

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

2015 Annual Board Meeting

May 20, 2015

New York State Insurance Captive of



FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

ANNUAL BOARD MEETING

May 20, 2015

NOTICE

The 2015 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 2 Broadway, 20th Floor, New York, NY on May 20, 2015.

TABLE OF CONTENTS

Tab	Document
1	FMTAC Newsletter
2	December 31, 2014 Financial Statements – Multi Year Comparatives
3	December 31, 2014 Audited Financial Statements
4	December 31, 2014 Actuarial Certification
5	Regulatory Checklist
6	Investment Report
7	FMTAC Partners – Service Providers
8	Glossary of Insurance Terms

FMTAC NEWSLETTER



First Mutual Transportation Assurance Company 2015 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, 2014. 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>
2014 New York Annual Statement	24-Feb-15	Filed with NYSDFS
2014 Loss Reserve Certification	2-Mar-15	Filed with NYSDFS
2014 Audited Financial Statements	In progress	Filed with NYSDFS
2015 NY Insurance License	In progress	Filed with NYSDFS
2015 NY Annual Meeting	20-May-15	Scheduled
2015 Actuarial Reserve Review - Initial	30-Sep-15	To be performed by Milliman
2015 Actuarial Reserve Review - Final	31-Dec-15	To be performed by Milliman
2015 Policy Issuance	Ongoing	Various Renewal dates
2015 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	12/31/14	12/31/13	12/31/12	12/31/11
Balance Sheet:				
Total Cash and Invested Assets	\$ 606,876	\$ 579,697	\$ 527,981	\$ 506,195
Total Insurance Reserves Recoverable	640,083	669,326	811,175	82,298
Total Other Assets	80,956	83,983	127,873	76,163
Total Assets	1,327,915	1,333,006	1,467,029	664,656
Total Insurance Reserves	1,006,124	1,046,981	1,147,800	404,735
Total Liabilities	1,161,387	1,197,973	1,291,147	505,324
Total Equity	166,528	135,033	175,882	159,332
Unrealized Gain / (Loss) on Invt	12,932	9,483	17,253	9,686
Income Statement:				
Premium Written	\$ 174,767	\$ 145,826	\$ 152,966	\$ 95,308
Premium Earned	100,149	74,762	82,504	95,815
Net Investment Income	12,994	10,614	12,474	21,927
Losses and LAE Incurred Exp	72,067	106,395	75,159	95,411
Other Underwriting and Operating Exp.	13,030	12,060	10,836	9,570
Net Income / (Net Loss)	28,046	(33,079)	8,983	12,761
Ratios:				
Loss Ratio	72.0%	142.3%	91.1%	99.6%
Expense Ratio	13.0%	16.1%	13.1%	10.0%
Combined Ratio	85.0%	158.4%	104.2%	109.6%

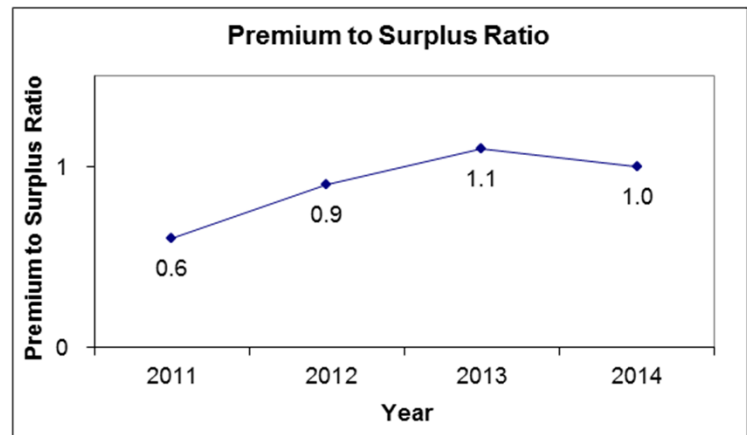
- **Total assets** have decreased by \$5.0 million (0.4%) and **Total liabilities** have decreased by \$36.5 million (3%) during 2014. The decrease in total assets is the net effect of a reduction in reinsurance loss reserve recoverable (asset) due to the settlement of Hurricane Irene property claim offset by premiums received from affiliates. The decrease in total liabilities is attributable to a reduction in insurance loss reserves due to the settlement of the Hurricane Irene property claim and lower actuarial reserve recommendations for the older Builder's Risk policies.
- **Total equity** was \$166.5 million at year end 2014, which included a \$12.9 million unrealized gain on investments. Total equity increased \$31.4 million (23%) from 2013, which is attributable to \$28.0 million of net income and a \$3.4 million increase in unrealized gain on investments.
- **Premium written** was \$174.7 million which increased \$28.9 million (20%) from 2013. This increase is a result of additional premium from the Owner Controlled Insurance Program ("OCIP"), Builder's Risk and Excess Loss policies. **Premium earned** was \$100.1 million for 2014, which was \$25.3 million (34%) more than 2013. The increase is a result of higher earned premium on OCIP and Excess Loss policies. The OCIP policies earn premium based on percentage of completion of construction projects.
- **Net investment income earned** was \$12.9 million for 2014, which was \$2.3 million (22%) more than 2013 due to realized gains on sale of investments.
- **Losses and LAE incurred expenses ("incurred expense")** were \$72.0 million for 2014 which decreased by \$34.3 million (32%) when compared to 2013. The decrease is attributable to increased loss reserve expenses in 2013 due to the prior year's December 1, 2013 MNR derailment excess loss claim.

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.

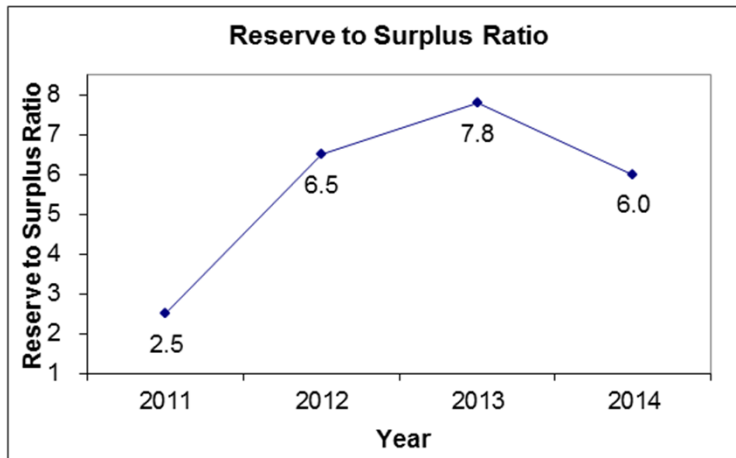
Conclusion: FMTAC, with a Premium-to-Surplus ratio of 1.0:1 in 2014, is operating well within the recommended accepted range of 5:1 or lower.



➤ **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.

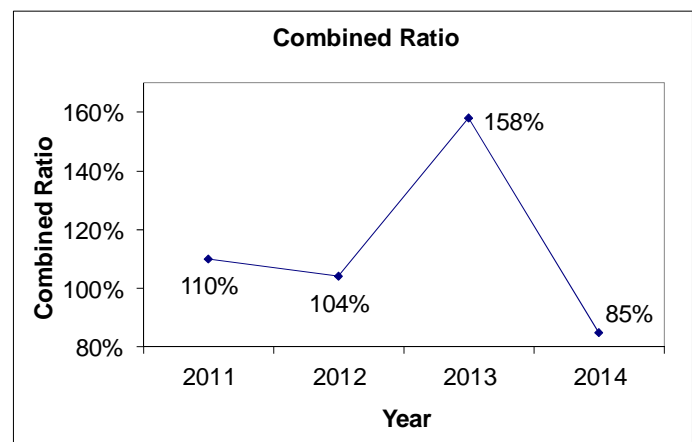
Conclusion: In 2014, FMTAC's Reserve-to-Surplus ratio decreased to 6.0:1 due to the settlement of the Hurricane Irene property claim. The ratio includes a loss reserve for Tropical Storm Sandy property claim, which is fully reinsured. Without the inclusion of the fully reinsured reserve for Tropical Storm Sandy, the net ratio would be 2.2:1. FMTAC remains within the recommended accepted range of 10:1 or lower.



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

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

Conclusion: In 2014, there was a decrease in the ratio to 85%, which is due to combination of i) lower Losses and LAE Incurred expense (numerator) and ii) an increase in Premium Earned from the OCIP policies (denominator).

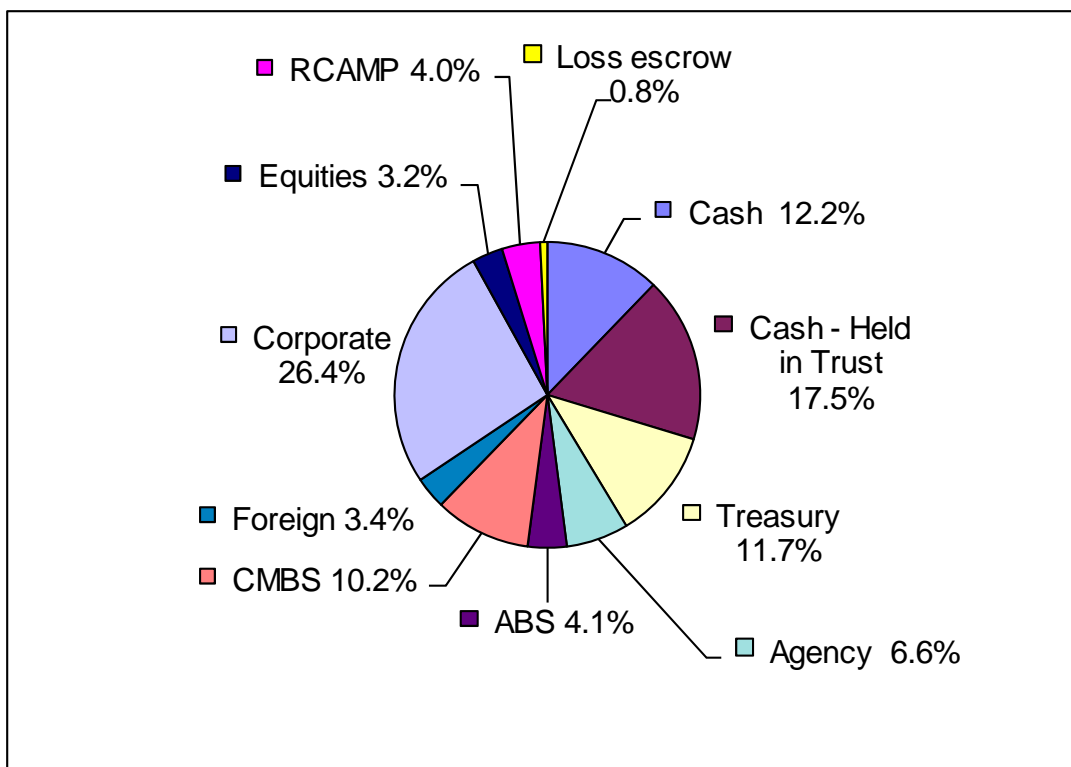


INVESTMENTS

At December 31, 2014, FMTAC held \$606.876 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, 2014 Market Value (in thousands)
Cash and Cash Equivalents	12.2%	74,169
Cash - Held in Trust	17.5%	106,010
Treasury	11.7%	70,810
Agency	6.6%	40,074
Asset Backed Securities	4.1%	24,953
Commercial Mortgage Backed Securities	10.2%	61,770
Foreign Bonds	3.4%	20,412
Corporate Bonds	26.4%	159,941
Equities	3.2%	19,604
OCIP Collateral ("RCAMP Trust")	4.0%	24,525
Loss Escrows	0.8%	4,608
Total	100.0%	606,876

Cash and Invested Assets at 12/31/14 Market Values



FINANCIAL STATEMENTS – MULTI YEAR COMPARATIVES

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, 2014 TO DECEMBER 31, 2011

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
ASSETS				
Cash & Cash Equivalents	\$ 73,228,716	\$ 47,412,092	\$ 50,099,695	\$ 32,096,441
Cash & Investments - LOC Collateral	25,878,604	30,845,196	37,300,627	44,694,229
Investments - GOA	159,602,138	171,923,993	150,711,831	166,359,710
Security Trust - Liberty	28,233,259	27,366,433	27,475,209	26,163,987
Security Trust - Liberty '06	29,741,281	28,850,833	28,951,376	27,724,756
Investments - ELF	72,247,158	63,147,468	68,421,105	64,563,721
Investments - Builders Risk	54,903,945	52,489,849	52,889,961	49,943,982
Security Trust - ACE	27,897,169	27,207,937	-	-
Discover Re Trust Fund	103,635,209	95,186,789	78,587,868	56,286,102
RCAMP Trust Fund	24,525,300	28,283,096	30,435,387	35,254,002
Premium Receivable	74,846,727	77,463,655	124,217,263	70,940,678
Reinsurance Premium Deposit - MetroCat	2,375,000	2,375,000	-	-
Reinsurance Loss Recoverable	641,721,079	670,964,467	811,175,185	82,298,278
Escrow Paid Loss Deposit Funds	4,608,399	4,608,399	3,108,399	3,108,399
Interest Income Receivable	2,314,762	2,504,300	2,333,568	2,661,115
Deferred Incentive Award Receivable	2,132,977	1,858,054	1,301,505	531,547
Prepaid Losses	-	498,796	-	2,029,316
Deferred Policy Acquisition Costs	22,924	19,944	19,564	-
TOTAL ASSETS	\$ <u>1,327,914,647</u>	\$ <u>1,333,006,301</u>	\$ <u>1,467,028,543</u>	\$ <u>664,656,263</u>
LIABILITIES				
IBNR Loss Reserves	\$ 186,049,637	\$ 194,382,346	\$ 196,995,699	\$ 217,236,280
Case Loss Reserves	162,234,365	161,672,656	115,770,117	76,393,075
Reserves - Deemed Recoverable	640,083,000	669,326,388	811,175,185	82,298,278
Deferred Losses Payable - RCAMP	17,757,130	21,599,126	23,859,082	28,807,182
Losses & LAE Payable	189,308	-	848,487	-
Unearned Premium Reserve (net of Deferred Reinsurance Premium)	126,754,319	123,802,714	135,791,047	94,046,198
Other Due	4,398,537	3,198,388	3,942,954	5,742,757
Ceded Premium Payable	23,919,372	23,990,971	2,663,887	-
Intercompany Payable - MTA	-	-	100,000	800,072
TOTAL LIABILITIES	<u>1,161,385,668</u>	<u>1,197,972,589</u>	<u>1,291,146,458</u>	<u>505,323,842</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	44,881,383	77,960,568	68,977,712	56,216,965
Net Income / (Net Loss)	28,046,616	(33,079,185)	8,982,856	12,760,747
Unrealized Gain / (Loss) on Investments	12,932,061	9,483,410	17,252,598	9,685,790
TOTAL STOCKHOLDER'S EQUITY	<u>166,528,979</u>	<u>135,033,712</u>	<u>175,882,085</u>	<u>159,332,421</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ <u>1,327,914,647</u>	\$ <u>1,333,006,301</u>	\$ <u>1,467,028,543</u>	\$ <u>664,656,263</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, 2014 TO DECEMBER 31, 2011

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
UNDERWRITING INCOME				
Gross Written Premiums				
Direct	\$ 171,560,834	\$ 142,757,581	\$ 149,956,114	\$ 95,307,684
Assumed	3,206,144	3,068,159	3,009,782	-
Total Written Premium	<u>174,766,978</u>	<u>145,825,740</u>	<u>152,965,896</u>	<u>95,307,684</u>
Premium Ceded	(71,665,986)	(83,052,544)	(28,717,949)	(24,230,050)
Net Retained Premium	<u>103,100,992</u>	<u>62,773,196</u>	<u>124,247,947</u>	<u>71,077,634</u>
Change in Unearned Premium - Net	(2,951,605)	11,988,334	(41,744,850)	24,736,607
Net Earned Premium	<u>100,149,387</u>	<u>74,761,530</u>	<u>82,503,097</u>	<u>95,814,241</u>
LOSS & LOSS ADJUSTMENT EXPENSES:				
Paid Losses & LAE	79,837,918	63,965,897	55,928,689	66,746,463
Change in Case Reserves	(4,405,291)	47,932,768	19,382,886	10,136,302
Change in IBNR Loss Reserves	(3,365,709)	(5,503,768)	(153,043)	18,528,315
Total Incurred Losses & LAE	<u>72,066,918</u>	<u>106,394,897</u>	<u>75,158,532</u>	<u>95,411,080</u>
UNDERWRITING EXPENSES:				
Safety & Loss Control	2,120,770	1,560,592	1,562,805	2,055,910
Commissions	1,977,519	1,889,853	1,728,026	764,168
Change in Deferred Acquisition Costs	134,563	119,279	97,818	-
Total Underwriting Expenses	<u>4,232,852</u>	<u>3,569,724</u>	<u>3,388,649</u>	<u>2,820,078</u>
NET UNDERWRITING INCOME / (LOSS)	<u>23,849,617</u>	<u>(35,203,091)</u>	<u>3,955,916</u>	<u>(2,416,917)</u>
OTHER EXPENSES				
Risk Management Fees	8,241,813	7,589,887	6,647,473	5,958,161
Other Misc. Charges	555,401	900,350	800,031	791,835
Total Other Expenses	<u>8,797,214</u>	<u>8,490,237</u>	<u>7,447,504</u>	<u>6,749,996</u>
INCOME / (LOSS) BEFORE INVESTMENT INCOME	<u>15,052,403</u>	<u>(43,693,328)</u>	<u>(3,491,588)</u>	<u>(9,166,913)</u>
INVESTMENT INCOME				
Investment Income	12,994,213	10,614,143	12,474,444	21,927,660
Total Investment Income	<u>12,994,213</u>	<u>10,614,143</u>	<u>12,474,444</u>	<u>21,927,660</u>
NET INCOME / (NET LOSS)	<u>\$ 28,046,616</u>	<u>\$ (33,079,185)</u>	<u>\$ 8,982,856</u>	<u>\$ 12,760,747</u>

AUDITED FINANCIAL STATEMENTS

First Mutual Transportation Assurance Company

(Subsidiary of the Metropolitan Transportation
Authority)

Financial Statements as of and for the Years
Ended December 31, 2014 and 2013, and
Independent Auditors' Report

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3–6
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013:	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows	9
Notes to Financial Statements	10–22

INDEPENDENT AUDITORS' 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, 2014 and 2013, 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.

