

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

2018 Annual Board Meeting

May 23, 2018

New York State Insurance Captive of



FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

ANNUAL BOARD MEETING

May 23, 2018

NOTICE

The 2018 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 2 Broadway, 20th Floor, New York, NY on May 23, 2018.

TABLE OF CONTENTS

Tab	Document
1	FMTAC Newsletter
2	December 31, 2017 Financial Statements – Multi Year Comparatives
3	December 31, 2017 Audited Financial Statements
4	December 31, 2017 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 2018 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, 2017. 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>
2017 New York Annual Statement	28-Feb-18	Filed with NYSDFS
2017 Loss Reserve Certification	28-Feb-18	Filed with NYSDFS
2017 Audited Financial Statements	4-May-18	Filed with NYSDFS
2018 NY Insurance License	In progress	To be filed with NYSDFS
2018 NY Annual Meeting	23-May-18	Scheduled
2018 Actuarial Reserve Review - Initial	30-Sep-18	To be performed by Oliver Wyman
2018 Actuarial Reserve Review - Final	31-Dec-18	To be performed by Oliver Wyman
2018 Policy Issuance	Ongoing	Various Renewal dates
2018 Monthly Accounting Submission	10 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	12/31/17	12/31/16	12/31/15	12/31/14
Balance Sheet:				
Cash and Invested Assets	\$ 685,006	\$ 637,688	\$ 756,151	\$ 606,876
Reinsurance Recoverable	12,245	298,490	473,924	640,083
Other Assets	196,944	120,476	41,936	80,956
Total Assets	894,195	1,056,654	1,272,011	1,327,915
Insurance Reserves	450,623	419,430	856,007	1,006,124
Other Liabilities	262,026	459,291	273,836	155,263
Total Liabilities	712,649	878,721	1,129,843	1,161,387
Total Equity	181,546	177,933	142,168	166,528
Unrealized Gain / (Loss) on Invt	12,178	8,020	5,327	12,932
Income Statement:				
Premium Written	\$ 280,459	\$ 238,127	\$ 126,636	\$ 174,767
Premium Earned	133,826	162,559	80,092	100,149
Net Investment Income	13,998	10,111	11,113	12,994
Losses and LAE Incurred Exp	129,227	124,134	96,507	72,067
Other Underwriting and Operating Exp.	19,142	15,464	11,454	13,030
Net Income / (Net Loss)	(545)	33,072	(16,756)	28,046
Ratios:				
Loss Ratio	96.6%	76.4%	120.5%	72.0%
Expense Ratio	14.3%	9.5%	14.3%	13.0%
Combined Ratio	110.9%	85.9%	134.8%	85.0%

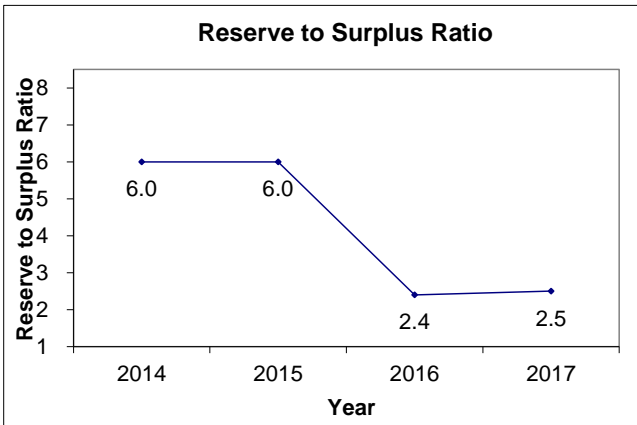
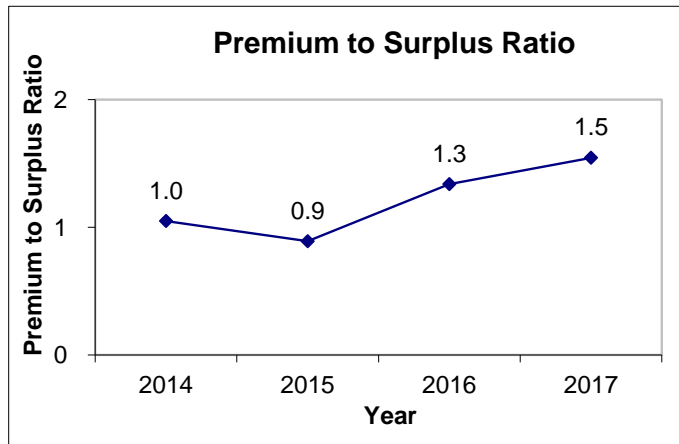
- **Total assets** have decreased by \$162.5 million (15%) and **Total liabilities** have decreased by \$166.1 million (19%) during 2017. The decrease in total assets is the net effect of a decrease in the reinsurance balances receivable due to the receipt of funds from Tropical Storm Sandy reinsurers. This was offset by an increase in investments due to collateral funding of Owner Controlled Insurance Program (“OCIP”) trust accounts. The decrease in total assets was also partially offset by a high premiums receivable balance due to additional OCIP premiums written. The decrease in total liabilities is primarily due to a decrease in losses payable as a result of the payment of the Tropical Storm Sandy claim, which was partially offset by an increase in unearned premiums due to additional OCIP casualty and builder’s risk premiums being written in 2017.
- **Total equity** was \$181.5 million at year end 2017, which included a \$12.2 million unrealized gain on investments. Total equity increased \$3.6 million (2%) from 2016, which is attributable to a \$4.2 million increase in unrealized gain on investments offset by a net loss of \$0.5 million.
- **Premium written** was \$280.5 million, which increased \$42.3 million (18%) from 2016. This increase was a result of additional premium from the OCIP casualty and builder’s risk programs. **Premium earned** was \$133.8 million for 2017, which was \$28.7 million (18%) less than 2016. The decrease is a result of lower earned premium on OCIP and Property policies. The OCIP policies earn premium based on percentage of completion of construction projects.
- **Net investment income earned** was \$14.0 million for 2017, which was \$3.9 million (38%) more than 2016 primarily due to higher realized gains on sale of investments in 2017 compared to 2016.
- **Losses and LAE incurred expenses (“incurred expense”)** were \$129.2 million for 2017 which increased by \$5.1 million (4%) when compared to 2016. The increase is attributable to increased loss reserve expenses from stations & force, property and builder’s risk programs and offset by a decrease in OCIP and excess loss expenses.

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 1.5:1 in 2017, is operating well within the industry 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.

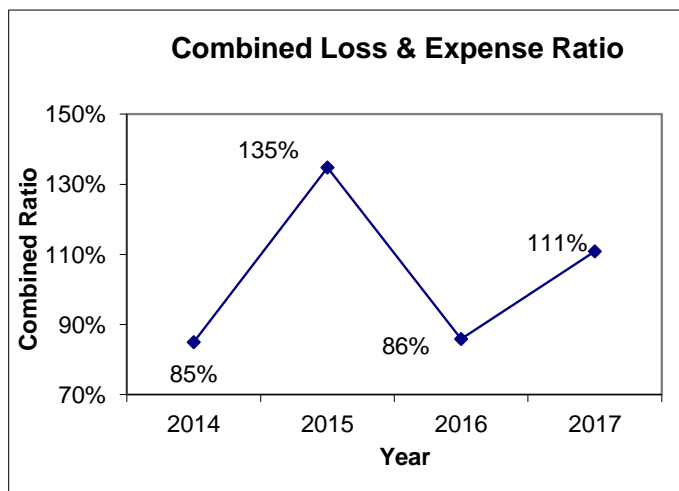
Calculation: Total Insurance Reserves divided by Total Equity.

Conclusion: FMTAC, with a Reserve-to-Surplus ratio of 2.5:1 in 2017, remains within the industry 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 2017, there was an increase in the ratio to 110.9%, which is due to a decrease in Premium Earned from the OCIP (denominator).

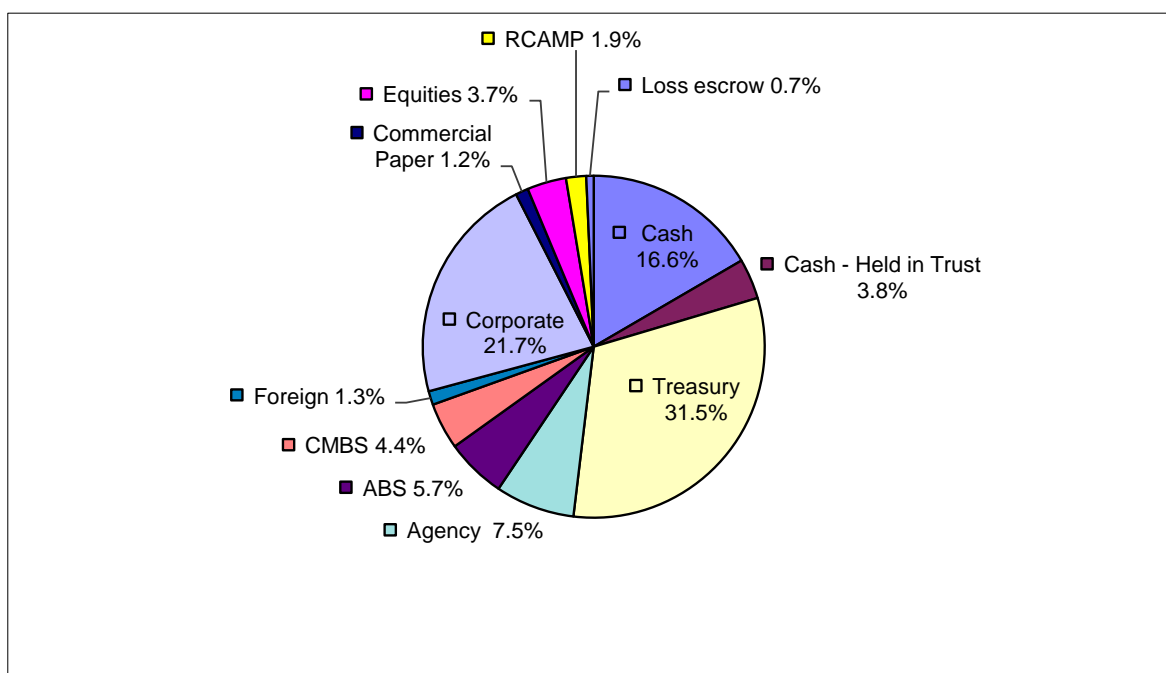


INVESTMENTS

At December 31, 2017, FMTAC held \$685.0 million in cash, investments, loss trust or escrow accounts. At December 31, 2017, Goldman Sachs Asset Management provided investment advisory services to FMTAC. BlackRock Financial Management, Inc. assumed the investment advisory services to FMTAC in February 2018. For a detailed investment report, please see "Investment Report" section of the meeting book.

Investment Type	MV %	Dec 31, 2017 Market Value (in thousands)
Cash and Cash Equivalents	16.6%	114,042
Cash - Held in Trust	3.8%	26,245
Treasury	31.5%	216,114
Agency	7.5%	51,122
Asset Backed Securities	5.7%	39,219
Commercial Mortgage Backed Securities	4.4%	30,330
Foreign Bonds	1.3%	8,665
Corporate Bonds	21.7%	148,711
Commercial Paper	1.2%	8,109
Equities	3.7%	25,122
OCIP Collateral ("RCAMP Trust")	1.9%	12,719
Loss Escrows	0.7%	4,608
Total	100.0%	685,006

Cash and Invested Assets at 12/31/17 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, 2017 TO DECEMBER 31, 2014

	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>	<u>Dec 31, 2014</u>
ASSETS				
Cash & Cash Equivalents	\$ 101,440,152	\$ 74,003,750	\$ 197,880,833	\$ 73,228,716
Cash & Investments - LOC Collateral	13,253,527	18,105,522	25,939,322	25,878,604
Investments - GOA	55,016,388	105,967,015	132,556,313	159,602,138
Security Trust - Liberty	61,996,131	44,866,127	29,480,291	28,233,259
Security Trust - Liberty '06	31,572,627	30,799,183	31,427,655	29,741,281
Investments - ELF	139,612,589	122,846,269	109,122,634	72,247,158
Investments - Builders Risk	70,171,223	67,570,748	65,254,213	54,903,945
Investments - CV Starr	25,025,000			
Security Trust - ACE	29,165,113	29,278,576	28,206,990	27,897,169
Discover Re Trust Fund	139,050,927	124,146,831	112,043,657	103,635,209
Investment Receivable / (Payable)	153,769	(548,637)	(3,293,158)	-
RCAMP Trust Fund	12,719,192	16,044,560	20,549,065	24,525,300
Premium Receivable	190,420,575	114,348,699	35,707,299	74,846,727
Reinsurance Premium Deposit - MetroCat	1,220,486	-	2,375,000	2,375,000
Reinsurance Recoverable Receivable	-	292,221,255	-	-
Reinsurance Recoverable Reserve	12,244,649	6,268,409	473,924,079	641,721,079
Escrow Paid Loss Deposit Funds	4,608,399	4,608,399	4,608,399	4,608,399
Interest Income Receivable	2,367,702	2,089,214	2,190,444	2,314,762
Deferred Incentive Award Receivable	3,912,607	4,010,649	4,012,827	2,132,977
Prepaid Losses	206,668	-		-
Deferred Policy Acquisition Costs	37,435	26,658	24,862	22,924
TOTAL ASSETS	\$ 894,195,159	\$ 1,056,653,227	\$ 1,272,010,728	\$ 1,327,914,647
LIABILITIES				
IBNR Loss Reserves	\$ 240,689,713	\$ 242,955,264	\$ 202,333,522	\$ 186,049,637
Case Loss Reserves	192,011,521	161,107,329	167,674,460	162,234,365
Reserves - Deemed Recoverable	12,244,649	6,268,409	472,286,000	640,083,000
Deferred Losses Payable - RCAMP	5,676,699	9,100,109	13,713,099	17,757,130
Losses & LAE Payable	-	305,669,616	141,717,910	189,308
Unearned Premium Reserve (net of Deferred Reinsurance Premium)	243,893,686	147,853,125	124,541,130	126,754,319
Other Due	7,007,211	4,904,332	2,383,265	4,398,537
Ceded Premium Payable	11,125,787	863,712	5,193,591	23,919,372
TOTAL LIABILITIES	712,649,266	878,721,896	1,129,842,976	1,161,385,668
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	89,242,507	56,171,856	72,927,999	44,881,383
Net Income / (Net Loss)	(543,503)	33,070,651	(16,756,143)	28,046,616
Unrealized Gain / (Loss) on Investments	12,177,970	8,019,904	5,326,978	12,932,061
TOTAL STOCKHOLDER'S EQUITY	181,545,893	177,931,331	142,167,752	166,528,979
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 894,195,159	\$ 1,056,653,227	\$ 1,272,010,728	\$ 1,327,914,647

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, 2017 TO DECEMBER 31, 2014

	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>	<u>Dec 31, 2014</u>
UNDERWRITING INCOME				
Gross Written Premiums				
Direct	\$ 275,353,926	\$ 234,491,659	\$ 123,158,783	\$ 171,560,834
Assumed	5,104,688	3,635,119	3,477,255	3,206,144
Total Written Premium	<u>280,458,614</u>	<u>238,126,778</u>	<u>126,636,038</u>	<u>174,766,978</u>
Premium Ceded	(51,278,683)	(52,255,886)	(48,757,236)	(71,665,986)
Net Retained Premium	<u>229,179,931</u>	<u>185,870,892</u>	<u>77,878,802</u>	<u>103,100,992</u>
Change in Unearned Premium - Net	(95,354,147)	(23,311,995)	2,213,189	(2,951,605)
Net Earned Premium	<u>133,825,784</u>	<u>162,558,897</u>	<u>80,091,991</u>	<u>100,149,387</u>
LOSS & LOSS ADJUSTMENT EXPENSES:				
Paid Losses & LAE	100,672,060	88,441,231	74,783,479	79,837,918
Change in Case Reserves	29,328,992	(10,273,273)	3,488,095	(4,405,291)
Change in IBNR Loss Reserves	(773,844)	45,965,963	18,235,885	(3,365,709)
Total Incurred Losses & LAE	<u>129,227,208</u>	<u>124,133,921</u>	<u>96,507,459</u>	<u>72,066,918</u>
UNDERWRITING EXPENSES:				
Safety & Loss Control	9,965,025	3,340,802	2,942,010	2,120,770
Commissions	897,719	851,319	1,243,062	1,977,519
Change in Deferred Acquisition Costs	213,830	158,150	147,236	134,563
Total Underwriting Expenses	<u>11,076,574</u>	<u>4,350,271</u>	<u>4,332,308</u>	<u>4,232,852</u>
NET UNDERWRITING INCOME / (LOSS)	<u>(6,477,998)</u>	<u>34,074,704</u>	<u>(20,747,776)</u>	<u>23,849,617</u>
OTHER EXPENSES				
Risk Management Fees	7,260,406	10,493,815	6,499,945	8,241,813
Other Misc. Charges	803,792	620,526	621,415	555,401
Total Other Expenses	<u>8,064,198</u>	<u>11,114,341</u>	<u>7,121,360</u>	<u>8,797,214</u>
INCOME / (LOSS) BEFORE INVESTMENT INCOME	<u>(14,542,196)</u>	<u>22,960,364</u>	<u>(27,869,136)</u>	<u>15,052,403</u>
INVESTMENT INCOME				
Investment Income	13,998,693	10,110,288	11,112,993	12,994,213
Total Investment Income	<u>13,998,693</u>	<u>10,110,288</u>	<u>11,112,993</u>	<u>12,994,213</u>
NET INCOME / (NET LOSS)	<u>\$ (543,503)</u>	<u>\$ 33,070,651</u>	<u>\$ (16,756,143)</u>	<u>\$ 28,046,616</u>

AUDITED FINANCIAL STATEMENTS

First Mutual Transportation Assurance Company

(Component Unit of the Metropolitan Transportation
Authority)

Financial Statements as of and for the Years
Ended December 31, 2017 and 2016, and
Independent Auditors' Report

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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1–2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3–7
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016:	
Statements of Net Position	8
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows	10
Notes to Financial Statements	11–23

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 component unit of the Metropolitan Transportation Authority ("MTA"), as of December 31, 2017 and 2016, 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, 2017 and 2016, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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 & Touche LLP

April 25, 2018

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Component Unit of the Metropolitan Transportation Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands, except as noted)

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, 2017 and 2016. 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.

