,483,410	17,252,598	9,685,790	9,325,719
TOTAL STOCKHOLDER'S EQUITY	<u>135,033,712</u>	<u>175,882,085</u>	<u>159,332,421</u>	<u>146,211,604</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ <u>1,333,006,301</u>	\$ <u>1,467,028,543</u>	\$ <u>664,656,263</u>	\$ <u>592,659,298</u>

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(A NEW YORK STATE WHOLLY OWNED INSURANCE SUBSIDIARY OF MTA)
COMPARATIVE INCOME STATEMENTS - AUDITED
FOR THE YEARS ENDED DECEMBER 31, 2010 TO DECEMBER 31, 2013

	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>	<u>Dec 31, 2010</u>
UNDERWRITING INCOME				
Gross Written Premiums				
Direct	\$ 142,757,581	\$ 149,956,114	\$ 95,307,684	\$ 91,698,473
Assumed	3,068,159	3,009,782	-	-
Total Written Premium	<u>145,825,740</u>	<u>152,965,896</u>	<u>95,307,684</u>	<u>91,698,473</u>
Premium Ceded	<u>(83,052,544)</u>	<u>(28,717,949)</u>	<u>(24,230,050)</u>	<u>(23,687,716)</u>
Net Retained Premium	<u>62,773,196</u>	<u>124,247,947</u>	<u>71,077,634</u>	<u>68,010,757</u>
Change in Unearned Premium - Net	<u>11,988,334</u>	<u>(41,744,850)</u>	<u>24,736,607</u>	<u>30,573,387</u>
Net Earned Premium	<u>74,761,530</u>	<u>82,503,097</u>	<u>95,814,241</u>	<u>98,584,144</u>
LOSS & LOSS ADJUSTMENT EXPENSES:				
Paid Losses & LAE	63,965,897	55,928,689	66,746,463	48,097,121
Change in Case Reserves	47,932,768	19,382,886	10,136,302	16,905,412
Change in IBNR Loss Reserves	<u>(5,503,768)</u>	<u>(153,043)</u>	<u>18,528,315</u>	<u>34,810,050</u>
Total Incurred Losses & LAE	<u>106,394,897</u>	<u>75,158,532</u>	<u>95,411,080</u>	<u>99,812,583</u>
UNDERWRITING EXPENSES:				
Safety & Loss Control	1,560,590	1,562,805	2,055,910	2,924,217
Commissions	1,889,853	1,728,026	764,168	419,910
Change in Deferred Acquisition Costs	<u>119,279</u>	<u>97,818</u>	<u>-</u>	<u>-</u>
Total Underwriting Expenses	<u>3,569,722</u>	<u>3,388,649</u>	<u>2,820,078</u>	<u>3,344,127</u>
NET UNDERWRITING INCOME / (LOSS)	<u>(35,203,091)</u>	<u>3,955,916</u>	<u>(2,416,917)</u>	<u>(4,572,566)</u>
OTHER EXPENSES				
Risk Management Fees	7,589,887	6,647,473	5,958,161	5,187,309
Other Misc. Charges	<u>900,351</u>	<u>800,031</u>	<u>791,835</u>	<u>830,925</u>
Total Other Expenses	<u>8,490,238</u>	<u>7,447,504</u>	<u>6,749,996</u>	<u>6,018,234</u>
INCOME / (LOSS) BEFORE INVESTMENT INCOME	<u>(43,693,328)</u>	<u>(3,491,588)</u>	<u>(9,166,913)</u>	<u>(10,590,800)</u>
INVESTMENT INCOME				
Investment Income	<u>10,614,143</u>	<u>12,474,444</u>	<u>21,927,660</u>	<u>18,323,351</u>
Total Investment Income	<u>10,614,143</u>	<u>12,474,444</u>	<u>21,927,660</u>	<u>18,323,351</u>
NET INCOME / (NET LOSS)	<u>\$ (33,079,185)</u>	<u>\$ 8,982,856</u>	<u>\$ 12,760,747</u>	<u>\$ 7,732,551</u>

First Mutual Transportation Assurance Company

(Subsidiary of the Metropolitan Transportation
Authority)

Financial Statements as of and for the Years
Ended December 31, 2013 and 2012, and
Independent Auditor's Report

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1–2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3–6
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10–21

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Metropolitan Transportation Authority:

Report on the Financial Statements

We have audited the accompanying statements of net position of the First Mutual Transportation Assurance Company (the "Company"), a wholly owned public benefit corporation subsidiary of the Metropolitan Transportation Authority ("MTA"), as of December 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Company's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Company as of December 31, 2013 and 2012, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Deloitte : Toure LLP

April 30, 2014

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Subsidiary of the Metropolitan Transportation Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2013 AND 2012

(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, 2013 and 2012. This discussion and 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 Statements of Net Position provide information about the nature and amounts of resources with present service capacity that FMTAC presently controls (assets), consumption of net assets by FMTAC that is applicable to a future reporting period (deferred outflow of resources), present obligations to sacrifice resources that FMTAC has little or no discretion to avoid (liabilities), and acquisition of net assets by FMTAC that is applicable to a future reporting period (deferred inflow of resources) with the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources being reported as net position.

The Statements of Revenues, Expenses and Changes in net position show how the Company’s net position 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 is a component unit 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, 2013 and 2012. 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.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2013	2012	2011	2013-2012	2012-2011
ASSETS					
CURRENT ASSETS	\$ 310,145	\$ 339,720	\$ 285,975	\$ (29,575)	\$ 53,745
NONCURRENT ASSETS	<u>1,022,861</u>	<u>1,127,308</u>	<u>378,681</u>	<u>(104,447)</u>	<u>748,627</u>
TOTAL ASSETS	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</u>	<u>\$ 664,656</u>	<u>\$ (134,022)</u>	<u>\$ 802,372</u>

Significant Changes in Assets:

December 31, 2013 versus 2012

Total assets have decreased by \$134,022 or 9 percent, from December 31, 2012 to December 31, 2013. The fluctuation in the total assets of FMTAC is due to a reduction in reinsurance recoverable losses for the Tropical Storm Sandy property claim. In 2013, FMTAC received a portion of its Tropical Storm Sandy property claim settlement from its reinsurance carriers.

December 31, 2012 versus 2011

Total assets have increased by \$802,372 or 120 percent, from December 31, 2011 to December 31, 2012. The fluctuations in the assets of FMTAC are a net result of i) increase in a reinsurance recovery reserve for the Tropical Storm Sandy property claim and ii) an increase in premium receivable from new OCIP casualty coverage.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2013	2012	2011	2013-2012	2012-2011
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES	\$ 255,169	\$ 256,244	\$ 138,871	\$ (1,075)	\$ 117,373
NONCURRENT LIABILITIES	942,804	1,034,902	366,451	(92,098)	668,451
RESTRICTED NET POSITION	<u>135,033</u>	<u>175,882</u>	<u>159,334</u>	<u>(40,849)</u>	<u>16,548</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</u>	<u>\$ 664,656</u>	<u>\$ (134,022)</u>	<u>\$ 802,372</u>

Significant Changes in Liabilities:

December 31, 2013 versus 2012

Total liabilities from December 31, 2012 to December 31, 2013 have decreased by \$93,173 or 7 percent. The decrease in liabilities is a net result of a decrease in unpaid losses for the Tropical Storm Sandy property claim due to partial claim settlement offset by an increase in estimated loss reserves for Excess Loss coverage.

December 31, 2012 versus 2011

Total liabilities from December 31, 2011 to December 31, 2012 have increased by \$785,824 or 155 percent. The increase in liabilities is a net result of i) an increase in an estimated loss reserves for the Tropical Storm Sandy property claim and ii) an increase in unearned premiums from new OCIP casualty coverage.

Significant Changes in Net Position:

December 31, 2013 versus 2012

In 2013, the restricted net position decrease of \$40,849 is comprised of operating revenues of \$74,761 and non-operating income of \$2,845, less operating expenses of \$118,455.

December 31, 2012 versus 2011

In 2012, the restricted net position increase of \$16,548 is comprised of operating revenues of \$82,503 and non-operating income of \$20,041, less operating expenses of \$85,996.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2013	2012	2011	Increase/(Decrease)	
				2013-2012	2012-2011
OPERATING REVENUES	\$ 74,761	\$ 82,503	\$ 95,815	\$ (7,742)	\$ (13,312)
OPERATING EXPENSES	<u>118,455</u>	<u>85,996</u>	<u>104,980</u>	<u>32,459</u>	<u>(18,984)</u>
OPERATING LOSS	(43,694)	(3,493)	(9,165)	(40,201)	5,672
NON-OPERATING INCOME	<u>2,845</u>	<u>20,041</u>	<u>22,288</u>	<u>(17,196)</u>	<u>(2,247)</u>
CHANGE IN NET POSITION	(40,849)	16,548	13,123	(57,397)	3,425
RESTRICTED NET POSITION — Beginning of year	<u>175,882</u>	<u>159,334</u>	<u>146,211</u>	<u>16,548</u>	<u>13,123</u>
RESTRICTED NET POSITION — End of year	<u>\$135,033</u>	<u>\$175,882</u>	<u>\$159,334</u>	<u>\$ (40,849)</u>	<u>\$ 16,548</u>

Operating Revenues — The decrease of \$7,742 or 9 percent, over the 2012 operating revenues is due to reduced earned premium on the OCIP Liberty program then in prior years.

The decrease of \$13,312 or 14 percent, over the 2011 operating revenues is due to reduced earned premium on the OCIP Liberty and paratransit programs then in prior years.

Operating Expenses — Operating expenses between 2012 and 2013 increased by 38 percent, or \$32,459. This increase is primarily attributable to an increase in estimated loss reserves relating to the Excess Loss coverage.

Operating expenses between 2011 and 2012 decreased by 18 percent, or \$18,984. This decrease is attributable to reduced total loss and loss adjustment expenses from a change in loss reserving methodology for the Builders Risk coverage.

Non-operating Income — Non-operating income between 2012 and 2013 decreased by 86 percent, or \$17,196. The decrease is a result of a reduction in income from net unrealized gains on investments held by FMTAC.

Non-operating income between 2011 and 2012 decreased by 10 percent, or \$2,247. The decrease is a result of a reduction in income from 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, 2013, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2013 and 2012, 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 — The industry's financial performance through the first nine months of 2013 benefited from low losses from weather events, moderate rate increases, and favorable prior-year reserve development. Catastrophe (CAT)-related losses declined significantly through the third quarter of 2013 when compared to CAT losses incurred in both 2011 and 2012, which rank among the costliest on record.

5. CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Metro-North Railroad Derailment- On December 1, 2013, the seven cars and the locomotive of a southbound Metro-North Railroad train derailed north of the Spuyten Duyvil station in the Bronx on the Hudson Line, resulting in four fatalities and more than 60 reported injuries. At this time, MTA Metro-North Railroad cannot predict the extent of the claims associated with this accident. FMTAC writes an all-agency excess liability policy for \$50,000 per occurrence in excess of the MTA Metro-North Railroad's self-insured retention of \$10,000 per occurrence. Metro-North has advised FMTAC that it has reserved these claims at the per occurrence limit of \$10,000. Metro-North is working with FMTAC on the resolution of these claims and FMTAC will continue to advise the excess commercial carriers on all developments.

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 Note 5.

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

STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 158,138	\$ 137,056
Investments (Note 4)	43,237	45,658
Funds held by reinsurer (Note 5)	28,283	30,435
Premiums receivable due from affiliates (Note 7)	77,464	124,217
Interest income receivable (Note 4)	2,504	2,334
Other assets	519	20
Total current assets	<u>310,145</u>	<u>339,720</u>
NONCURRENT ASSETS:		
Investments (Note 4)	350,039	314,831
Reinsurance recoverable	670,964	811,175
Incentive reward receivable	1,858	1,302
Total noncurrent assets	<u>1,022,861</u>	<u>1,127,308</u>
TOTAL ASSETS	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Unearned premiums	\$ 123,803	\$ 135,791
Ceded premium payable	23,991	2,664
Reinsurance recoverable reserves — current portion (Note 6)	1,638	560
Loss and loss adjustment expenses (Note 6)	102,538	112,338
Losses payable	-	848
Due to affiliates	2,339	2,866
Accrued expenses	860	1,177
Total current liabilities	<u>255,169</u>	<u>256,244</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expenses (Note 6)	251,879	200,428
Reinsurance recoverable reserves (Note 6)	669,326	810,615
Owner Controlled Insurance Programs liability (Note 5)	21,599	23,859
Total noncurrent liabilities	<u>942,804</u>	<u>1,034,902</u>
Total liabilities	<u>1,197,973</u>	<u>1,291,146</u>
RESTRICTED NET POSITION	<u>135,033</u>	<u>175,882</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</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 POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012

(In thousands)

	2013	2012
OPERATING REVENUES:		
Gross premiums written	\$ 145,826	\$ 152,966
Premiums ceded	(83,053)	(28,718)
Change in unearned premiums	<u>11,988</u>	<u>(41,745)</u>
Total operating revenues	<u>74,761</u>	<u>82,503</u>
OPERATING EXPENSES:		
Loss and loss adjustment	106,395	75,159
Underwriting	3,570	3,389
General and administrative	<u>8,490</u>	<u>7,448</u>
Total operating expenses	<u>118,455</u>	<u>85,996</u>
OPERATING LOSS	<u>(43,694)</u>	<u>(3,493)</u>
NON-OPERATING REVENUES:		
Net investment income	10,614	12,474
Net unrealized (loss) gain on investments	<u>(7,769)</u>	<u>7,567</u>
Total non-operating incomes	<u>2,845</u>	<u>20,041</u>
CHANGE IN NET POSITION	(40,849)	16,548
RESTRICTED NET POSITION — Beginning of year	<u>175,882</u>	<u>159,334</u>
RESTRICTED NET POSITION — End of year	<u>\$ 135,033</u>	<u>\$ 175,882</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, 2013 AND 2012
(In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other receipts	\$ 130,853	\$ 73,636
Other operating expenses	<u>(79,659)</u>	<u>(67,400)</u>
Net cash provided by operating activities	<u>51,194</u>	<u>6,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(241,832)	(291,588)
Sales and maturities of investments	201,276	304,426
Earnings on investments	<u>10,444</u>	<u>12,801</u>
Net cash (used in) provided investing activities	<u>(30,112)</u>	<u>25,639</u>
NET INCREASE IN CASH	21,082	31,875
CASH AND CASH EQUIVALENTS — Beginning of year	<u>137,056</u>	<u>105,181</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 158,138</u>	<u>\$ 137,056</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	\$ (43,694)	\$ (3,493)
Adjustments to reconcile to net cash used in operating activities:		
Net (decrease) increase in accounts payable, accrued expenses and other liabilities	(93,173)	785,824
Net decrease (increase) in receivables	<u>188,061</u>	<u>(776,095)</u>
Net cash provided by operating activities	<u>\$ 51,194</u>	<u>\$ 6,236</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, 2013 AND 2012 (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.

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.

FMTAC applies Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) Section P80, *Proprietary Accounting and Financial Reporting*.

FMTAC has completed the process of evaluating the impact of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Statement reclassifies and recognizes certain items currently reported as assets and liabilities as one of four financial statement elements: deferred outflows of resources, outflows of resources, deferred inflows of resources, and inflows of resources. FMTAC has determined that GASB Statement No. 65 had no impact on its financial position, results of operations, and cash flows.