Auditors' 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 auditors' 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, 2014 and 2013, 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 29, 2015

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Subsidiary of the Metropolitan Transportation Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

(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, 2014 and 2013. 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, 2014 and 2013. 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)	
	2014	2013	2012	2014-2013	2013-2012
ASSETS					
CURRENT ASSETS	\$ 333,784	\$ 310,145	\$ 339,720	\$ 23,639	\$ (29,575)
NONCURRENT ASSETS	<u>994,131</u>	<u>1,022,861</u>	<u>1,127,308</u>	<u>(28,730)</u>	<u>(104,447)</u>
TOTAL ASSETS	<u>\$ 1,327,915</u>	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</u>	<u>\$ (5,091)</u>	<u>\$ (134,022)</u>

Significant Changes in Assets:

December 31, 2014 versus December 31, 2013

Total assets have decreased by \$5,091 or 0.4 percent, from December 31, 2013 to December 31, 2014. The fluctuation in the total assets of FMTAC was the net effect of premium received from affiliates and reduction of reinsurance recoverable losses for Hurricane Irene. In 2014, FMTAC received its Hurricane Irene property claim settlement from its reinsurance carriers.

December 31, 2013 versus December 31, 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.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2014	2013	2012	2014-2013	2013-2012
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES	\$ 255,738	\$ 255,169	\$ 256,244	\$ 569	\$ (1,075)
NONCURRENT LIABILITIES	905,649	942,804	1,034,902	(37,155)	(92,098)
RESTRICTED NET POSITION	<u>166,528</u>	<u>135,033</u>	<u>175,882</u>	<u>31,495</u>	<u>(40,849)</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,327,915</u>	<u>\$ 1,333,006</u>	<u>\$ 1,467,028</u>	<u>\$ (5,091)</u>	<u>\$ (134,022)</u>

Significant Changes in Liabilities:

December 31, 2014 versus December 31, 2013

Total liabilities from December 31, 2013 to December 31, 2014 have decreased by \$36,586 or 3 percent. The decrease in liabilities is due to a reduction in unpaid losses for the Hurricane Irene property claim. In 2014, FMTAC settled the Hurricane Irene property claim.

December 31, 2013 versus December 31, 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.

Significant Changes in Net Position:

December 31, 2014 versus December 31, 2013

In 2014, the restricted net position increase of \$31,495 is comprised of operating revenues of \$100,149 and non-operating income of \$16,443, less operating expenses of \$85,097.

December 31, 2013 versus December 31, 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.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2014	2013	2012	Increase/(Decrease)	
				2013-2012	2013-2012
OPERATING REVENUES	\$ 100,149	\$ 74,761	\$ 82,503	\$ 25,388	\$ (7,742)
OPERATING EXPENSES	<u>85,097</u>	<u>118,455</u>	<u>85,996</u>	<u>(33,358)</u>	<u>32,459</u>
OPERATING INCOME / (LOSS)	15,052	(43,694)	(3,493)	58,746	(40,201)
NON-OPERATING INCOME / (LOSS)	<u>16,443</u>	<u>2,845</u>	<u>20,041</u>	<u>13,598</u>	<u>(17,196)</u>
CHANGE IN NET POSITION	31,495	(40,849)	16,548	72,344	(57,397)
RESTRICTED NET POSITION — Beginning of year	<u>135,033</u>	<u>175,882</u>	<u>159,334</u>	<u>(40,849)</u>	<u>16,548</u>
RESTRICTED NET POSITION — End of year	<u>\$166,528</u>	<u>\$135,033</u>	<u>\$175,882</u>	<u>\$ 31,495</u>	<u>\$ (40,849)</u>

Operating Revenues—The increase of \$25,388 or 34 percent, over the 2013 operating revenues is due to increased earned premium from the OCIP Liberty program and Excess Loss Policy compared to prior years.

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

Operating Expenses—Operating expenses between 2013 and 2014 decreased by 28 percent, or \$33,358. This decrease is attributable to the prior year increase in estimated reserves for Excess Loss coverage due to the 2013 Metro-North Derailment.

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.

Non-operating Income—Non-operating income between 2013 and 2014 increased by 478% percent, or \$13,598. This is a result of an increase in income from net unrealized gains on investments held by FMTAC.

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.

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 be reviewed and approved by the New York Insurance Department. As of December 31, 2014, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2014 and 2013, 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 2014 was impacted by increases catastrophe activity and reduced support from reserve releases, which offset the effect of moderate rate increases. While the industry’s underwriting performance remained positive, it lagged behind prior year results, which benefited from lower catastrophe losses and other activity. The industry has produced seven consecutive quarters of profitable underwriting results; however, weather volatility and the investment environment remain challenges.

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 full 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. In 2014, FMTAC paid \$10,000 in losses relating to this claim. At December 31, 2014, FMTAC has a reserve of \$40,000 in these financial statements.

Terrorism Risk Insurance Act—Effective November 26, 2002, the Terrorism Risk Insurance Act (“TRIA”) was signed in to law. 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. On January 12, 2015, TRIA was extended through December 31, 2020. For additional information, please refer to the property section under Note 5.

* * * * *

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

STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013
(In thousands)

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 184,786	\$ 158,138
Investments (Note 4)	47,288	43,237
Funds held by reinsurer (Note 5)	24,525	28,283
Premiums receivable due from affiliates (Note 7)	74,847	77,464
Interest income receivable (Note 4)	2,314	2,504
Other assets	24	519
Total current assets	<u>333,784</u>	<u>310,145</u>
NONCURRENT ASSETS:		
Investments (Note 4)	350,277	350,039
Reinsurance recoverable	641,721	670,964
Incentive reward receivable	2,133	1,858
Total noncurrent assets	<u>994,131</u>	<u>1,022,861</u>
TOTAL ASSETS	<u>\$ 1,327,915</u>	<u>\$ 1,333,006</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Unearned premiums	\$ 126,754	\$ 123,803
Ceded premium payable	23,919	23,991
Reinsurance recoverable reserves—current portion (Note 6)	1,638	1,638
Loss and loss adjustment expenses (Note 6)	98,837	102,538
Losses payable	189	-
Due to affiliates	3,524	2,339
Accrued expenses	877	860
Total current liabilities	<u>255,738</u>	<u>255,169</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expenses (Note 6)	247,809	251,879
Reinsurance recoverable reserves (Note 6)	640,083	669,326
Owner Controlled Insurance Programs liability (Note 5)	17,757	21,599
Total noncurrent liabilities	<u>905,649</u>	<u>942,804</u>
Total liabilities	1,161,387	1,197,973
RESTRICTED NET POSITION	<u>166,528</u>	<u>135,033</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,327,915</u>	<u>\$ 1,333,006</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, 2014 AND 2013
(In thousands)

	2014	2013
OPERATING REVENUES:		
Gross premiums written	\$ 174,767	\$ 145,826
Premiums ceded	(71,666)	(83,053)
Change in unearned premiums	<u>(2,952)</u>	<u>11,988</u>
Total operating revenues	<u>100,149</u>	<u>74,761</u>
OPERATING EXPENSES:		
Loss and loss adjustment	72,067	106,395
Underwriting	4,233	3,570
General and administrative	<u>8,797</u>	<u>8,490</u>
Total operating expenses	<u>85,097</u>	<u>118,455</u>
OPERATING INCOME / (LOSS)	<u>15,052</u>	<u>(43,694)</u>
NON-OPERATING INCOME:		
Net investment income	12,994	10,614
Net unrealized gain (loss) on investments	<u>3,449</u>	<u>(7,769)</u>
Total non-operating income	<u>16,443</u>	<u>2,845</u>
CHANGE IN NET POSITION	31,495	(40,849)
RESTRICTED NET POSITION—Beginning of year	<u>135,033</u>	<u>175,882</u>
RESTRICTED NET POSITION—End of year	<u>\$ 166,528</u>	<u>\$ 135,033</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, 2014 AND 2013
(In thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other receipts	\$ 105,645	\$ 130,853
Other operating expenses	<u>(91,340)</u>	<u>(79,659)</u>
Net cash provided by operating activities	<u>14,305</u>	<u>51,194</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(250,392)	(241,832)
Sales and maturities of investments	249,552	201,276
Earnings on investments	<u>13,183</u>	<u>10,444</u>
Net cash provided (used in) by investing activities	<u>12,343</u>	<u>(30,112)</u>
NET INCREASE IN CASH	26,648	21,082
CASH AND CASH EQUIVALENTS—Beginning of year	<u>158,138</u>	<u>137,056</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 184,786</u>	<u>\$ 158,138</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income / (loss)	\$ 15,052	\$ (43,694)
Adjustments to reconcile to net cash used in operating activities:		
Net decrease in accounts payable, accrued expenses and other liabilities	(36,586)	(93,173)
Net increase in receivables	<u>35,839</u>	<u>188,061</u>
Net cash provided by operating activities	<u>\$ 14,305</u>	<u>\$ 51,194</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, 2014 AND 2013 (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. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which 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. GASB 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. GASB Statement No.70 further requires an issuer government that is required to repay a guarantor for guarantee payments made to continue 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. This Statement also requires a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. FMTAC has determined that GASB Statement No. 70 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. 72, *Fair Value Measurement and Application*. The objective of GASB Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general

principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The provisions in GASB Statement No. 72 are effective for fiscal years beginning after June 15, 2015.

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, 2014 and 2013, cash and cash equivalents consisted of (in thousands):

	2014		2013	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 175	\$ 250	\$ 250	\$ 250
Loss escrows	4,608	4,608	4,608	4,608
Funds for security trust	103,635	103,635	95,187	95,187
Funds held with reinsurer	2,375	2,375	2,375	2,375
Uninsured deposits	<u>73,993</u>	<u>73,993</u>	<u>55,718</u>	<u>55,718</u>
	<u>\$ 184,786</u>	<u>\$ 184,861</u>	<u>\$ 158,138</u>	<u>\$ 158,138</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 \$4,608 for the years ended December 31, 2014 and 2013, respectively.

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, 2014 and 2013 (in thousands):

	2014		2013	
	Market	Cost	Market	Cost
Restricted for claim payments	\$ 286,107	\$ 274,493	\$ 282,182	\$ 273,360
Security trust funds	85,579	84,293	80,249	79,626
Restricted funds for letter of credit	<u>25,879</u>	<u>25,847</u>	<u>30,845</u>	<u>30,806</u>
	<u>\$ 397,565</u>	<u>\$ 384,633</u>	<u>\$ 393,276</u>	<u>\$ 383,792</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, 2014 and 2013.

The fair value of the above investments consists of \$286,107 and \$282,182 in 2014 and 2013 in investments restricted for claim payments, respectively; \$85,579 and \$80,249 in 2014 and 2013 in security trust funds, respectively; and \$25,879 and \$30,845 for letter of credit obligations in 2014 and 2013, respectively. The yield to maturity rate on the above investments was 3.75% for the year ended December 31, 2014, and 3.69% for the year ended December 31, 2013. The change in net unrealized gain (loss) on investments for the years ended December 31, 2014 and 2013, was a \$3,449 gain and a \$7,769 (loss), 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	2014	
	Fair Value	Duration
Treasury (1)	\$ 70,912	4.62
Agency (2)	40,273	4.20
Asset backed securities	24,974	0.99
Commercial mortgage backed securities	61,993	1.64
Foreign bonds	20,562	0.00
Corporate bonds	<u>161,561</u>	2.46
Total	380,275	3.75
Equities (3)	19,604	
Less accrued interest	<u>(2,314)</u>	
Total investments	<u>\$ 397,565</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

	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

Credit Risk—At December 31, 2014, 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	\$ 119,864	31.5 %
AA	34,000	8.9
A	100,340	26.4
BBB	54,641	14.4
Not rated	<u>218</u>	<u>0.1</u>
Credit risk debt securities	309,063	81.3
U.S. Government bonds	<u>71,212</u>	<u>18.7</u>
Total fixed income securities	380,275	<u>100.0 %</u>
Equities	19,604	
Less accrued interest	<u>(2,314)</u>	
Total investments	<u>\$ 397,565</u>	

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>	

5. INSURANCE PROGRAMS

Property and Terrorism Coverage Program - Effective May 1, 2014, FMTAC renewed the all-agency property insurance program. For the annual period commencing May 1, FMTAC directly insures property damage claims of the other MTA Group entities in excess of a \$25,000 per occurrence self-insured retention, subject to an annual \$75,000 aggregate as well as certain exceptions summarized below. The total program is \$600,000 per occurrence covering property of the related entities collectively. FMTAC is reinsured in the domestic, Asian, London, European and Bermuda marketplaces for this coverage. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7,500 per occurrence. The property insurance policy provides replacement cost coverage for all risks (including Earthquake, Flood and Wind) 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.

In addition to the noted \$25,000 per occurrence self-insured retention, MTA self-insures All Risk coverage (excluding Earthquake, Flood, and Wind) above that retention for \$362,300 within the overall \$600,000 property program, as follows: \$32,980 (or 32.98%) of the \$100,000 layer excess of the primary \$150,000 layer, plus \$229,330 (or 91.7%) of the \$250,000 layer excess of \$250,000, plus \$100,000 (or 100%) of \$100,000 excess of \$500,000. FMTAC is 100% reinsured for the perils of Earthquake, Flood, and Wind for the \$600,000 per occurrence and in the annual aggregate property program.

Supplementing the \$600,000 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 independent from MTA and formed to provide FMTAC with capital markets-based property reinsurance. The MetroCat Re Ltd. reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided by Metrocat Re Ltd., is available for storm surge losses only after amounts available under the \$600,000 in general property reinsurance are exhausted.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 85% of “certified” losses, as covered by the Terrorism Risk Insurance Act (“TRIA”) of 2007 (originally introduced in 2002). Under the 2007 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. The remaining 15% of MTA Group losses arising from an act of terrorism would be covered under the additional terrorism policy described below. Additionally, no federal compensation will be paid unless the aggregate industry insured losses exceed \$100,000 (“trigger”). The United States government’s reinsurance of FMTAC was extended for six years.