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.

CONDENSED FINANCIAL INFORMATION

The following sections will discuss the significant changes in the Company's financial position for the years ended December 31, 2017 and 2016. 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)	
	2017	2016	2015	2017-2016	2016-2015
ASSETS					
CURRENT ASSETS	\$ 429,191	\$ 692,101	\$ 436,957	\$ (262,910)	\$ 255,144
NONCURRENT ASSETS	<u>465,003</u>	<u>364,553</u>	<u>835,053</u>	<u>100,450</u>	<u>(470,500)</u>
TOTAL ASSETS	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>	<u>\$ 1,272,010</u>	<u>\$ (162,460)</u>	<u>\$ (215,356)</u>

Significant Changes in Assets

December 31, 2017 versus December 31, 2016

Total assets have decreased by \$162,460 or 15.4 percent, from December 31, 2016 to December 31, 2017. The fluctuation in the total assets of FMTAC was the net result of a decrease in the reinsurance balances receivable due to the receipt of funds from Tropical Storm Sandy reinsurers offset by an increase in investments. Investments increased due to collateral funding of Owner Controlled Insurance Programs ("OCIP") trust accounts. The decrease in total assets was also partially offset by a high premiums receivable balance due to additional OCIP premiums written.

December 31, 2016 versus December 31, 2015

Total assets have decreased by \$215,356 or 16.9 percent, from December 31, 2015 to December 31, 2016. The fluctuation in the total assets of FMTAC was the net result of a decrease in cash and cash equivalents and reinsurance recoverable offset by an increase in premiums receivable. The decrease in cash and cash equivalents was due to payment of a portion of the Tropical Storm Sandy claim in 2016 with funds received from reinsurers in 2015. Reinsurance recoverable also decreased due to reduction of reinsurance reserves and reimbursements received from reinsurers for the Tropical Storm Sandy claim. Premiums receivable increased due to addition premium charged for the renewal of the OCIP East Side Access workers compensation/general liability policy.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2017	2016	2015	2017-2016	2016-2015
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES	\$ 306,520	\$ 500,324	\$ 359,701	\$ (193,804)	\$ 140,623
NONCURRENT LIABILITIES	406,129	378,397	770,140	27,732	(391,743)
RESTRICTED NET POSITION	<u>181,545</u>	<u>177,933</u>	<u>142,169</u>	<u>3,612</u>	<u>35,764</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>	<u>\$ 1,272,010</u>	<u>\$ (162,460)</u>	<u>\$ (215,356)</u>

Significant Changes in Liabilities

December 31, 2017 versus December 31, 2016

Total liabilities from December 31, 2016 to December 31, 2017 have decreased by \$166,072 or 18.9 percent. The decrease in liabilities is primarily due to a decrease in losses payable as a result of the payment on the Tropical Storm Sandy claim, which was partially offset by an increase in unearned premiums due to additional OCIP casualty and builder risk premiums being written in 2017.

December 31, 2016 versus December 31, 2015

Total liabilities from December 31, 2015 to December 31, 2016 have decreased by \$251,120 or 22.2 percent. The decrease in liabilities is primarily due Tropical Storm Sandy property claim related activity, specifically the reduction of loss reserves due to settlement of the claim and related loss payments made in 2016.

Significant Changes in Net Position

December 31, 2017 versus December 31, 2016

In 2017, the restricted net position increase of \$3,612 is comprised of operating revenues of \$133,826 and non-operating income of \$18,157, less operating expenses of \$148,371.

December 31, 2016 versus December 31, 2015

In 2016, the restricted net position increase of \$35,764 is comprised of operating revenues of \$162,559 and non-operating income of \$12,803, less operating expenses of \$139,598.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2017	2016	2015	Increase/(Decrease)	
				2017-2016	2016-2015
OPERATING REVENUES	\$ 133,826	\$ 162,559	\$ 80,092	\$ (28,733)	\$ 82,467
OPERATING EXPENSES	<u>148,371</u>	<u>139,598</u>	<u>107,959</u>	<u>8,773</u>	<u>31,639</u>
OPERATING (LOSS) / INCOME	(14,545)	22,961	(27,867)	(37,506)	50,828
NON-OPERATING INCOME / (LOSS)	<u>18,157</u>	<u>12,803</u>	<u>3,508</u>	<u>5,354</u>	<u>9,295</u>
CHANGE IN NET POSITION	3,612	35,764	(24,359)	(32,152)	60,123
RESTRICTED NET POSITION— Beginning of year	<u>177,933</u>	<u>142,169</u>	<u>166,528</u>	<u>35,764</u>	<u>(24,359)</u>
RESTRICTED NET POSITION— End of year	<u>\$ 181,545</u>	<u>\$ 177,933</u>	<u>\$ 142,169</u>	<u>\$ 3,612</u>	<u>\$ 35,764</u>

Operating Revenues—The decrease of \$28,733 or 17.7 percent, over the 2016 operating revenues is primarily due to decreased earned premium from the Owner Controlled Insurance Programs (“OCIP”) casualty programs compared to prior years. Earned Premium for OCIP casualty programs are based on completion of the project construction.

The increase of \$82,467 or 103.0 percent, over the 2015 operating revenues is primarily due to increased earned premium from the Owner Controlled Insurance Programs (“OCIP”) Liberty program compared to prior years. Earned Premium for OCIP Liberty program is based on completion of the project construction.

Operating Expenses—Operating expenses between 2016 and 2017 increased by 6.2 percent, or \$8,773. Actuarial determined loss and loss adjustment expenses decreased and was offset by an increase in underwriting expenses primarily due to safety expenses for the OCIP Second Avenue Subway project.

Operating expenses between 2015 and 2016 increased by 29.3 percent, or \$31,639. This increase is primarily attributable to an increase in the estimated reserve for the Station and Force and the OCIP program along with an increase in the MTA risk management fee.

Non-operating Income—Non-operating income between 2016 and 2017 increased by 41.8 percent, or \$5,354. This is a result of an increase in income primarily from net unrealized gains on investments held by FMTAC.

Non-operating income between 2015 and 2016 increased by 265.0 percent, or \$9,295. This is a result of an increase in income primarily from net unrealized gains on investments held by FMTAC.

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, 2017, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2017 and 2016, 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— For 2017, A.M. Best estimates catastrophe loss of \$52.9 billion, the highest ever reported and over twice that reported in 2016. Consequently, the industry reported an underwriting loss of \$23.5 billion, four times larger than that reported in 2016. Despite the large catastrophe losses, the total industry pre-tax income was \$21.5 billion, down 47% from the prior year. In addition, the industry reported a 6.8% increase in policyholders' surplus to \$733 billion aided by \$39 billion in unrealized gains, leaving the industry well capitalized despite record catastrophes.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Metro-North Railroad Derailment—

On December 1, 2013, 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. FMTAC has exhausted their \$50,000 limit related to this claim and has paid \$10,000 and \$20,000 in losses relating to this claim, in 2017 and 2016, respectively. At December 31, 2017, FMTAC has a reserve of \$0 in these financial statements. Any additional claims related to this matter will be the responsibility of excess insurance layers.

MTA Long Island Rail Road—New Hyde Park Collision. On October 8, 2016 while the MTA Long Island Rail Road was conducting track work east of the New Hyde Park Station on track placed out of service, a piece of track equipment derailed fouling live track and was struck by a train carrying passengers, causing the passenger train to derail. The majority of the personal injury claims appear to be soft-tissue, with a few fractures and Post Traumatic Stress Disorder claims. The most seriously injured claimant allegedly sustained two fractured legs, requiring five surgeries to date. The current outstanding reserves are \$20 million; which includes the Force \$11 million self-insured retention ("SIR").

MTA Long Island Rail Road - Atlantic Terminal Bumper Block Strike. An incident occurred on January 4, 2017 when an MTA Long Island Rail Road Far Rockaway Line train struck a bumper block in the Atlantic Terminal-Brooklyn Station. At this time, there does not appear to be any catastrophic injuries stemming from this incident with worst injuries seen so far are bone fractures and various trauma to the head/neck. If plaintiffs are successful in their claims against MTA Long Island Rail Road, damages could impact FMTAC and excess layers of insurance. The current outstanding reserves are \$4.7 million; which is within the Stations \$11 million SIR.

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
(Component Unit of the Metropolitan Transportation Authority)

STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016
(In thousands)

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 144,895	\$ 228,387
Investments (Note 4)	78,545	38,982
Funds held by reinsurer (Note 5)	12,719	16,045
Premiums receivable due from affiliates (Note 7)	190,421	114,349
Interest income receivable (Note 4)	2,367	2,089
Reinsurance balances receivable	-	292,222
Prepaid Losses	207	-
Other assets	37	27
Total current assets	<u>429,191</u>	<u>692,101</u>
NONCURRENT ASSETS:		
Investments (Note 4)	448,845	354,274
Reinsurance recoverable	12,245	6,268
Incentive reward receivable	3,913	4,011
Total noncurrent assets	<u>465,003</u>	<u>364,553</u>
TOTAL ASSETS	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Unearned premiums	\$ 243,894	\$ 147,853
Ceded premium payable	11,126	864
Loss and loss adjustment expense liability (Note 6)	44,495	41,033
Losses payable	-	305,670
Due to affiliates	4,561	3,714
Accrued expenses	2,444	1,190
Total current liabilities	<u>306,520</u>	<u>500,324</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expense liability (Note 6)	388,207	363,029
Reinsurance recoverable reserves (Note 6)	12,245	6,268
Owner Controlled Insurance Programs liability (Note 5)	5,677	9,100
Total noncurrent liabilities	<u>406,129</u>	<u>378,397</u>
Total liabilities	712,649	878,721
RESTRICTED NET POSITION	<u>181,545</u>	<u>177,933</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>

See notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016
(In thousands)

	2017	2016
OPERATING REVENUES:		
Gross premiums written	\$ 280,459	\$ 238,127
Premiums ceded	(51,279)	(52,256)
Change in unearned premiums	<u>(95,354)</u>	<u>(23,312)</u>
Total operating revenues	<u>133,826</u>	<u>162,559</u>
OPERATING EXPENSES:		
Loss and loss adjustment	129,227	124,134
Underwriting	11,077	4,350
General and administrative	<u>8,067</u>	<u>11,114</u>
Total operating expenses	<u>148,371</u>	<u>139,598</u>
OPERATING (LOSS)/INCOME	<u>(14,545)</u>	<u>22,961</u>
NON-OPERATING INCOME:		
Net investment income	<u>18,157</u>	<u>12,803</u>
Total non-operating income	<u>18,157</u>	<u>12,803</u>
CHANGE IN NET POSITION	3,612	35,764
RESTRICTED NET POSITION—Beginning of year	<u>177,933</u>	<u>142,169</u>
RESTRICTED NET POSITION—End of year	<u>\$ 181,545</u>	<u>\$ 177,933</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

(In thousands)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other receipts	\$ 164,057	\$ 102,899
Other operating expenses	<u>(131,294)</u>	<u>(229,762)</u>
Net cash provided / (used in) by operating activities	<u>32,763</u>	<u>(126,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(485,655)	(351,094)
Sales and maturities of investments	355,679	374,048
Earnings on investments	<u>13,721</u>	<u>10,211</u>
Net cash (used in) / provided by investing activities	<u>(116,255)</u>	<u>33,165</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(83,492)	(93,698)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>228,387</u>	<u>322,085</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 144,895</u>	<u>\$ 228,387</u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED / (USED IN) BY OPERATING ACTIVITIES:		
Operating (loss) / income	\$ (14,545)	\$ 22,961
Adjustments to reconcile to net cash used in operating activities:		
Net decrease in accounts payable, accrued expenses and other liabilities	(166,071)	(251,121)
Net increase in receivables	<u>213,379</u>	<u>101,297</u>
Net cash provided by operating activities	<u>\$ 32,763</u>	<u>\$ (126,863)</u>

See notes to financial statements.

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Component Unit of the Metropolitan Transportation Authority)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016
(In thousands, except as noted)

1. BASIS OF PRESENTATION

Reporting Entity—First Mutual Transportation Assurance Company (the “Company”), a component unit 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 of New York and is included in the State of New York’s Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

FMTAC is operationally and legally independent of the MTA. FMTAC enjoys certain rights typically associated with separate legal status. However, FMTAC is included in the MTA’s consolidated financial statements as a blended component unit because of the MTA’s financial accountability, and FMTAC is under the direction of the MTA Board (a reference to “MTA Board” means the board of MTA and/or the boards of the FMTAC and other MTA component units that apply in the specific context, all of which are comprised of the same persons). Under accounting principles generally accepted in the United States of America (“GAAP”), the MTA is required to include FMTAC in its consolidated financial statements.

The New York captive insurance statute requires a \$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*.

GASB has issued the following pronouncements that may affect the future financial position, results of operations, cash flows, or financial presentation of the FMTAC upon implementation. Management has not yet evaluated the effect of implementation of these standards.

<u>GASB</u> <u>Statement No.</u>	<u>GASB Accounting Standard</u>	<u>FMTAC Required</u> <u>Year of Adoption</u>
85	Omnibus 2017	2018

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 with a maturity of three months or less when purchased. Cash equivalents are stated at amortized 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 component unit of the MTA. The MTA and its subsidiaries are exempt from income taxes.

3. CASH AND CASH EQUIVALENTS

At December 31, 2017 and 2016, cash and cash equivalents consisted of (in thousands):

	2017		2016	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 250	\$ 250	\$ 250	\$ 250
Loss escrows	5,829	5,829	4,608	4,608
Funds for security trust	25,025	25,025	124,147	124,147
Uninsured deposits	<u>113,791</u>	<u>88,612</u>	<u>99,382</u>	<u>99,930</u>
	<u>\$ 144,895</u>	<u>\$ 119,716</u>	<u>\$ 228,387</u>	<u>\$ 228,935</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 \$5,829 and \$4,608 as of December 31, 2017 and 2016, respectively.

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

4. INVESTMENTS

The fair value and cost basis of investments consist of the following at December 31, 2017 and 2016 (in thousands):

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Funds for claim payments	\$ 258,258	\$ 245,413	\$ 271,525	\$ 263,346
Security trust funds	255,878	256,654	103,626	103,911
Funds for letter of credit	<u>13,254</u>	<u>13,147</u>	<u>18,105</u>	<u>17,980</u>
	<u>\$ 527,390</u>	<u>\$ 515,214</u>	<u>\$ 393,256</u>	<u>\$ 385,237</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.

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, 2017 and 2016.

The yield to maturity rate was 3.01% for the year ended December 31, 2017, and 4.16% for the year ended December 31, 2016. The change in net unrealized gain on investments for the years ended December 31, 2017 and 2016, was \$4,158 and \$2,693, respectively.

Interest Rate Risk and Investments at Fair Value

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 a bond price's sensitivity to 100 basis point change in interest rates. Duration is expressed as a number of years.

The Company categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the Company's investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Listed below are the recurring fair value measurements as of December 31, 2017 and 2016. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for those securities.

(In thousands)	2017		2017			
	Fair Value	Duration (years)	Total	Fair Value Measurements		
Investment Type				Level 1	Level 2	Level 3
Treasury ⁽¹⁾	\$ 216,824	1.99	\$ 216,824	\$ -	\$ 216,824	\$ -
Agency ⁽²⁾	51,285	4.14	51,285	-	51,285	-
Asset backed securities	39,293	1.08	39,293	-	39,293	-
Commercial mortgage backed securities	30,411	5.63	30,411	-	30,411	-
Foreign bonds	8,721	-	8,721	8,721	-	-
Corporate bonds	<u>149,994</u>	5.27	<u>149,994</u>	<u>149,994</u>	<u>-</u>	<u>-</u>
Total	496,528	3.01	496,528	158,715	337,813	-
Equities ⁽³⁾	25,122		25,122	25,122	-	-
Investments measured at amortized costs						
Commercial paper	<u>8,109</u>		<u>8,109</u>	<u>-</u>	<u>8,109</u>	<u>-</u>
	529,759		529,759	<u>\$ 183,837</u>	<u>\$ 345,922</u>	<u>\$ -</u>
Less accrued interest	<u>(2,369)</u>		<u>(2,369)</u>			
Total investments	<u>\$ 527,390</u>		<u>\$ 527,390</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)	2016		2016			
	Fair Value	Duration (years)	Total	Fair Value Level 1	Measurements Level 2	Level 3
Treasury ⁽¹⁾	\$ 81,341	5.23	\$ 81,341	\$ -	\$ 81,341	\$ -
Agency ⁽²⁾	45,116	2.93	45,116	-	45,116	-
Asset backed securities	34,724	1.04	34,724	-	34,724	-
Commercial mortgage backed securities	33,469	3.04	33,469	-	33,469	-
Foreign bonds	13,329	-	13,329	13,329	-	-
Corporate bonds	<u>166,110</u>	2.56	<u>166,110</u>	<u>166,110</u>	<u>-</u>	<u>-</u>
Total	374,089	4.16	374,089	179,439	194,650	-
Equities ⁽³⁾	<u>21,256</u>		<u>21,256</u>	<u>21,256</u>	<u>-</u>	<u>-</u>
	395,345		395,345	<u>\$ 200,695</u>	<u>\$ 194,650</u>	<u>\$ -</u>
Less accrued interest	<u>(2,089)</u>		<u>(2,089)</u>			
Total investments	<u>\$ 393,256</u>		<u>\$ 393,256</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, 2017, 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	\$ 103,535	20.5 %
AA	24,224	4.8
A	90,874	18.0
BBB	42,571	8.4
BB	523	0.1
Not rated	<u>26,086</u>	<u>5.2</u>
Credit risk debt securities	287,813	57.0
U.S. Government bonds	<u>216,824</u>	<u>43.0</u>
Total fixed income securities	504,637	<u>100.0 %</u>
Equities	25,122	
Less accrued interest	<u>(2,369)</u>	
Total investments	<u>\$ 527,390</u>	

Credit Risk—At December 31, 2016, 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	\$ 88,196	23.6 %
AA	35,310	9.4
A	99,484	26.6
BBB	49,393	13.2
Not rated	<u>22,300</u>	<u>6.0</u>
Credit risk debt securities	294,683	78.8
U.S. Government bonds	<u>79,406</u>	<u>21.2</u>
Total fixed income securities	374,089	<u>100.0 %</u>
Equities	21,256	
Less accrued interest	<u>(2,089)</u>	
Total investments	<u>\$ 393,256</u>	

5. INSURANCE PROGRAMS

Property Program—Effective May 1, 2017, 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 \$800,000 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.