FMTAC has not completed the process of evaluating the impact of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. Statement No.70 also requires, a government guarantor to consider qualitative factors when determining if a payment on its guarantee is *more likely than not* to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization. An issuer government that is required to repay a guarantor for guarantee payments made continues to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation. A government guarantor or issuer is required to disclose information about the amounts and nature of

nonexchange financial guarantees. The requirements of this Statement are effective for reporting periods beginning after June 15, 2013.

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 and Cash Equivalents — includes highly liquid investments. Cash is stated at cost, which approximates fair value.

Investments — Investments are recorded on the statement of net position 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 (as either net investment income or unrealized gain (loss) on investments) on the statement of revenues, expenses and changes in net position.

Net Position — Net position is 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 with 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. 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 AND CASH EQUIVALENTS

At December 31, 2013 and 2012, cash and cash equivalents consisted of (in thousands):

	2013		2012	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 250	\$ 250	\$ (96)	\$ (96)
Loss escrows	4,608	4,608	3,108	3,108
Funds for security trust	95,187	95,187	78,588	78,588
Funds held with reinsurer	2,375	2,375	-	-
Uninsured deposits	<u>55,718</u>	<u>55,718</u>	<u>55,456</u>	<u>55,456</u>
	<u>\$ 158,138</u>	<u>\$ 158,138</u>	<u>\$ 137,056</u>	<u>\$ 137,056</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 loss escrow are \$4,608 and \$3,108 for the years ended December 31, 2013 and 2012, respectively.

The 2012 negative balance under insured deposits is due to a delayed daily bank sweep settlement.

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

4. INVESTMENTS

The market value and cost basis of investments consist of the following at December 31, 2013 and 2012 (in thousands):

	2013		2012	
	Market	Cost	Market	Cost
Restricted for claim payments	\$ 282,182	\$ 273,360	\$ 268,453	\$ 253,473
Security trust funds	80,249	79,626	54,736	52,500
Restricted funds for letter of credit	<u>30,845</u>	<u>30,806</u>	<u>37,300</u>	<u>37,262</u>
	<u>\$ 393,276</u>	<u>\$ 383,792</u>	<u>\$ 360,489</u>	<u>\$ 343,235</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, 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 statement of net position 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 and cash equivalents 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 statements of net position at fair value and all investment income, including changes in the fair value of investments, is reported as revenue/(expense) on the statements of revenues, expenses and changes in net position. Fair values have been determined using quoted market values at December 31, 2013 and 2012.

The fair value of the above investments consists of \$282,182 and \$268,453 in 2013 and 2012 in investments restricted for claim payments, respectively; \$80,249 and \$54,736 in 2013 and 2012 in security trust funds, respectively; and \$30,845 and \$37,300 for letter of credit obligations in 2013 and 2012, respectively. The yield to maturity rate on the above investments was 3.69% for the year ended December 31, 2013, and 3.89% for the year ended December 31, 2012. The change in net unrealized gain (loss) on investments for the years ended December 31, 2013 and 2012, was a \$7,769 (loss) and a \$7,567 gain, 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	2013	
	Fair Value	Duration
Treasury (1)	\$ 73,330	4.94
Agency (2)	29,113	3.89
Asset backed securities	21,230	0.27
Commercial mortgage backed securities	71,028	1.87
Foreign bonds	19,887	0.86
Corporate bonds	<u>162,972</u>	2.38
Total	377,560	3.69
Equities (3)	18,220	
Less accrued interest	<u>(2,504)</u>	
Total investments	<u>\$393,276</u>	

Including but not limited to:

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

(In thousands) Investment Type	2012	
	Fair Value	Duration
Treasury (1)	\$ 66,616	6.60
Agency (2)	63,509	3.66
Asset backed securities	20,678	0.78
Commercial mortgage backed securities	60,292	2.43
Foreign bonds	17,447	2.08
Corporate bonds	<u>120,263</u>	2.48
Total	348,805	3.89
Equities (3)	14,018	
Less accrued interest	<u>(2,334)</u>	
Total investments	<u>\$ 360,489</u>	

Including but not limited to:

- (1) U.S. 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, 2013, 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	\$ 115,439	30.6 %
AA	38,605	10.2
A	97,924	25.9
BBB	49,195	13.0
Not rated	<u>243</u>	<u>0.1</u>
Credit risk debt securities	301,406	79.8
U.S. Government bonds	<u>76,154</u>	<u>20.2</u>
Total fixed income securities	377,560	<u>100.0 %</u>
Equities	18,220	
Less accrued interest	<u>(2,504)</u>	
Total investments	<u>\$ 393,276</u>	

At December 31, 2012, 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	\$ 136,675	39.2 %
AA	34,779	10.0
A	76,831	22.0
BBB	32,642	9.4
Not rated	<u>245</u>	<u>0.1</u>
Credit risk debt securities	281,172	80.7
U.S. Government bonds	<u>67,633</u>	<u>19.3</u>
Total fixed income securities	348,805	<u>100.0 %</u>
Equities	14,018	
Less accrued interest	<u>(2,334)</u>	
Total investments	<u>\$ 360,489</u>	

5. INSURANCE PROGRAMS

Property and Terrorism Coverage — Effective May 1, 2013, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, 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 as well as certain exceptions summarized below. The total program is \$500,000 per occurrence covering property of related entities collectively. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7,500 per occurrence. The property insurance 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. FMTAC is reinsured in the domestic, Asian, London, European and Bermuda marketplaces for this coverage.

Supplementing the \$500,000 per occurrence coverage noted above, FMTAC’s property insurance program has been expanded to include a further layer of \$200,000 of fully collateralized storm surge coverage for losses from storm surges that surpass specified trigger levels in the New York Harbor or Long Island Sound and are associated with named storms that occur at any point in the three year period from July 31, 2013 to July 30, 2016. The expanded protection is reinsured by MetroCat Re Ltd., a Bermuda special purpose insurer formed to provide FMTAC with capital markets-based property reinsurance. The MetroCat Re reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided is available for storm surge losses only after amounts available under the \$500,000 in general property reinsurance are exhausted.

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. 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, 2014. 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, 2013, is \$10,000.

Effective October 31, 2013, FMTAC also provides an All-Agency Excess Liability Policy to the MTA and its subsidiaries and affiliates with the limits: i) \$25,000 (25%) of \$100,000 excess \$100,000 and ii) \$200,000 excess \$200,000. The limits are fully reinsured in the domestic, London, European and Bermuda marketplaces. The limits also exclude claims arising from acts of terrorism.

Stations and Force Liability — Effective December 15, 2013, the Company renewed its direct insurance for the first \$10,000 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. Effective June 1, 2013, the net retention to the Company is \$2,000. The Company also issued a policy for \$8,000 excess of \$2,000 per occurrence with a \$16,000 annual aggregate.

Paratransit — On March 1, 2013, the MTA renewed its one-year auto liability policy with Travelers (Discover Re). Effective March 1, 2013, the Company renewed, with the MTA, a deductible reimbursement policy for the auto liability on the NYCT Paratransit operations. The Company is responsible for the first \$1,000 per occurrence of every claim, excluding Allocated Loss Adjusted Expenses (“ALAE”), covered by the MTA/Travelers policy. Under a separate reinsurance agreement with Travelers, effective March 1, 2013, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

Non-Revenue — Effective March 1, 2013, the Company renewed, with the MTA, a deductible reimbursement policy for the auto liability of MTA’s non-revenue fleet. The Company is responsible for the first \$500 per occurrence of every claim, excluding Allocated Loss Adjusted Expenses (“ALAE”). Under a separate reinsurance agreement with Travelers, effective March 1, 2013, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

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 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, 2013 and 2012 (in thousands):

	2013	2012
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000-2004 Capital Improvement Program	(2,078)	(1,880)
NYCT 2000-2004 line structures/shops, yards and depots Capital Improvements Program	1,400	2,634
NYCT 2000-2004 stations and escalators/elevators Capital Improvements Program	(658)	(490)
LIRR/MNR 2005-2009 Capital Improvement Program	288	(82)
CCC Second Ave. Subway	<u>22,115</u>	<u>23,145</u>
OCIP liability	<u>\$ 21,599</u>	<u>\$ 23,859</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 and \$10,384 for the LIRR/MNCR OCIP, respectively; \$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 \$8 and \$31 during the years ended December 31, 2013 and 2012, 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 2013 and 2012, respectively, the Company made claims payments totaling \$1,600 and \$2,320.

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 funding beginning in 2006 and, as of December 31, 2013, additional funding totaling \$6,568. The OCIP contracts will expire on June 1,

2014. The Company made claim payments totaling \$1,822 and \$2,487 during 2013 and 2012, respectively. Like the other programs, the interest income generated from the funds being held will be used to pay Contractor Safety Incentive program payments. The Company has earned \$3 and \$4 in interest income during the years ended December 31, 2013 and 2012, respectively.

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 2013 and 2012, \$23,175 and \$23,145 has been set aside to cover this exposure. During 2013 and 2012, the Company earned \$97 and \$94 in interest with \$2,546 and \$1,656 in loss payments on this OCIP. 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 2013 and 2012 (in thousands):

	2013	2012
Funds held by OCIP insurers — beginning of year	\$ 30,435	\$ 35,254
Interest income	108	129
Claims payments	(5,968)	(6,464)
Additional contributions/(returned) — net	<u>3,708</u>	<u>1,516</u>
Funds held by OCIP reinsurer	<u>\$ 28,283</u>	<u>\$ 30,435</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.

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.

MTA 2012-2014 Combined Capital Construction Program — Effective October 1, 2012, the Company entered into a multi-year agreement with ACE American Insurance Company whereby the Company will hold the collateral and loss funding for the first \$750 per occurrence resulting from Workers' Compensation and the first \$1,500 from General Liability losses during the MTA 2012-2014 Combined Capital Construction Program.

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 contractor deductible.

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 contractor deductible.

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 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 per occurrence 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.

Similar to the above BR programs, effective November 1, 2012, the Company entered into a new BR program for various MTA 2012-2014 combined capital program OCIPs. The Company issues a BR policy, to the MTA, with limits of \$50,000 per occurrence with a \$25 contractor deductible. The Company also purchased reinsurance from ACE with limits of \$50,000 per occurrence with at \$250 deductible.

6. LOSS AND LOSS ADJUSTMENT EXPENSES AND REINSURANCE

The following schedule presents changes in the loss and loss adjustment expense liabilities during 2013 and 2012 (in thousands):

	2013	2012
Loss and loss adjustment expenses — beginning of year	\$ 1,123,941	\$ 375,927
Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(810,615)</u>	<u>(81,531)</u>
Net balance — beginning of year	313,326	294,396
Loss and loss adjustment expenses	106,395	75,159
Payments attributable to insured events of the current year	<u>(63,666)</u>	<u>(56,229)</u>
Net balance — end of year	356,055	313,326
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>669,326</u>	<u>810,615</u>
Loss and loss adjustment expenses — end of year	1,025,381	1,123,941
Less current portion	<u>104,176</u>	<u>112,898</u>
Long-term liability	<u>\$ 921,205</u>	<u>\$ 1,011,043</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, 2013 and 2012, was as follows (in thousands):

	2013		2012	
	Receivable	Earned	Receivable	Earned
LIRR	\$ 8,309	\$ 9,179	\$ 7,812	\$ 9,375
MNCR	6,233	7,694	6,325	7,841
MTA	<u>62,922</u>	<u>57,888</u>	<u>110,080</u>	<u>65,287</u>
	<u>\$ 77,464</u>	<u>\$ 74,761</u>	<u>\$ 124,217</u>	<u>\$ 82,503</u>

For the years ended December 31, 2013 and 2012, respectively, the MTA charged \$7,590 and \$6,647, respectively, to FMTAC for risk management services provided to the Company of which \$2,339 and \$2,766 remain as a liability at December 31, 2013 and 2012, respectively.

8. TROPICAL STORM SANDY

On October 29, 2012, Tropical Storm Sandy made landfall just south of Atlantic City, New Jersey, as a post-tropical cyclone. The accompanying storm surge and high winds caused widespread damage to the physical transportation assets operated by MTA and its related groups. MTA expects to recoup most of the costs associated with repair or replacement of assets damaged by the storm over the next several years from a combination of insurance and federal government assistance programs.

The Disaster Relief Appropriations Act (“Sandy Relief Act”) passed in late January 2013, appropriated a total of \$10.9 billion in Public Transportation Emergency Relief Program funding to the Federal Transit Administration (“FTA”) to assist affected public transportation facilities in connection with infrastructure repairs, debris removal, emergency protection measures, costs to restore service and hardening costs. The Sandy Relief Act also provided substantial funding for existing disaster relief programs of the Federal Emergency Management Agency (“FEMA”).

FMTAC directly insures property damage claims of the physical transportation assets operated by MTA and its related groups in excess of a self-insured retention limit (“SIR”) of \$25,000 per occurrence, subject to annual \$75,000 aggregate, as well as certain exceptions summarized below. The total program limit has been maintained at \$1,075,000 per occurrence covering property of the related entities collectively, including various sub limits and with the exceptions of the limits summarized below. FMTAC is 100% reinsured in the domestic, Asian, London, European and Bermuda marketplaces for this coverage.

In addition to the noted \$25,000 per occurrence self-insured retention, MTA self-insures above that retention for an additional \$25,880 within the overall \$1,075,000 per occurrence property program, as follows: \$1,590 (or 1.06%) of the primary \$150,000 layer, plus \$7,500 (or 3%) of the primary \$250,000 — layer, plus \$8,000 (or 4%) of the \$200,000 in excess of \$150,000 layer plus \$5,640 (or 2.82%) of the \$200,000 in excess of \$250,000 layer and \$3,150 (or 0.7%) of the \$450,000 in excess of \$350,000 layer.

The property insurance policy 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.

As FMTAC is 100% reinsured for its property exposure, FMTAC’s ultimate liability for this property claim is limited to its liability ceded and accepted by reinsurers. At December 31, 2013 and 2012, FMTAC has a reserve of \$655,215 and \$774,120 respectively, along with a corresponding reinsurance recoverable in these financial statements. In 2013, FMTAC paid and recovered \$143,905 of paid losses relating to this claim.

9. METRO-NORTH RAILROAD DERAILMENT

On December 1, 2013, the seven cars and the locomotive of a southbound Metro-North Railroad train derailed north of the Spuyten Duyvil station in the Bronx on the Hudson Line, resulting in four fatalities and more than 60 reported injuries. At this time, MTA Metro-North Railroad cannot predict the extent of the claims associated with this accident. FMTAC writes an all-agency excess liability policy for \$50,000 per occurrence in excess of the MTA Metro-North Railroad's self-insured retention of \$10,000 per occurrence. Metro-North has advised FMTAC that it has reserved these claims at the per occurrence limit of \$10,000. Metro-North is working with FMTAC on the resolution of these claims and FMTAC will continue to advise the excess commercial carriers on all developments.

* * * * *

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013

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 property and casualty insurance company statutory Annual Statements. I am a member in good standing and a 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, 2012 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, 2013. The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the disclosures shown in Exhibit B. The Annual Statement was prepared in accordance with United States Generally Accepted Accounting Principles.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data evaluated as of December 31, 2013 and reviewed information provided to me by the Company through February 26, 2014. 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. I also reconciled the paid loss and loss adjustment expense amounts and case reserve amounts as of December 31, 2013 used in my analysis against the Company's current Annual Statement. 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 assumes the existence of valid assets underlying the unpaid claim liabilities and that these

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013

assets are appropriate to meet the cash flow needs of the Company. Other than reinsurance recoverables, I have not reviewed the held assets.

OPINION

In my opinion, the amounts carried in items (3) and (5), all as shown in Exhibit A:

- A. Meet the requirements of the 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 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 may result in the actual net future loss and loss adjustment expense payments deviating from the provision in the Company's net carried reserves. 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.