To supplement the reinsurance to FMTAC through the 2007 Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”) program, the MTA obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces. 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 and in the annual aggregate, (2) the TRIPRA FMTAC captive deductible (per occurrence and on an aggregated basis) that applies when recovering under the 15% “certified” acts of terrorism insurance or (3) 100% of any “certified” terrorism loss which exceeds \$5,000 and less than the \$100 TRIPRA trigger — up to a maximum recovery of \$100,000 for any occurrence and in the annual aggregate. This coverage expires at midnight on May 1, 2015. Recovery under this policy is subject to a 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 Group’s retention in any one year exceed \$75,000 future losses in that policy year are subject to a 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. Effective October 31, 2014, 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, 2014, 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, 2014, 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, 2014, the MTA renewed its one-year auto liability policy with Travelers (Discover Re). Effective March 1, 2014, 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, 2014, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

Non-Revenue—Effective March 1, 2014, 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, 2014, 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, 2014 and 2013 (in thousands):

	2014	2013
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000-2004 Capital Improvement Program	(2,092)	(2,078)
NYCT 2000-2004 line structures/shops, yards and depots Capital Improvements Program	1,111	1,400
NYCT 2000-2004 stations and escalators/elevators Capital Improvements Program	(683)	(658)
LIRR/MNR 2005-2009 Capital Improvement Program	(317)	288
CCC Second Ave. Subway	<u>19,206</u>	<u>22,115</u>
OCIP liability	<u>\$ 17,757</u>	<u>\$ 21,599</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, which consist of \$10,385 for the LIRR/MNCR OCIP, \$52,709 for the NYCT 2000-2004 lines structures/shops, yards and depots capital improvement program and \$23,000 for the NYCT 2000-2004 stations and escalators/elevators capital improvement program. The collateral posted by the Company to secure its reimbursement of the insurer’s payments is invested by the insurer with interest returning to the Company at a guaranteed annual rate of return. The Company earned \$4 and \$8 during the years ended December 31, 2014 and 2013, 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 2014 and 2013, respectively, the Company made claims payments totaling \$327 and \$1,600.

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, 2014, additional funding totaling \$8,178. The Company made claim payments totaling \$2,205 and \$1,822 during 2014 and 2013, 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 \$0 and \$3 in interest income during the years ended December 31, 2014 and 2013, 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 2014 and 2013, \$20,345 and \$23,175 has been set aside to cover this exposure. During 2014 and 2013, the Company earned \$80 and \$97 in interest with \$4,599 and \$2,546 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 2014 and 2013 (in thousands):

	2014	2013
Funds held by OCIP insurers—beginning of year	\$ 28,283	\$ 30,435
Interest income	84	108
Claims payments	(7,131)	(5,968)
Additional contributions/(returned)—net	<u>3,289</u>	<u>3,708</u>
Funds held by OCIP reinsurer	<u>\$ 24,525</u>	<u>\$ 28,283</u>

East Side Access Project (“ESA”)—Effective April 1, 1999, the Company entered into an OCIP program for the 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. In 2014, this coverage was extended to May 31, 2021, for an additional ceded premium of \$18,106. 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 2014 and 2013 (in thousands):

	2014	2013
Loss and loss adjustment expenses—beginning of year	\$ 1,025,381	\$ 1,123,941
Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(669,326)</u>	<u>(810,615)</u>
Net balance—beginning of year	356,055	313,326
Loss and loss adjustment expenses	72,067	106,395
Payments attributable to insured events of the current year	<u>(79,838)</u>	<u>(63,666)</u>
Net balance—end of year	348,284	356,055
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>640,083</u>	<u>669,326</u>
Loss and loss adjustment expenses—end of year	988,367	1,025,381
Less current portion	<u>100,475</u>	<u>104,176</u>
Long-term liability	<u>\$ 887,892</u>	<u>\$ 921,205</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, 2014 and 2013, was as follows (in thousands):

	2014		2013	
	Receivable	Earned	Receivable	Earned
LIRR	\$ 10,753	\$ 11,032	\$ 8,309	\$ 9,179
MNCR	6,271	8,243	6,233	7,694
MTA	<u>57,823</u>	<u>80,874</u>	<u>62,922</u>	<u>57,888</u>
	<u>\$ 74,847</u>	<u>\$ 100,149</u>	<u>\$ 77,464</u>	<u>\$ 74,761</u>

For the years ended December 31, 2014 and 2013, respectively, the MTA charged \$8,241 and \$7,590, respectively, to FMTAC for risk management services provided to the Company of which \$3,524 and \$2,339 remain as a liability at December 31, 2014 and 2013, 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 is \$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-insured 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 provided replacement cost coverage for all risks of direct physical loss or damage to all real and personal property, with minor exceptions. The policy also provided extra expense and business interruption coverage.

As FMTAC was 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, 2014 and 2013, FMTAC has a reserve of \$630,215 and \$630,215 respectively, along with a corresponding reinsurance recoverable in these financial statements. FMTAC paid and recovered \$0 and \$143,905 of paid losses relating to this claim in 2014 and 2013 respectively.

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 full 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. In 2014, FMTAC paid \$10,000 in losses relating to this claim. At December 31, 2014, FMTAC has a reserve of \$40,000 in these financial statements.

10. SUBSEQUENT EVENT

MTA Metro-North Railroad 2015 Grade Crossing Incident

On February 3, 2015, a MTA Metro-North Railroad Harlem Line train struck an automobile in a highway-rail grade crossing between the Valhalla and Hawthorne stations. The driver of the automobile

and five passengers on the train were killed. Approximately fifteen passengers, and the train engineer, were injured. The National Transportation Safety Board (NTSB) is conducting an investigation into the contributing causes of the accident and has issued a Preliminary Report. Management believes that there is no indication from the NTSB's preliminary findings that MTA Metro-North Railroad was at fault in connection with this incident.

* * * * *

ACTUARIAL CERTIFICATION

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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, 2014. The items upon which I am expressing an opinion, as shown in Exhibit A, reflect the disclosures shown in Exhibit B.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data evaluated as of December 31, 2014 and reviewed information provided to me by the Company through February 23, 2015. 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, 2014 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 assets are appropriate to meet the cash flow needs of the Company. Other than reinsurance recoverables, I have not reviewed the held assets.

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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

The Company began operations in 1997. Lacking sufficient historical internal experience for the Company, especially for the Non-Revenue, Paratransit, Builder's Risk and Capital Construction programs, which started after 2001, I have relied primarily upon industry data

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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 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.

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 \$14,653,027, 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 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

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

and loss adjustment expense reserves as of December 31, 2014. 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 February 3, 2015. 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. Approximately 4% of reinsurance recoverable is from reinsurers for which no A.M. Best rating was available. I am not aware of any reinsurance that the Company treated as collectible but should have treated as uncollectible.

Based on the information cited above, my opinion on the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. I 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

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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.

Stated Basis of Reserve Presentation

Accounting Standard

The reserves upon which I am expressing an opinion were prepared in accordance with United States Generally Accepted Accounting Principles.

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 the carried 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.

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 Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

Other Disclosures

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.

Contractual Liability for Service Contracts

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

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

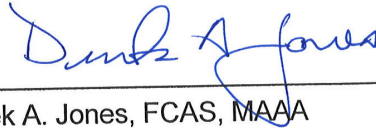
The Company has represented that it does not provide extended loss and expense coverage within professional liability claims-made contracts and therefore carries no extended loss and expense reserves.

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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
Milliman, Inc.
One Pennsylvania Plaza, 38th Floor
New York, NY 10119
(646) 473-3000
derek.jones@milliman.com

February 27, 2015

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

Exhibit A: SCOPE

	Column 1 <u>Amount</u>
1. Reserve for Unpaid Losses (Page 2, Line 17)	\$981,539,741
2. Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$12,607,260
3. Total of 1. and 2.	\$994,147,001
4. Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$642,209,000
5. 3. Less 4.	\$351,938,001

Statement of Actuarial Opinion
Annual Report of
First Mutual Transportation Assurance Company
For the Year Ended December 31, 2014

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 | |
| 4. | Type of Opinion, as identified in the OPINION paragraph.
Enter R, I, E, Q, or N based upon the following:
R if Reasonable;
I if Inadequate or Deficient Provision;
E if Excessive or Redundant Provision;
Q if Qualified (use Q when part of the opinion is Qualified); or
N if No Opinion | | R | |
| 5. | Materiality Standard expressed in US dollars (used to answer Question #6) | | \$14,653,027 | |
| 6. | Are there significant risks that could result in Material Adverse Deviation? | Yes [X] | No [] | Not Applicable [] |
| 7. | Capital and Surplus (Page 2, Line 35) | | \$146,530,265 | |

REGULATORY CHECKLIST

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

New York Regulatory Compliance Report As of May 20, 2015

<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	February 24, 2015
File Actuarial Certification of Loss Reserves.	Within 60 days of fiscal year end	March 2, 2015
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	Regulatory examination of 2010 fiscal year was 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 20, 2015

INVESTMENT REPORT



**Asset
Management**

First Mutual Transportation Assurance Company

April 2015 Portfolio Review

GSAM Insurance Asset Management

May 18, 2015

Table of Contents



**Asset
Management**

I. Market Review

II. Portfolio Review

- Overall Portfolio
- General Operating Account (GOA)
- Master Builders Risk Trust
- Excess Loss Fund (ELF)
- Equity Excess Loss Fund (ELF)
- Liberty Trust
- Liberty 2006 Trust
- ACE American Trust

III. Appendix

- General Disclosures



**Asset
Management**

I. Market Review

Executive Summary

April 2015



Asset
Management

Market Summary

- Inflation indicators and oil prices have stabilized, which, alongside continued strength in the labor market, support the macroeconomic objectives the Federal Reserve set to precede any rate hike.
- Data in the US have continued to disappoint, with initial jobless claims coming in above expectations at 295,000 and purchasing managers index (PMI) prints surprising to the downside. Consumer confidence and new home sales were also below expectations.
- Relations with Greece have worsened following the Eurogroup Summit. However, the prospects of an agreement on the terms of the country's bailout have since improved as the Greek prime minister has reorganized the negotiating team, indicating a willingness to adapt his strategy.

GSAM Investment Themes

- With US data lagging for several weeks and global factors increasingly impacting the US, we have removed our short US duration position. Though we expect the Federal Reserve to hike rates over the longer term, we believe the risks are balanced over the near term.
- We expect the present environment of low volatility, low growth and modest returns in risk assets to continue over the next few months. We remain moderately overweight investment grade and high yield corporate credit.
- We have reduced our short agency MBS slightly. Valuations remain unattractive relative to other sectors, given reduced demand and high prepayment speeds, but we see continued technical support from foreign and US bank demand.

Source: GSAM. 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. **Past performance does not guarantee future results, which may vary.**

The economic and market forecasts presented herein have been generated by GSAM for informational purposes as of the date of this presentation. They are based on proprietary models and there can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

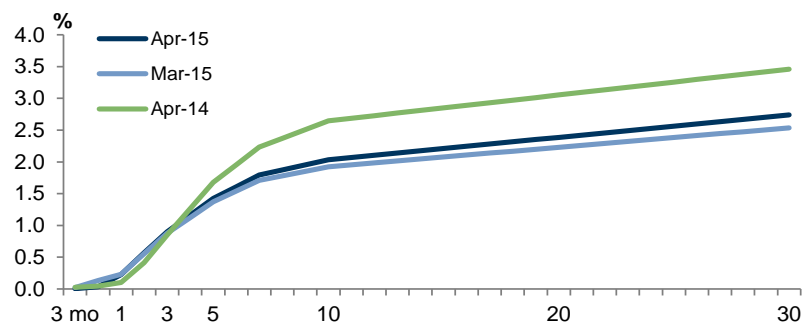
Market Review – April 2015

Yield Curve and Sector Excess Returns



**Asset
Management**

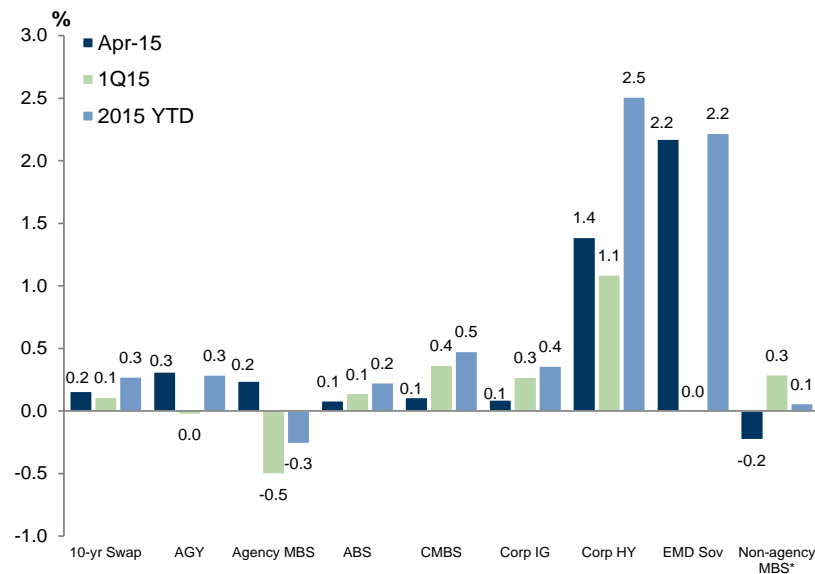
US Yield Curve Changes



US Treasury	3 Month	6 Month	2 Year	5 Year	10 Year	30 Year
Yield as of 30-Apr-2015 (%)	0.00	0.04	0.57	1.43	2.03	2.74
Yield as of 31-Mar-2015 (%)	0.02	0.14	0.56	1.37	1.92	2.54
Yield as of 30-Apr-2014 (%)	0.03	0.04	0.41	1.68	2.65	3.46
30-Apr-2015 Change (bps)	-2 bps	-10 bps	1 bps	5 bps	11 bps	20 bps
2015 YTD Change (bps)	-4 bps	-8 bps	-10 bps	-23 bps	-14 bps	-1 bps
2015 YTD Return (%)	0.01	0.09	0.54	1.55	1.76	0.84

- The US Treasury curve steepened modestly during April following the release of more positive economic data.
- In the US, economic data released April 30 showed wages and salaries increase by 0.7% during the month. Meanwhile, weekly jobless claims fell to 262,000, their lowest level in 15 years.

Sector Excess Returns (% Over Treasuries)



- Excess returns in fixed income spread sectors were mostly positive during April. The high yield corporate credit and emerging market debt sectors led outperformance during the month.
- The energy sector has rallied significantly year-to-date, proving to be an important tailwind for the broader high yield market.

Source: Citigroup, Barclays, GSAM; all data as of April 30, 2015.

¹ Non-agency MBS excess return is over swaps. **Past performance does not guarantee future results, which may vary.**

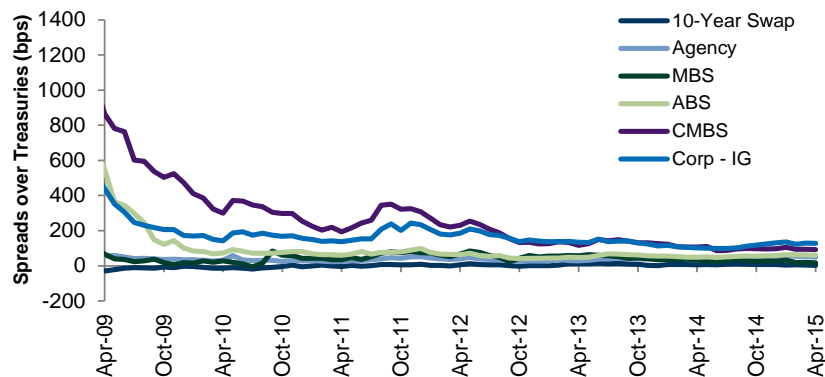
Market Review – April 2015

Sector Spreads



**Asset
Management**

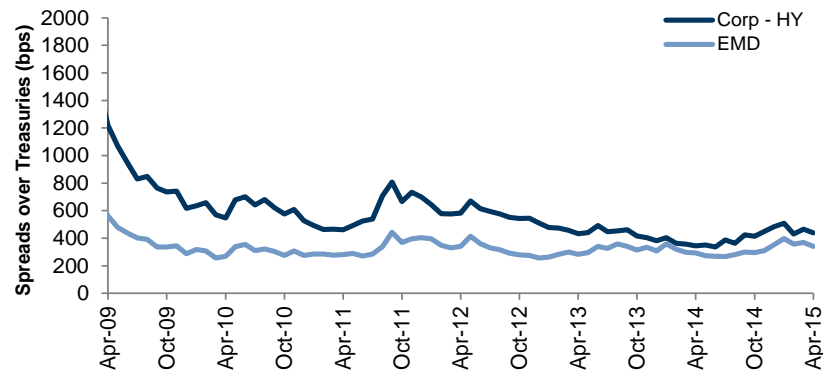
Investment Grade Sector Spreads (bps)



Spreads

Sector	Current (bps)	10 Year Average (bps)	Apr. 2015 Δ (bps)	2015 YTD Δ (bps)
10-Year Swap	3	15	-2	-4
Agency	49	42	-5	-3
MBS	16	56	-3	-11
ABS	61	142	-1	2
CMBS	93	251	-1	-5
Corp-IG	128	175	-1	-3

High Yield and Emerging Market Debt Spreads (bps)



Spreads

Sector	Current (bps)	10 Year Average (bps)	Apr. 2015 Δ (bps)	2015 YTD Δ (bps)
Corp-HY	439	566	-27	-44
EMD	340	325	-29	-13

- Spreads tightened during April with agency debentures and agency mortgage-backed securities tightening the most.
- Spreads in agency MBS tightened as relative strength in US growth and diverging sovereign yields drove heightened demand for the asset class from non-US investors.