FMTAC's property insurance program has been expanded to include a further layer of \$125,000 of fully collateralized earthquake coverage for an event of a certain index value and for 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 May 23, 2017 to April 30, 2020. The expanded protection is reinsured by MetroCat Re Ltd. 2017-1, a Bermuda special purpose insurer independent from the MTA and formed to provide FMTAC with capital markets based property reinsurance. The MetroCat Re Ltd. 2017-1 reinsurance policy is fully collateralized by a Regulation 114 trust invested in U.S. Treasury Money Market Funds. The additional coverage provided is parametric and available for storm surge losses resulting from a storm that causes water levels that reach the specified index values, and also for an earthquake event of a certain index.

Terrorism Program— Effective May 1, 2016, FMTAC renewed the terrorism program. Commencing May 1, FMTAC directly insures certified terrorism 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 \$1,075,000 per occurrence covering property of the related entities collectively. FMTAC is reinsured in the domestic, London, and European marketplaces for this coverage. Losses occurring after the retention aggregate is exceeded are subject to a deductible of \$7,500 per occurrence. The direct and reinsurance policies are for a three-year period, May 1, 2016 to May 1, 2019.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 83% of “certified” losses in 2017, as covered by the Terrorism Risk Insurance Act (“TRIA”) of 2015 (originally introduced in 2002). Under the 2015 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. The remaining 17% 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 \$140,000 (“trigger”) for 2017. The United States government’s reinsurance of FMTAC was extended for six years.

To supplement the reinsurance to FMTAC through the 2015 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) 17% of any “certified” act of terrorism in 2017—up to a maximum recovery of \$182,750 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 17% “certified” acts of terrorism insurance in 2017 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 \$140,000 for any occurrence and in the annual aggregate. This coverage expires at midnight on May 1, 2019. 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. In the event the annual aggregate is eroded, a self-insured retention of \$7,500 per occurrence would apply.

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, 2017, FMTAC also provides an All-Agency Excess Liability Policy to the MTA and its subsidiaries and affiliates with the limits: i) \$50,000 (50%) 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, 2017, the Company renewed its direct insurance for the first \$11,000 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, 2017, the net retention to the Company is \$2,000. The Company also issued a policy for \$9,000 excess of \$2,000 per occurrence with an \$18,000 annual aggregate.

Paratransit—On March 1, 2017, the MTA renewed its one-year auto liability policy with Travelers (Discover Re). Effective March 1, 2017, the Company renewed, with the MTA, a deductible reimbursement policy for the auto liability on the New York City Transit (“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, 2017, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

Non-Revenue—Effective March 1, 2017, 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, 2017, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

Owner-Controlled Insurance Programs (OCIP)—The MTA purchases Owner Controlled Insurance Programs 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 revenues, expenses, and changes in net position. 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, 2017 and 2016 (in thousands):

	2017	2016
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000–2004 Capital Improvement Program	(2,095)	(2,093)
NYCT 2000–2004 line structures/shops, yards and depots Capital Improvements Program	717	1,144
NYCT 2000–2004 stations and escalators/elevators Capital Improvements Program	(683)	(683)
LIRR/MNR 2005–2009 Capital Improvement Program	(419)	(299)
CCC Second Ave. Subway	<u>7,625</u>	<u>10,499</u>
OCIP liability	<u>\$ 5,677</u>	<u>\$ 9,100</u>

The activity of all funds held by the OCIP reinsurer consists of the following for 2017 and 2016 (in thousands):

	2017	2016
Funds held by OCIP insurers—beginning of year	\$ 16,045	\$ 20,549
Interest income	97	109
Claims payments	<u>(3,423)</u>	<u>(4,613)</u>
Funds held by OCIP reinsurer	<u>\$ 12,719</u>	<u>\$ 16,045</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) Long Island Rail Road (“LIRR”)/Metro-North Commuter Railroad Company (“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 \$31 and \$18 during the years ended December 31, 2017 and 2016, 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 2017 and 2016, respectively, the Company had a net recovery of \$430 and \$18.

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, 2015, additional funding totaled \$10,691. The Company made claim payments totaling \$120 and \$485 during 2017 and 2016, 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 \$1 in interest income during the years ended December 31, 2017 and 2016, 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 2017 and 2016, \$8,983 and \$11,790 has been set aside to cover this exposure. During 2017 and 2016, the Company earned \$67 and \$89 in interest with \$2,874 and \$4,146 in loss payments on this OCIP. All interest generated will be used to pay for additional loss control services and a contractor incentive program.

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. On April 1, 2016, this coverage was renewed to April 1, 2021. The Company will now hold the collateral and loss funding for the first \$750 per occurrence resulting from Workers' Compensation and the first \$1,900 from General Liability.

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 NYCT'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.

MTA 2015–2019 Combined Capital Construction Program—Effective June 30, 2017, the Company entered into a multi-year agreement with Starr Indemnity & Liability 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 2015–2019 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.

Effective June 30, 2017, the Company wrote a builders risk deductible reimbursement policy with the MTA for the 2015-2019 Combined Capital Construction Program with limits of \$250 per occurrence, \$1,000 per occurrence for peril of Flood with a \$25 contractor deductible per claim. The policy will expire on June 30, 2023.

6. LOSS AND LOSS ADJUSTMENT EXPENSES AND REINSURANCE

The following schedule presents changes in the loss and loss adjustment expense liabilities during 2017 and 2016 (in thousands):

	2017	2016
Loss and loss adjustment expenses—beginning of year	\$ 410,330	\$ 842,294
Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(6,268)</u>	<u>(472,286)</u>
Net balance—beginning of year	404,062	370,008
Loss and loss adjustment expenses	129,227	124,134
Payments attributable to insured events of the current year	(100,587)	(88,441)
Change in expected timing of collection of recoverable	<u>-</u>	<u>(1,639)</u>
Net balance—end of year	432,702	404,062
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>12,245</u>	<u>6,268</u>
Loss and loss adjustment expenses—end of year	444,947	410,330
Less current portion	<u>44,495</u>	<u>41,033</u>
Long-term liability	<u>\$ 400,452</u>	<u>\$ 369,297</u>

7. RELATED PARTY TRANSACTIONS

The Company provides insurance coverage for the MTA and its component units. The premium revenue from related parties during the period and receivable for the years ended December 31, 2017 and 2016, was as follows (in thousands):

	2017		2016	
	Receivable	Earned	Receivable	Earned
LIRR	\$ 10,545	\$ 14,396	\$ 10,716	\$ 13,606
MNCR	6,601	10,960	7,409	9,491
MTA	<u>173,275</u>	<u>108,470</u>	<u>96,224</u>	<u>141,061</u>
	<u>\$ 190,421</u>	<u>\$ 133,826</u>	<u>\$ 114,349</u>	<u>\$ 164,158</u>

Included in General and Administrative expenses for the years ended December 31, 2017 and 2016, respectively, are amounts the MTA charged of \$7,260 and \$10,494, respectively, to FMTAC for risk management services provided to the Company of which \$4,561 and \$3,714 remain as a liability at December 31, 2017 and 2016, 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 \$10,900,000 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 SIR limit 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, 2017, FMTAC has a losses payable of \$0, along with a corresponding \$0 reinsurance recoverable receivable in these financial statements. At December 31, 2016, FMTAC has a losses payable of \$292,222, along with a corresponding reinsurance recoverable receivable in these financial statements. FMTAC paid \$312,211 and \$72,360 and recovered \$292,222 and \$72,360 of paid losses relating to this claim in 2017 and 2016, respectively.

9. METRO-NORTH RAILROAD DERAILMENT

On December 1, 2013, 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. FMTAC has exhausted their \$50,000 limit related to this claim and has paid \$10,000 and \$20,000 in losses relating to this claim, in 2017 and 2016, respectively. At December 31, 2017, FMTAC has a reserve of \$0 in these financial statements. Any additional claims related to this matter will be the responsibility of excess insurance layers.

10. SUBSEQUENT EVENTS

FMTAC evaluated subsequent events from January 1, 2018 through April 25, 2018, the date the financial statements were issued. FMTAC concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements.

* * * * *

ACTUARIAL CERTIFICATION

**First Mutual Transportation Assurance Company
State of New York**

**Statement of Actuarial Opinion
as of December 31, 2017**

IDENTIFICATION

I, Steven G. McKinnon, am a Principal of the firm of Oliver Wyman Actuarial Consulting, Inc. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to provide the actuarial opinion contained herein. I am a member in good standing and a Fellow of the Casualty Actuarial Society.

SCOPE

I was appointed by the Board of Directors of First Mutual Transportation Assurance Company (hereinafter referred to as "FMTAC" or "the Company") on or about October 16, 2017 to render an opinion on the Company's December 31, 2017 loss and loss adjustment expense reserves. These reserves, as included in the Financial Statement as of December 31, 2017 of the Company, are summarized in the attached Exhibit A and reflect the loss reserve disclosures detailed in Exhibit B.

The intended purpose of this actuarial opinion is to satisfy the requirement for an annual actuarial certification of loss and loss adjustment expense reserves. The loss and loss adjustment expense reserves are the responsibility of the Company's management; my responsibility is to express an opinion on these loss and loss adjustment expense reserves based on my review. My review included such tests and examinations of the actuarial assumptions, methods and calculations used in determining the reserves listed in Exhibit A as I considered necessary in the circumstances.

In forming my opinion, I have relied on data provided by Phyllis Rachmuth (Director, MTA Risk and Insurance Management and President of FMTAC) and her designees. My review included information provided to me through February 28, 2018. I have performed no verification as to the accuracy of this data; however I have evaluated the data for reasonableness and consistency. My evaluation did not reveal any data issues materially impacting the results of my analysis.

My review was limited to the items included in Exhibit A and did not include a review of other balance sheet or any income statement items. Data underlying the loss and loss adjustment expense reserves is compiled on a basis net of salvage and subrogation received. Reserves developed using this data implicitly anticipate future salvage and subrogation recoveries. I have not separately reviewed the anticipated salvage and subrogation recoverable.

OPINION

In my opinion, giving consideration to the Relevant Comments herein, the Company's December 31, 2017 reserves carried in Exhibit A on account of the items identified above:

- A. meet the relevant requirements of the insurance laws of New York;
- B. are consistent with reserves computed in accordance with accepted loss reserving standards and principles;
- C. make a reasonable provision, in the aggregate, for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

RELEVANT COMMENTS

A. Risk of Material Adverse Deviation

As the appointed actuary for the Company's unpaid liabilities, I am required to provide a materiality standard for determining the risk of material adverse deviation. There are several factors that may result in actual net future loss and loss adjustment expense payments that are greater than the Company's net carried reserves. I have identified the major risk factors as the long-tailed nature of the liability exposures covered by the Company, the potential for catastrophic claims to trigger a large claim under the Excess Loss Program, and significant premium growth during 2016 and 2017. The absence of other risk factors does not imply that additional risk factors will not be identified as being major risk factors in the future.

The ultimate value of liability claims are subject to considerable variability and uncertainty due to their long-tailed nature. There may be significant time lag from the accident date to the date a claim is filed, as well as additional time lag from the date the claim is reported to the date the claim is settled and paid.

Under the Excess Loss Program, the Company provides \$50 million per occurrence to MTA agencies above a self-insured retention. The self-insured retentions of the agencies vary by program and year and are as high as \$11 million per occurrence. The Company is also responsible for gross losses above \$200 million per occurrence with limits ranging from \$100 million to the current level of \$200 million.

During 2016 and 2017, the Company experienced significant growth to net written premium. Significant growth to premium may result in changes to the mix of exposures insured, which introduces additional uncertainty around the estimated reserves. The following table summarizes the Company's net written premium, by year.

2013	\$62.8 million
2014	\$103.1 million
2015	\$77.9 million
2016	\$185.9 million
2017	\$229.2 million

I have established a materiality standard for this Company at \$28,731,884. This amount is 15% of the Company's statutory surplus. This materiality standard considers the purpose of this opinion, my review of the Company's historical claim data, and coverages written by the Company. Other measures of materiality may be used for reserves that are being evaluated in a different context.

Based on the selected materiality standard, as well as the major risk factors discussed above, I believe there is a risk of material adverse deviation.

B. Reinsurance

The actuarial report prepared in support of this opinion includes a summary of the Company's ceded reinsurance that is, or could be, material to the Company's ceded loss and loss adjustment expense reserves as of December 31, 2017. This information was provided by the Company and is assumed to be materially accurate and complete. An assessment as to whether or not the reinsurance contracts meet the requirements for reinsurance accounting is a management and accounting decision, and I express no opinion in this regard.

Based on representations made by the Company and the Company's description of its ceded and assumed reinsurance agreements, I am not aware of any reinsurance contract having a material effect on the loss and loss adjustment expense reserves 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. The Company has represented that there was a dispute with one reinsurer, Infrassure Ltd., related to a \$20 million recoverable for property damage suffered as a result of Superstorm Sandy. My understanding is that Infrassure Ltd. has paid \$10 million to FMTAC associated with this claim. I have relied on the Company's assessment of the potential for uncollectible reinsurance.

C. Other Disclosures

Accounting Standard

The Company has represented that the reserves on which I am expressing an opinion were prepared in accordance with the United States Generally Accepted Accounting Principles.

Salvage and Subrogation

Data underlying the loss and loss adjustment expense reserves is compiled on a basis net of salvage and subrogation received. Reserves developed using this data implicitly anticipate future salvage and subrogation recoveries. I have not separately reviewed the anticipated salvage and subrogation recoverable.

Discount

Reserves are provided on an undiscounted basis and do not consider the time value of money.

Risk Margin

The carried reserves do not include an explicit risk margin.

Asbestos and Environmental Exposure

I have reviewed the Company's exposure to asbestos and environmental claims. In my opinion, there is a remote possibility of material liability since the Company has represented that its policies have exclusions for asbestos and environmental exposure and there have been no reported asbestos or environmental claims reported to date.

Underwriting Pools and Associations

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

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 guarantee contracts, mortgage guarantee contracts, and surety contracts).

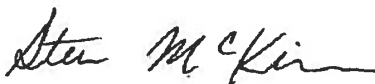
D. Additional Comments

Unpaid loss and loss adjustment expense liabilities are subject to inherent uncertainty due to the variability of fortuitous outcomes of contingent events which may affect loss and loss adjustment expense costs. 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 emergence and payments. It is virtually certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. No warranty is expressed or implied that this will not occur.

I have neither examined the assets of the Company nor formed any opinion as to the value or validity of the assets. My review was limited to the items noted in the scope paragraph, and did not include an analysis of any income statement or other balance sheet items. My opinion that the reserves make a reasonable provision in the aggregate for the unpaid loss and loss adjustment expense obligations of the Company presumes that these reserves are backed by valid assets and that these assets reflect suitably scheduled maturities and/or sufficient liquidity to meet cash flow requirements.

This statement of opinion is intended solely for the use of, and only to be relied upon by, the Company and the state of New York.

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



Steven G. McKinnon
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

48 South Service Road, Suite 310
Melville, NY 11747
(631) 577-0555
February 28, 2018

Exhibit A – SCOPE

<u>Loss Reserves:</u>		<u>Amount</u>
1.	Gross Reserve for Unpaid Losses (Page 2, Line 17)	\$425,743,589
2.	Gross Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$19,202,291
3.	Gross Reserve for Unpaid Losses and Loss Adjustment Expenses [= (1) + (2)]	\$444,945,880
4.	Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$10,690,063
5.	Reserve for Unpaid Losses and Loss Adjustment Expenses [= (3) - (4)]	\$434,255,817

Exhibit B – DISCLOSURES

1. Name of the Appointed Actuary:
- | <u>Last Name</u> | <u>First Name</u> | <u>Middle</u> |
|------------------|-------------------|---------------|
| McKinnon | Steven | G |
2. The Appointed Actuary's Relationship to the Company. C
E if an
Employee C
if a
Consultant
3. The Appointed Actuary is Qualified Actuary based upon F
Enter F, A, M, or O based upon the following:
F if a Fellow of the Casualty Actuarial Society (FCAS)
A if an Associate of the Casualty Actuarial Society (ACAS)
M if not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter.
O for Other
4. Type of Opinion, as Identified in the OPINION paragraph. R
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 N if No Opinion
5. Materiality Standard expressed in \$US \$28,731,884
6. Is there a Significant Risk of Material Adverse
Deviation? Yes ☒ No ☐ Not
Applicable ☐
7. Statutory Surplus \$191,545,894

REGULATORY CHECKLIST

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

New York Regulatory Compliance Report As of May 23, 2018

<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 28, 2018
File Actuarial Certification of Loss Reserves.	Within 60 days of fiscal year end	February 28, 2018
File Audited Financial Statements with NYSDFS	July 1	May 4, 2018
File Parent Company Annual Report with NYSDFS	Annually	In progress
Examination by NYSDFS	Every 5 years	In progress: awaiting 2011-2015 examination report from NYSDFS
<i>Taxes & Fees</i>		
File Premium Tax (Franchise Tax) Return with NYS Tax Dept	Within 3 ½ months after the reporting period (April 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. NYSDFS fingerprinting requirement has been waived.