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2013

The Company began operations in 1997. Lacking sufficient historical internal experience for the Company, especially for the Non-Revenue, Paratransit, Builder's Risk 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.

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 \$10 million per occurrence. The Captive is also responsible for gross losses above \$200 million per occurrence, with limits ranging from \$100 million to the current level of \$200 million. As a result, the potential exposure to the ELP is significant and increases the uncertainty of the Company's ultimate claim liabilities.

In December 2013, a Metro-North Railroad commuter train derailed, which led to reported losses to the ELP of approximately \$30 million as of December 31, 2013. The catastrophic nature and recent occurrence of this accident increases the uncertainty of my estimates of the Company's ultimate claim liabilities.

Having considered the risk factors above and the inherent variability in the estimation of unpaid loss and loss adjustment expense obligations, I believe that significant risks and uncertainties exist that could reasonably result in material adverse deviation from the carried net reserve amounts. My determination is based on a materiality standard of 10% of the Company's statutory surplus, or \$15,061,791, as shown in Item (5) of Exhibit B, and my belief that the probability of adverse reserve development of this magnitude is greater than remote. I selected the materiality standard based on the fact that I prepared this opinion for the regulatory review of the Company and the policy limits and coverage written by 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 adjustment expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2013

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 or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

The actuarial report prepared 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, 2013. 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. I express no opinion as to whether the Company's ceded reinsurance contracts meet the requirements for reinsurance accounting.

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 AIG 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. 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 that it knows of no uncollectible reinsurance cessions and no disputed reinsurance balances. I have relied on the Company's assessment of the potential for uncollectible reinsurance as the Company has more extensive knowledge of and a closer relationship with its reinsurers. I also reviewed the ratings of the Company's reinsurers using the A.M. Best Insurance Reports published as of January 21, 2014. 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 am not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible.

Statement of Actuarial Opinion

Annual Statement of First Mutual Transportation Assurance Company For the Year Ended December 31, 2013

Based on the information cited above, my opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded is valid and collectible. I am not aware of any excess insurance that the Company treated as collectable but should have treated as uncollectable. 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. I am not able to further assess the potential for uncollectible reinsurance without performing a substantial amount of additional work beyond the scope of my review. 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.

Risk Margin

The Company has represented that the carried reserves do not include an explicit risk margin.

Salvage and Subrogation

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.

Underwriting Pools and Associations

The Company has represented that it does not participate in pools and associations.

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 the Company has represented that there have been no asbestos or environmental claims reported to date and the Company's policies have exclusions for asbestos and environmental exposure.

Statement of Actuarial Opinion

***Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013***

Long Duration Contracts

The Company has represented that it does not write long duration contracts, defined as policies or contracts related to single or fixed premium policies, with coverage period of thirteen months or greater that are non-cancelable and not subject to premium increase (excluding financial guaranty contracts, mortgage guaranty contracts, and surety contracts).

Extended Loss and Expense Reserves

The Company has represented that it does not provide extended loss and expense coverage within professional liability claims-made contracts and therefore carries no extended loss and expense reserves.

Contractual Liability for Service Contracts

The Company has represented that it does not provide contractual liability coverage for service contracts.

Loss Adjustment Expenses

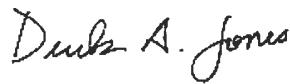
The Company has represented that the carried loss adjustment expense reserves include provisions for all loss adjustment expenses, such as coverage dispute costs, defense and investigation costs, and claims administration expenses.

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013

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 intended solely for the use of, and is only to be relied upon by, the Company and the New York State Department of Financial Services with which the Company files its Annual Statement.



Derek A. Jones, FCAS, MAAA
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New York, NY 10119
(646) 473-3000
Derek.Jones@Milliman.com

February 28, 2014

Statement of Actuarial Opinion
Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013

Exhibit A: SCOPE

	Column 1 <u>Amount</u>
1. Reserve for Unpaid Losses (Page 2, Line 17)	\$994,318,748
2. Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$12,286,254
3. Total of 1. and 2.	\$1,006,605,002
4. Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$665,842,000
5. 3. Less 4.	\$340,763,002

Statement of Actuarial Opinion

Annual Statement of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2013

Exhibit B: DISCLOSURES

- | | | | | |
|----|---|-----------|--------|--------------------|
| 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 of the Company or Group; or
C if a Consultant | | | C |
| 3. | The Appointed Actuary has the following designation;
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 |
| | 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) | | | \$15,061,791 |
| 6. | Are there significant risks that could result in Material
Adverse Deviation? | Yes [X] | No [] | Not Applicable [] |
| 7. | Statutory Surplus (Page 2, Line 33) | | | \$150,617,910 |

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

New York Regulatory Compliance Report As of May 21, 2014

<i>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</i>
<i>Financial Reports & Examinations</i>		
File Annual Report with NYSDFS	Within 60 days of fiscal year end (March 1)	February 27, 2014
File Actuarial Certification of Loss Reserves.	Within 60 days of fiscal year end (March 1)	February 28, 2014
File Audited Financial Statements with NYSDFS	July 1	In progress
File Parent Company Annual Report with NYSDFS	Annually	In progress
Examination by NYSDFS	Every 3-5 years	2010 fiscal year regulatory examination completed in June 2012 with no comments or recommendations from NYSDFS
<i>Taxes & Fees</i>		
File Premium Tax (Franchise Tax) Return with NYS Tax Dept	Within 2 ½ months after the reporting period (March 15 for December YE)	FMTAC is exempt from NYS taxes
Pay Premium Tax to NYS Tax Dept.	Due quarterly 3/15, 6/15, 9/15, 12/15	FMTAC is exempt from NYS taxes
NYS Department of Financial Services Examination Fees	Due at the end of an exam, based on time incurred.	Will be paid as invoiced
Pay Assessment Surcharge per Section 206 of NYSDFS Law	Due quarterly when invoiced by NYSDFS	FMTAC is exempt from NYSDFS Assessments
<i>Underwriting</i>		
Changes in insurance programs (coverage, limits, reinsurers)	Approval is required for business plan changes	In Compliance
Insurance policies and reinsurance agreements	Insurance documentation must be on file in principal office in New York	In Compliance
<i>Investments</i>		
Maintain Minimum required capital and surplus 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
Intercompany loans	Prior approval from NYSDFS required	In Compliance
<i>Corporate Governance</i>		
Notify changes of Directors and Officers to NYSDFS	Notify within 30 days and submit biographical affidavits for any new individuals	Biographical affidavits not applicable. Notice of appointments of new MTA/FMTAC directors (made by Governor following background checks and Senate confirmation process) are made to NYSDFS within 30 days.

<i>Corporate Governance, con't</i>		
File Certificate of Compliance for License Renewal with NYSDFS	Annually by June 30	In progress
Certificate of Designation	Information needs to remain current	In Compliance
NYS Resident Directors	Minimum of two NY resident directors	In Compliance
Hold Annual Meeting of Directors	Must be held annually in NYS	In Compliance – May 21, 2014



**Asset
Management**

First Mutual Transportation Assurance

First Quarter 2014 Portfolio Review

May 2014



Table of contents

A. Executive Summary

B. Portfolio Review

Appendix

General Disclosures



A. Executive Summary



Executive Summary

March 2014

Market Summary

- In March, markets were focused on events in Ukraine, as Russia's intervention has led to sanctions by the US and Europe. So far volatility has been limited to the region and, at this stage, we do not anticipate contagion across global markets.
- The Federal Reserve's March policy updates suggest a rate hike may come sooner than markets anticipated, possibly around mid-2015. The Fed also cut monthly asset purchases by another \$10bn, to \$55bn, and dropped the 6.5% unemployment rate as a threshold for tightening.
- Slightly better weather in March translated into improved US economic data as auto sales and employment figures showed signs of strengthening. We believe that as we progress through the spring the underlying pace of growth will accelerate to around 3%.

GSAM Investment Themes

- We reduced risk in most spread sectors due to a combination of concerns around emerging markets (EM) growth and China's banking system, sustained rallies in corporate credit during the latter part of 2013, and a moderate uptick in volatility.
- We expect US growth to rise above trend in the coming quarters. Our credit overweights are mostly concentrated in growth and default-sensitive assets (eg, high yield corporate bonds and non-agency MBS).
- We reduced our underweight to agency MBS on quarter-end cheapening. We continue to expect agency MBS technicals to deteriorate in the second quarter as Fed buying slows and seasonal housing supply picks up, however valuations are closer to fair.
- We continue to be constructive on structured credit such as CLOs and CMBS.
- In regards to duration, we continue to maintain modest short in US rates.



Current Market Statistics & Views

Recent Economic Data

- Data improving following Q1 soft patch:
 - Payrolls back to 200k levels
 - Retails sales ex-autos remain weak; auto sales at peak levels, 16.3mm
 - Manufacturing ISM at 53.7 for March versus 53.2 in February, but Q4 2013 range of 56-57 during inventory build
 - Building permits back to >1,000k, peak levels
- Macro Outlook
 - Fiscal drag (+1.0 - 1.5% GDP vs. 2013)
 - Housing (HPA +20% next five years)
 - Capital Expenditure (poised)

Current GSAM Fixed Income Views

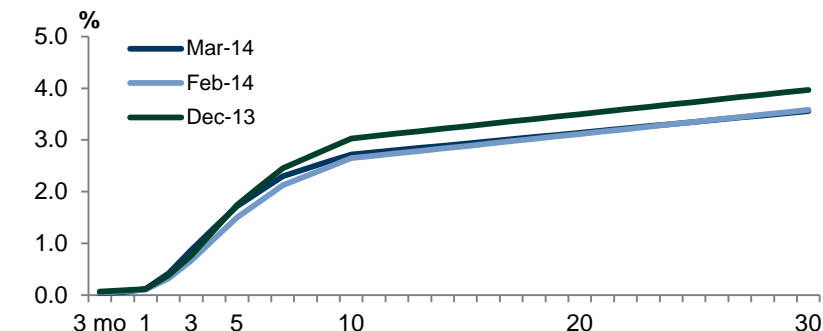
- GDP and rates outlook
 - 2014 Real GDP estimate of >3.0% (risks to high side)
 - Year end 2014 US 10yr to 3.5%
 - Inflation 2014/2015 of 1.7 - 2.0% (headline CPI)
- Sector Outlook
 - Credit fundamentals remain supportive but valuations at post crisis tights
 - EM: Volatility and China risks reflected in wider corporate spreads
 - Securitized Sector mixed
 - CLOs, NARMBS remain attractive
 - Agency MBS sensitivity to Fed
 - Municipal yield ratios improving
 - Position for above consensus rate rise



Market Review – March 2014

Yield Curve and Sector Excess Returns

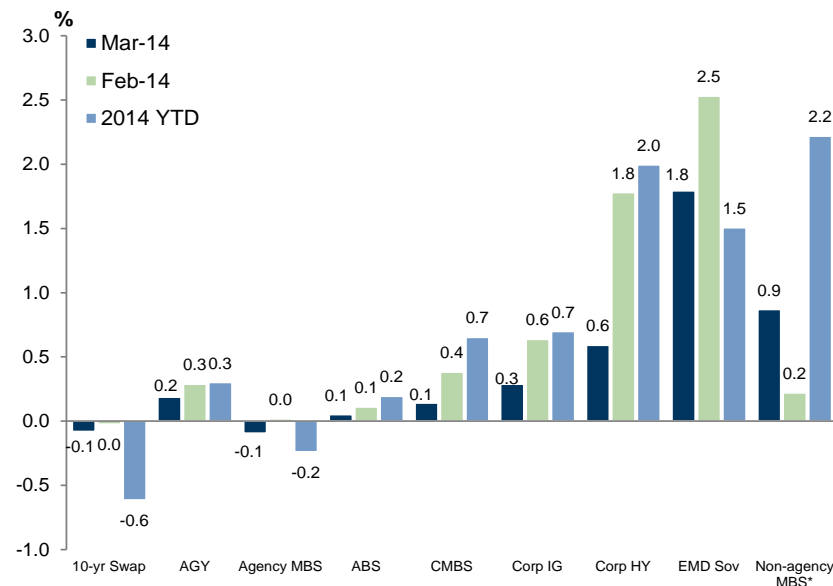
US Yield Curve Changes



US Treasury	3 Month	6 Month	2 Year	5 Year	10 Year	30 Year
Yield as of 31-Mar-2014 (%)	0.03	0.06	0.42	1.72	2.72	3.56
Yield as of 28-Feb-2014 (%)	0.05	0.07	0.32	1.50	2.65	3.58
Yield as of 31-Dec-2013 (%)	0.07	0.09	0.38	1.74	3.03	3.97
2014 YTD Change (bps)	-4 bps	-3 bps	4 bps	-2 bps	-31 bps	-41 bps
2014 YTD Return (%)	0.02	0.05	0.19	0.73	3.38	8.11

- Treasury yields rose modestly in March as a result of hawkish developments following the Federal Reserve's most recent meeting as well as improvement in US economic data.
- Following the Fed's March meeting, the latest rates projections showed a slightly more aggressive path for policy tightening and language regarding the 6.5% unemployment threshold for reduced policy support was dropped.

Sector Excess Returns (% Over Treasuries)



- Most fixed income sectors continued to rally in March with emerging market debt leading gains. A moderate de-escalation of tensions between Russia and Ukraine helped to temper the market's expectations for contagion, which proved beneficial for the sector.
- Non-agency MBS also rallied over the month largely due to supportive market technicals as well as signs that the housing market remained robust.

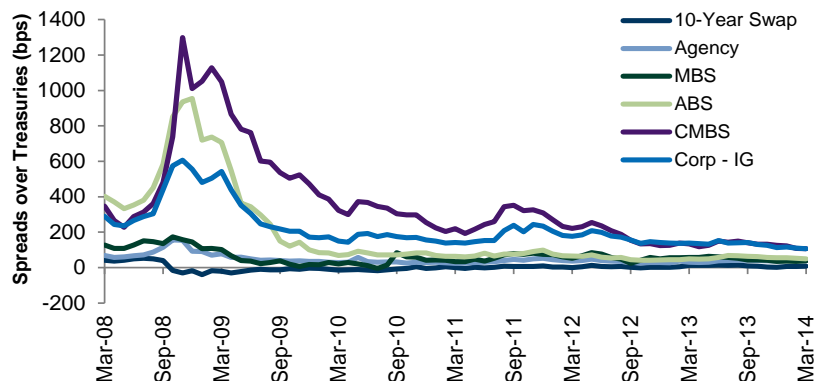
Source: Citigroup, Barclays, GSAM; all data as of March 31, 2014. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material has been prepared by GSAM and is not a product of Goldman Sachs Global Investment Research. The views and opinions expressed may differ from those of Goldman Sachs Global Investment Research or other departments or divisions of Goldman Sachs and its affiliates. Investors are urged to consult with their financial advisors before buying or selling any securities. This information may not be current and GSAM has no obligation to provide any updates or changes. Please see additional disclosures.