- Spreads on high yield corporates and emerging market debt also moved in during the period after widening significantly during March.
- Within emerging market debt, Venezuela has outperformed in recent weeks thanks to positive fundamental measures taken by the Government, which supported external debt liquidity.

Source: JPMorgan, Barclays; all data as of April 30, 2015.

Macroeconomic growth outlook 2015-2016

We expect the US to continue to outperform other developed market economies



Asset
Management

Growth (%) - Individual

	2015		2016	
	GSAM	Consensus	GSAM	Consensus
US	3.3	3.2	3.4	2.8
UK	2.8	2.6	2.7	2.4
Eurozone	1.2	1.1	1.2	1.6
Japan	1.6	1.0	1.4	1.4
Brazil	0.0	0.6	2.0	1.9
China	6.8	7.0	6.5	6.7
India	5.5	5.5	6.0	6.3
Russia	-5.0	-3.5	1.0	0.6
Mexico	3.5	3.4	3.5	3.8
Korea	3.8	3.5	3.7	3.6
Indonesia	5.2	5.4	5.5	5.6
Turkey	2.4	3.5	3.8	3.7

Growth (%) - Summary

	2015		2016	
	GSAM	Consensus	GSAM	Consensus
Advanced	2.4	2.2	2.4	2.2
BRICs	4.6	4.9	5.3	5.5
Growth Markets	4.4	4.7	5.0	5.2
World	3.3	3.4	3.6	3.6

- We expect global growth of 3.3% in 2015 from around 3.2% in 2014.
- We are constructive on Eurozone growth in 2015, but less so in 2016 as we believe low inflation and structural issues are likely to persist.
- We are cautious on the outlook for China, where we see growth coming in slightly below the government's 7.5% target.

GSAM > Consensus

GSAM = Consensus

GSAM < Consensus

Source: GSAM, Consensus Economics. Consensus as of March 2015.

The economic and market forecasts presented herein have been generated by GSAM for informational purposes as of the date of this presentation. They are based on proprietary models and there can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

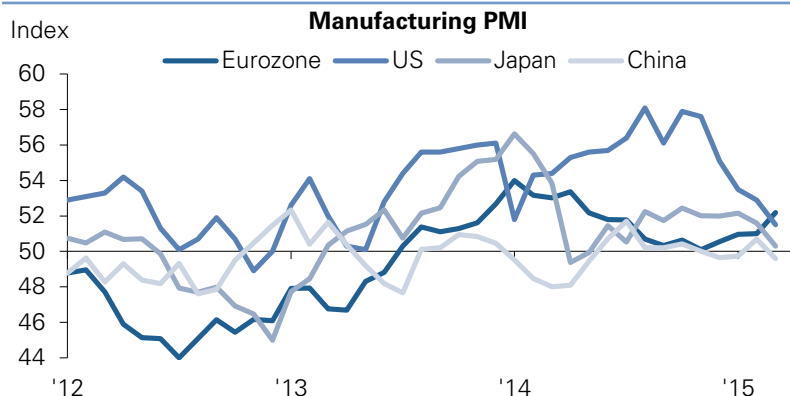
Global Backdrop

US growth remains solid but momentum has slowed. Global growth and inflation remains soft overall and Greece is again a risk. Many central banks have eased policy in response.



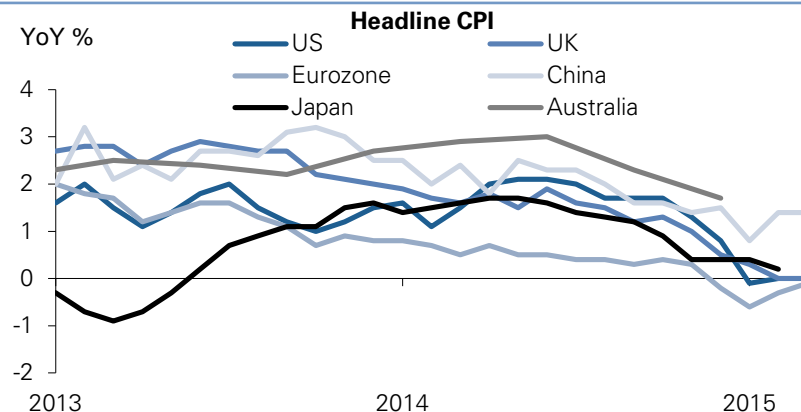
Asset
Management

Global growth broadly softer; Eurozone has improved



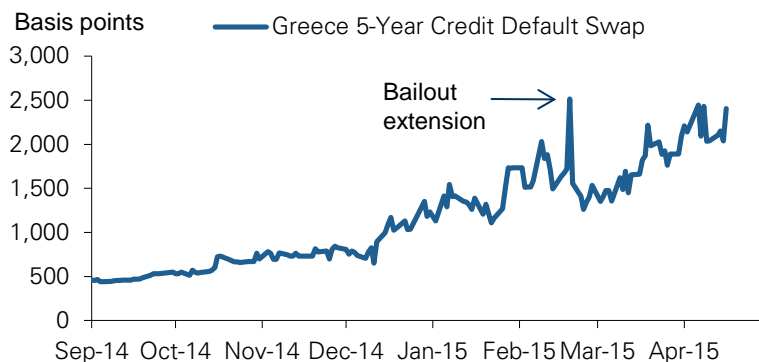
Source: ISM, Markit, Bloomberg. As of March 31, 2015.

Headline inflation weak globally on lower oil prices



Source: Bloomberg. As of March 31, 2015.

Greek risks have returned



Source: Bloomberg. As of April 15, 2015.

Many central banks eased in the first quarter of 2015

Developed Markets		Emerging Markets	
Country	Policy Change	Country	Policy Change
Australia	25 bps rate cut	China	Rate cut / RRR cut
Canada	25 bps rate cut	Egypt	50 bps rate cut
Denmark	Negative rate	India	50 bps rate cut
Eurozone	QE	Indonesia	25 bps rate cut
Sweden	Negative rate / QE	Russia	200 bps rate cut
Switzerland	Negative rate	Turkey	50 bps rate cut

Source: Citigroup, Bloomberg, as of April 2015. Table does not include all countries that have eased in 2015. Other examples include Albania, Pakistan, Peru, Romania and Israel.

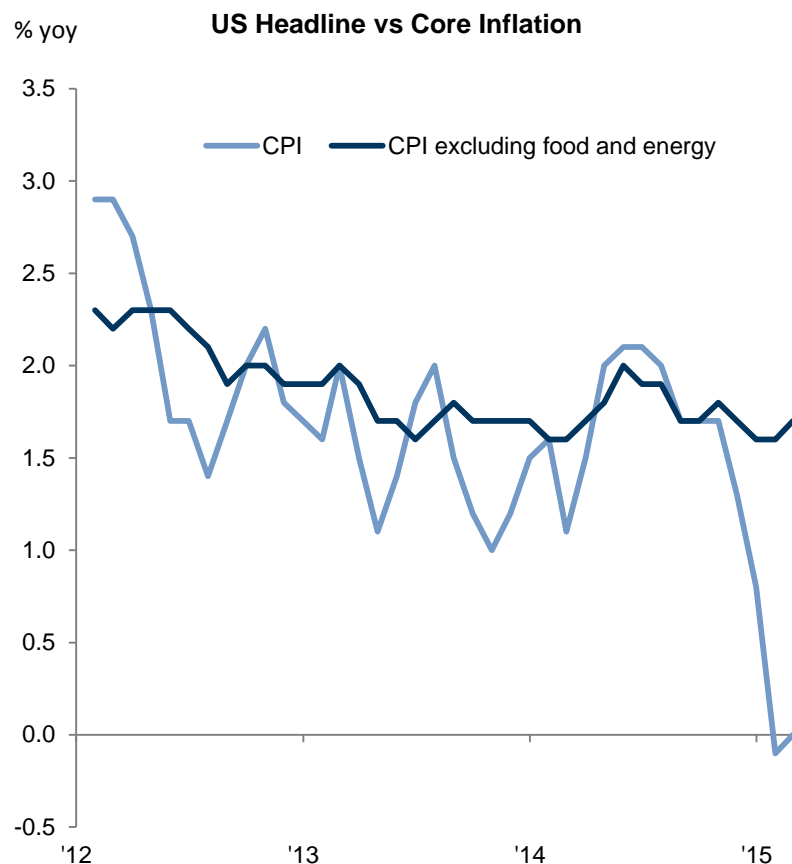
The Fed is Seeking Evidence Inflation on Its Way Back to 2%

The Fed has stated it is focused on wage growth to gauge slack and inflation. Current indicators suggest an uptick in wage and price inflation may be near.



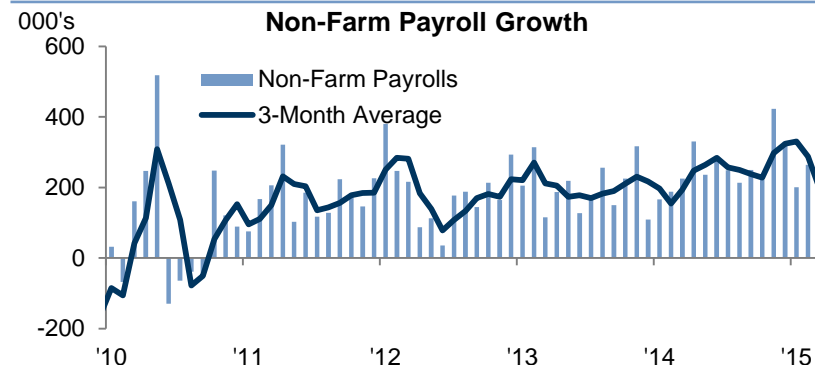
Asset
Management

Inflation may have reached a turning point



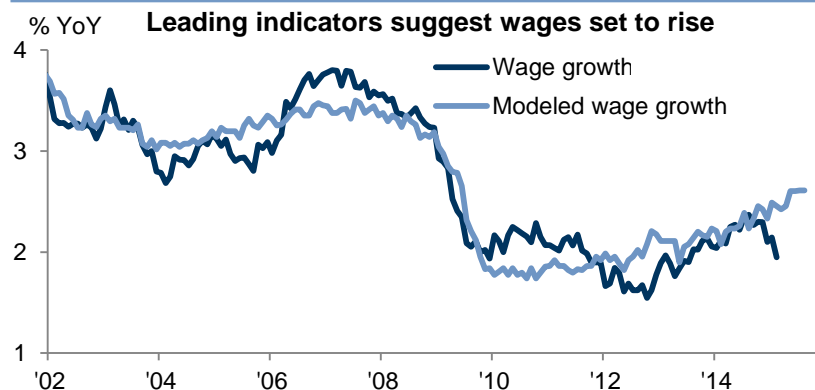
Source: Bloomberg. As of March 31, 2015.

Payroll slowdown suggests job market reaching capacity...



Source: Bloomberg. As of March 31, 2015.

...with labor market near capacity wage growth could be next

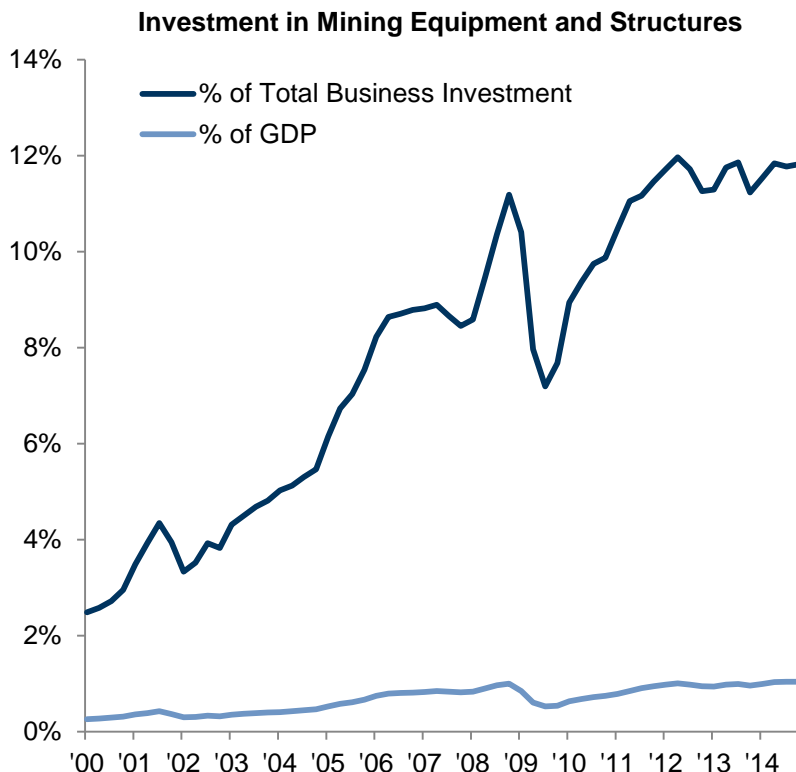


Source: Bloomberg. As of February 2015. Wage growth is calculated as the average of year-over-year percent change in hourly earnings and the Employment Cost Index. Modeled wage growth is a weighted sum of the difference between U3 and U6 unemployment and the JOLTS quit rate.

Lower Oil Prices Should Be Net Positive for the US Economy

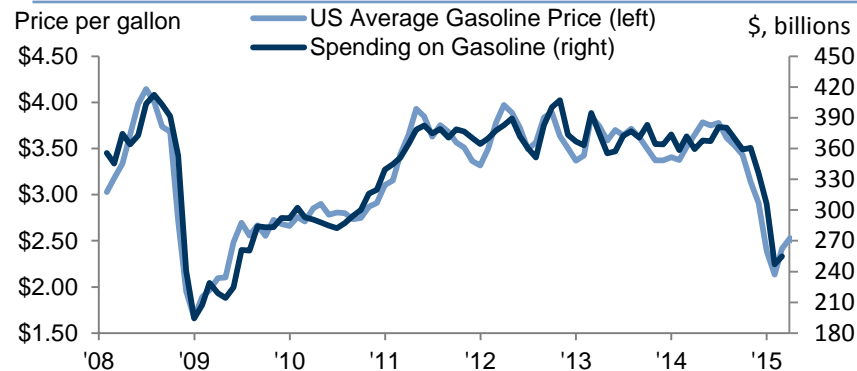
Energy sector investment is likely to fall but the impact on GDP is likely to be modest, while consumers should benefit from the sharp decline in gasoline prices.