<i>Corporate Governance, con't</i>		
<i>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</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 23, 2018

INVESTMENT REPORT

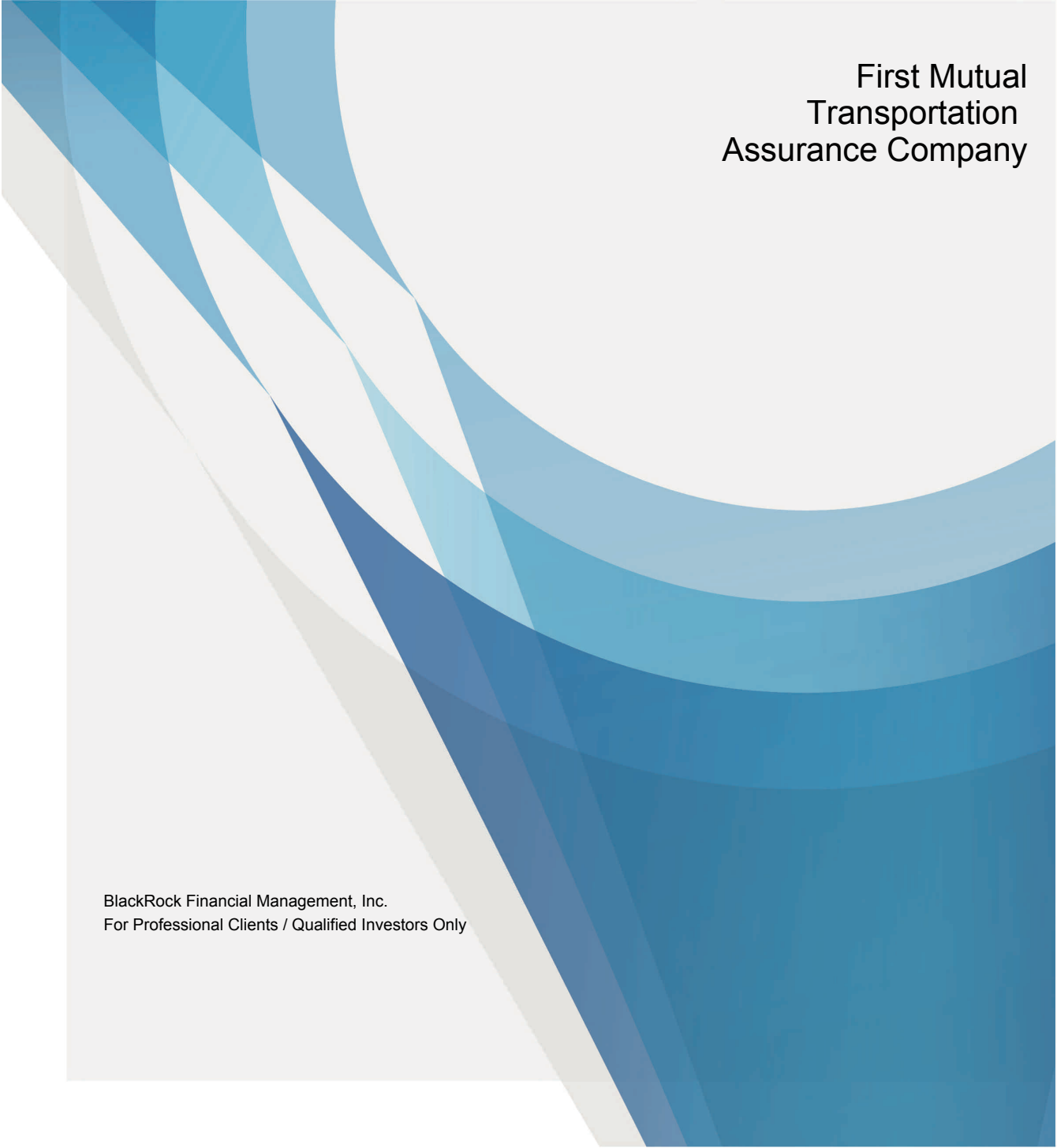




MONTHLY REPORT
31 MARCH 2018


BLACKROCK®

First Mutual
Transportation
Assurance Company

BlackRock Financial Management, Inc.
For Professional Clients / Qualified Investors Only



Your Account Management Team**Danielle Nefouse, CFA** danielle.nefouse@blackrock.com +1 (212) 8108408**Stephen Boyle** stephen.boyle@blackrock.com +1 (646) 2311541**Angela Pflug** angela.pflug@blackrock.com +1 (646) 2310404

Client Reporting Team**FIG Client Reporting Group** FIGClientReporting@blackrock.com 800-777-8389**Learn more about BlackRock**www.blackrock.com**Corporate Governance**

Information related to our Responsible Investment can be found on our website at:

www.blackrock.com/responsibleinvestment**Online Glossary of Terms**

Definitions for all terms found in your report can be found in our online glossary at:

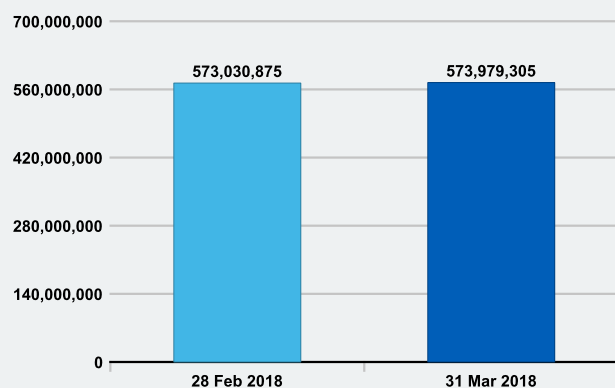
www.blackrock.com/institutions/glossary

Table of Contents

Executive Summary	2
Performance Attribution	20
Portfolio Credit Positioning	29
Fixed Income Sector Review	55
Disclosures	58

Executive Summary
Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value

Portfolio Activity

YTD Realized Gain/Loss	11,320,153.86
Unrealized Gain/Loss	-6,487,172.94
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %

Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

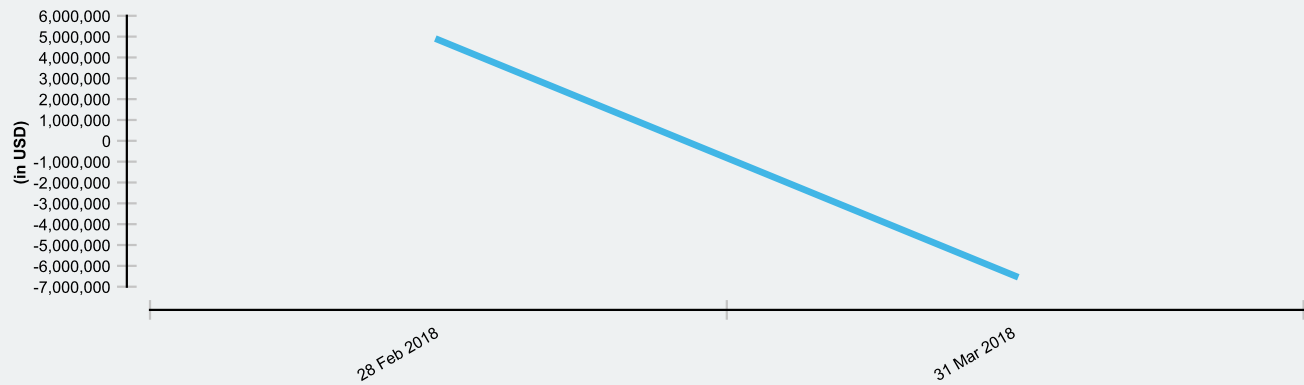
Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	4,847,817.26
31 Mar 2018	-6,487,172.94

FMTAC Ace American Trust

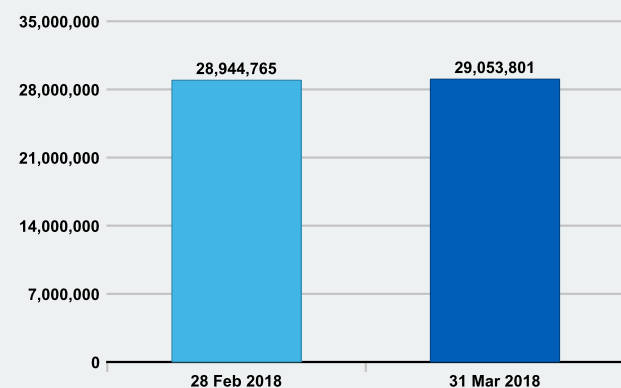
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	-12,135.76
Unrealized Gain/Loss	-635,020.59
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

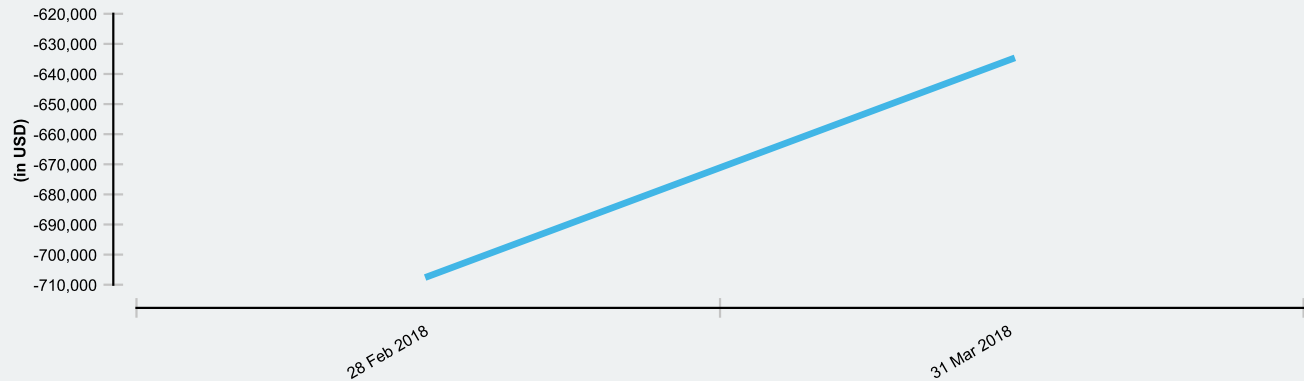
Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-707,232.93
31 Mar 2018	-635,020.59

FMTAC Discovery Re Trust

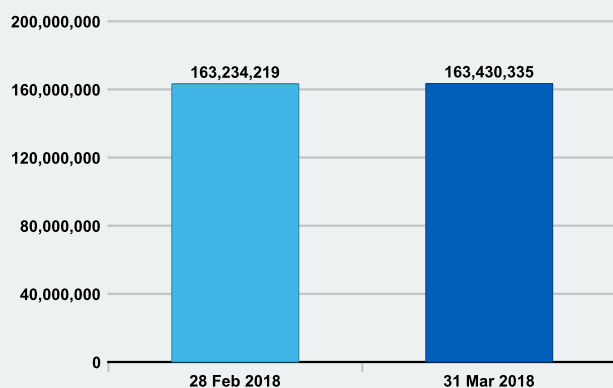
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	0.00
Unrealized Gain/Loss	-635,170.61
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

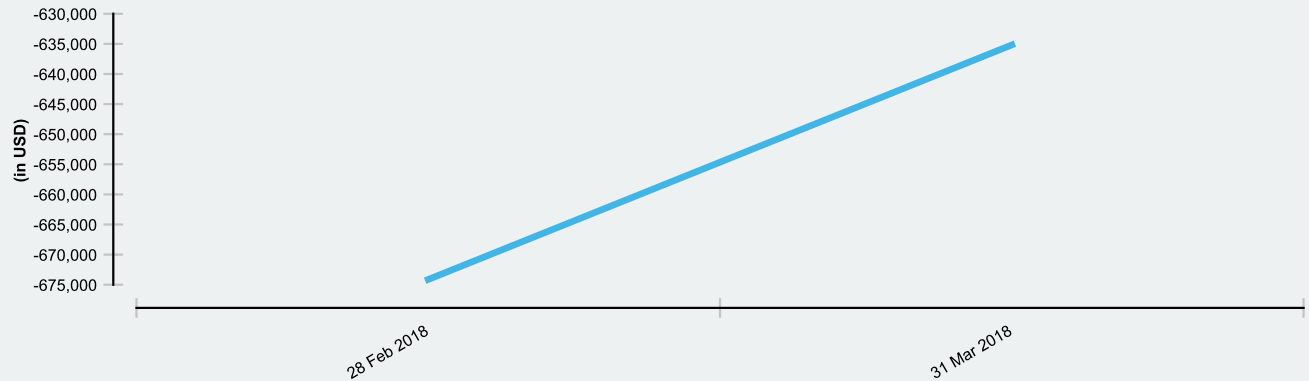
Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-674,129.93
31 Mar 2018	-635,170.61

FMTAC Excess Loss Fund

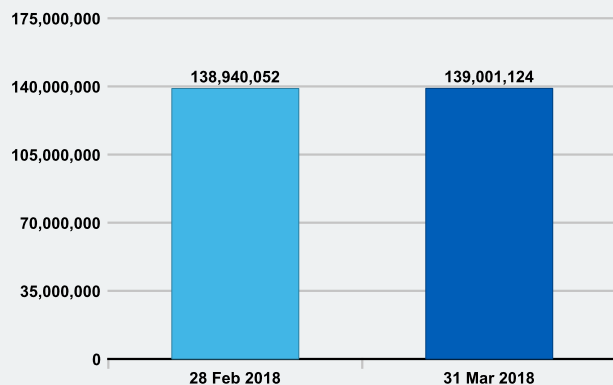
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	11,392,993.23
Unrealized Gain/Loss	-2,092,367.54
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC Excess Loss Fund

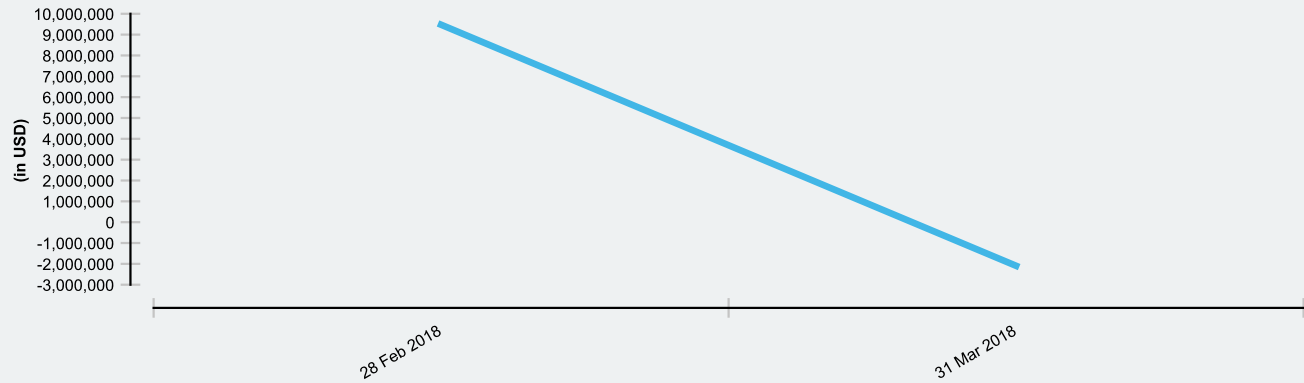
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	9,473,494.61
31 Mar 2018	-2,092,367.54

FMTAC General Operating Account

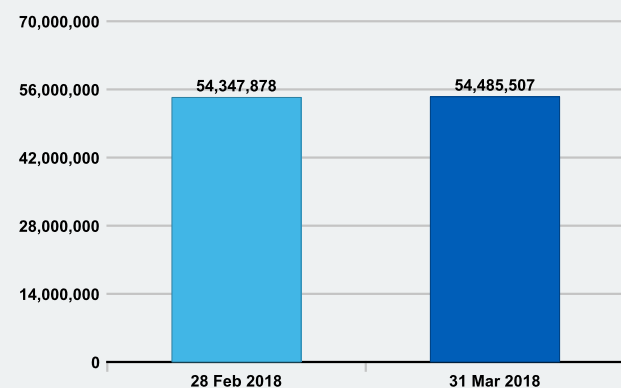
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	5,793.86
Unrealized Gain/Loss	-452,413.27
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC General Operating Account

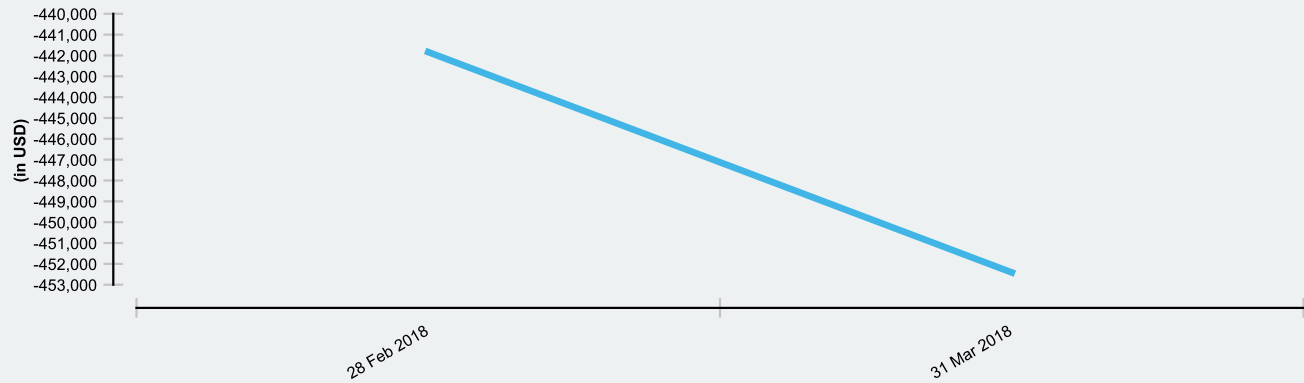
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-441,838.21
31 Mar 2018	-452,413.27

FMTAC Liberty Trust East Side Access

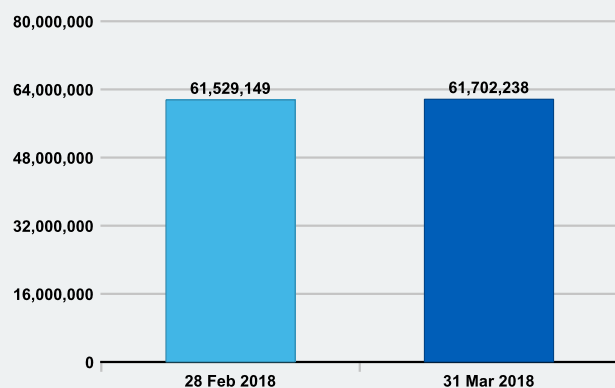
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	-23,765.60
Unrealized Gain/Loss	-1,214,043.29
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC Liberty Trust East Side Access