* Non-agency MBS excess return is over swaps. **Past performance does not guarantee future results, which may vary.**

Market Review – March 2014

Sector Spreads

Investment Grade Sector Spreads (bps)

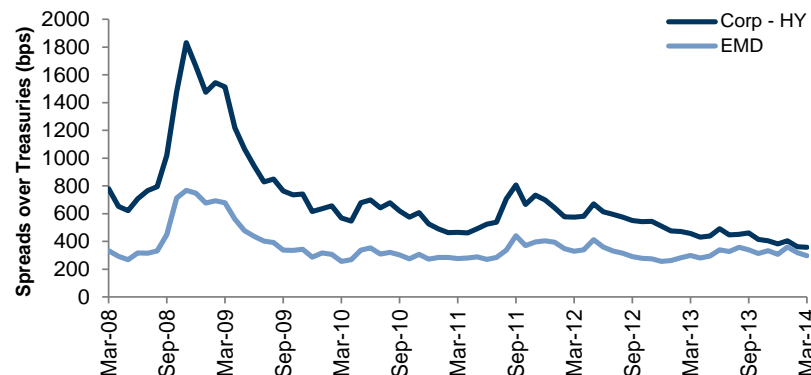


Spreads

Sector	Current (bps)	10 Year Average (bps)	Mar 2014 Δ (bps)	2014 YTD Δ (bps)
10-Year Swap	8	18	1	6
Agency	37	41	-1	1
MBS	38	57	3	4
ABS	50	143	-2	-6
CMBS	107	248	-1	-19
Corp-IG	106	173	-3	-8

- Investment grade spreads tightened slightly during the month with spreads on investment grade corporates tightening most as merger and acquisition activity picked up over the period.
- In contrast, spreads on agency MBS widened in March as supply and demand dynamics deteriorated on strong issuance and reduced Fed support.

High Yield and Emerging Market Debt Spreads (bps)



Spreads

Sector	Current (bps)	10 Year Average (bps)	Mar 2014 Δ (bps)	2014 YTD Δ (bps)
Corp-HY	358	560	-6	-25
EMD	297	337	-23	-11

- Spreads on both high yield corporates and emerging market debt tightened over the month by 6bps and 23bps respectively.
- In high yield corporates, spreads remain approximately 200bps lower than their long-term average as the sector has benefitted from relatively low issuance, healthy inflows and increased merger and acquisition activity.

Source: JPMorgan, Barclays; all data as of March 31, 2014. **Past performance does not guarantee future results, which may vary.** This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material has been prepared by GSAM and is not a product of Goldman Sachs Global Investment Research. The views and opinions expressed may differ from those of Goldman Sachs Global Investment Research or other departments or divisions of Goldman Sachs and its affiliates. Investors are urged to consult with their financial advisors before buying or selling any securities. This information may not be current and GSAM has no obligation to provide any updates or changes. Please see additional disclosures.



Macroeconomic Growth Outlook 2014-2015

We are roughly in line with consensus growth forecasts for developed economies and slightly bullish versus consensus overall

Growth (%) – Individual

	2014		2015	
	GSAM	Consensus	GSAM	Consensus
US	3.0	2.9	3.0	3.0
UK	2.5	2.7	2.7	2.4
Eurozone	0.9	1.1	1.5	1.5
Japan	1.5	1.6	1.2	1.3
Brazil	3.0	2.0	3.2	2.3
China	7.4	7.5	7.2	7.3
India	5.2	4.7	6.0	5.4
Russia	2.0	2.0	2.5	2.6
Mexico	3.5	3.4	3.8	4.0
Korea	3.7	3.5	4.0	3.7
Indonesia	5.0	5.5	6.0	5.8
Turkey	3.0	2.6	4.0	4.0

Growth (%) – Summary

	2014		2015	
	GSAM	Consensus	GSAM	Consensus
Advanced	2.1	2.1	2.3	2.3
BRICs	5.9	5.8	6.1	6.0
Growth Markets	5.5	5.4	5.7	5.6
World	3.7	3.6	3.9	3.9

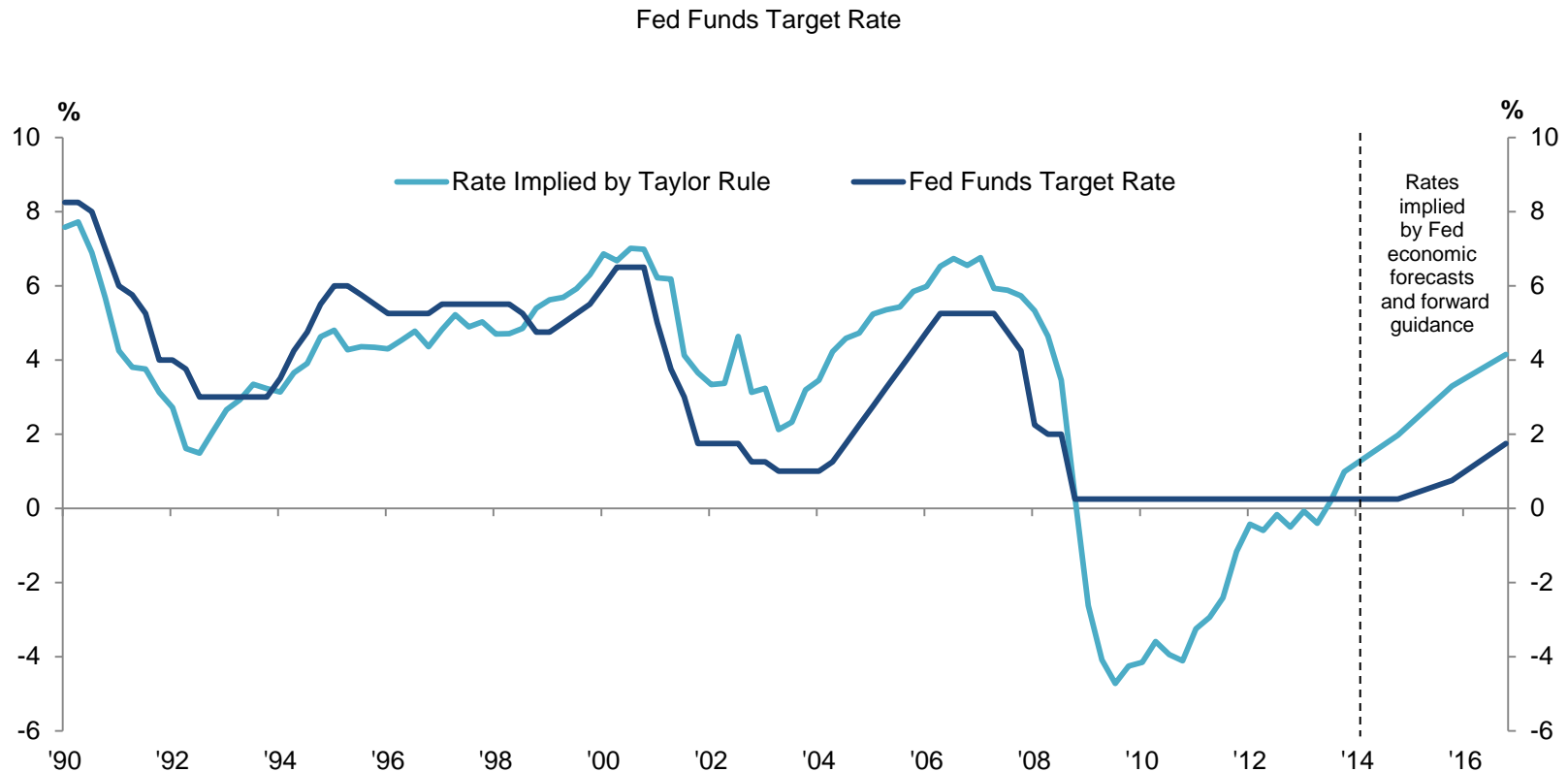
GSAM > Consensus

GSAM = Consensus

GSAM < Consensus



Fed rate policy may be falling behind the curve

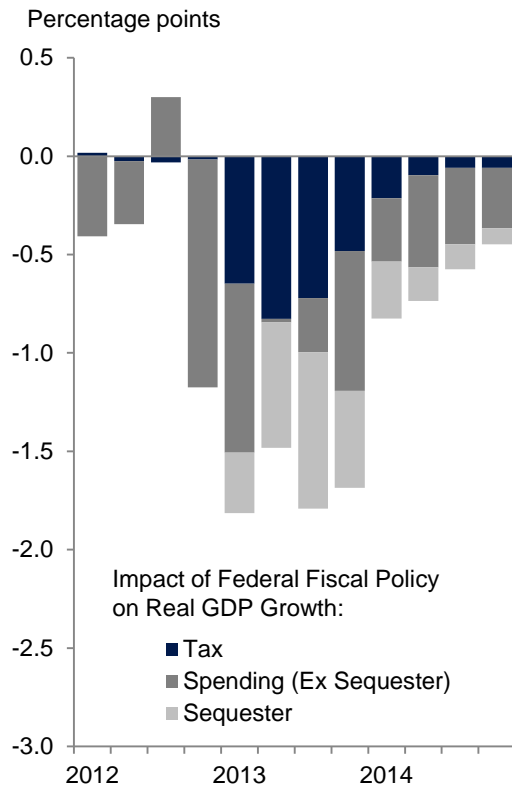




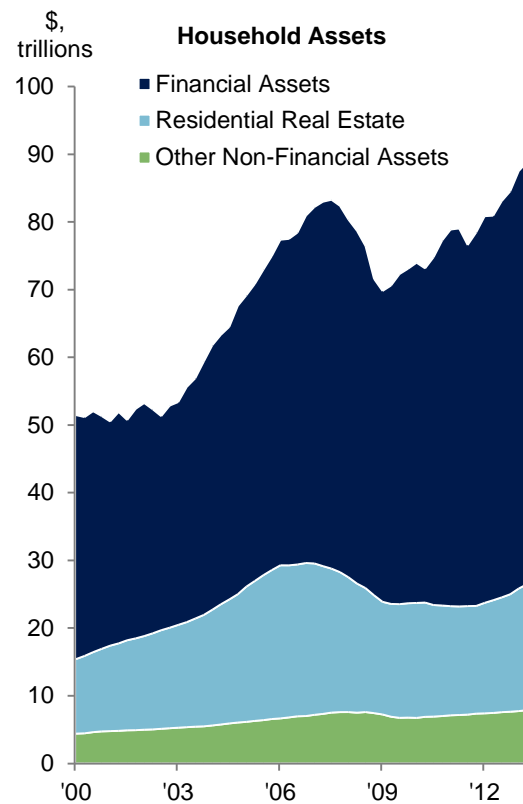
US growth should benefit from three key drivers

Reduced fiscal drag, steady consumption and the knock-on economic effects from pent-up housing demand could boost US GDP growth above 3% in 2014

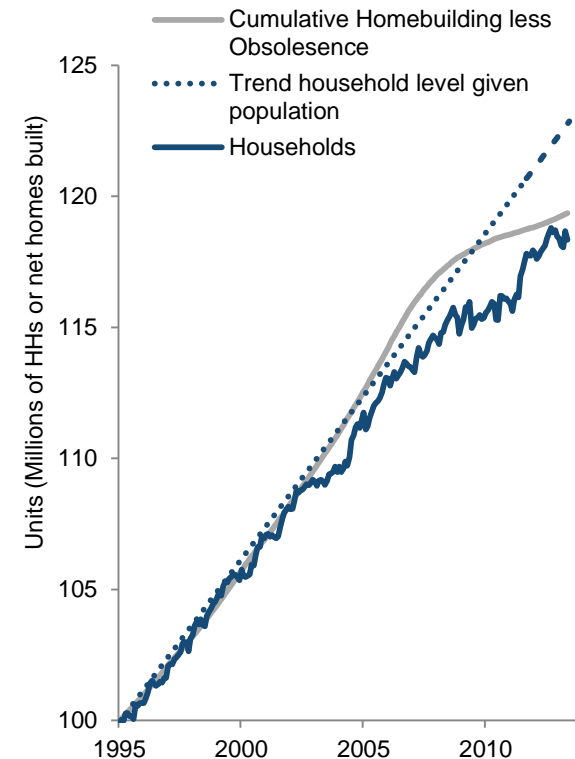
1) Reduced Fiscal Drag



2) Healthier households



3) Pent-up housing demand

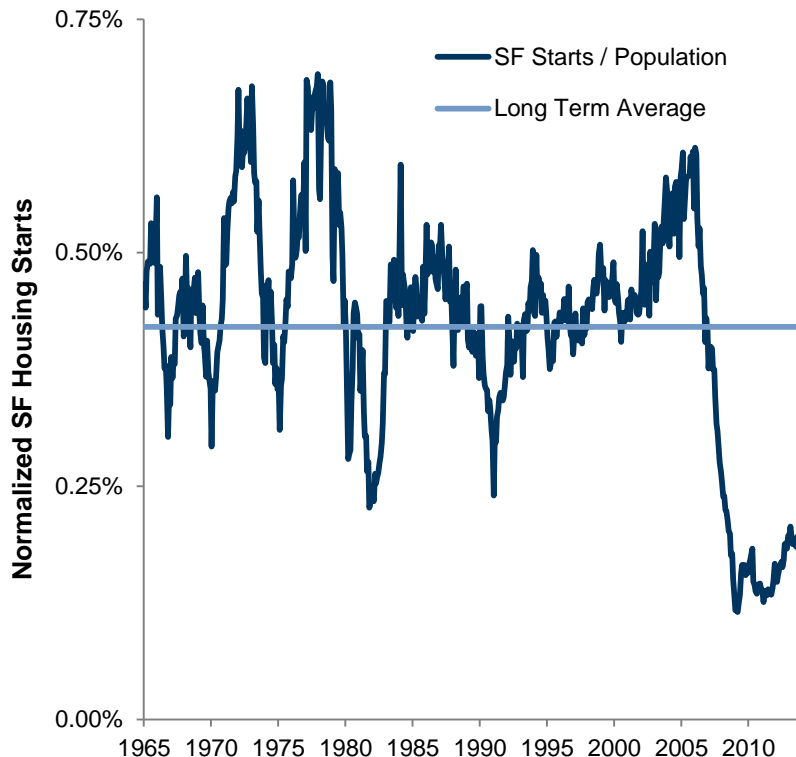




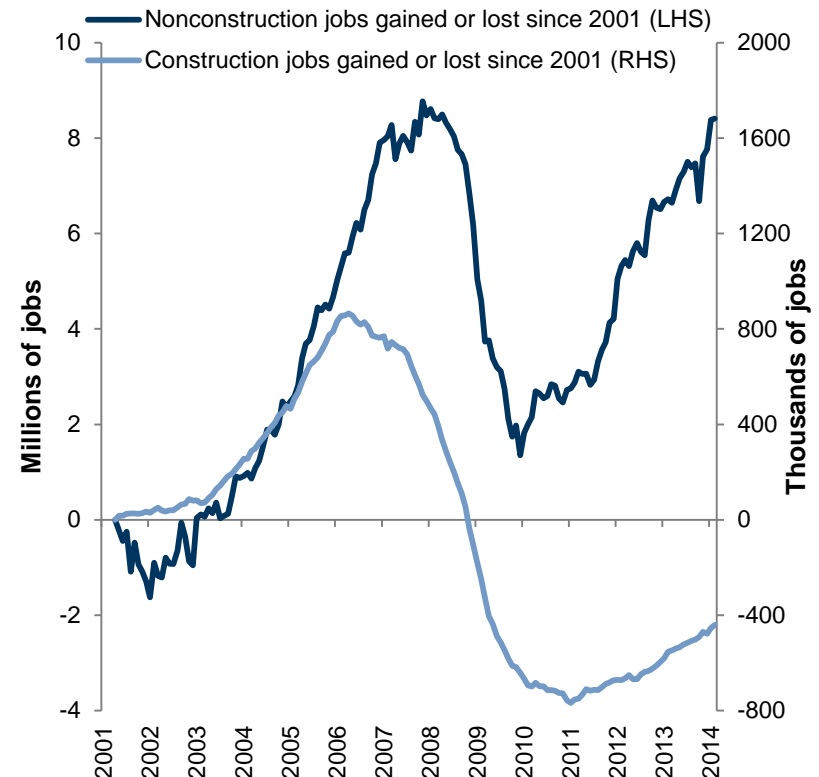
Housing: Construction should boost US job growth