Energy investment likely slow, GDP impact may be modest



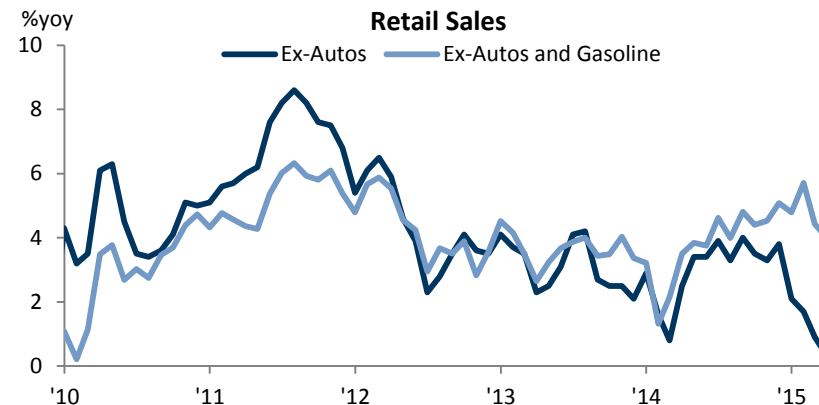
Source: Bloomberg. As of Q4 2014

Consumers will spend much less on gasoline...



Source: Bloomberg, Capital Economics. As of April 13, 2015.

...suggesting potential for an uptick in consumer spending



Source: Bloomberg, As of March 31, 2015.

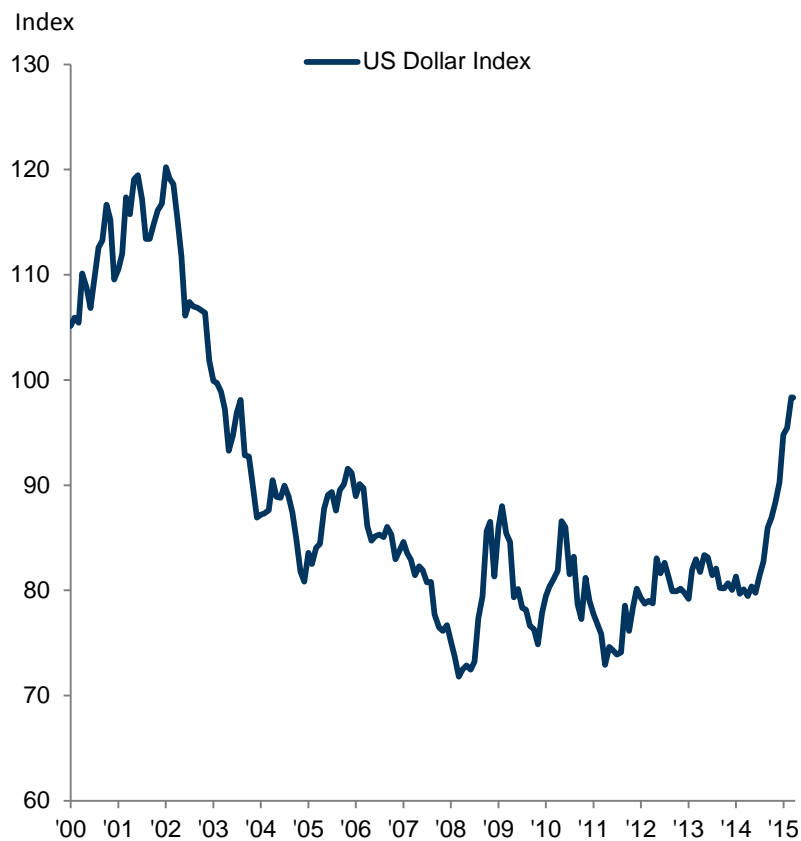
Tighter Financial Conditions May Keep Fed Patient a Bit Longer

US economic outperformance has driven the dollar higher, tightening financial conditions. While oil has helped to offset some of this tightening, global demand remains weak.



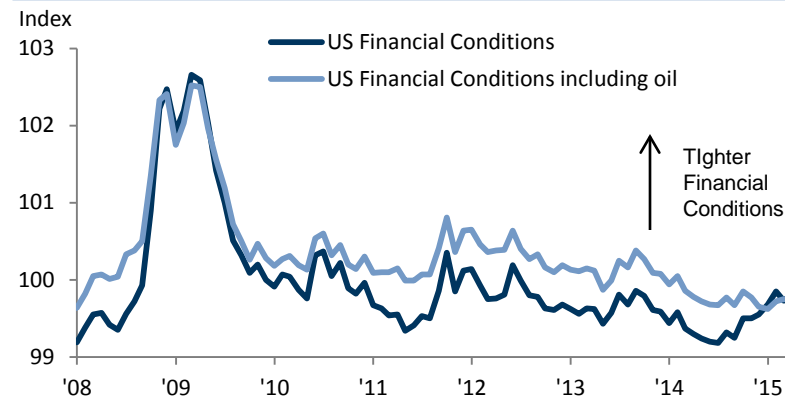
Asset
Management

Stronger dollar tightens US financial conditions



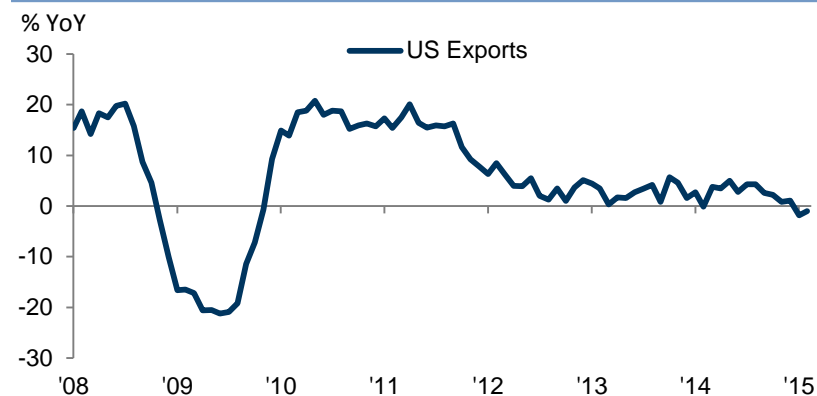
Source: Bloomberg. As of April 15, 2015.

Lower oil has helped to offset dollar strength



Source: Bloomberg, Goldman Sachs. As of March 31, 2015.

Strong dollar, weak global demand weigh on US exports



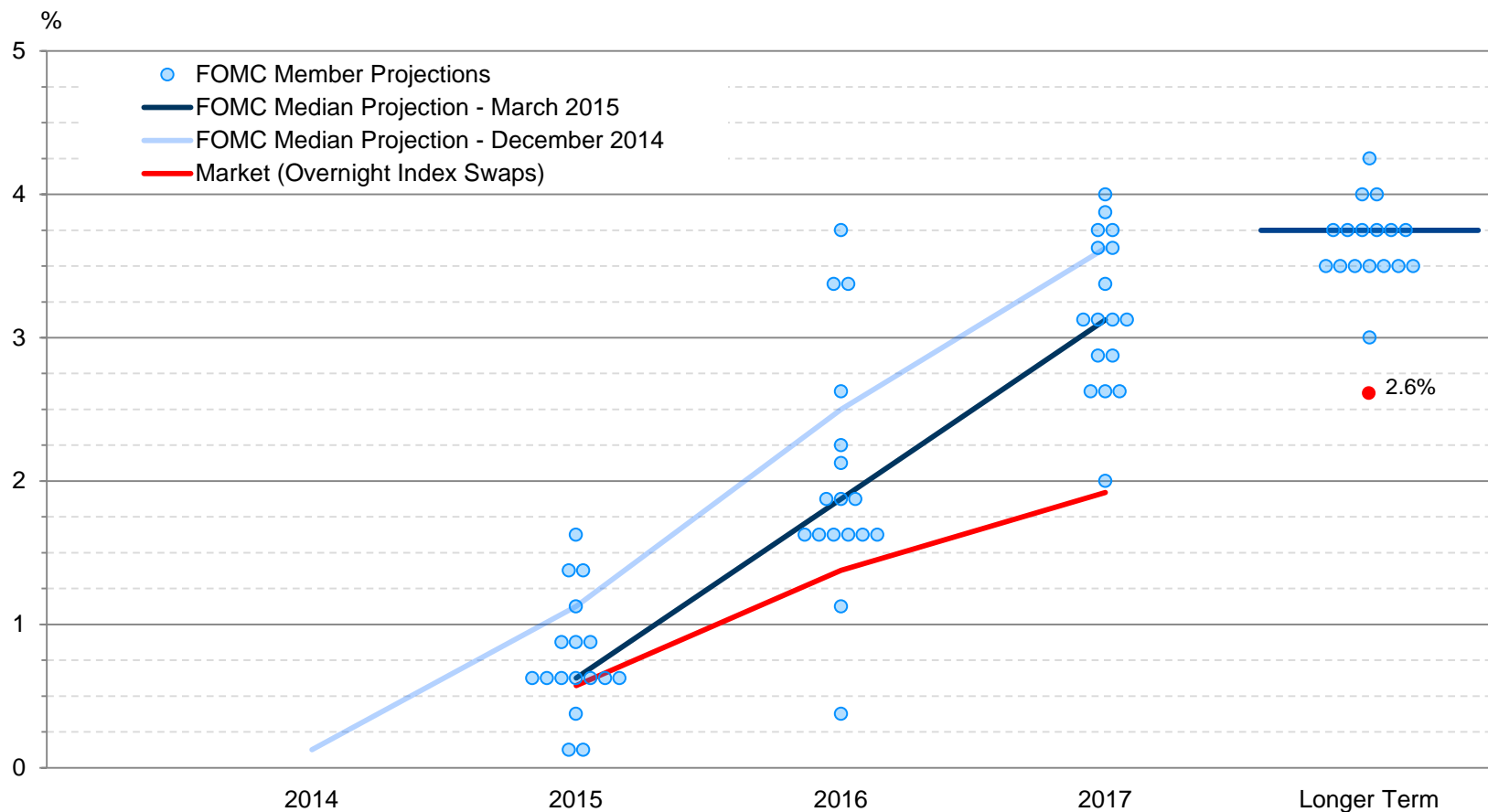
Source: Bloomberg. As of February 28, 2015.

Market rates should converge with Fed projections

Market-implied policy rates are below the Fed's projections. While near-term the Fed may defer policy tightening, we believe US rates will rise in the longer term.



Asset
Management



Source: Bloomberg. As of March 18, 2015. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. Market long-term estimate based on 30-year bond yield and five-year, five-year forward interest rate swaps.

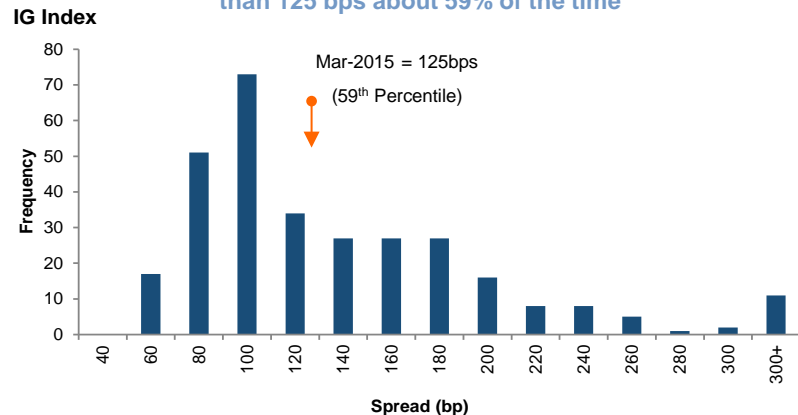
IG and HY Corporate Spreads are Fairly Valued...

... while fundamentals remain sound with modest changes in leverage and interest coverage. Other credit measures show mostly benign changes.

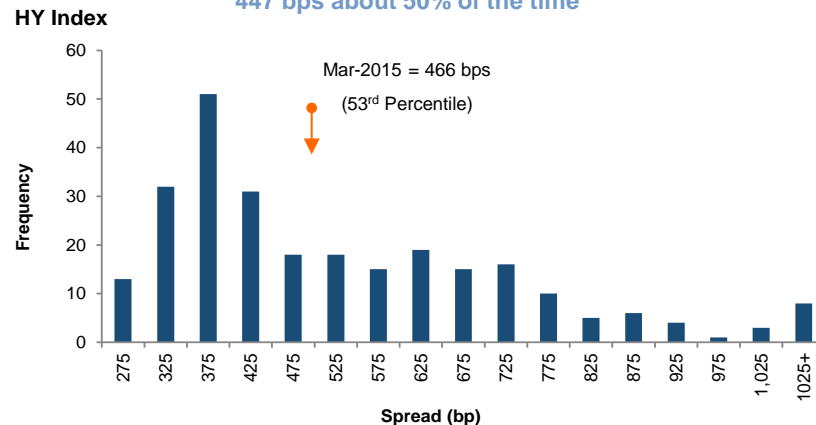


**Asset
Management**

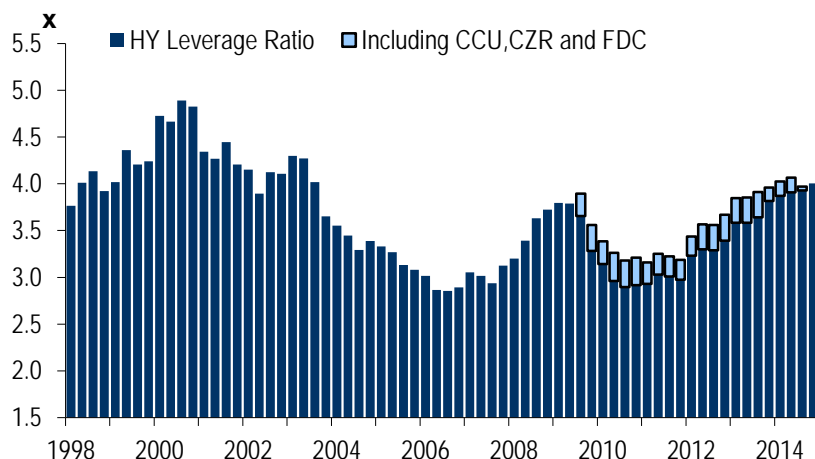
Since June 1989, investment grade corporate spreads have been tighter than 125 bps about 59% of the time



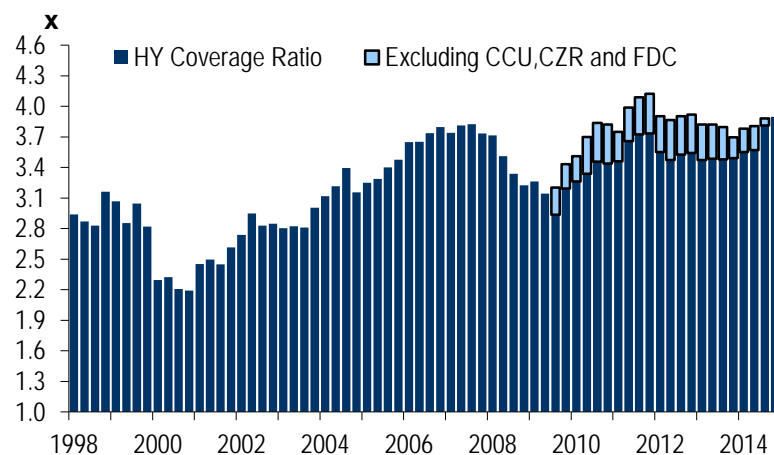
Since January 1993, high yield corporate spreads have been tighter than 447 bps about 50% of the time



Net Leverage (Net Debt / LTM EBITDA)



Interest Coverage (LTM EBITDA / Net LTM Interest Expense)





**Asset
Management**

II. Portfolio Review



**Asset
Management**

Overall Portfolio

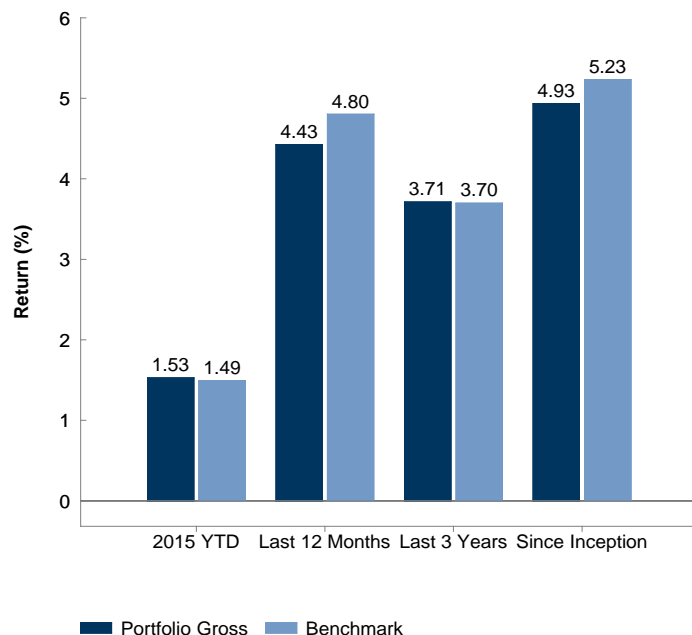
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.34	0.32	3
Feb-15	(0.26)	(0.30)	3
Jan-15	1.45	1.47	(3)
Dec-14	(0.12)	(0.10)	(2)
Nov-14	0.58	0.64	(5)
Oct-14	0.74	0.92	(18)
Quarterly			
1Q 2015	1.53	1.49	3
4Q 2014	1.20	1.46	(26)
3Q 2014	(0.06)	(0.09)	3
2Q 2014	1.70	1.86	(17)
Yearly			
2015 YTD	1.53	1.49	3
2014	4.39	4.88	(49)
2013	0.76	0.25	51
Trailing			
Last 6 Months	2.75	2.98	(23)
Last 1 Year	4.43	4.80	(38)
Last 3 Years (Ann)	3.71	3.70	1
Since Inception⁴			
Return (Ann)	4.93	5.23	(30)
Standard Deviation	3.52	3.96	
Tracking Error ⁵			110

¹Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ²Benchmark: FMTA Asset weighted benchmark. ³Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴Performance inception date: 1-Oct-2006. ⁵Tracking 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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(74)
Cross-Sector	14
Swap	3
Agency	(2)
Asset Backed Securities	(1)
Commercial Mortgage Backed Securities	2
Mortgage Backed Securities	(2)
MBS Credit	1
Corporates	0
Emerging Market Debt	11
U.S. Equity	8
Volatility	0
Corporate Selection	6
Securitized Selection	5
Govt/Swap Selection	5
Intraday Pricing / T-Costs	(1)
Residual/Other ¹	8
Total ²	(38)

¹Residual/Other: 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. ²Note: 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.