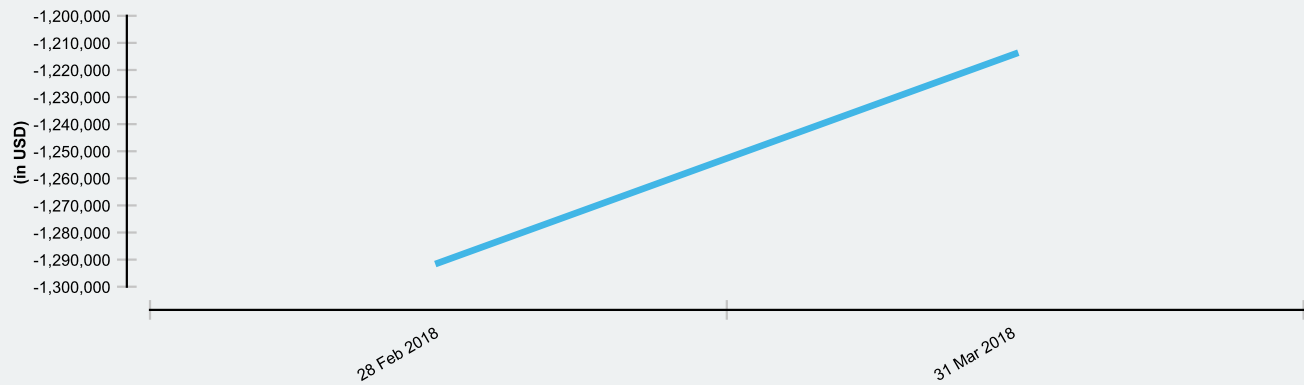
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-1,291,223.78
31 Mar 2018	-1,214,043.29

FMTAC Liberty Trust '06 NY Transit Authority

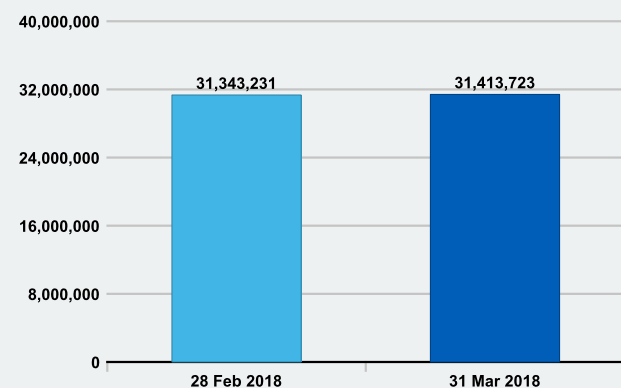
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	-9,831.51
Unrealized Gain/Loss	-455,434.22
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC Liberty Trust '06 NY Transit Authority

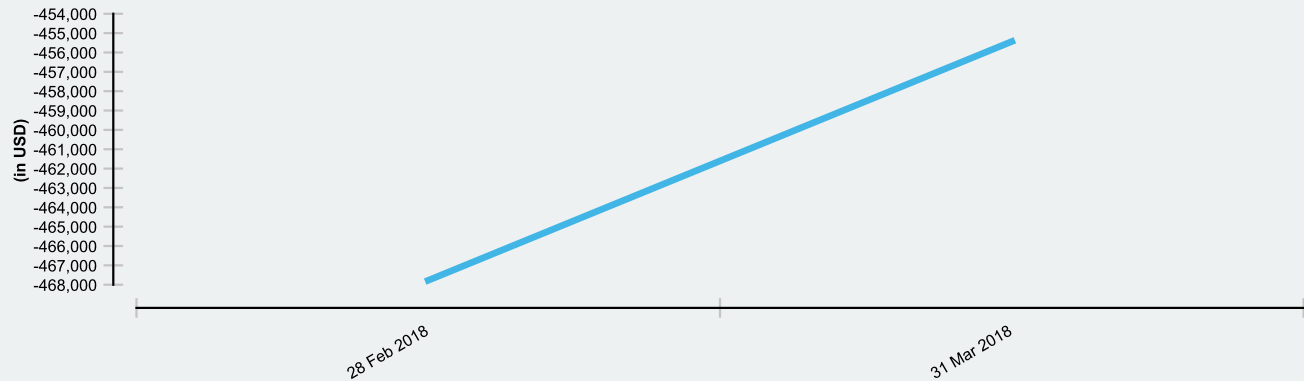
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-467,774.19
31 Mar 2018	-455,434.22

FMTAC Master Builders' Risk

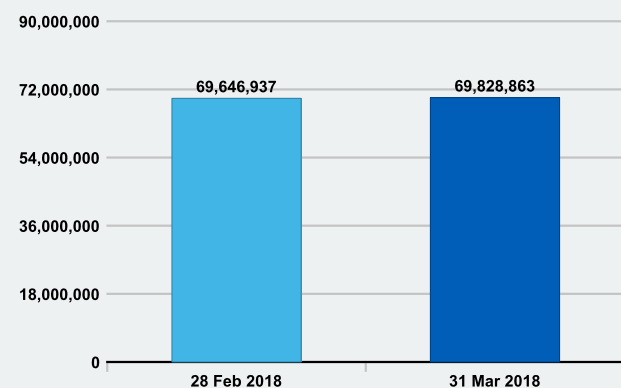
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	-32,900.35
Unrealized Gain/Loss	-1,002,577.62
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower.

There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC Master Builders' Risk

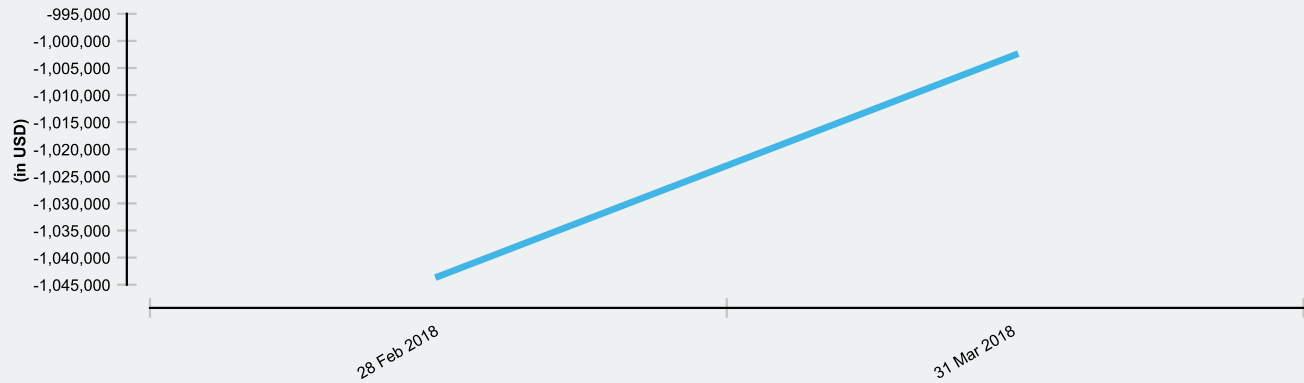
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	-1,043,478.31
31 Mar 2018	-1,002,577.62

FMTAC Star Indemnity

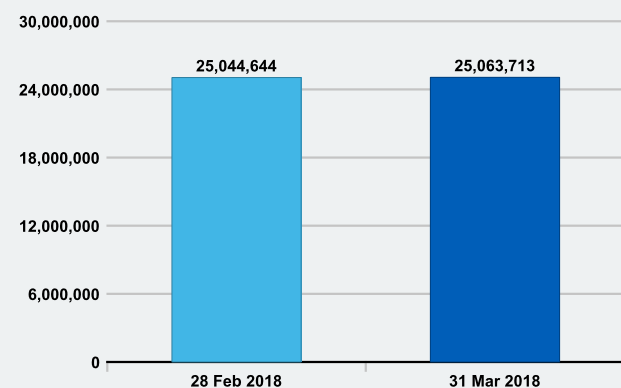
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	0.00
Unrealized Gain/Loss	-145.80
Subscriptions/Redemptions (net)	0.00
Asset Transfers In/Out (net)	0.00

Performance Gross of Fees %



Active Gross Return (bps)

1 Month	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	* Since Inception
+0						+0

Periods greater than one year are annualized.

* Since Inception returns are based on a 23 Feb 2018 Performance Start Date which may be different from Account Inception Date.

The portfolio performance above does not include an accrual for the investment advisory fee. If the portfolio's performance did include an accrual for the investment advisory fee, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. See additional information about Performance and Fees on the Disclosures page at the end of this report.

The "gross of fees" portfolio performance above does not reflect the deduction of investment advisory fees. If the portfolio's performance did reflect the deduction of investment advisory fees, the portfolio's returns would be lower. There may be other fees and expenses not reflected in the portfolio performance calculation that bear on the value of the investment. If any "net of fees" performance figures are shown, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the portfolio's returns. See the disclosures at the end of this report for additional information about performance and fees.

Past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up, and is not guaranteed so that the investor may not get back the amount originally invested.

FMTAC Star Indemnity

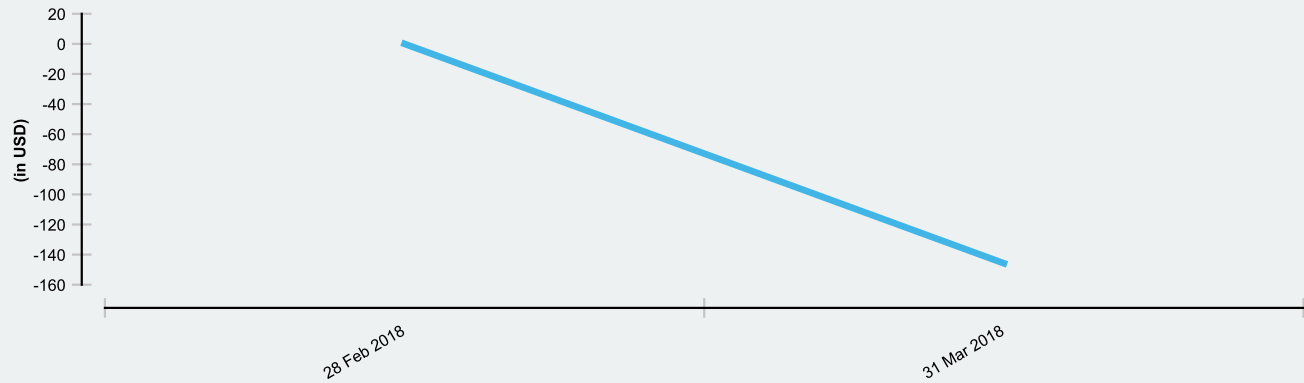
31 March 2018

Executive Summary

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
28 Feb 2018	0.00
31 Mar 2018	-145.80

FMTAC-AGG

Performance Attribution

31 March 2018

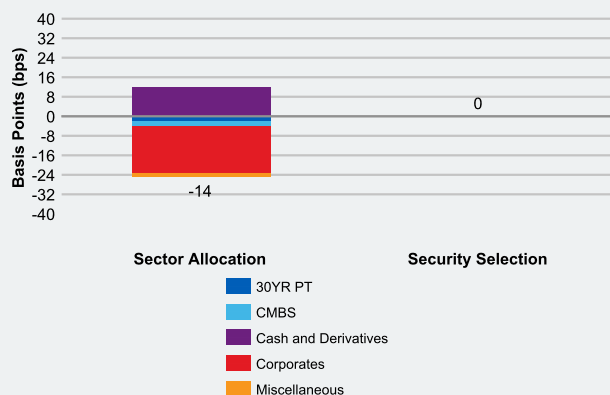
Reporting Currency: USD

Performance by Sector		Monthly
Description	Portfolio	
	Average Weight (%)	Total Performance (bps)
Portfolio	100.00	17
US Treasuries	32.37	9
Miscellaneous	0.28	-4
Corporates	26.78	3
30YR PT	5.95	3
Cash and Derivatives	21.60	1
ABS	6.59	1
CMBS	4.57	1
Taxable Muni	1.02	1
Agency CMOs	0.52	0
Non-Agency ARMs & CMOs	0.21	0
15YR PT	0.07	0
High Yield	0.02	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-14	0
Miscellaneous	-2	0
Corporates	-19	0
30YR PT	-2	0
Cash and Derivatives	12	0
CMBS	-2	0



FMTAC Ace American Trust

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

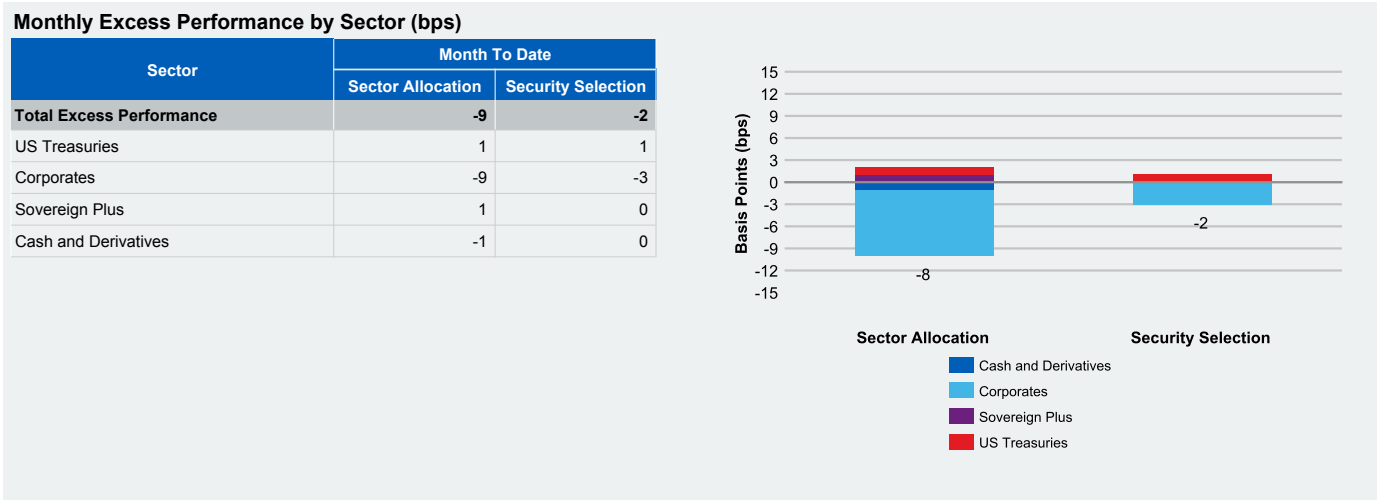
Reporting Currency: USD

Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	38	100.00	50	-13
US Treasuries	49.04	32	86.46	46	-13
Corporates	36.92	2	2.53	1	2
Taxable Muni	5.30	2	0.11	0	2
Sovereign Plus	0.00	0	6.47	2	-2
US Agencies	0.00	0	4.06	1	-1
Cash and Derivatives	7.74	0	0.02	0	0
30YR PT	1.00	0	0.00	0	0
Emerging Markets	0.00	0	0.34	0	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

Monthly Attribution Summary							Total Active Performance
Active (bps)							
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-5	+3	0	0	-9	-2	0	-13
Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.							

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.



FMTAC Discovery Re Trust

31 March 2018

Performance Attribution

Risk Benchmark: ICE BofAML 1 Yr US Treasury Note Index (GC03)

Reporting Currency: USD

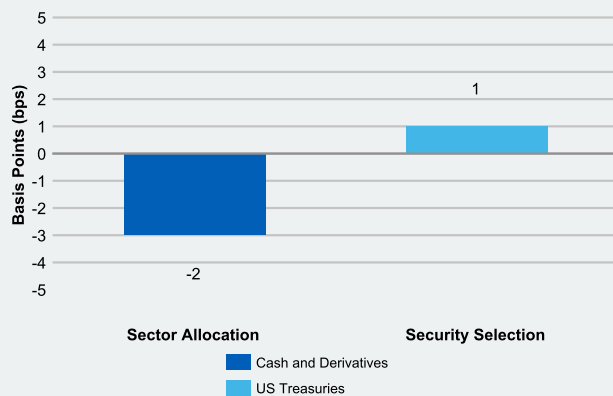
Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	13	100.00	17	-4
US Treasuries	68.97	11	100.00	17	-5
Cash and Derivatives	31.03	1	0.00	0	1

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

Monthly Attribution Summary							Total Active Performance
Active (bps)							
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-5	+3	0	0	-2	+1	0	-4
Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.							