Housing starts are well below population growth and a return to normal construction levels could boost job growth by 300-500K per year over the next few years

Housing starts are running at half of the historical average



Construction employment could add 300-500K jobs per year

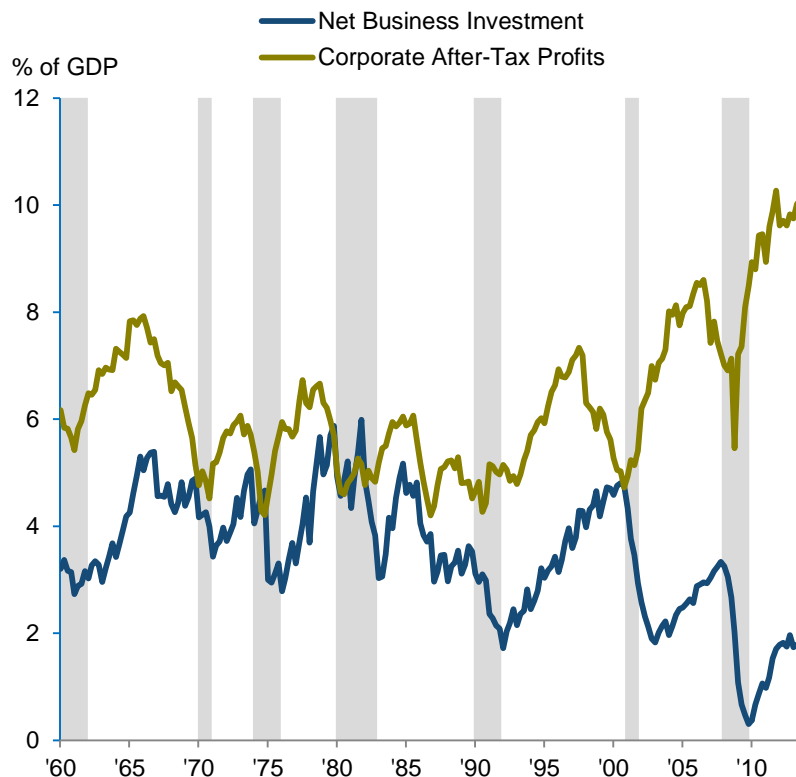




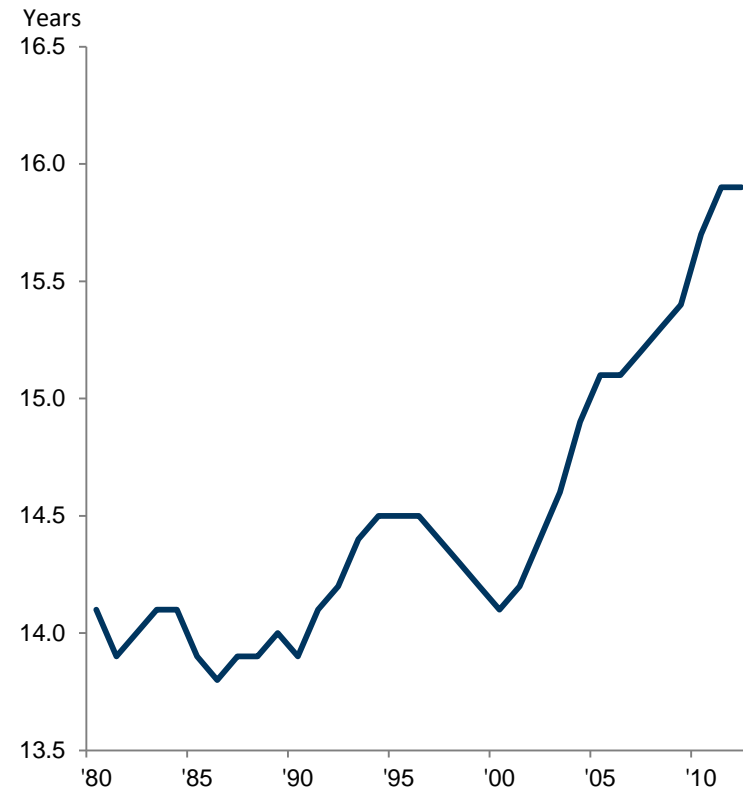
Business investment provides upside potential

US business investment remains depressed relative to previous expansions but strong corporate profits and aging business assets suggest upside potential if the economy gains momentum

US Corporate Profits and Investment



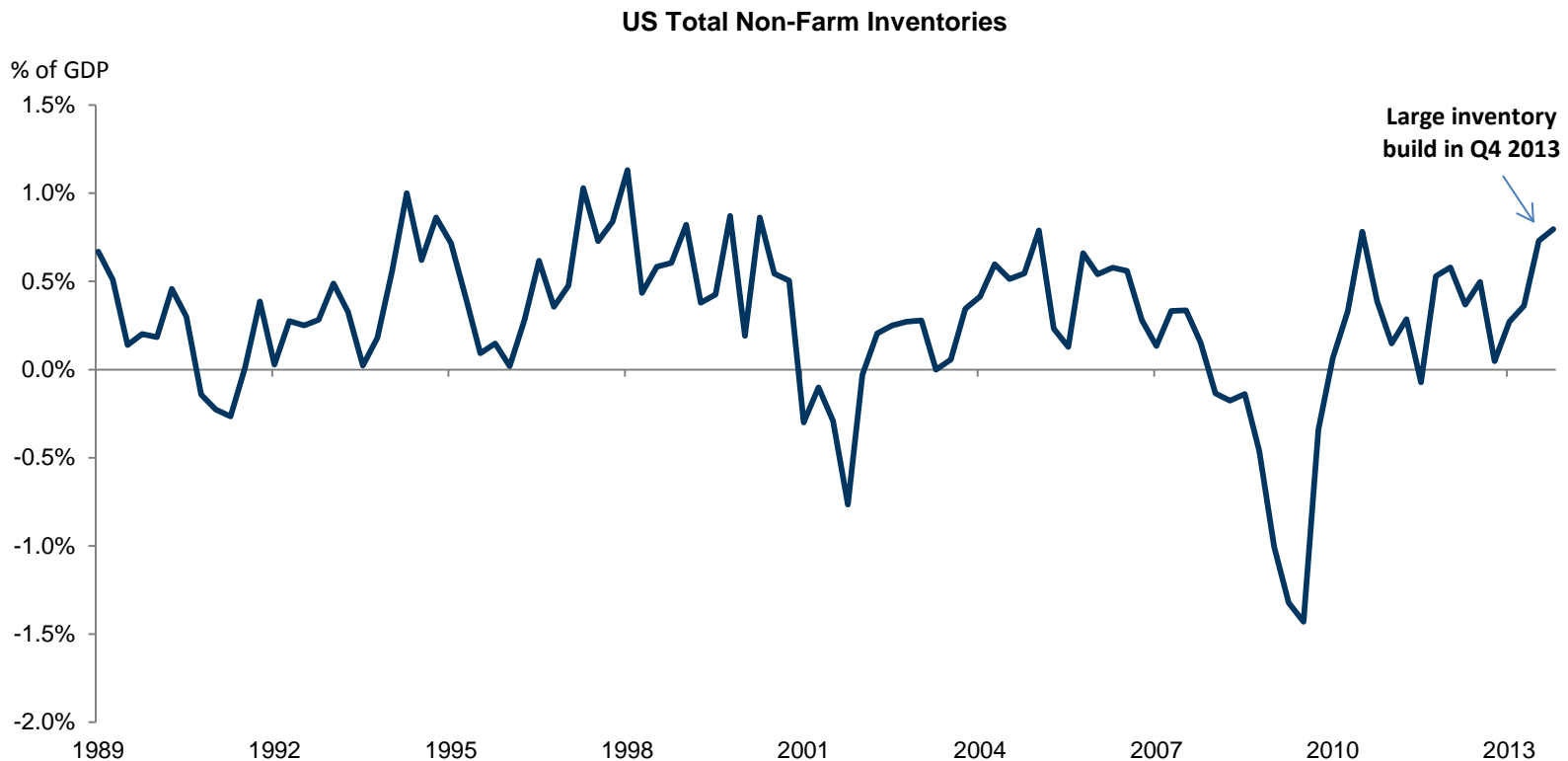
Average Age of Business Equipment & Structures





Inventory correction likely contributing to recent softness

After a sharp increase in inventory accumulation during Q4'13, destocking is likely in the first half of 2014 and has likely contributed to some of the recent softness in economic data. We believe this effect is temporary.





B. Portfolio Review



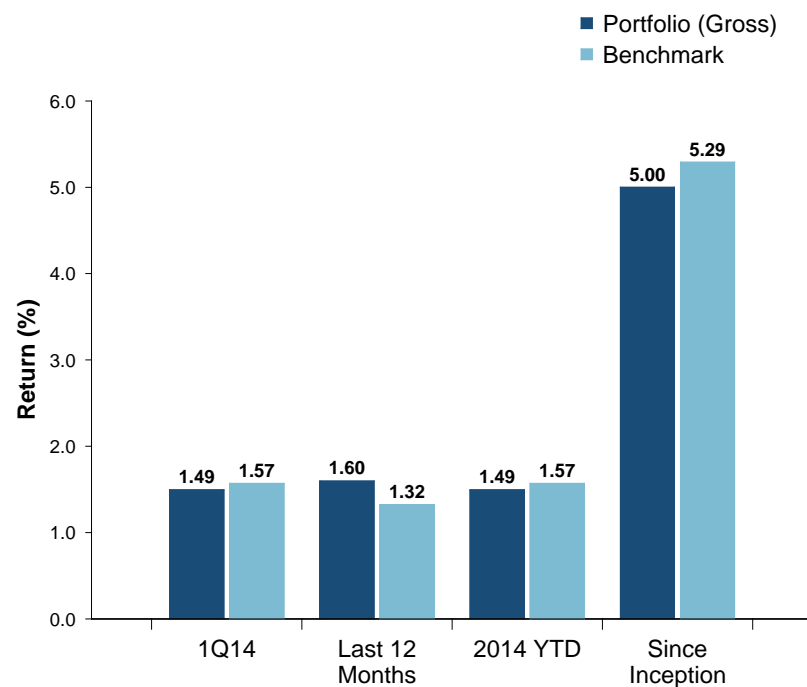
Overall Portfolio



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.10	-0.12	2
Feb-14	0.77	0.77	-0
Jan-14	0.82	0.91	-9
Dec-13	-0.25	-0.25	1
Nov-13	0.21	0.04	17
Oct-13	0.95	0.94	0
Quarterly			
1Q14	1.49	1.57	-8
4Q13	0.91	0.73	18
3Q13	1.05	0.96	9
2Q13	-1.83	-1.91	8
Yearly			
2014 YTD	1.49	1.57	-8
2013	0.76	0.25	51
2012	5.99	6.56	-56
Trailing			
Last 6 Months	2.42	2.31	10
Last 12 Months	1.60	1.32	27
Last 3 Years	4.58	4.40	19
Since Inception(Ann)⁴			
Return	5.00	5.29	-29
Standard Deviation	3.68	4.13	
Tracking Error ⁵			116
Information Ratio ⁶			-0.25

¹ Benchmark: FMTA Asset weighted benchmark.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: October 1, 2006

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

⁶ Information Ratio is the annualized excess return divided by the annualized tracking error.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

March 29, 2013 - March 31, 2014

Strategy/Exposure	Excess Return gross(bps)
Duration	-14
Country	1
Currency	1
Sector	5
Government / Swap	2
Agency	-3
ABS	1
CMBS	7
RMBS	-5
RMBS Credit	2
Covered Bond	-0
Corporates	6
Emerging Market Debt	-2
Security Selection	41
Government / Agency	3
Collateralized	32
Corporates	5
Emerging Markets Debt	1
Intraday Pricing / T-costs	-3
Residual/Other ¹	-3
Official GSAM Performance	27

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: FMTA Asset weighted benchmark.

Past performance does not guarantee future results, which may vary.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable.

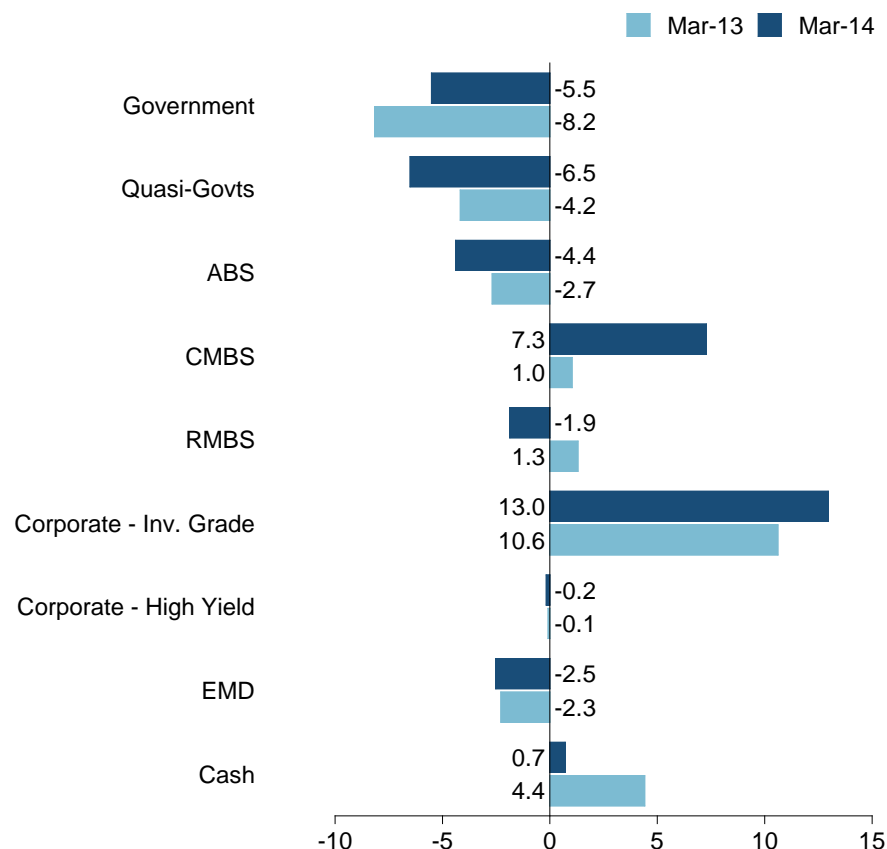
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	11.1	16.6	-5.5
Quasi-Govts	3.6	10.1	-6.5
ABS	4.4	8.8	-4.4
CMBS	16.0	8.7	7.3
RMBS	11.3	13.2	-1.9
Corporate - Inv. Grade	47.9	35.0	13.0
Corporate - High Yield	4.9	5.0	-0.2
EMD	0.1	2.7	-2.5
Cash	0.7	0.0	0.7
Total	100.0	100.0	-0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA-
Duration (years)	3.72	4.20
Coupon	3.79	3.36
Yield To Worst	2.13	2.01
OAS	68	48
Market Value (\$mm)	379	n/a

As of March 31, 2014

Benchmark: FMTA Asset weighted benchmark.