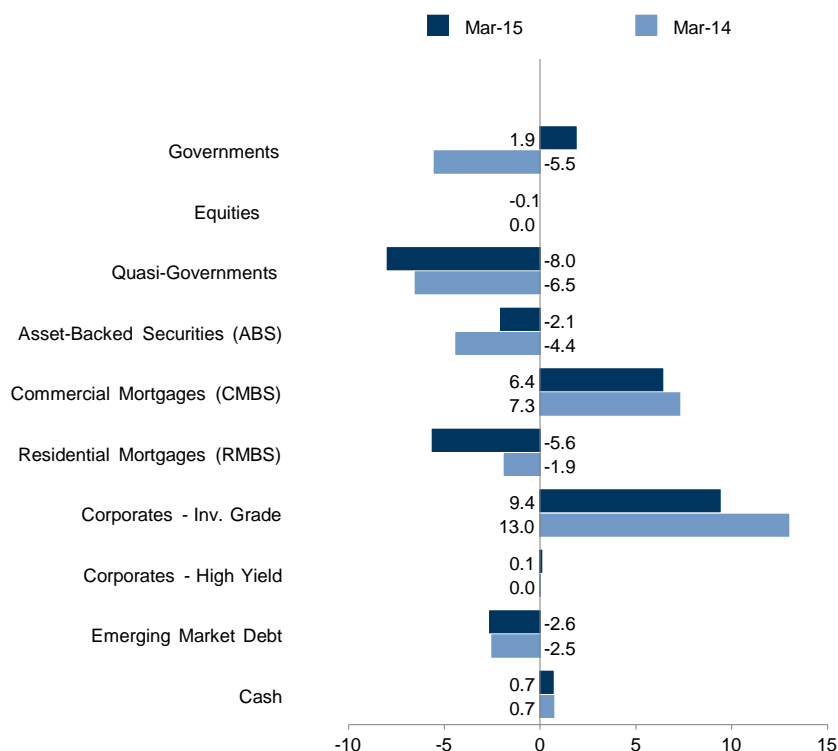
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	18.3	16.4	1.9
Equities	4.8	4.9	(0.1)
Quasi-Governments	1.9	9.9	(8.0)
Asset-Backed Securities (ABS)	6.8	8.8	(2.1)
Commercial Mortgages (CMBS)	12.7	6.3	6.4
Residential Mortgages (RMBS)	10.1	15.8	(5.6)
Corporates - Inv. Grade	44.6	35.2	9.4
Corporates - High Yield	0.1	0.0	0.1
Emerging Market Debt	0.0	2.7	(2.6)
Cash	0.7	0.0	0.7
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA-
Duration (years)	3.75	4.12
Coupon	3.33	3.19
Yield To Worst	1.84	1.82
OAS	63	50
Market Value (\$mm)	418	N/A

As of 31-Mar-2015. Benchmark: FMTA Asset weighted benchmark. 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.



**Asset
Management**

General Operating Account (GOA)

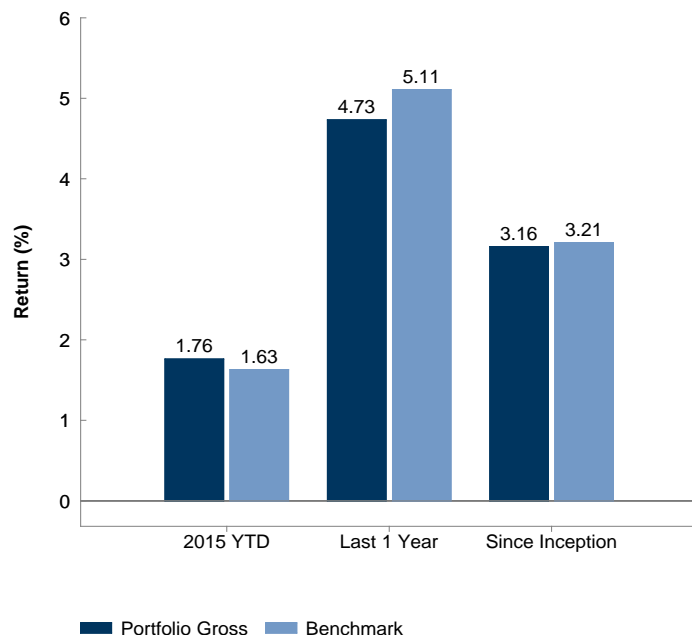
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.48	0.40	8
Feb-15	(0.65)	(0.72)	7
Jan-15	1.94	1.96	(2)
Dec-14	(0.09)	(0.03)	(7)
Nov-14	0.56	0.58	(3)
Oct-14	0.72	0.89	(17)
Quarterly			
1Q 2015	1.76	1.63	13
4Q 2014	1.19	1.45	(26)
3Q 2014	(0.01)	0.01	(1)
2Q 2014	1.71	1.94	(22)
Yearly			
2015 YTD	1.76	1.63	13
2014	4.74	5.34	(60)
2013	(0.49)	(1.23)	73
Trailing			
Last 6 Months	2.98	3.11	(13)
Last 1 Year	4.73	5.11	(38)
Since Inception⁴			
Return (Ann)	3.16	3.21	(5)
Standard Deviation	2.52	2.75	
Tracking Error ⁵			40

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa. ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(85)
Cross-Sector	1
Swap	(2)
Agency	(2)
Asset Backed Securities	(2)
Commercial Mortgage Backed Securities	3
Mortgage Backed Securities	(5)
MBS Credit	1
Corporates	0
Emerging Market Debt	9
Volatility	0
Corporate Selection	30
Securitized Selection	11
Govt/Swap Selection	3
Intraday Pricing / T-Costs	0
Residual/Other ¹	1
Total ²	(38)

¹Residual/Other: 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. ²Note: 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. **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.

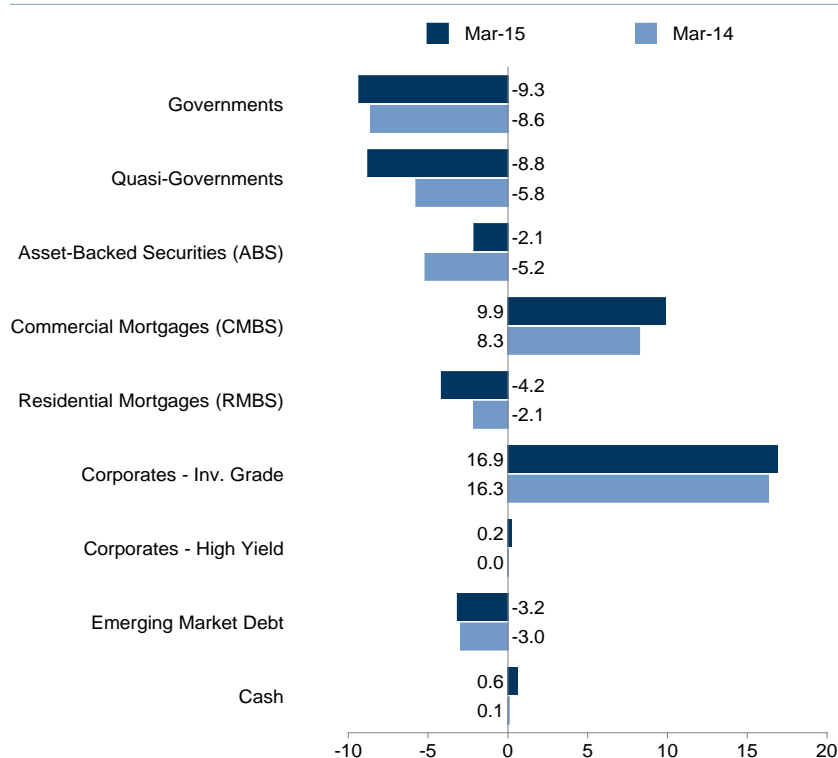
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	4.3	13.6	(9.3)
Quasi-Governments	0.6	9.4	(8.8)
Asset-Backed Securities (ABS)	7.9	10.0	(2.1)
Commercial Mortgages (CMBS)	16.9	7.1	9.9
Residential Mortgages (RMBS)	13.8	17.9	(4.2)
Corporates - Inv. Grade	55.6	38.8	16.9
Corporates - High Yield	0.2	0.0	0.2
Emerging Market Debt	0.1	3.3	(3.2)
Cash	0.6	0.0	0.6
Total	100.0	100.0	(0.0)

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA
Duration (years)	4.78	4.99
Coupon	4.08	3.55
Yield To Worst	2.22	2.12
OAS	85	64
Market Value (\$mm)	163	N/A

As of 31-Mar-2015. 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.



**Asset
Management**

Master Builders Risk Trust

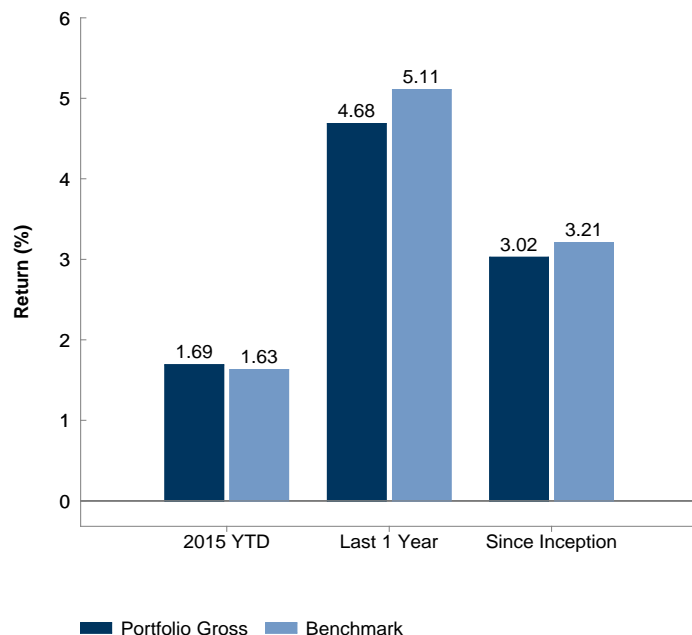
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.44	0.40	4
Feb-15	(0.73)	(0.72)	(1)
Jan-15	1.99	1.96	3
Dec-14	(0.10)	(0.03)	(8)
Nov-14	0.51	0.58	(7)
Oct-14	0.72	0.89	(17)
Quarterly			
1Q 2015	1.69	1.63	6
4Q 2014	1.13	1.45	(32)
3Q 2014	(0.01)	0.01	(2)
2Q 2014	1.81	1.94	(13)
Yearly			
2015 YTD	1.69	1.63	6
2014	4.74	5.34	(60)
2013	(0.66)	(1.23)	56
Trailing			
Last 6 Months	2.84	3.11	(27)
Last 1 Year	4.68	5.11	(42)
Since Inception⁴			
Return (Ann)	3.02	3.21	(18)
Standard Deviation	2.56	2.75	
Tracking Error ⁵			37

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: Barclays 15% US Govt 1-5yr, 10% US ABS, 10% US CMBS, 35% US Credit A+, 15% US MBS, 15% US Credit Baa. ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(90)
Cross-Sector	(6)
Swap	(3)
Agency	(2)
Asset Backed Securities	(1)
Commercial Mortgage Backed Securities	2
Mortgage Backed Securities	(5)
MBS Credit	1
Corporates	(7)
Emerging Market Debt	9
Volatility	(0)
Corporate Selection	42
Securitized Selection	14
Govt/Swap Selection	3
Intraday Pricing / T-Costs	(6)
Residual/Other ¹	1
Total ²	(42)

¹Residual/Other: 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. ²Note: 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. **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.

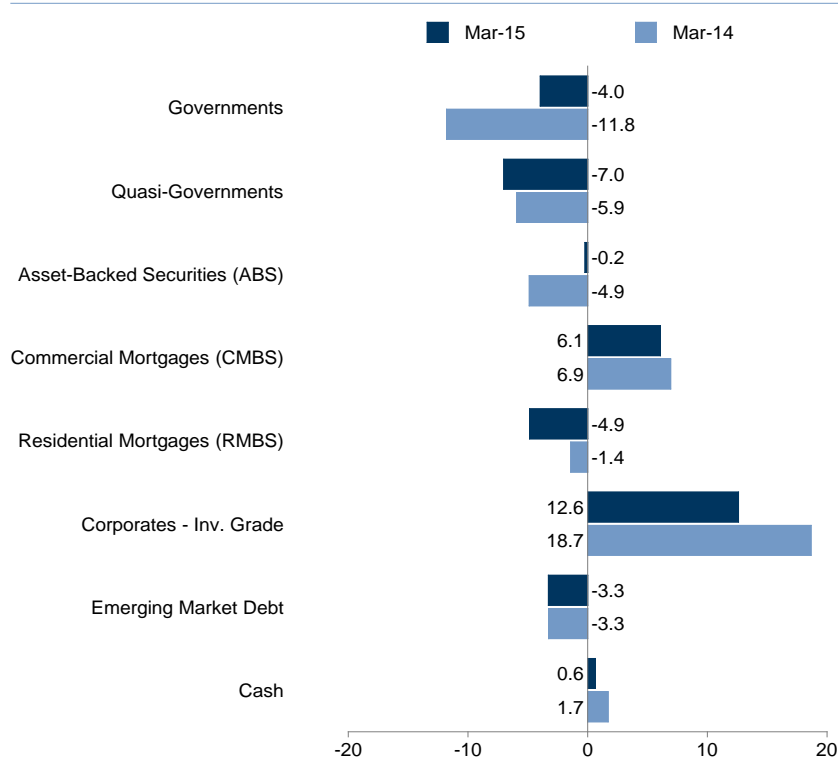
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	9.6	13.6	(4.0)
Quasi-Governments	2.4	9.4	(7.0)
Asset-Backed Securities (ABS)	9.8	10.0	(0.2)
Commercial Mortgages (CMBS)	13.2	7.1	6.1
Residential Mortgages (RMBS)	13.1	17.9	(4.9)
Corporates - Inv. Grade	51.4	38.8	12.6
Emerging Market Debt	0.0	3.3	(3.3)
Cash	0.6	0.0	0.6
Total	100.0	100.0	(0.0)

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA-	AA
Duration (years)	4.80	4.99
Coupon	3.66	3.55
Yield To Worst	2.15	2.12
OAS	77	64
Market Value (\$mm)	66	N/A

As of 31-Mar-2015. 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 (ELF)