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-2	1
US Treasuries	0	1
Cash and Derivatives	-3	0



FMTAC Excess Loss Fund

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc Intermediate Aggregate Index

Reporting Currency: USD

Performance by Sector						Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)	
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)		
Portfolio	100.00	4	100.00	45	-41	
Miscellaneous	1.17	-15	0.00	0	-15	
30YR PT	8.00	5	29.16	19	-14	
US Treasuries	25.67	7	36.69	19	-12	
15YR PT	0.03	0	3.92	2	-2	
Corporates	30.19	3	20.44	1	1	
Cash and Derivatives	26.41	1	0.49	0	1	
CMBS	4.75	2	2.23	1	1	
ABS	2.59	1	0.64	0	1	
Taxable Muni	0.82	1	0.09	0	1	
US Agencies	0.00	0	1.76	1	-1	
Sovereign Plus	0.00	0	3.93	1	-1	
Non-Agency ARMs & CMOs	0.21	0	0.00	0	0	
High Yield	0.09	0	0.00	0	0	
Agency CMOs	0.07	0	0.00	0	0	
Emerging Markets	0.00	0	0.67	0	0	

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

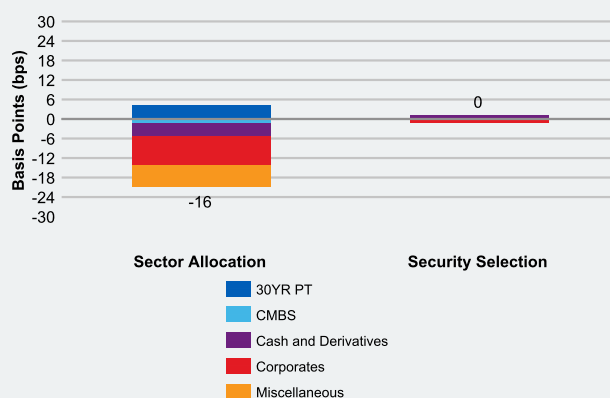
Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-22	+5	-8	0	-16	0	0	-41

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-16	0
Miscellaneous	-7	0
30YR PT	4	0
Corporates	-9	-1
Cash and Derivatives	-4	1
CMBS	-1	0



FMTAC General Operating Account

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	25	100.00	64	-39
US Treasuries	1.61	5	37.05	35	-30
30YR PT	10.06	3	24.57	16	-13
ABS	15.12	3	0.54	0	3
CMBS	10.28	4	1.88	1	3
15YR PT	0.58	0	3.30	2	-2
Sovereign Plus	0.00	0	3.83	2	-2
Agency CMOs	2.69	1	0.00	0	1
Non-Agency ARMs & CMOs	1.12	1	0.00	0	1
US Agencies	0.00	0	1.74	1	-1
Corporates	53.21	6	25.17	7	0
Cash and Derivatives	4.21	0	0.43	0	0
Taxable Muni	1.11	1	0.67	1	0
Emerging Markets	0.00	0	0.83	0	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

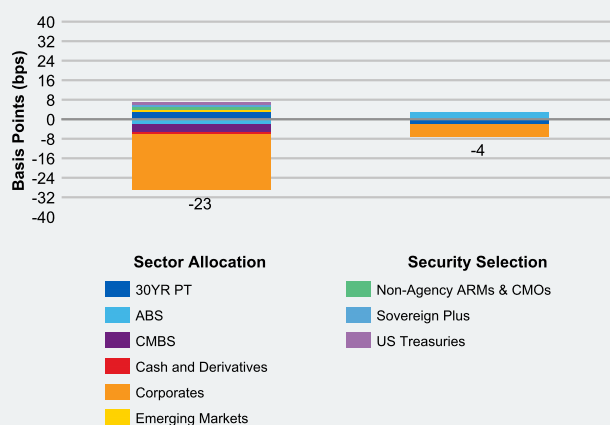
Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-15	+2	0	0	-23	-4	0	-39

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-23	-4
US Treasuries	1	0
30YR PT	3	-2
ABS	-2	3
CMBS	-3	0
Sovereign Plus	1	0
Non-Agency ARMs & CMOs	1	0
Corporates	-23	-5
Cash and Derivatives	-1	0
Emerging Markets	1	0



FMTAC Liberty Trust East Side Access

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	27	100.00	42	-15
US Treasuries	28.35	10	63.63	32	-22
30YR PT	11.35	6	0.00	0	6
ABS	14.08	3	1.09	0	3
Corporates	33.16	4	18.76	2	2
Sovereign Plus	0.00	0	6.00	2	-2
15YR PT	0.00	0	2.79	2	-2
Unassigned	0.00	0	0.00	2	-2
CMBS	8.39	3	3.83	1	1
Taxable Muni	1.26	1	0.13	0	1
US Agencies	0.00	0	3.05	1	-1
Cash and Derivatives	3.18	0	0.10	0	0
Agency CMOs	0.11	0	0.00	0	0
Non-Agency ARMs & CMOs	0.11	0	0.00	0	0
Emerging Markets	0.00	0	0.63	0	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

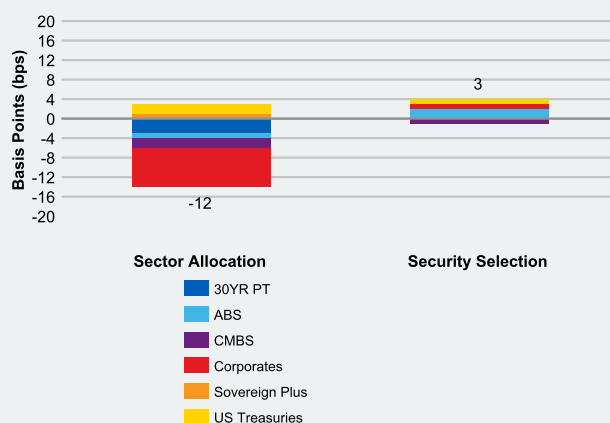
Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-7	+3	0	0	-12	+3	-2	-15

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-12	3
US Treasuries	2	1
30YR PT	-3	0
ABS	-1	2
Corporates	-8	1
Sovereign Plus	1	0
CMBS	-2	-1



FMTAC Liberty Trust '06 NY Transit Authority

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	20	100.00	42	-22
US Treasuries	12.25	4	63.63	32	-28
30YR PT	10.31	6	0.00	0	6
ABS	15.42	3	1.09	0	3
Corporates	45.42	4	18.76	2	2
Sovereign Plus	0.00	0	6.00	2	-2
15YR PT	0.00	0	2.79	2	-2
Unassigned	0.00	0	0.00	2	-2
CMBS	9.26	2	3.83	1	1
US Agencies	0.00	0	3.05	1	-1
Cash and Derivatives	4.20	0	0.10	0	0
Taxable Muni	2.08	0	0.13	0	0
Agency CMOs	0.83	0	0.00	0	0
Non-Agency ARMs & CMOs	0.23	0	0.00	0	0
Emerging Markets	0.00	0	0.63	0	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

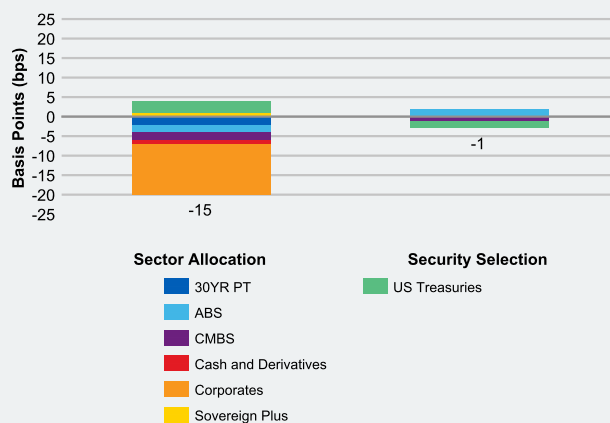
Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-7	+3	0	0	-15	-1	-2	-22

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-15	-1
US Treasuries	3	-2
30YR PT	-2	0
ABS	-2	2
Corporates	-13	0
Sovereign Plus	1	0
CMBS	-2	-1
Cash and Derivatives	-1	0



FMTAC Master Builders' Risk

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Performance by Sector						Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)	
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)		
Portfolio	100.00	26	100.00	64	-38	
US Treasuries	1.17	4	37.05	35	-31	
30YR PT	10.08	5	24.57	16	-11	
ABS	17.92	4	0.54	0	3	
CMBS	8.57	3	1.88	1	2	
15YR PT	0.05	0	3.30	2	-2	
Sovereign Plus	0.00	0	3.83	2	-2	
Corporates	53.45	8	25.17	7	1	
Taxable Muni	1.67	2	0.67	1	1	
Agency CMOs	1.60	1	0.00	0	1	
US Agencies	0.00	0	1.74	1	-1	
Cash and Derivatives	5.23	0	0.43	0	0	
Non-Agency ARMs & CMOs	0.26	0	0.00	0	0	
High Yield	0.01	0	0.00	0	0	
Emerging Markets	0.00	0	0.83	0	0	

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

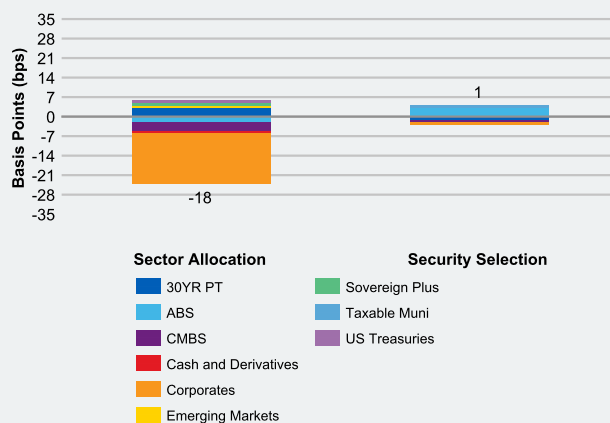
Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-22	+1	0	0	-18	+1	0	-38

Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.

Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-18	1
US Treasuries	1	0
30YR PT	3	-1
ABS	-2	3
CMBS	-3	-1
Sovereign Plus	1	0
Corporates	-18	-1
Taxable Muni	0	1
Cash and Derivatives	-1	0
Emerging Markets	1	0



FMTAC Star Indemnity

31 March 2018

Performance Attribution

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

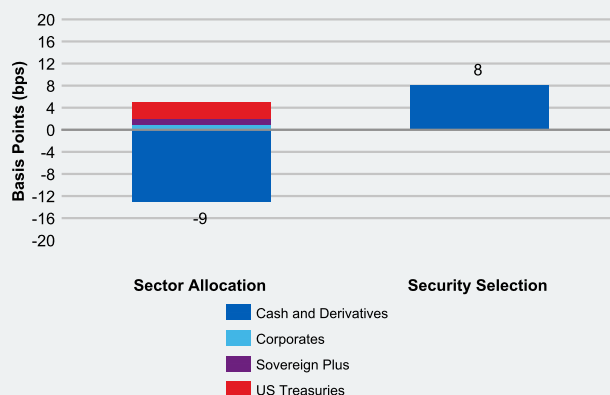
Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
Portfolio	100.00	8	100.00	50	-43
US Treasuries	0.00	0	86.46	46	-46
Cash and Derivatives	99.72	8	0.02	0	8
Sovereign Plus	0.00	0	6.47	2	-2
Corporates	0.28	-0	2.53	1	-1
US Agencies	0.00	0	4.06	1	-1
Emerging Markets	0.00	0	0.34	0	0
Taxable Muni	0.00	0	0.11	0	0

Differences in pricing, transaction timing and methodology between the official return and the analytical return used in performance attribution calculations may result in unassigned returns.

Monthly Attribution Summary							Total Active Performance
Active (bps)							
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
-61	+20	0	0	-9	+8	0	-43
Sector allocation is the effect of over/underweight positions. Security selection is the performance of stock against benchmark assets.							

Monthly Excess Performance by Sector (bps)

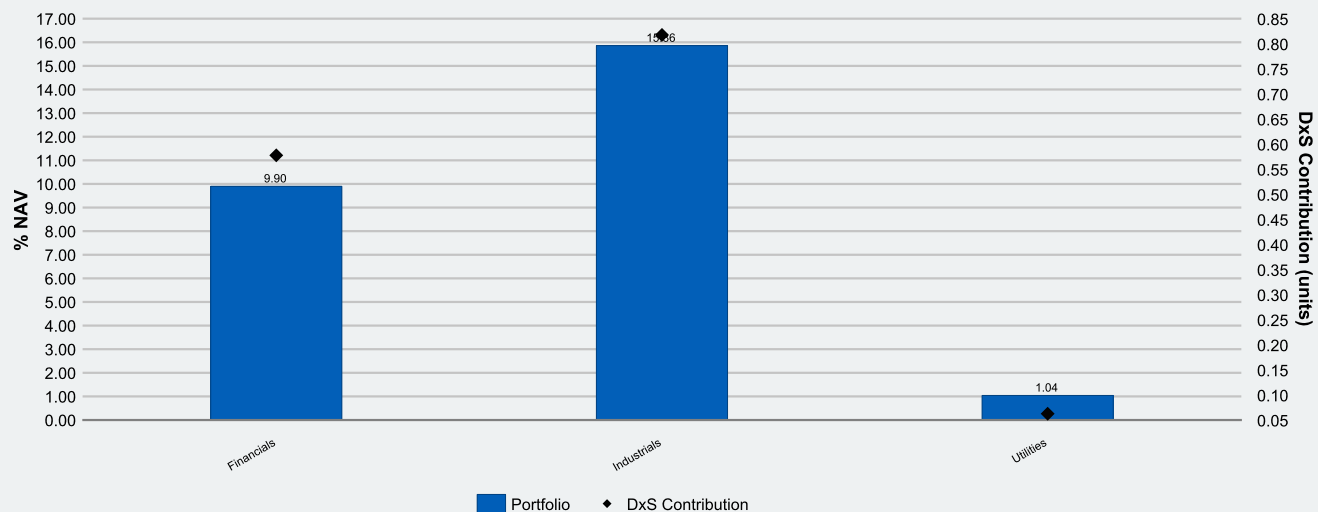
Sector	Month To Date	
	Sector Allocation	Security Selection
Total Excess Performance	-9	8
US Treasuries	3	0
Cash and Derivatives	-13	8
Sovereign Plus	1	0
Corporates	1	0



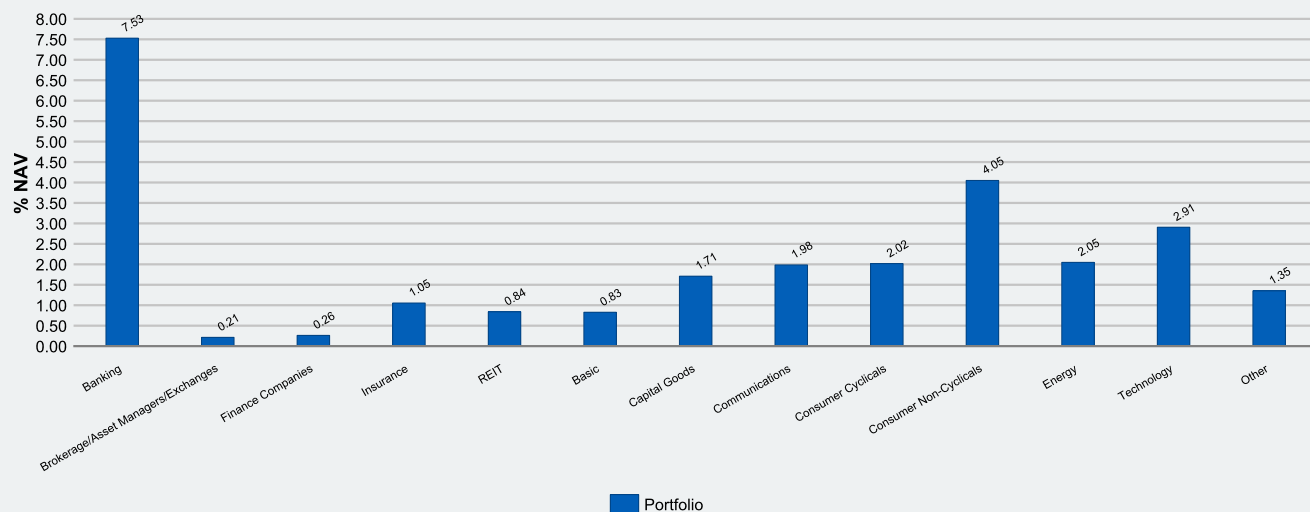
Portfolio Credit Positioning

Reporting Currency: USD

Portfolio Credit Sector Exposure



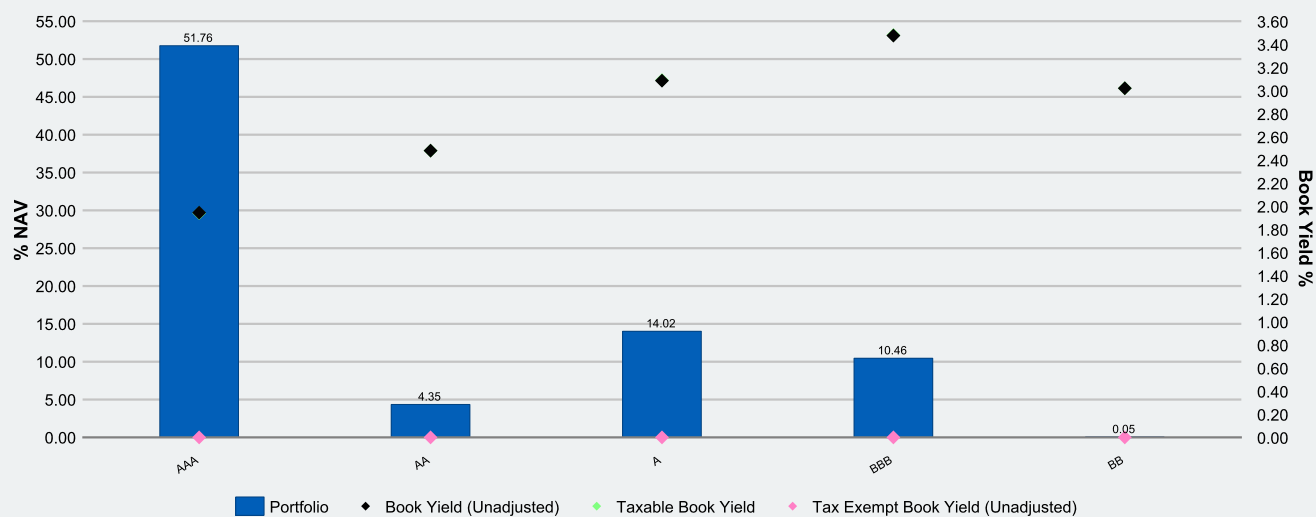
Portfolio Credit Sub-Sector Exposure



Portfolio Credit Positioning

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
 Credit ratings are based on the Barclays Rating methodology