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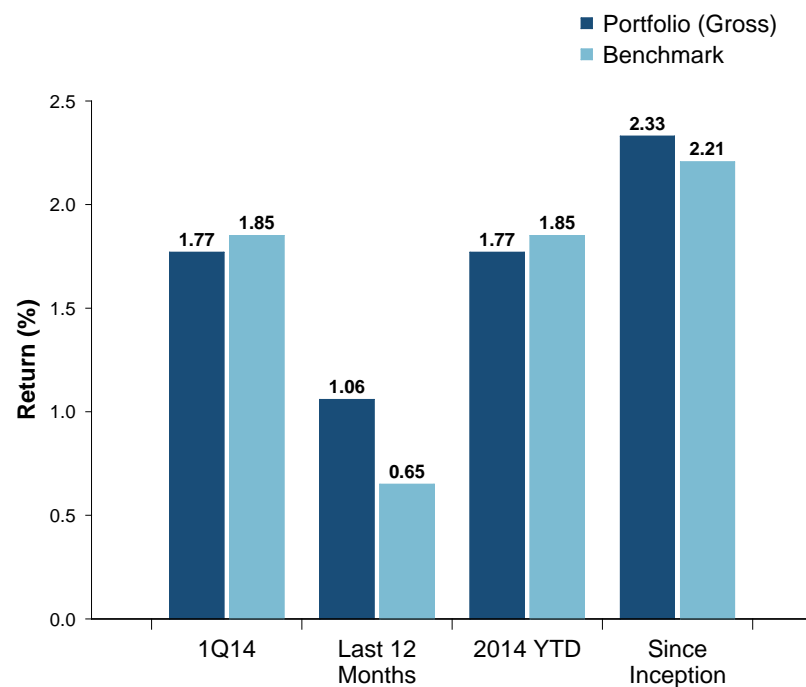
General Operating Account



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.08	-0.08	0
Feb-14	0.65	0.66	-1
Jan-14	1.19	1.26	-7
Dec-13	-0.35	-0.33	-2
Nov-13	0.04	-0.16	20
Oct-13	0.91	0.93	-2
Quarterly			
1Q14	1.77	1.85	-8
4Q13	0.60	0.44	16
3Q13	0.87	0.70	17
2Q13	-2.14	-2.29	15
Yearly			
2014 YTD	1.77	1.85	-8
2013	-0.49	-1.23	73
2012	3.11	3.56	-45
Trailing			
Last 3 Months	1.77	1.85	-8
Last 6 Months	2.38	2.29	9
Last 12 Months	1.06	0.65	41
Since Inception(Ann)⁴			
Return	2.33	2.21	12
Standard Deviation	2.54	2.78	
Tracking Error ⁵			42

¹ Benchmark: 3 month USD Libor.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: May 16, 2012

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

March 29, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	-8
Country	-0
Sector	9
Government / Swap	3
Agency	-3
ABS	-1
CMBS	8
RMBS	-6
RMBS Credit	2
Covered Bond	-0
Corporates	9
Emerging Market Debt	-3
Security Selection	43
Government / Agency	3
Collateralized	35
Corporates	3
Emerging Markets Debt	2
Intraday Pricing / T-costs	-4
Residual/Other ¹	1
Official GSAM Performance	41

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: 3 month USD Libor.

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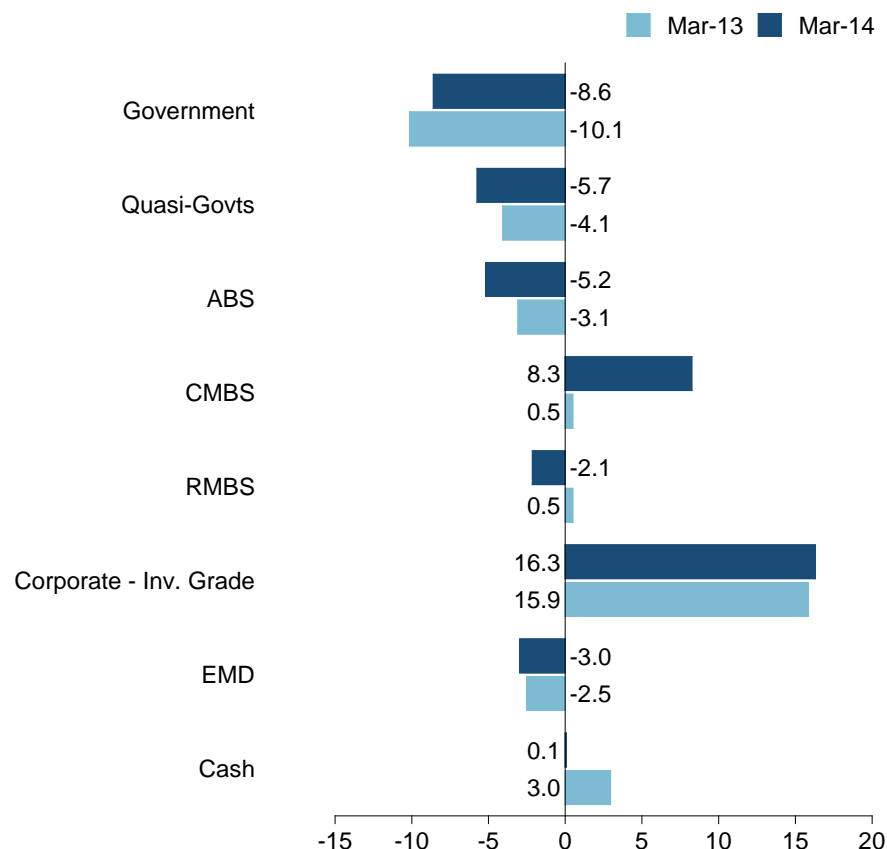
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	4.9	13.5	-8.6
Quasi-Govts	3.9	9.7	-5.7
ABS	4.8	10.0	-5.2
CMBS	18.2	10.0	8.3
RMBS	12.9	15.0	-2.1
Corporate - Inv. Grade	54.9	38.6	16.3
EMD	0.3	3.3	-3.0
Cash	0.1	0.0	0.1
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA
Duration (years)	4.38	4.95
Coupon	4.18	3.74
Yield To Worst	2.39	2.34
OAS	81	60
Market Value (\$mm)	176	n/a

As of March 31, 2014

Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



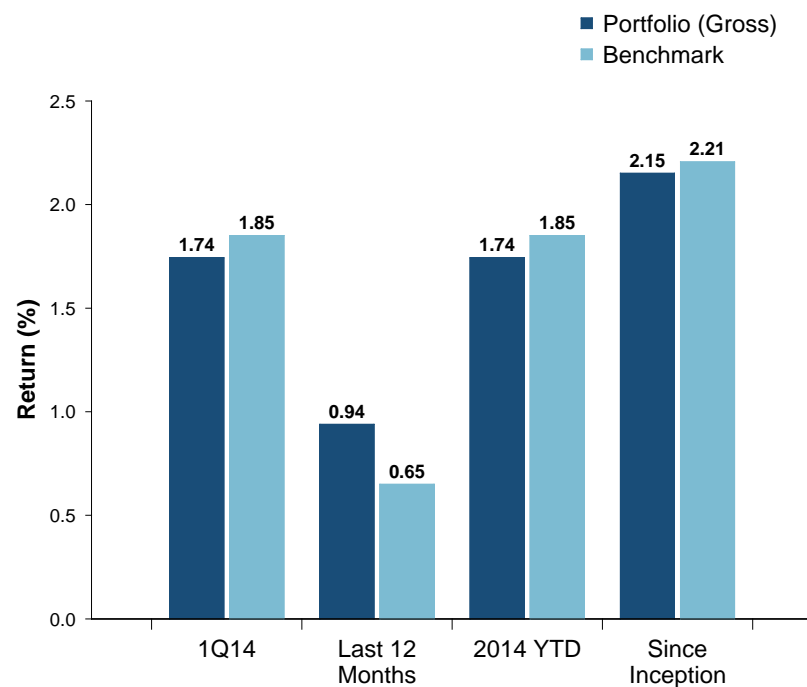
Master Builders Risk Trust



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.06	-0.08	2
Feb-14	0.66	0.66	-0
Jan-14	1.14	1.26	-12
Dec-13	-0.33	-0.33	0
Nov-13	0.07	-0.16	23
Oct-13	0.91	0.93	-2
Quarterly			
1Q14	1.74	1.85	-11
4Q13	0.66	0.44	22
3Q13	0.83	0.70	13
2Q13	-2.25	-2.29	4
Yearly			
2014 YTD	1.74	1.85	-11
2013	-0.66	-1.23	56
2012	2.98	3.56	-58
Trailing			
Last 3 Months	1.74	1.85	-11
Last 6 Months	2.41	2.29	12
Last 12 Months	0.94	0.65	29
Since Inception(Ann)⁴			
Return	2.15	2.21	-5
Standard Deviation	2.54	2.78	
Tracking Error ⁵			40
Information Ratio ⁶			-0.14

¹ Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: May 16, 2012

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

⁶ Information Ratio is the annualized excess return divided by the annualized tracking error.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

December 31, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	-22
Country	-0
Sector	11
Government / Swap	4
Agency	-3
ABS	-1
CMBS	8
RMBS	-4
RMBS Credit	2
Covered Bond	-0
Corporates	8
Emerging Market Debt	-3
Security Selection	45
Government / Agency	5
Collateralized	30
Corporates	7
Emerging Markets Debt	3
Intraday Pricing / T-costs	-5
Residual/Other ¹	0
Official GSAM Performance	29

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa.

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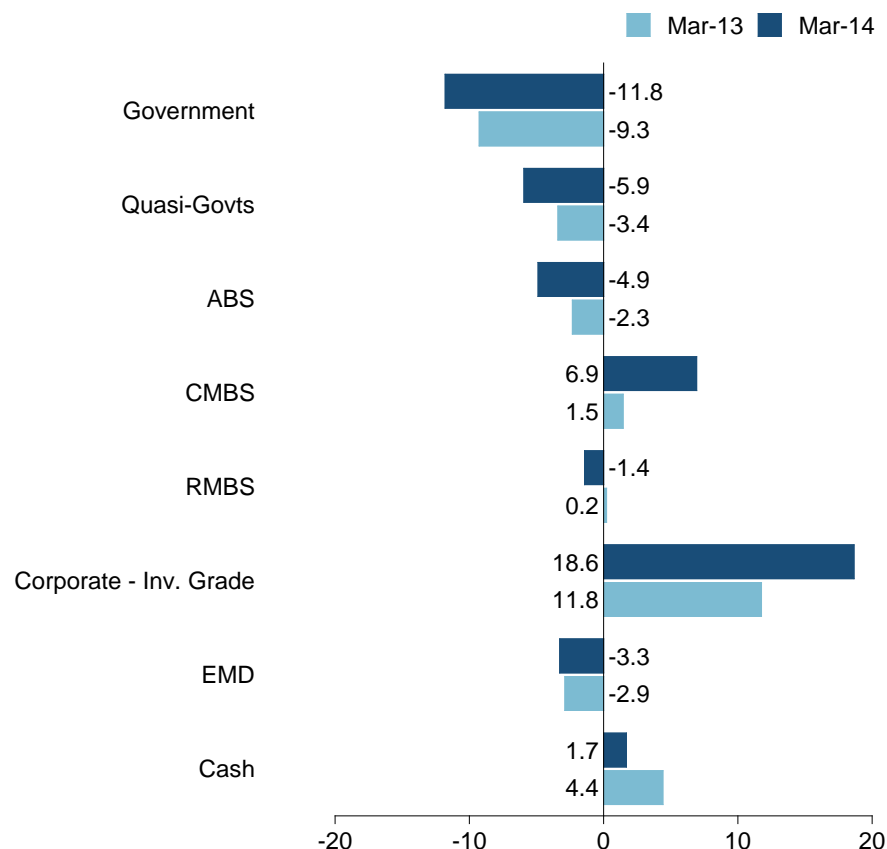
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	1.7	13.5	-11.8
Quasi-Govts	3.7	9.7	-5.9
ABS	5.1	10.0	-4.9
CMBS	16.9	10.0	6.9
RMBS	13.6	15.0	-1.4
Corporate - Inv. Grade	57.2	38.6	18.6
EMD	0.0	3.3	-3.3
Cash	1.7	0.0	1.7
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA
Duration (years)	4.25	4.95
Coupon	4.07	3.74
Yield To Worst	2.34	2.34
OAS	76	60
Market Value (\$mm)	54	n/a

As of March 31, 2014

Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



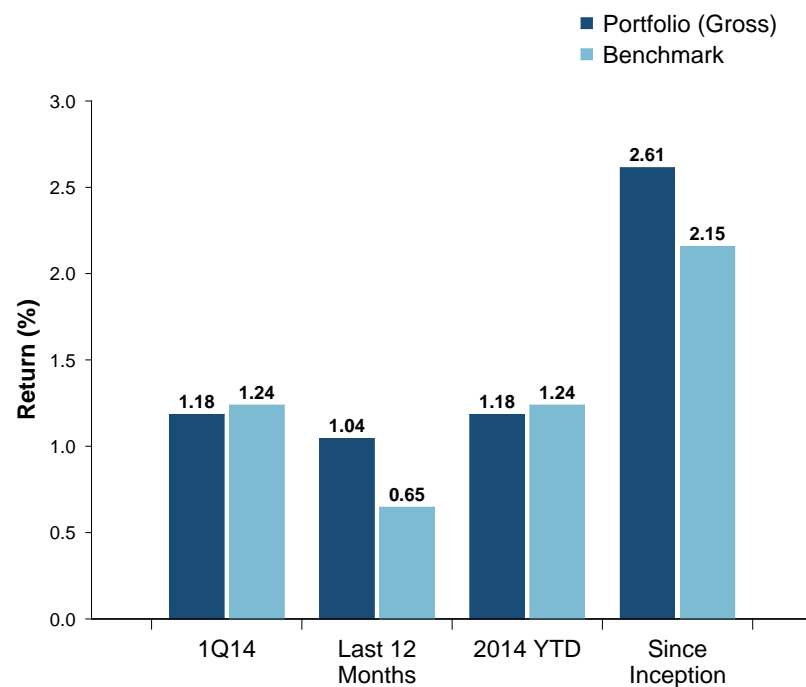
Excess Loss Fund



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.18	-0.20	2
Feb-14	0.55	0.48	7
Jan-14	0.81	0.95	-15
Dec-13	-0.35	-0.40	5
Nov-13	0.21	-0.01	22
Oct-13	0.88	0.75	13
Quarterly			
1Q14	1.18	1.24	-5
4Q13	0.74	0.33	41
3Q13	0.91	0.84	7
2Q13	-1.77	-1.74	-3
Yearly			
2014 YTD	1.18	1.24	-5
2013	0.21	-0.33	54
2012	3.51	3.15	36
Trailing			
Last 3 Months	1.18	1.24	-5
Last 6 Months	1.94	1.58	36
Last 12 Months	1.04	0.65	40
Since Inception(Ann)⁴			
Return	2.61	2.15	46
Standard Deviation	2.10	2.10	
Tracking Error ⁵			28

¹ Benchmark: 3 month USD Libor.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: May 16, 2012

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

March 29, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	-26
Country	1
Sector	4
Government / Swap	1
Agency	-4
ABS	-1
CMBS	7
RMBS	-5
RMBS Credit	3
Covered Bond	-0
Corporates	4
Emerging Market Debt	-2
Security Selection	59
Government / Agency	7
Collateralized	44
Corporates	9
Emerging Markets Debt	-1
Intraday Pricing / T-costs	1
Residual/Other ¹	1
Official GSAM Performance	40

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: 3 month USD Libor.