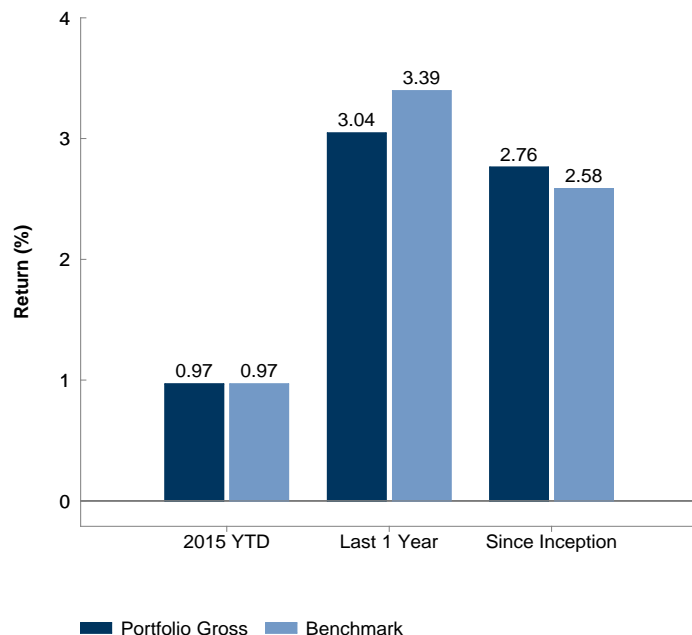
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.24	0.24	0
Feb-15	(0.24)	(0.24)	0
Jan-15	0.97	0.97	0
Dec-14	(0.27)	(0.27)	0
Nov-14	0.42	0.49	(8)
Oct-14	0.43	0.71	(28)
Quarterly			
1Q 2015	0.97	0.97	0
4Q 2014	0.58	0.94	(36)
3Q 2014	0.03	(0.05)	8
2Q 2014	1.45	1.50	(6)
Yearly			
2015 YTD	0.97	0.97	0
2014	3.27	3.67	(40)
2013	0.21	(0.33)	54
Trailing			
Last 6 Months	1.55	1.92	(36)
Last 1 Year	3.04	3.39	(35)
Since Inception⁴			
Return (Ann)	2.76	2.58	18
Standard Deviation	1.91	1.97	
Tracking Error ⁵			32

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² 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. ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(46)
Cross-Sector	(3)
Swap	1
Agency	(2)
Asset Backed Securities	(2)
Commercial Mortgage Backed Securities	2
Mortgage Backed Securities	(9)
MBS Credit	1
Corporates	3
Emerging Market Debt	4
Volatility	(0)
Corporate Selection	3
Securitized Selection	4
Govt/Swap Selection	8
Intraday Pricing / T-Costs	(3)
Residual/Other ¹	2
Total ²	(35)

¹Residual/Other: 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. ²Note: Allocations may not sum to total due to rounding.

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. **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.

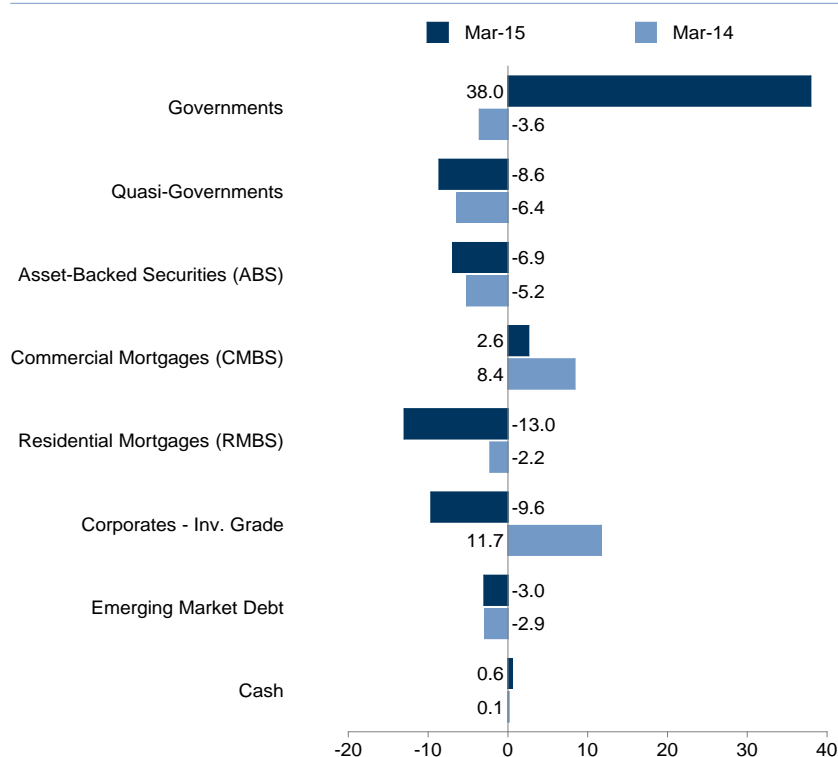
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	51.6	13.6	38.0
Quasi-Governments	1.1	9.7	(8.6)
Asset-Backed Securities (ABS)	3.1	10.0	(6.9)
Commercial Mortgages (CMBS)	9.7	7.1	2.6
Residential Mortgages (RMBS)	4.9	17.9	(13.0)
Corporates - Inv. Grade	29.0	38.7	(9.6)
Emerging Market Debt	0.0	3.0	(3.0)
Cash	0.6	0.0	0.6
Total	100.0	100.0	0.0

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA+	AA
Duration (years)	2.13	3.65
Coupon	2.07	3.25
Yield To Worst	1.09	1.83
OAS	30	48
Market Value (\$mm)	81	N/A

As of 31-Mar-2015. 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.



**Asset
Management**

Equity Excess Loss Fund (ELF)

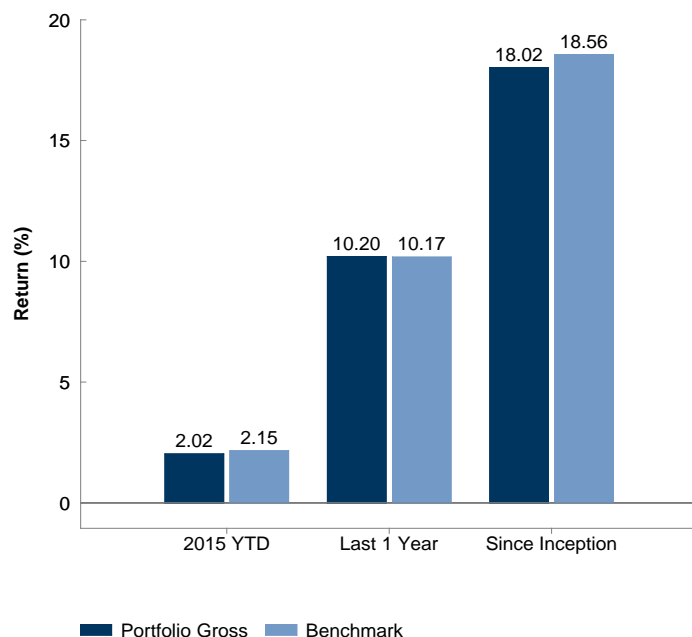
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	(0.82)	(0.90)	7
Feb-15	5.68	5.82	(14)
Jan-15	(2.66)	(2.59)	(7)
Dec-14	0.06	(0.05)	11
Nov-14	1.93	2.00	(7)
Oct-14	2.99	2.77	23
Quarterly			
1Q 2015	2.02	2.15	(13)
4Q 2014	5.04	4.77	27
3Q 2014	(1.50)	(1.50)	0
2Q 2014	4.39	4.50	(11)
Yearly			
2015 YTD	2.02	2.15	(13)
2014	9.57	9.51	7
2013	31.66	32.51	(85)
Trailing			
Last 6 Months	7.16	7.03	14
Last 1 Year	10.20	10.17	3
Since Inception⁴			
Return (Ann)	18.02	18.56	(54)
Standard Deviation	9.09	9.01	
Tracking Error ⁵			52

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: 67% S&P 500, 20% Russell 2000, 13% MSCI EAFE.

³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Residual/Other ¹	3
Total ²	3

¹ Residual/Other: 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. ² Note: Allocations may not sum to total due to rounding.
Benchmark: 67% S&P 500, 20% Russell 2000, 13% MSCI EAFE. **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.

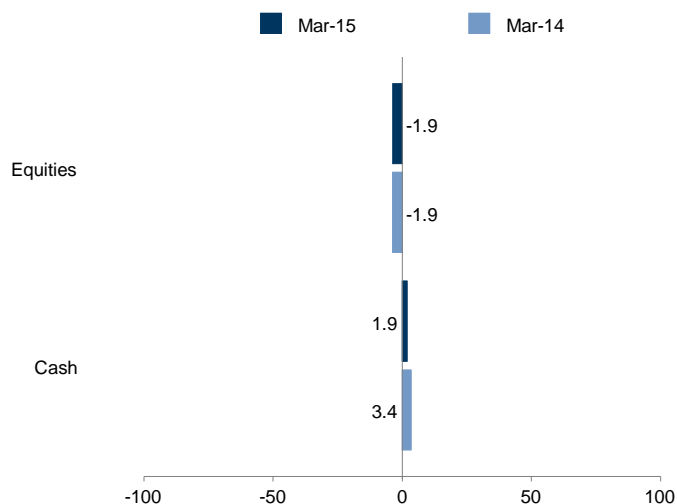
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Equities	98.1	100.0	(1.9)
Cash	1.9	0.0	1.9
Total	100.0	100.0	(0.0)

Portfolio

	(MV, %)
CASH	1.87%
ISHARES MSCI EAFE	8.99%
ISHARES RUSSELL 2000	21.55%
ISHARES CORE S&P 500 ETF	67.60%

As of 31-Mar-2015. Benchmark: 67% S&P 500, 20% Russell 2000, 13% MSCI EAFE. 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.



**Asset
Management**

Liberty Trust

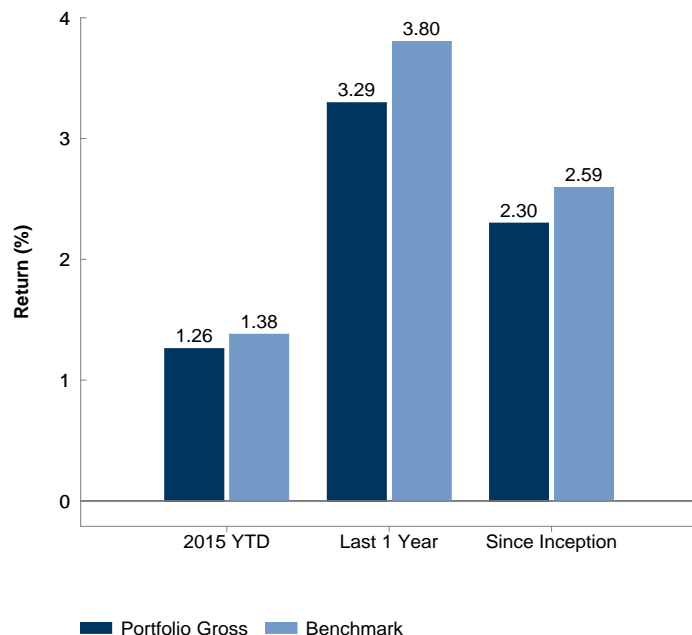
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.36	0.43	(8)
Feb-15	(0.45)	(0.48)	3
Jan-15	1.36	1.43	(7)
Dec-14	(0.12)	(0.18)	7
Nov-14	0.46	0.52	(6)
Oct-14	0.44	0.71	(27)
Quarterly			
1Q 2015	1.26	1.38	(12)
4Q 2014	0.79	1.06	(27)
3Q 2014	0.11	(0.04)	14
2Q 2014	1.11	1.36	(25)
Yearly			
2015 YTD	1.26	1.38	(12)
2014	3.09	3.51	(42)
2013	(0.22)	(0.38)	16
Trailing			
Last 6 Months	2.06	2.45	(39)
Last 1 Year	3.29	3.80	(51)
Since Inception⁴			
Return (Ann)	2.30	2.59	(30)
Standard Deviation	1.80	1.99	
Tracking Error ⁵			32

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr. ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(63)
Cross-Sector	(2)
Swap	1
Agency	(3)
Asset Backed Securities	(1)
Commercial Mortgage Backed Securities	2
Mortgage Backed Securities	(2)
MBS Credit	0
Corporates	1
Emerging Market Debt	1
Volatility	0
Corporate Selection	10
Securitized Selection	4
Govt/Swap Selection	1
Intraday Pricing / T-Costs	(4)
Residual/Other ¹	2
Total ²	(51)

¹Residual/Other: 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. ²Note: 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.

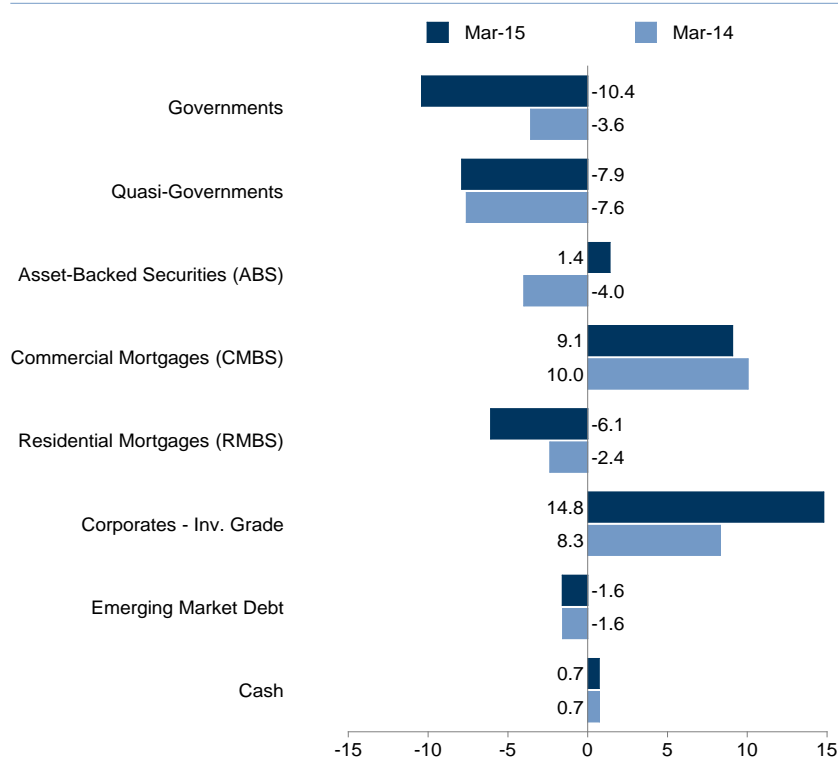
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	3.2	13.6	(10.4)
Quasi-Governments	5.3	13.2	(7.9)
Asset-Backed Securities (ABS)	11.4	10.0	1.4
Commercial Mortgages (CMBS)	16.1	7.1	9.1
Residential Mortgages (RMBS)	11.9	17.9	(6.1)
Corporates - Inv. Grade	51.4	36.6	14.8
Emerging Market Debt	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)	3.27	3.55
Coupon	3.61	3.05
Yield To Worst	1.77	1.67
OAS	58	34
Market Value (\$mm)	29	N/A

As of 31-Mar-2015. 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.