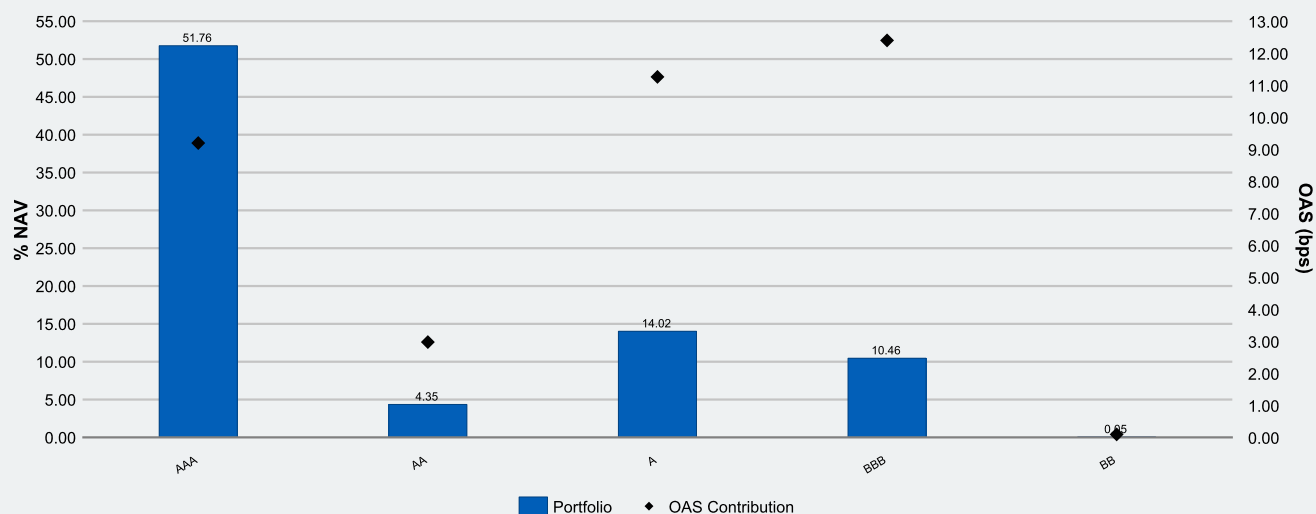
Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio		
	Book Yield (%)	OAD (yrs)	Ratio
Total	2.38	2.60	0.91
AAA Rated or above	1.94	2.34	0.83
AA Rated	2.48	2.75	0.90
A Rated	3.09	4.88	0.63
BBB Rated	3.48	5.58	0.62
BB Rated	3.02	0.32	9.44

Portfolio Credit Positioning

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	41.61	0.77
GENERAL ELECTRIC CO	86.85	0.48
MORGAN STANLEY	89.17	0.46

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
BANK OF AMERICA CORP	111.62	0.88
FEDERAL NATIONAL MORTGAGE ASSOCIATION	44.43	0.88
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	44.67	0.70

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

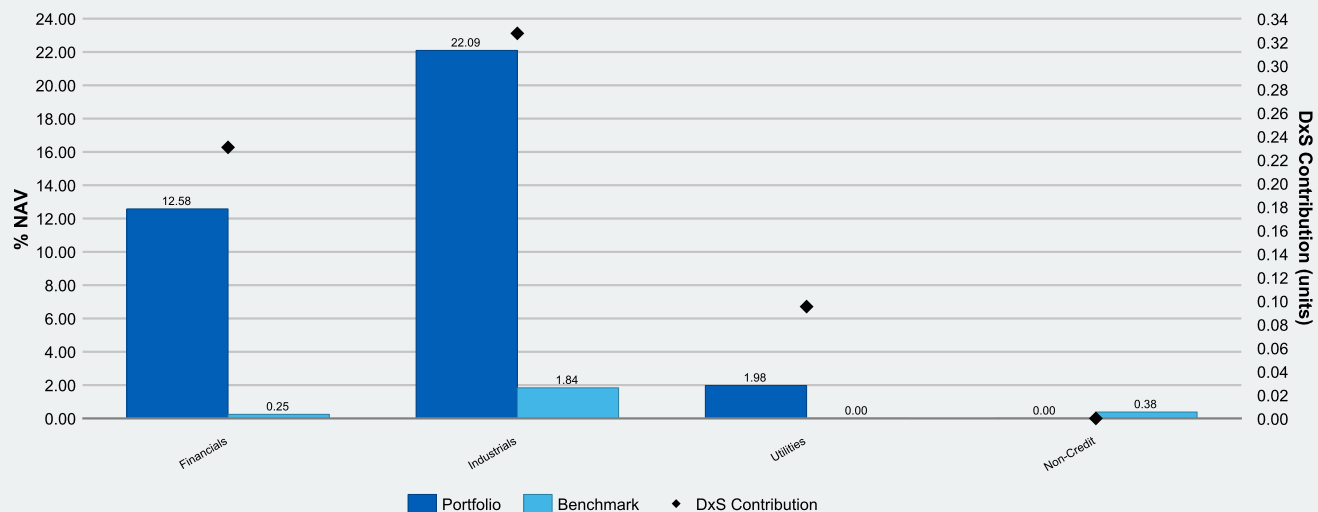
Issuer	OAS (bps)	OAS Contribution (bps)
CITIGROUP INC	127.69	0.23
PACIFICORP	107.35	0.15
SACRAMENTO CALIF MUN UTIL DIST FING AUTH	116.11	0.13

Portfolio Credit Positioning

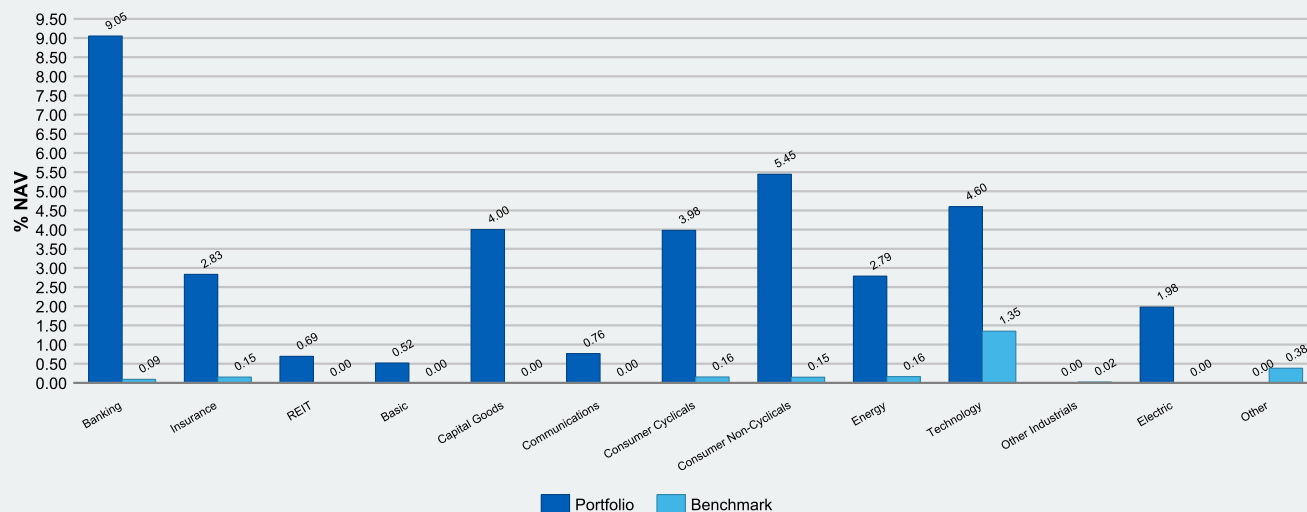
Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure

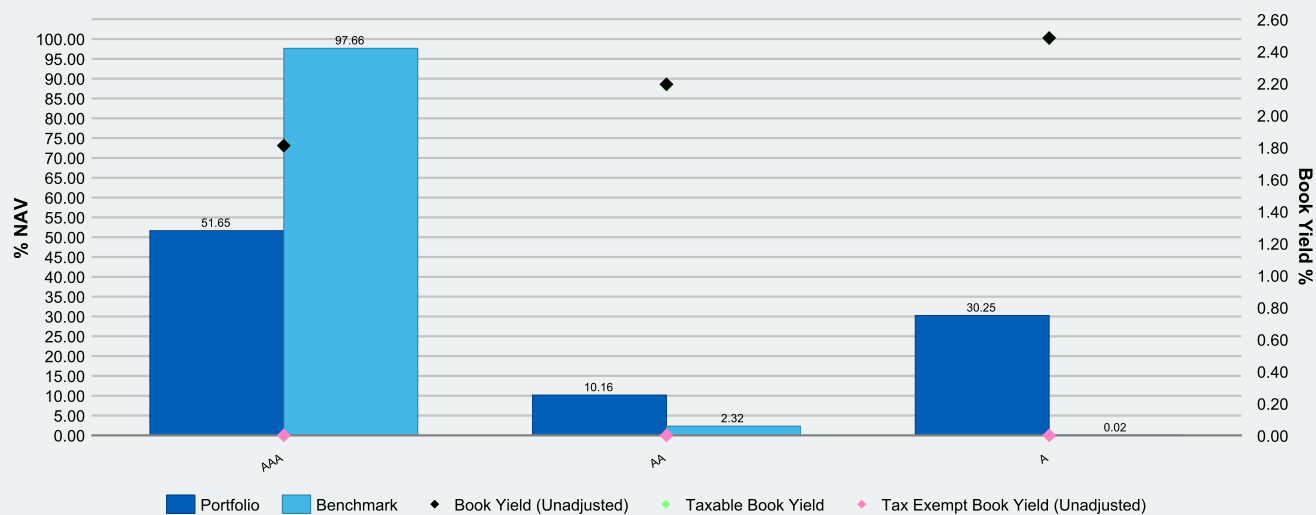


Portfolio Credit Positioning

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

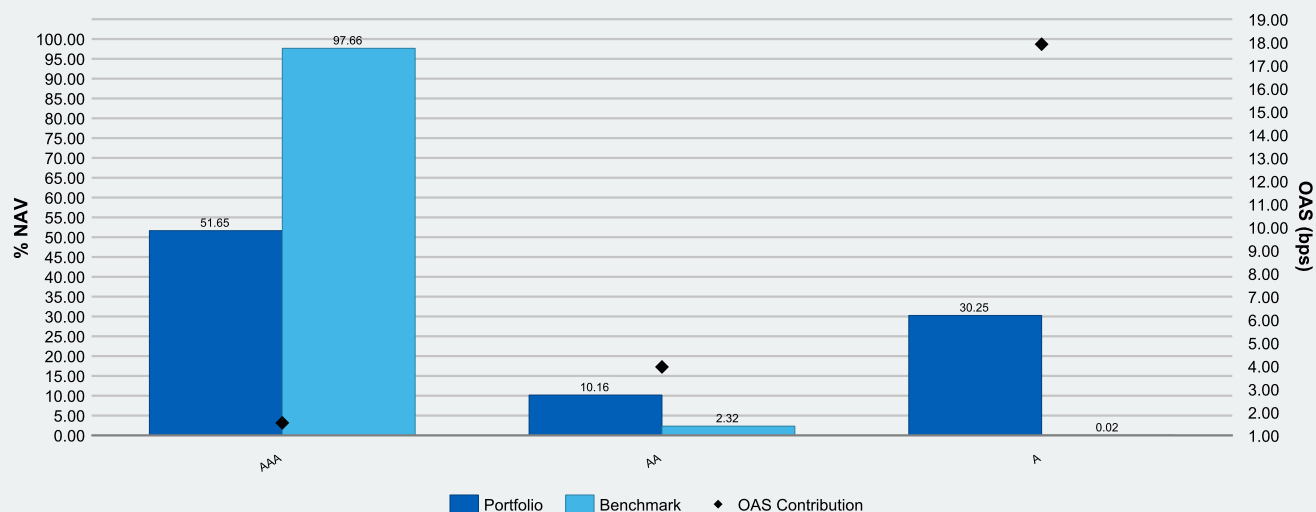
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	2.07	3.39	0.61	2.49	3.76	0.66
AAA Rated or above	1.81	4.33	0.42	2.48	3.76	0.66
AA Rated	2.19	2.71	0.81	3.00	3.93	0.76
A Rated	2.48	2.91	0.85	3.22	8.44	0.38

Portfolio Credit Positioning

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
WELLS FARGO & COMPANY	92.99	1.29
BANK OF AMERICA NA	82.00	1.20
BERKSHIRE HATHAWAY INC	53.46	0.73

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
VIRGINIA ELECTRIC AND POWER COMPANY	90.51	0.77
PARKER HANNIFIN CORP	64.83	0.45
UNITED STATES TREASURY	1.43	0.31

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	0.95	0.00

FMTAC Discovery Re Trust

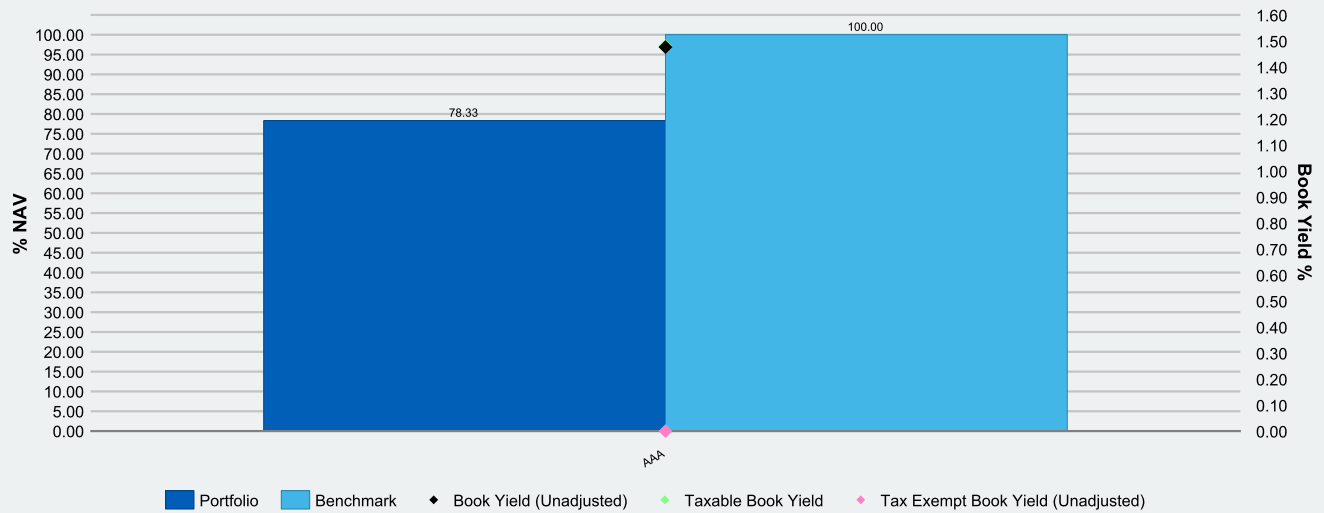
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: ICE BofAML 1 Yr US Treasury Note Index (GC03)

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	1.40	0.68	2.06	2.14	0.99	2.16
AAA Rated or above	1.48	0.87	1.70	2.14	0.99	2.16

FMTAC Discovery Re Trust

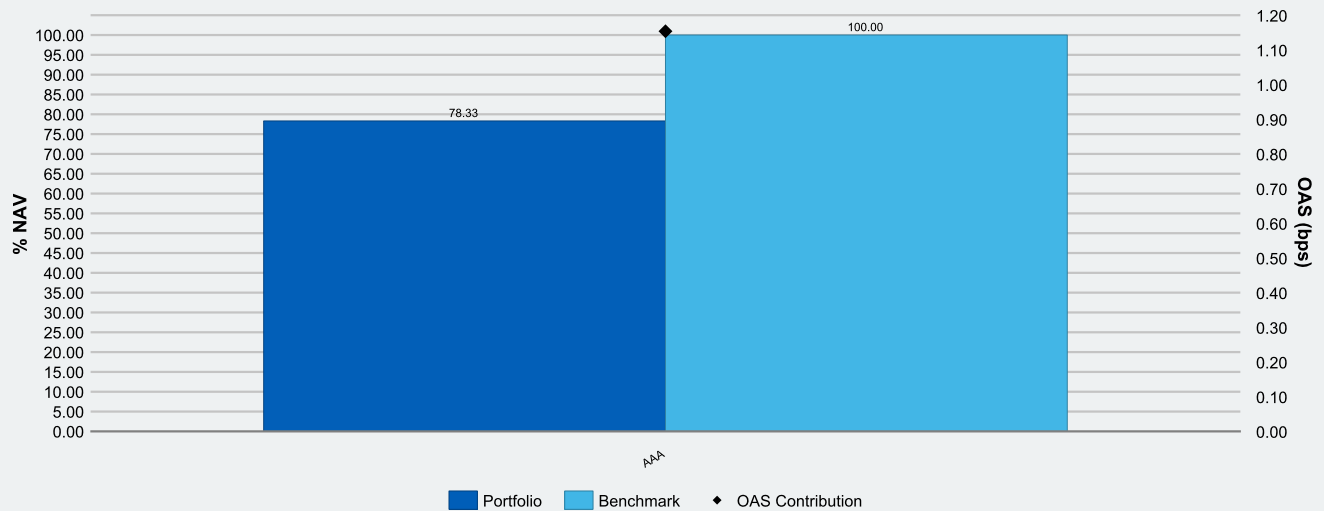
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: ICE BofAML 1 Yr US Treasury Note Index (GC03)