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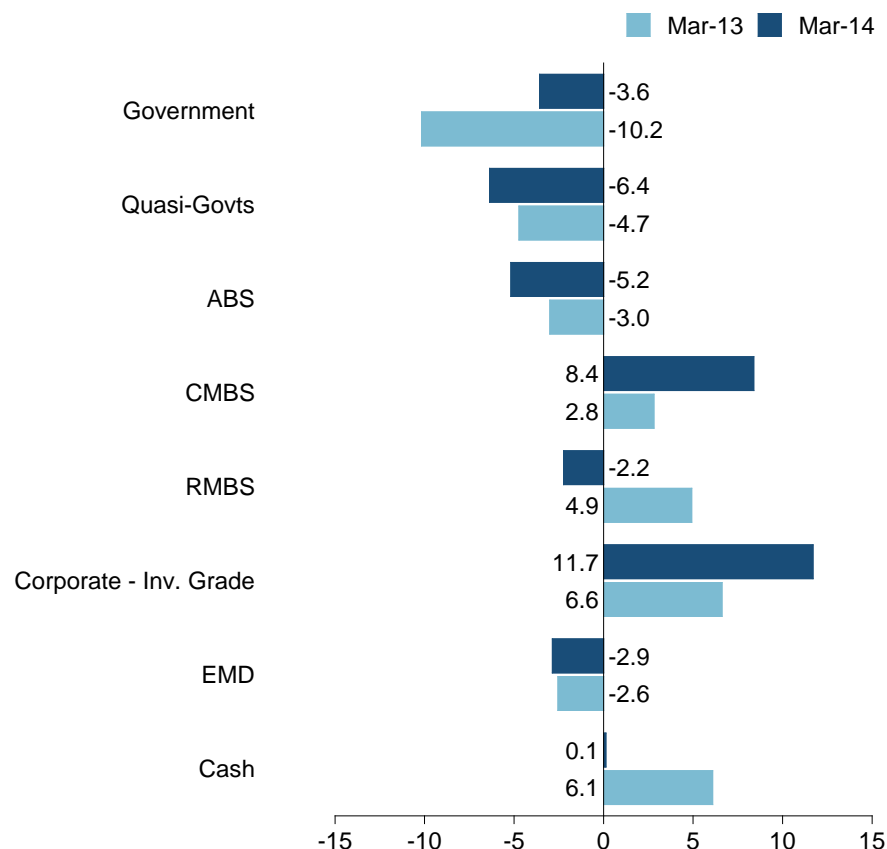
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Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	10.0	13.5	-3.6
Quasi-Govts	3.5	9.9	-6.4
ABS	4.8	10.0	-5.2
CMBS	18.4	10.0	8.4
RMBS	12.8	15.0	-2.2
Corporate - Inv. Grade	50.4	38.7	11.7
EMD	0.0	2.9	-2.9
Cash	0.1	0.0	0.1
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA	AA
Duration (years)	3.18	3.81
Coupon	3.87	3.46
Yield To Worst	1.99	2.00
OAS	71	50
Market Value (\$mm)	45	n/a

As of March 31, 2014

Benchmark: Barclays 15% US Govt 1-5yr, 15% US MBS, 10% US ABS, 35% US Int Credit A+, 10% US CMBS Agg/ERISA, 15% US Int Credit Baa.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



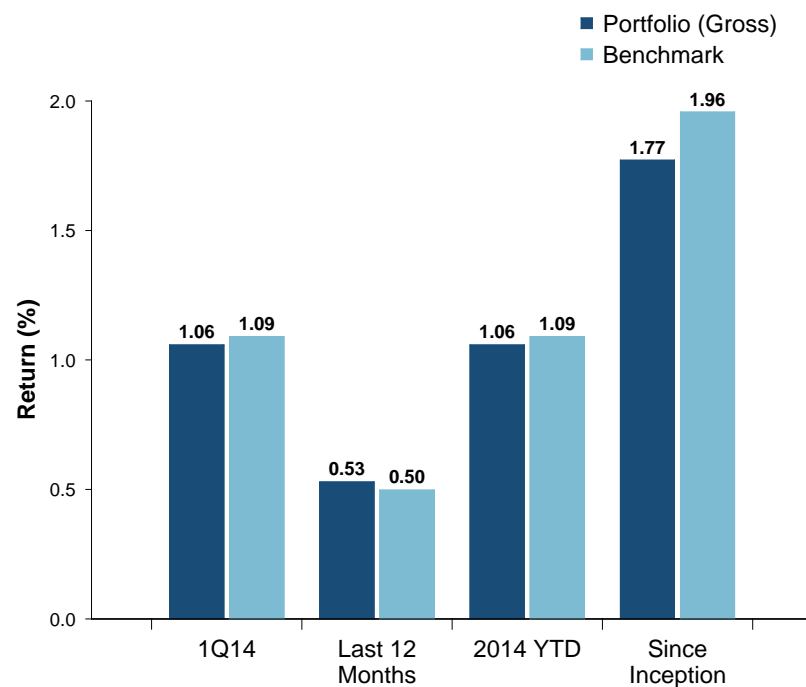
Liberty



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.18	-0.25	6
Feb-14	0.42	0.41	0
Jan-14	0.82	0.92	-10
Dec-13	-0.46	-0.43	-3
Nov-13	0.15	0.00	15
Oct-13	0.72	0.69	3
Quarterly			
1Q14	1.06	1.09	-3
4Q13	0.40	0.25	15
3Q13	0.74	0.83	-9
2Q13	-1.65	-1.65	-0
Yearly			
2014 YTD	1.06	1.09	-3
2013	-0.22	-0.38	16
2012	2.50	2.98	-48
Trailing			
Last 3 Months	1.06	1.09	-3
Last 6 Months	1.46	1.35	12
Last 12 Months	0.53	0.50	3
Since Inception(Ann)⁴			
Return	1.77	1.96	-19
Standard Deviation	1.86	2.00	
Tracking Error ⁵			28

¹ Benchmark: 3 month USD Libor.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: May 16, 2012

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

March 29, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	-15
Country	3
Sector	-9
Government / Swap	0
Agency	-4
ABS	-1
CMBS	5
RMBS	-7
RMBS Credit	1
Corporates	-2
Emerging Market Debt	-1
Security Selection	29
Government / Agency	2
Collateralized	24
Corporates	6
Emerging Markets Debt	-3
Intraday Pricing / T-costs	-6
Residual/Other ¹	1
Official GSAM Performance	3

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: 3 month USD Libor.

Past performance does not guarantee future results, which may vary.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable.

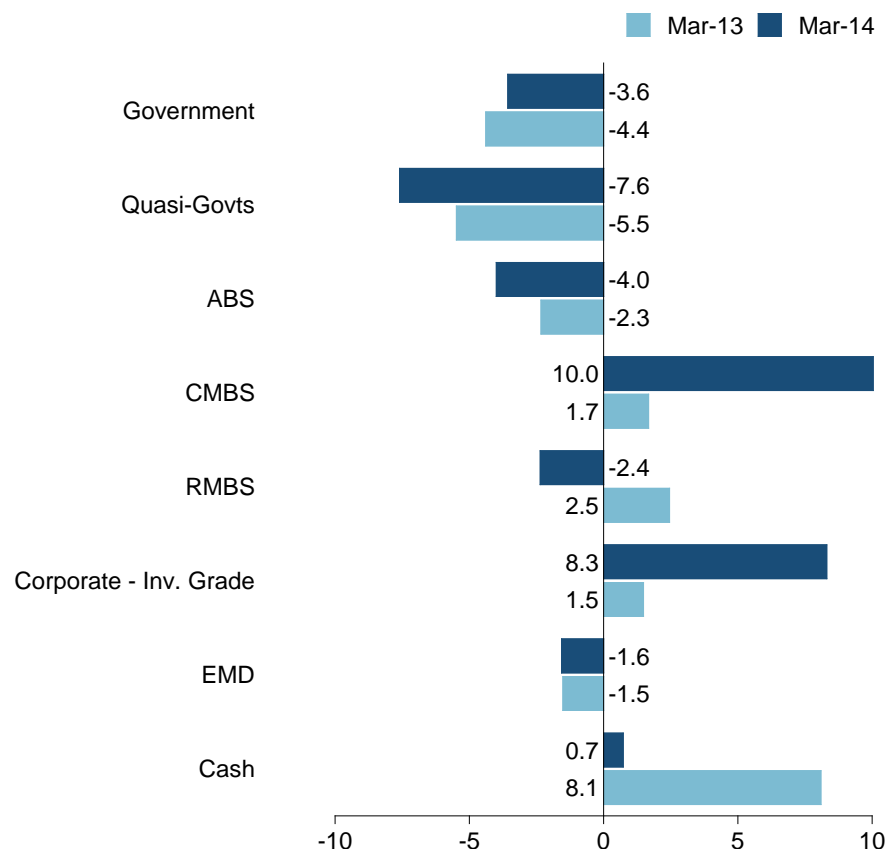
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	9.9	13.4	-3.6
Quasi-Govts	5.8	13.4	-7.6
ABS	6.0	10.0	-4.0
CMBS	20.0	10.0	10.0
RMBS	12.7	15.0	-2.4
Corporate - Inv. Grade	44.9	36.6	8.3
EMD	0.0	1.6	-1.6
Cash	0.7	0.0	0.7
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA+	AA+
Duration (years)	2.98	3.72
Coupon	3.70	3.24
Yield To Worst	1.73	1.85
OAS	55	39
Market Value (\$mm)	28	n/a

As of March 31, 2014

Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



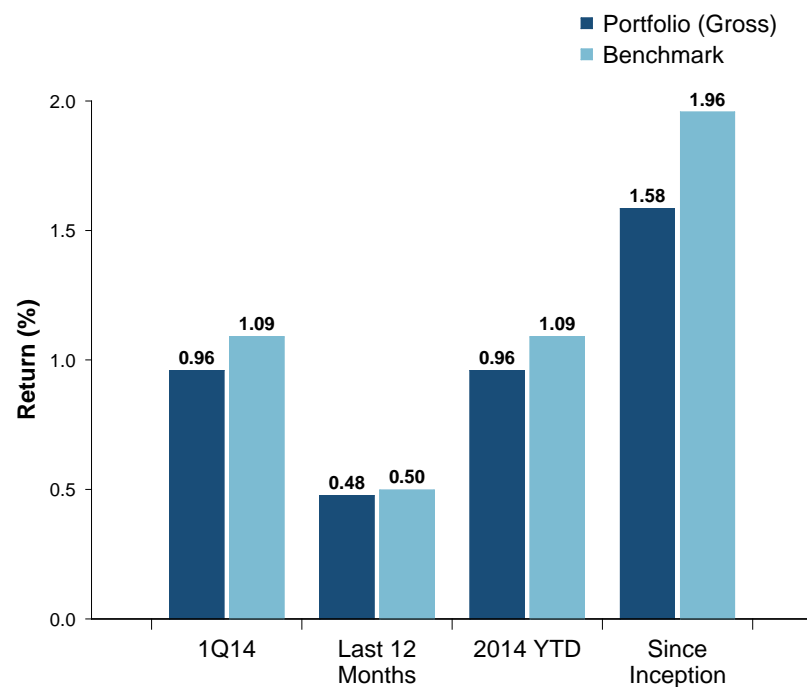
Liberty 2006



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.20	-0.25	4
Feb-14	0.40	0.41	-1
Jan-14	0.76	0.92	-16
Dec-13	-0.37	-0.43	6
Nov-13	0.12	0.00	11
Oct-13	0.73	0.69	4
Quarterly			
1Q14	0.96	1.09	-13
4Q13	0.47	0.25	22
3Q13	0.67	0.83	-16
2Q13	-1.60	-1.65	5
Yearly			
2014 YTD	0.96	1.09	-13
2013	-0.18	-0.38	20
2012	2.20	2.98	-78
Trailing			
Last 3 Months	0.96	1.09	-13
Last 6 Months	1.43	1.35	9
Last 12 Months	0.48	0.50	-2
Since Inception(Ann)⁴			
Return	1.58	1.96	-37
Standard Deviation	1.83	2.00	
Tracking Error ⁵			33
Information Ratio ⁶			-1.13

¹ Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr.

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: May 16, 2012

⁵ Tracking Error is the annualized standard deviation of monthly excess returns.

⁶ Information Ratio is the annualized excess return divided by the annualized tracking error.

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

March 29, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	-23
Country	3
Sector	-6
Government / Swap	1
Agency	-4
ABS	-1
CMBS	6
RMBS	-4
RMBS Credit	1
Corporates	-3
Emerging Market Debt	-1
Security Selection	27
Government / Agency	0
Collateralized	25
Corporates	5
Emerging Markets Debt	-3
Intraday Pricing / T-costs	1
Residual/Other ¹	-1
Official GSAM Performance	-2

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr.

Past performance does not guarantee future results, which may vary.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable.

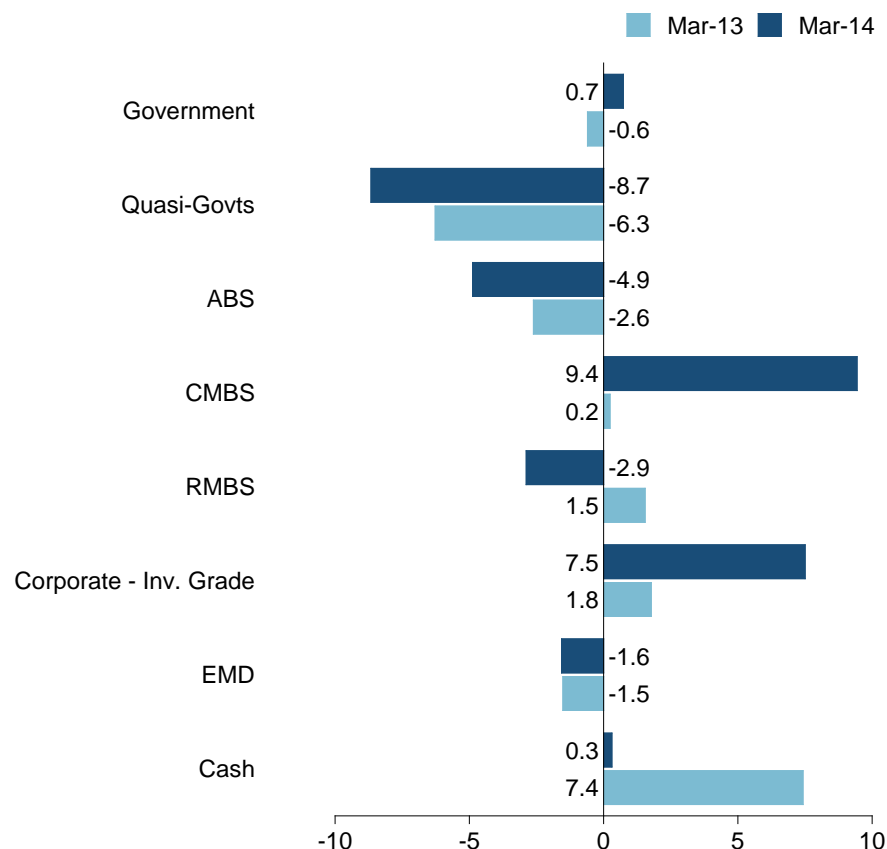
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	14.2	13.4	0.7
Quasi-Govts	4.7	13.4	-8.7
ABS	5.1	10.0	-4.9
CMBS	19.4	10.0	9.4
RMBS	12.1	15.0	-2.9
Corporate - Inv. Grade	44.1	36.6	7.5
EMD	0.0	1.6	-1.6
Cash	0.3	0.0	0.3
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA+	AA+
Duration (years)	3.08	3.72
Coupon	3.37	3.24
Yield To Worst	1.74	1.85
OAS	53	39
Market Value (\$mm)	29	n/a