**Asset
Management**

Liberty 2006 Trust

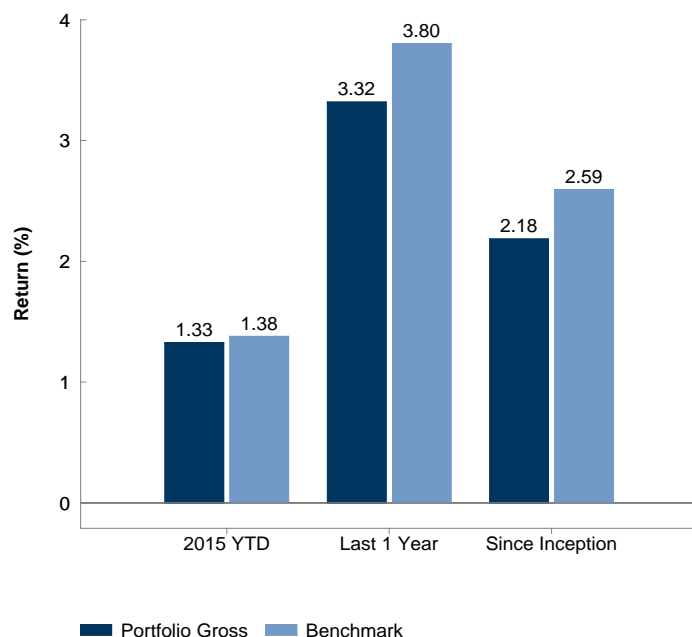
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.39	0.43	(4)
Feb-15	(0.45)	(0.48)	3
Jan-15	1.39	1.43	(4)
Dec-14	(0.13)	(0.18)	5
Nov-14	0.43	0.52	(9)
Oct-14	0.39	0.71	(32)
Quarterly			
1Q 2015	1.33	1.38	(5)
4Q 2014	0.70	1.06	(36)
3Q 2014	0.12	(0.04)	16
2Q 2014	1.13	1.36	(22)
Yearly			
2015 YTD	1.33	1.38	(5)
2014	2.94	3.51	(56)
2013	(0.18)	(0.38)	20
Trailing			
Last 6 Months	2.04	2.45	(41)
Last 1 Year	3.32	3.80	(48)
Since Inception⁴			
Return (Ann)	2.18	2.59	(41)
Standard Deviation	1.79	1.99	
Tracking Error ⁵			36

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: Barclays 50% US Credit Intermediate A+, 10% US CMBS Agg ERISA, 15% US MBS, 10% US ABS, 15% US Govt 1-5 yr. ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 16-May-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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(61)
Cross-Sector	(4)
Swap	(0)
Agency	(3)
Asset Backed Securities	(1)
Commercial Mortgage Backed Securities	1
Mortgage Backed Securities	(3)
MBS Credit	0
Corporates	1
Emerging Market Debt	1
Volatility	0
Corporate Selection	7
Securitized Selection	9
Govt/Swap Selection	1
Intraday Pricing / T-Costs	(2)
Residual/Other ¹	1
Total ²	(48)

¹Residual/Other: 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. ²Note: 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.

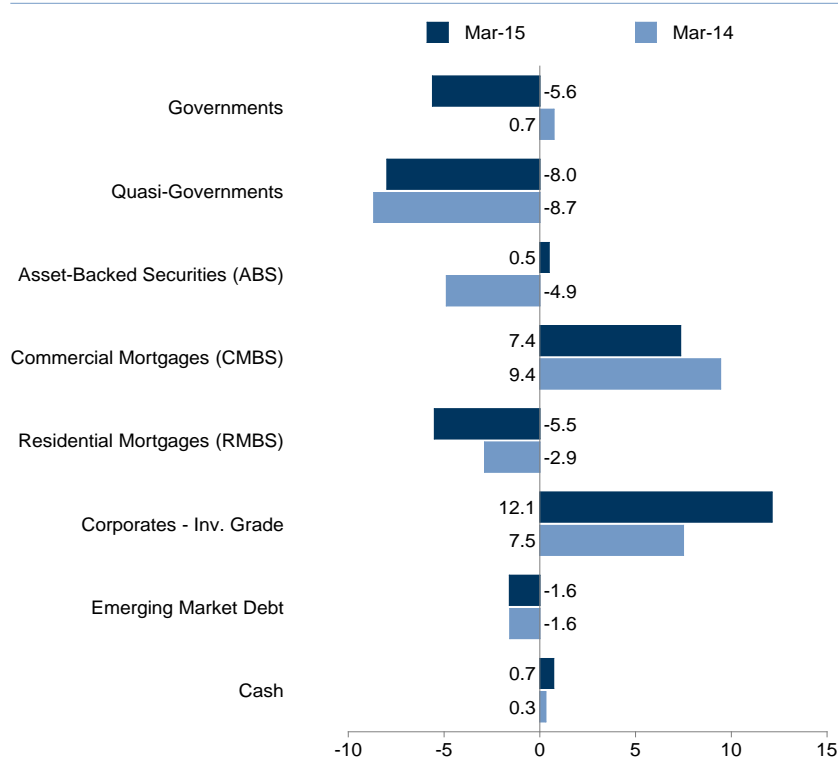
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	8.0	13.6	(5.6)
Quasi-Governments	5.2	13.2	(8.0)
Asset-Backed Securities (ABS)	10.5	10.0	0.5
Commercial Mortgages (CMBS)	14.4	7.1	7.4
Residential Mortgages (RMBS)	12.4	17.9	(5.5)
Corporates - Inv. Grade	48.7	36.6	12.1
Emerging Market Debt	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)	3.29	3.55
Coupon	3.24	3.05
Yield To Worst	1.72	1.67
OAS	51	34
Market Value (\$mm)	30	N/A

As of 31-Mar-2015. 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.



**Asset
Management**

ACE American Trust

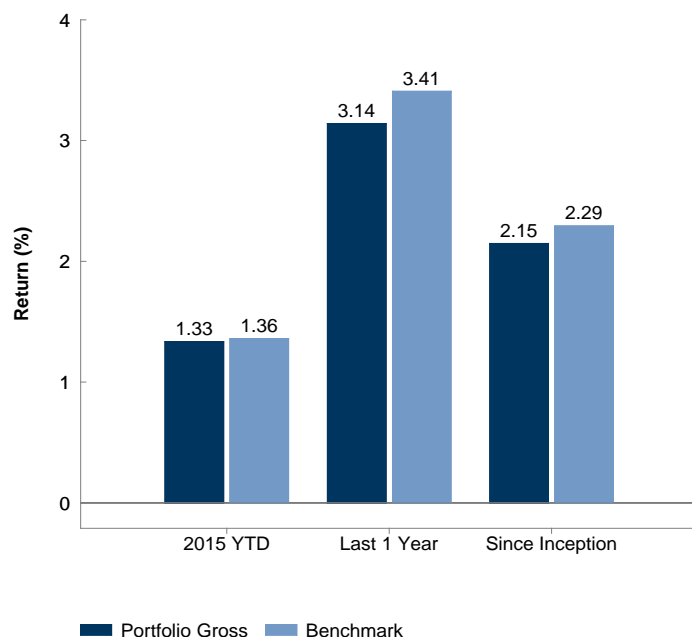
Performance Summary

As of 31-Mar-2015



**Asset
Management**

Portfolio Performance vs. Benchmark (%)



	Portfolio Gross (%) ¹	Benchmark (%) ²	Difference Gross (bps) ³
Monthly			
Mar-15	0.44	0.50	(6)
Feb-15	(0.66)	(0.78)	12
Jan-15	1.56	1.64	(8)
Dec-14	(0.21)	(0.26)	5
Nov-14	0.46	0.52	(7)
Oct-14	0.53	0.70	(17)
Quarterly			
1Q 2015	1.33	1.36	(3)
4Q 2014	0.78	0.97	(19)
3Q 2014	0.00	(0.01)	1
2Q 2014	0.99	1.05	(6)
Yearly			
2015 YTD	1.33	1.36	(3)
2014	2.60	2.84	(24)
2013			
Trailing			
Last 6 Months	2.13	2.35	(22)
Last 1 Year	3.14	3.41	(27)
Since Inception⁴			
Return (Ann)	2.15	2.29	(14)
Standard Deviation	1.86	2.04	
Tracking Error ⁵			21

¹ Gross return is the return of the portfolio calculated before the deduction of investment management fees, which will reduce returns. ² Benchmark: Barclays U.S. Government/Credit: Intermediate A or better Index (TR, unhedged, USD). ³ Gross difference is the difference between the portfolio gross return and the benchmark return. ⁴ Performance inception date: 17-Sep-2013. 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

31-Mar-2014 - 31-Mar-2015



**Asset
Management**

Strategy/Exposure	Excess Return (bps)
Duration	(17)
Cross-Sector	(1)
Swap	2
Agency	(4)
Mortgage Backed Securities	(0)
Corporates	(0)
Emerging Market Debt	1
Volatility	0
Corporate Selection	(1)
Securitized Selection	0
Govt/Swap Selection	(8)
Intraday Pricing / T-Costs	3
Residual/Other¹	(2)
Total²	(27)

¹ Residual/Other: 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. ² 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.

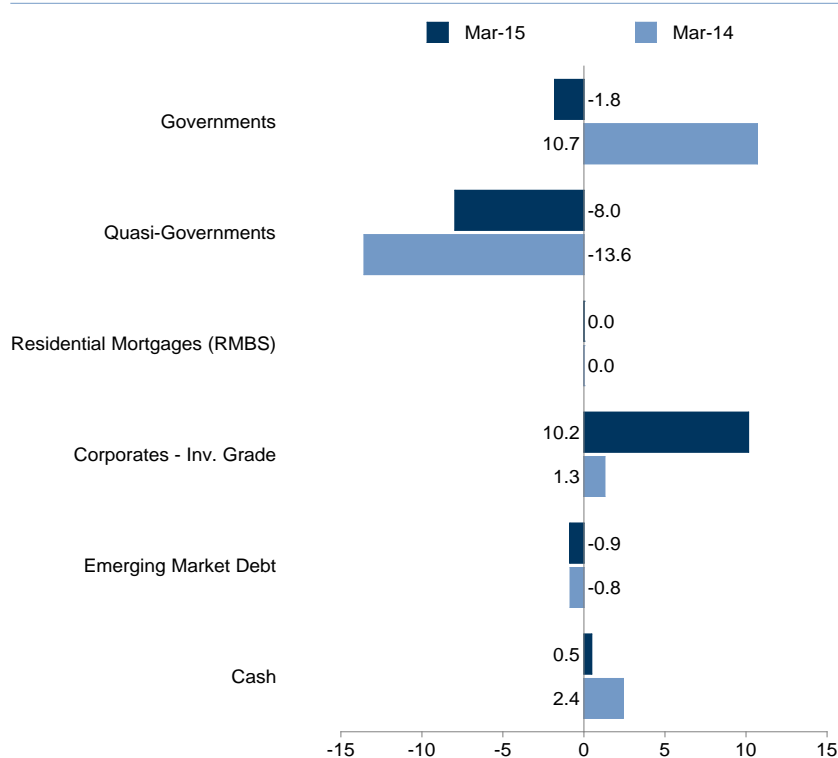
Portfolio Positioning

Sector Allocation



**Asset
Management**

Deviation from Benchmark (MV,%)



Portfolio vs. Benchmark (MV,%)

	Portfolio	Benchmark	Difference
Governments	64.6	66.4	(1.8)
Quasi-Governments	4.7	12.7	(8.0)
Residential Mortgages (RMBS)	0.0	0.0	(0.0)
Corporates - Inv. Grade	30.2	20.1	10.2
Emerging Market Debt	0.0	0.9	(0.9)
Cash	0.5	0.0	0.5
Total	100.0	100.0	(0.0)

Portfolio Statistics

	Portfolio	Benchmark
Average Rating	AA+	AA+
Duration (years)	3.69	3.76
Coupon	1.69	2.29
Yield To Worst	1.28	1.26
OAS	7	3
Market Value (\$mm)	28	N/A

As of 31-Mar-2015. 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.

III. Appendix



**Asset
Management**

General Disclosures

General Disclosures



**Asset
Management**

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

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.

GSAM does not provide legal, tax or accounting advice and therefore expresses no view as to the legal, tax or accounting treatment of the information described herein or any related transaction, nor are we providing any assurance as to the adequacy or appropriateness of this information or our procedures for your purposes. This material is not a substitute for the professional advice or services of your own or your own financial, tax, accounting and legal advisors.

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

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.

This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions. It also pertains to past performance or is the basis for previously-made discretionary investment decisions. This information should not be construed as a current recommendation, research or investment advice. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of investments discussed in this document. Any mention of an investment decision is intended only to illustrate our investment approach or strategy, and is not indicative of the performance of our strategy as a whole. Any such illustration is not necessarily representative of other investment decisions. A complete list of past recommendations may be available on request. Please see additional disclosures.

This material has been prepared by GSAM and is not financial research nor a product of Goldman Sachs Global Investment Research. It was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from the views and opinions expressed by 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 should not be relied upon in making an investment decision. GSAM has no obligation to provide any updates or changes.

Portfolio Holdings may not be representative of current or future investments. The securities discussed may 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.

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

Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client. Actual data will vary and may not be reflected here. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. Goldman Sachs has no obligation to provide updates or changes to these forecasts. Case studies and examples are for illustrative purposes only.

General Disclosures



**Asset
Management**

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.

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.

Predicted tracking error are statistical estimates of the divergence between the price behavior of a strategy and the price behavior of its benchmark, derived from statistical models. Actual tracking error are likely to vary from the predicted tracking error. Predicted tracking error apply statistical methods and a series of fixed assumptions based on actual characteristics of a representative account in the strategy. Reasonable people may disagree about the appropriate statistical model and fixed assumptions. These models have limitations, as the assumptions may not be consensus views, or the model may not be updated to reflect current economic or market conditions. Accordingly, these models should not be relied upon to make predictions of future results. Goldman Sachs has no obligation to provide recipients hereof with updates or changes to such data.

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. 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.

Emerging markets securities may be less liquid and more volatile and are subject to a number of additional risks, including but not limited to currency fluctuations and political instability. High-yield, lower-rated securities involve greater price volatility and present greater credit risks than higher-rated fixed income securities.

Foreign securities may be more volatile than investments in U.S. securities and will be subject to a number of additional risks, including but not limited to currency fluctuations and political developments.

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.

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.

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

Confidentiality:

No part of this material may, without GSAM's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient.

FMTAC PARTNERS - SERVICE PROVIDERS

MARSH CAPTIVE SOLUTIONS

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 1,100 clients in over 35 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 35 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• 7 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">• Over 10 years with Marsh captive management• Over 15 years in the captive insurance and audit industries• 7 years with the MTA / Marsh Team• Chartered Accountant
David Carman 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 4 years with Marsh captive management• Combined 5 years with the MTA / Marsh Team

Marsh USA Inc

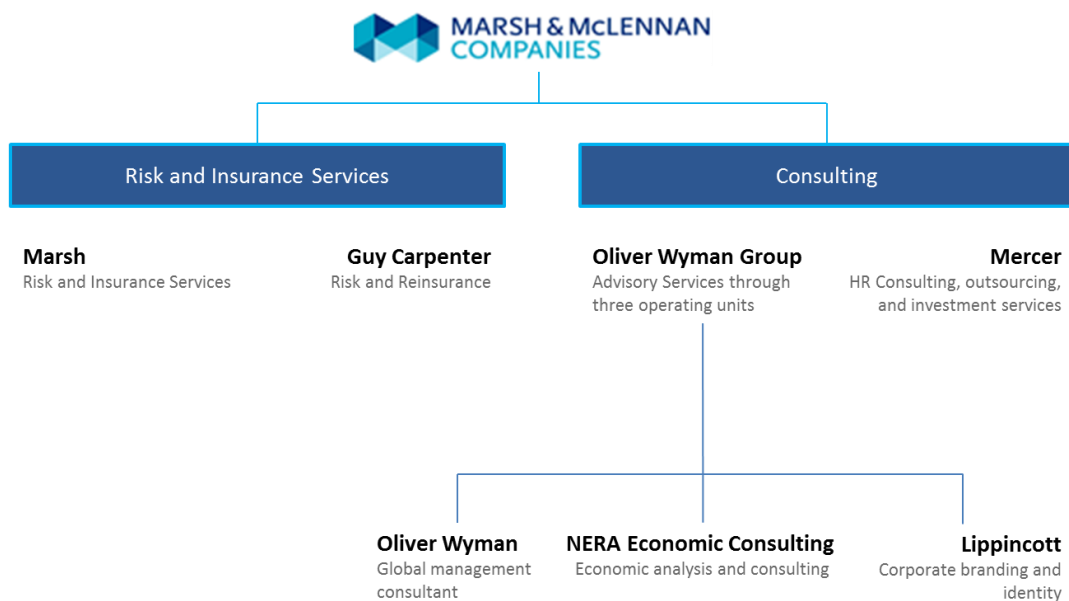
MTA – Master Broker

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 130 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 2014, Marsh produced annual revenues of approximately \$6.9 billion.

Marsh is a member of Marsh & McLennan Companies, a global professional services firm with 57,000 employees worldwide and annual revenue exceeding \$13 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 – Property Insurance Advisor

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 30 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, ACAS, 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 INSURANCE TERMS

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.