As of March 31, 2014

Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



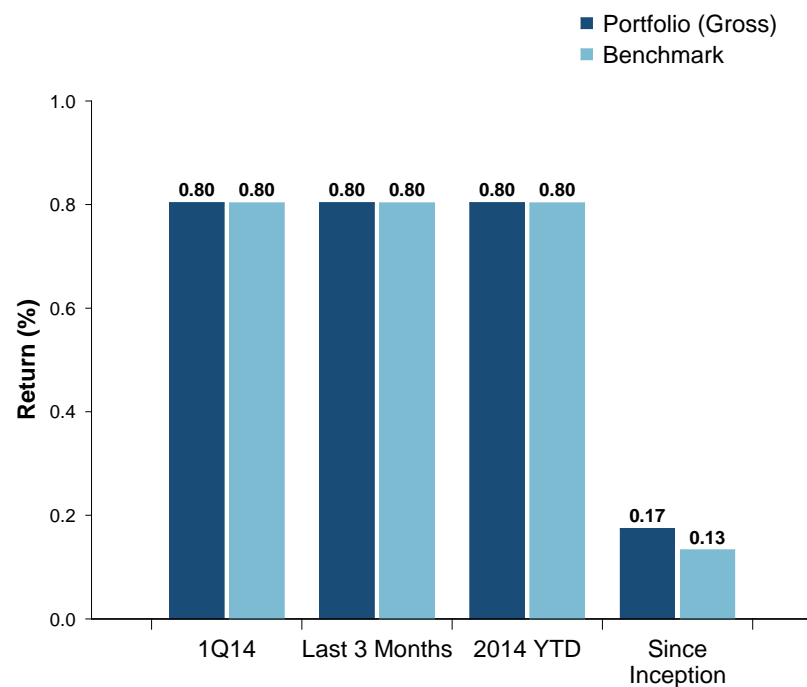
ACE



Performance Summary

As of March 31, 2014

Portfolio Performance vs. Benchmark¹ (%)



	Portfolio ² Gross(%)	Benchmark ¹ (%)	Difference ³ Gross(bps)
Monthly			
Mar-14	-0.31	-0.36	5
Feb-14	0.28	0.29	-1
Jan-14	0.83	0.87	-4
Dec-13	-0.63	-0.68	5
Nov-13	-0.02	-0.01	-1
Oct-13	-0.05	-0.05	0
Quarterly			
1Q14	0.80	0.80	0
4Q13	-0.70	-0.74	4
3Q13	0.08	0.08	0
Yearly			
2014 YTD	0.80	0.80	0
2013	-0.62	-0.66	4
Trailing			
Last 3 Months	0.80	0.80	0
Last 6 Months	0.10	0.06	4
Since Inception(Cum)⁴			
Return	0.17	0.13	4

¹ Benchmark: Barclays U.S. Government/Credit: Intermediate A or better Index (TR, unhedged, USD).

² Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns.

³ Gross difference is the difference between the portfolio gross return and the benchmark return.

⁴ Performance Inception Date: September 17, 2013

Past performance does not guarantee future results, which may vary.

All Periods over 12 months are annualized.



Performance Attribution

September 17, 2013 - March 31, 2014

Strategy/Exposure	Excess Return Gross (bps)
Duration	1
Country	-0
Sector	-1
Government / Swap	0
Agency	-2
RMBS	-0
Corporates	1
Emerging Market Debt	-0
Security Selection	0
Government / Agency	-2
Collateralized	-0
Corporates	3
Emerging Markets Debt	-0
Intraday Pricing / T-costs	-0
Residual/Other ¹	-0
Official GSAM Performance	0

¹ The difference between the fixed income proprietary risk and attribution model and the official GSAM performance system may be due to varying pricing, valuation, and data sources, as well as ad hoc custodian and accounting reconciliations.

Note: allocations may not sum to total due to rounding

Benchmark: Barclays U.S. Government/Credit: Intermediate A or better Index (TR, unhedged, USD).

Past performance does not guarantee future results, which may vary.

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable.

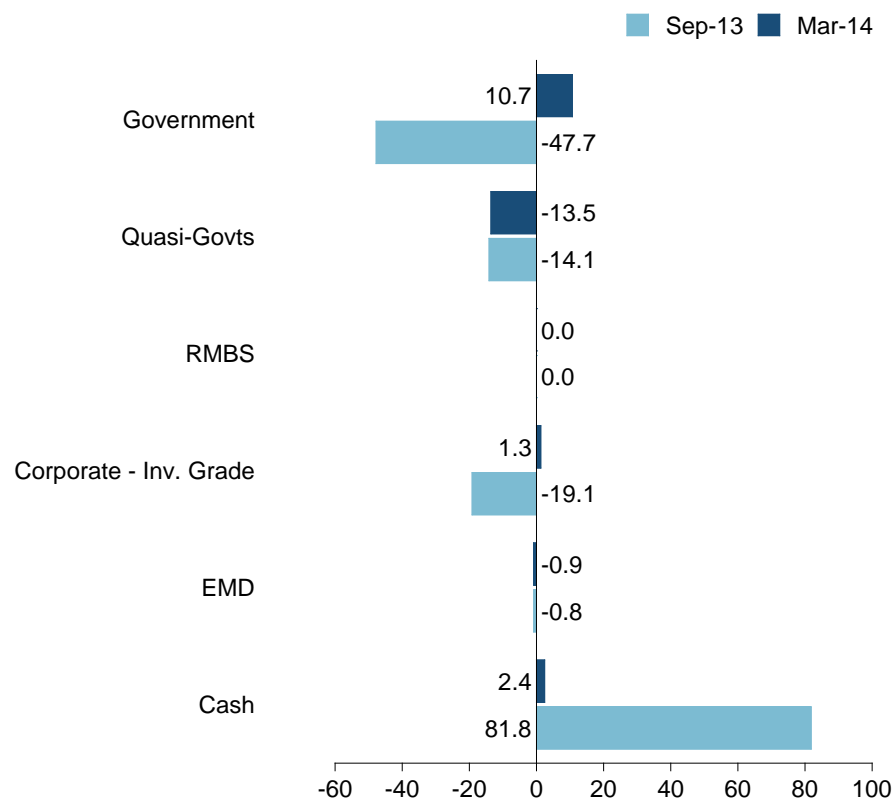
The returns presented herein are gross and do not reflect the deduction of investment advisory fees, which will reduce returns.



Portfolio Positioning

Sector Allocation

Deviation from Benchmark (MV,%)



Portfolio Value vs. Benchmark (MV,%)

	Portfolio	Benchmark	Deviation
Government	76.5	65.8	10.7
Quasi-Govts	0.0	13.5	-13.5
RMBS	0.0	0.0	-0.0
Corporate - Inv. Grade	21.1	19.8	1.3
EMD	0.0	0.9	-0.9
Cash	2.4	0.0	2.4
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AAA	AA+
Duration (years)	3.37	3.67
Coupon	1.22	2.33
Yield To Worst	1.20	1.37
OAS	2	6
Market Value (\$mm)	28	n/a

As of March 31, 2014

Benchmark: Barclays U.S. Government/Credit: Intermediate A or better Index (TR, unhedged, USD).

Portfolio holdings may not be representative of current or future investments. Future portfolio holdings may not be profitable. Note: allocations may not sum to total due to rounding.



Appendix



General Disclosures



Disclosures

This material is provided at your request solely for your use.

References to indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only and do not imply that the portfolio will achieve similar results. The index composition may not reflect the manner in which a portfolio is constructed. While an adviser seeks to design a portfolio which reflects appropriate risk and return features, portfolio characteristics may deviate from those of the benchmark.

The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk.

Past performance does not guarantee future results, which may vary. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur. Opinions expressed are current opinions as of the date appearing in this material only.

Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. We have relied upon and assumed without independent verification, the accuracy and completeness of all information available from public sources.

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Portfolio Holdings may not be representative of current or future investments. The securities discussed do not represent all of the portfolio's holdings and may represent only a small percentage of the strategy's portfolio holdings. Future portfolio holdings may not be profitable.

Valuation levels for the assets listed in the Account statements and other documents containing prices reflect GSAM's good faith effort to ascertain fair market levels (including accrued income, if any) for all positions. The valuation information is believed by GSAM to be reliable for round lot sizes. The prices are indicative only of the assumed fair value of the positions on the relevant date. These valuation levels may not be realized by the Account upon liquidation. Market conditions and transaction size will affect liquidity and price received upon liquidation. Current exchange rates will be applied in valuing positions in foreign currency.

For portfolio valuation purposes it is the responsibility of the custodian, administrator or such other third party appointed by the client, to obtain accurate and reliable information concerning the valuation of any securities including derivative instruments which are comprised in the portfolio. The information that GSAM provides should not be deemed the official pricing and valuation for the Account. GSAM is not obligated to provide pricing information to satisfy any regulatory, tax or accounting requirements to which the Client may be subject.

Views and opinions expressed are for informational purposes only and do not constitute a recommendation by GSAM to buy, sell, or hold any security. Views and opinions are current as of the date of this presentation and may be subject to change, they should not be construed as investment advice.

Tracking Error (TE) is one possible measurement of the dispersion of a portfolio's returns from its stated benchmark. More specifically, it is the standard deviation of such excess returns. TE figures are representations of statistical expectations falling within "normal" distributions of return patterns. Normal statistical distributions of returns suggests that approximately two thirds of the time the annual gross returns of the accounts will lie in a range equal to the benchmark return plus or minus the TE if the market behaves in a manner suggested by historical returns. Targeted TE therefore applies statistical probabilities (and the language of uncertainty) and so cannot be predictive of actual results. In addition, past tracking error is not indicative of future TE and there can be no assurance that the TE actually reflected in your accounts will be at levels either specified in the investment objectives or suggested by our forecasts.



General Disclosures

Index Benchmarks

Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

The indices referenced herein have been selected because they are well known, easily recognized by investors, and reflect those indices that the Investment Manager believes, in part based on industry practice, provide a suitable benchmark against which to evaluate the investment or broader market described herein. The exclusion of “failed” or closed hedge funds may mean that each index overstates the performance of hedge funds generally

High-yield, lower-rated securities involve greater price volatility and present greater credit risks than higher-rated fixed income securities

The strategy may include the use of derivatives. Derivatives often involve a high degree of financial risk because a relatively small movement in the price of the underlying security or benchmark may result in a disproportionately large movement in the price of the derivative and are not suitable for all investors. No representation regarding the suitability of these instruments and strategies for a particular investor is made.

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Compliance Review **97673.SA.OTU**

MARSH CAPTIVE SOLUTIONS GROUP

Who We Are

- Captive advisory and management unit of the world's leading insurance broker
- Assisting organizations achieve their financial and strategic objectives with a complete array of captive management resources for more than 40 years
- Largest captive manager with over 1,148 clients in 37 domiciles
- More than 450 highly qualified professionals worldwide, including MBAs, CPCUs, CPAs, and JDs
- Global captive benchmarking report
- Commitment and excellence in information technology

New York Operations

- Largest captive manager in New York State
 - As measured by number of captives, premium volume and capita/surplus under management
- Dedicated office and staff in New York
 - Office established in 2004
 - Devoted to New York State captives only
- Extensive captive experience
 - Qualified and committed professional staff with more than 30 years of combined captive management experience
- Expansive knowledge of New York State captive regulatory environment
 - Scheduled bi-weekly conversations with NY State Department of Financial Services (NYSDFS) captive regulator
 - Keep abreast of changes in regulatory requirements

Marsh Client Service Team

First Mutual Transportation Assurance Company ("FMTAC")

Team Member & Role	Responsibilities	Qualifications
Nisala Weerasooriya Head of Office, Captive Management	<ul style="list-style-type: none">• Oversees the performance of the MTA's FMTAC captive management service team	<ul style="list-style-type: none">• Over 20 years with Marsh captive management• Over 30 years in the insurance, financial and audit industries• 6 years with the MTA / Marsh Team• Certified Public Accountant
Gemma Mah Client Team Leader	<ul style="list-style-type: none">• Serves as the primary point of contact for the MTA• Reviews all financial statements, budget reports and policies• Oversees annual financial statement audit with Deloitte• Ensures regulatory compliance with NYS Department of Financial Services	<ul style="list-style-type: none">• 14 years with Marsh captive management• Over 15 years in the captive insurance and audit industries• 6 years with the MTA / Marsh Team• Chartered Accountant
Feiona Churaman Account Manager and Heather Fogarty Account Administrator	<ul style="list-style-type: none">• Manages the day-to-day administration of FMTAC's payment process, accounting, premium invoicing and policy issuance• Prepares financial statements, budget reports and bank reconciliations• Prepares FMTAC payments and acts as liaison to the MTA Treasury department for all disbursements	<ul style="list-style-type: none">• Combined 10 years with Marsh captive management• Combined 6 years with the MTA / Marsh Team

Marsh USA Inc

MTA – Master Broker

About Marsh

Marsh is a world leader in delivering risk and insurance services and solutions to our clients. Marsh colleagues provide risk management, risk consulting, insurance broking, alternative risk financing, and insurance program management services to a wide range of businesses, government entities, and professional services organizations around the world.

With more than 27,000 colleagues in over 100 countries collaborating to provide advice and transactional capabilities, Marsh teams with its clients to define, design, and deliver innovative industry-specific solutions that help them protect their future and thrive. In 2013, Marsh produced annual revenues of approximately \$6.6 billion.

Marsh is a member of Marsh & McLennan Companies, a global professional services firm with 51,000 employees worldwide and annual revenue exceeding \$12 billion, which is also the parent company of Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman, the management consultancy. Its stock (ticker symbol: MMC) is listed on the New York, Chicago, and London stock exchanges.

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 – Casualty Insurance Advisor

Kathy Bettencourt/John Byrnes – 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

Anne Ffrench – Zurich

Neil Robb – Bermuda

Tom Davies – London

Jonathan Fennelly - Dublin

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

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.

GSAM Insurance Asset Management

Sean Saia

Vice President; Lead Insurance Portfolio Manager; GSAM Insurance Asset Management

Sean joined the GSAM portfolio management team as a Lead Portfolio Manager upon GSAM's acquisition of Dwight Asset Management. While at Dwight, Sean served as Head of Insurance responsible for portfolio construction, client service, business planning and marketing strategy since 2009. Prior to serving as Head of Insurance, Sean was the primary insurance client portfolio manager for six years. Sean had been with Dwight for over 20 years and his prior experience included serving as both a stable value and total return fixed income portfolio manager as well as President of Dwight Analytics, a retirement benefits consulting division of Dwight Asset Management.

Brian Rapino

Vice President; Client Relationship Manager; GSAM Insurance Asset Management

Brian Rapino is a member of the GSAM Insurance Asset Management team in the capacity of Relationship Manager for GSAM's Insurance clients. In this role, he is responsible for covering Life, Property and Casualty, and Reinsurance companies in the US and Bermuda. Prior to joining the team in 2012, Brian spent six years on the Institutional Client Relationship Management team within Goldman Sachs Asset Management as a senior member of the group focusing on client account implementations. He previously worked in the Portfolio Control & Analysis group within GSAM Operations from 2001- 2006. Brian received a B.S. in Mass Communications from Towson University.

MILLIMAN, 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 50 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, FCAS, is the lead analyst for Milliman's actuarial review and is responsible for developing reserve estimates for the captive.

Dana Jackson, Actuarial Analyst, is responsible for data management and implementation of the actuarial models that underlie our analyses of claim liabilities for FMTAC.

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

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.