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	1.47	1.15

FMTAC Excess Loss Fund

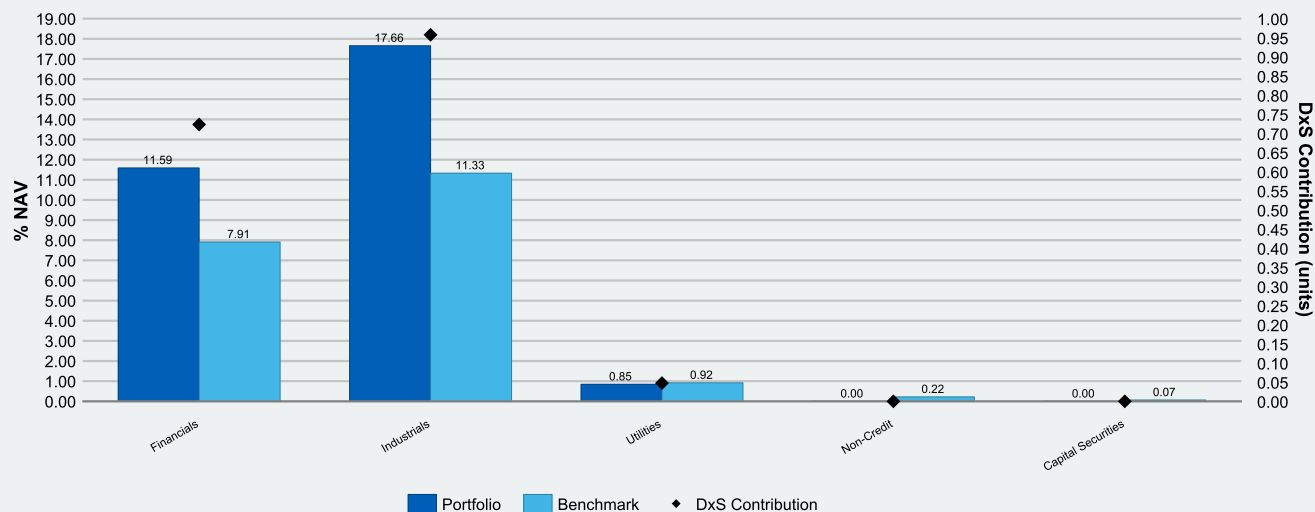
31 March 2018

Portfolio Credit Positioning

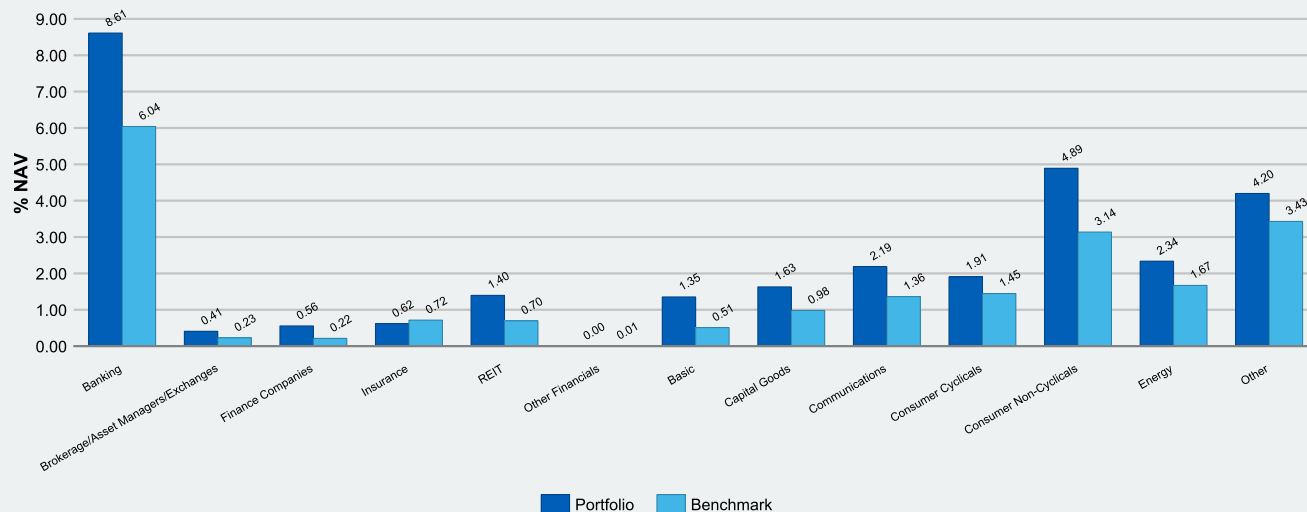
Risk Benchmark: BBG Barc Intermediate Aggregate Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC Excess Loss Fund

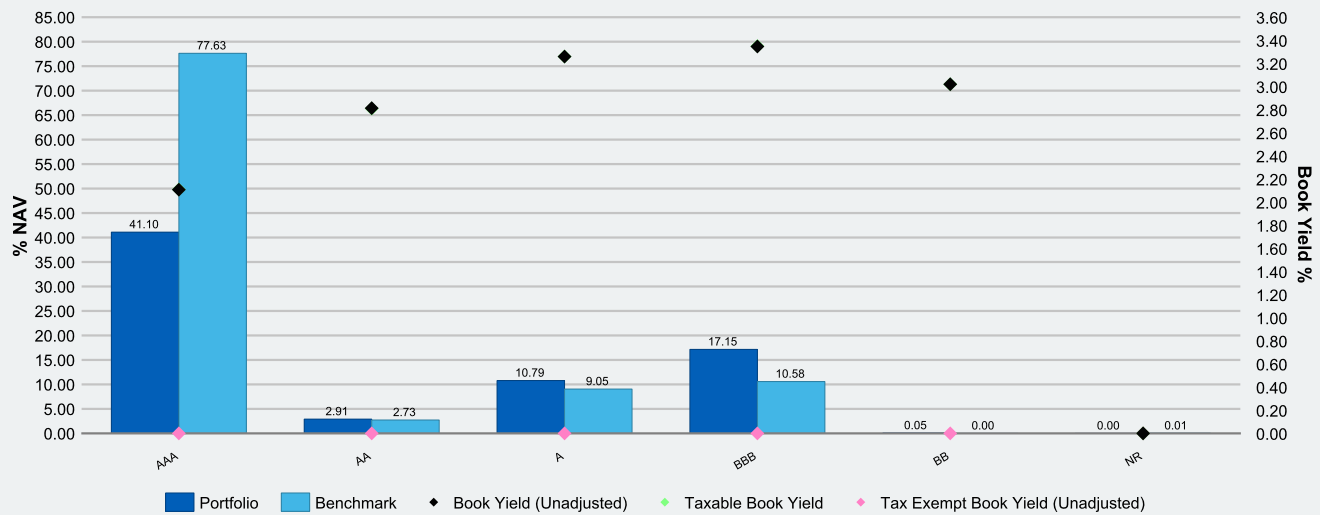
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc Intermediate Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	2.60	2.81	0.93	2.98	4.16	0.72
AAA Rated or above	2.11	3.02	0.70	2.85	4.11	0.69
AA Rated	2.81	4.14	0.68	3.04	3.73	0.82
A Rated	3.26	4.75	0.69	3.29	4.27	0.77
BBB Rated	3.35	5.47	0.61	3.71	4.57	0.81
BB Rated	3.02	0.32	9.44	0.00	0.00	0.00

FMTAC Excess Loss Fund

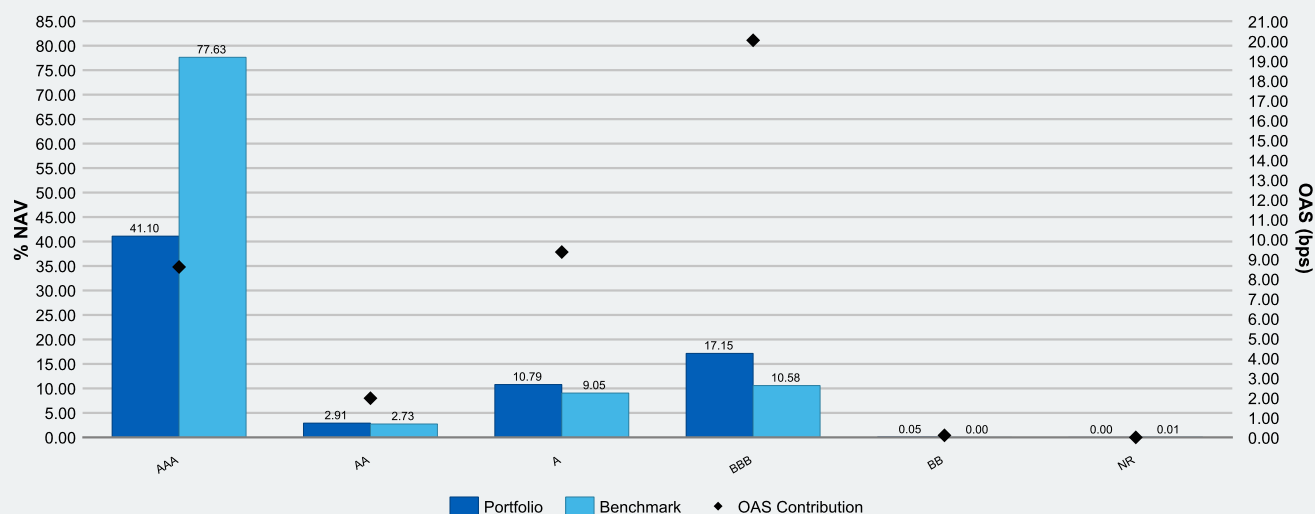
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc Intermediate Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
COMM MORTGAGE TRUST COMM_14-CCRE19	68.35	0.85
CHARTER COMMUNICATIONS OPERATING LLC / CHARTER COMMUNICATIONS OPERATING CAPITAL	139.65	0.70
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	41.88	0.63

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	47.14	1.75
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	47.80	1.12
JPMBB COMMERCIAL MORTGAGE SECURITIES TRUST JPMBB_14-C26	75.04	1.08

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
SACRAMENTO CALIF MUN UTIL DIST FING AUTH	116.11	0.54
CITIGROUP INC	127.69	0.47
CVS HEALTH CORP	173.12	0.03

FMTAC General Operating Account

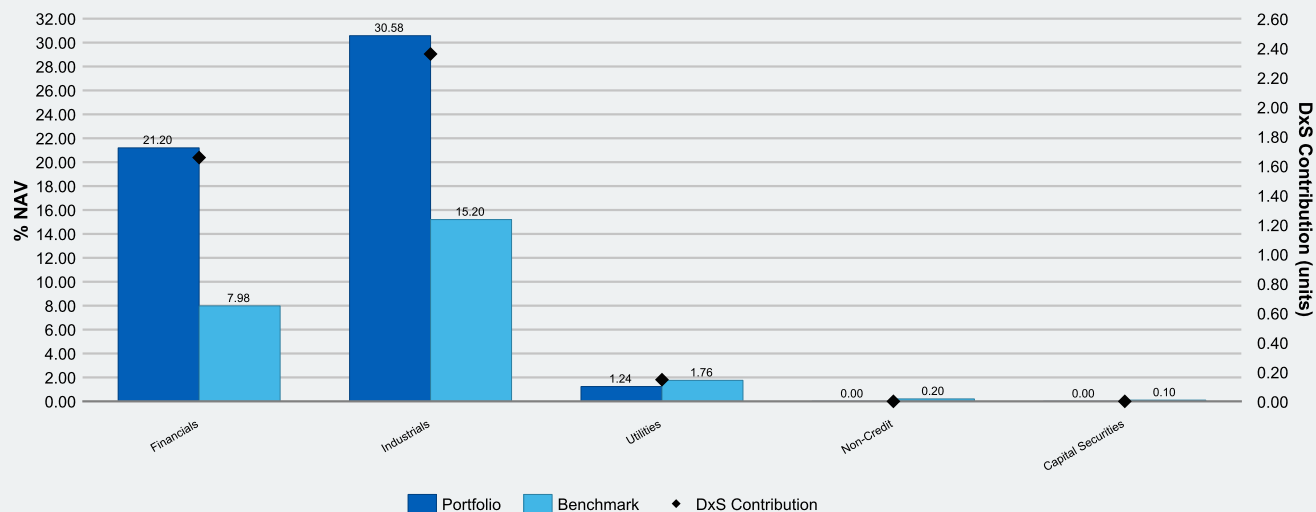
31 March 2018

Portfolio Credit Positioning

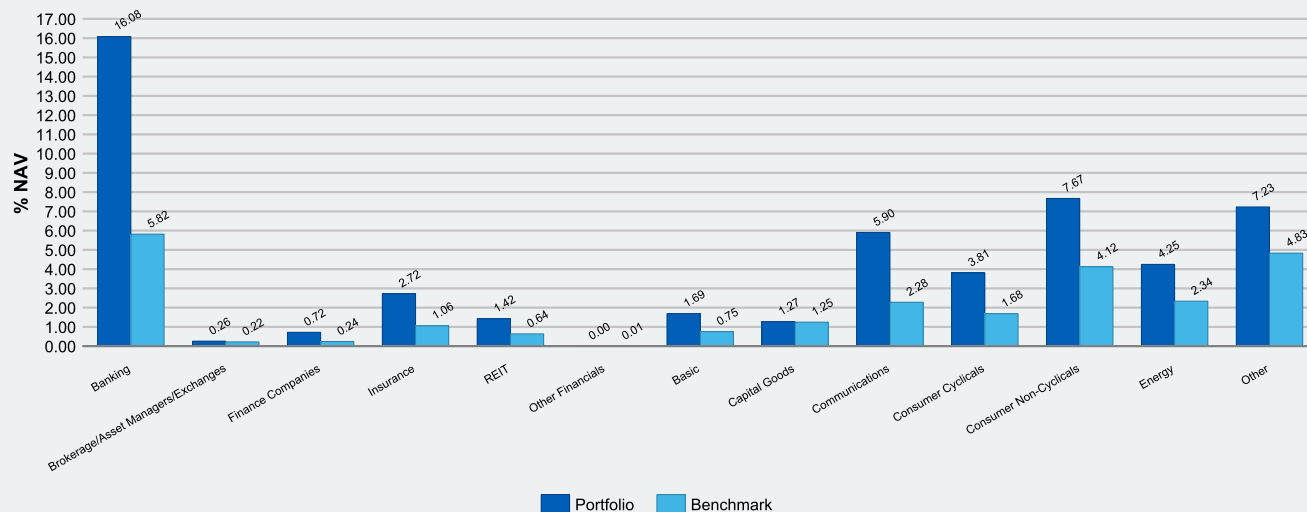
Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC General Operating Account

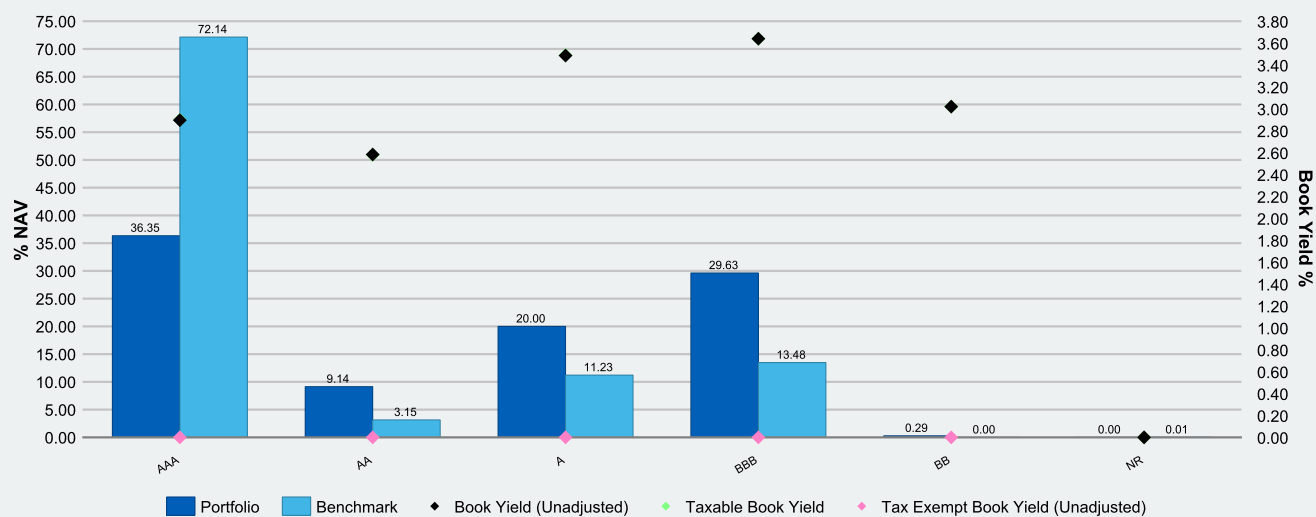
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	3.22	4.89	0.66	3.11	5.84	0.53
AAA Rated or above	2.90	3.95	0.73	2.86	5.31	0.54
AA Rated	2.58	2.52	1.02	3.26	6.40	0.51
A Rated	3.49	7.82	0.45	3.56	7.36	0.48
BBB Rated	3.64	5.59	0.65	4.07	7.32	0.56
BB Rated	3.02	0.32	9.44	0.00	0.00	0.00

FMTAC General Operating Account

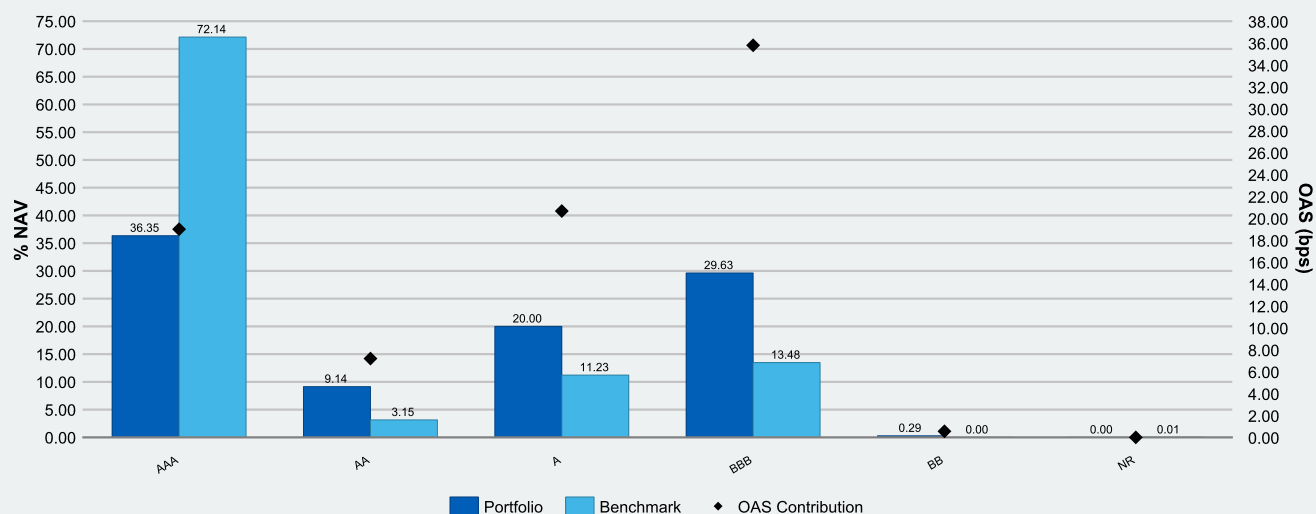
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
AT&T INC	95.81	1.98
FEDERAL NATIONAL MORTGAGE ASSOCIATION	74.42	1.82
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	42.65	1.59

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
BANK OF AMERICA CORP	114.90	3.02
SYNCHRONY FINANCIAL	173.85	1.75
AXA FINANCIAL INC	170.02	1.69

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
BURLINGTON NORTHERN SANTA FE LLC	108.86	0.96
21ST CENTURY FOX AMERICA INC	144.35	0.84
JPMORGAN CHASE & CO	125.96	0.83

FMTAC Liberty Trust East Side Access

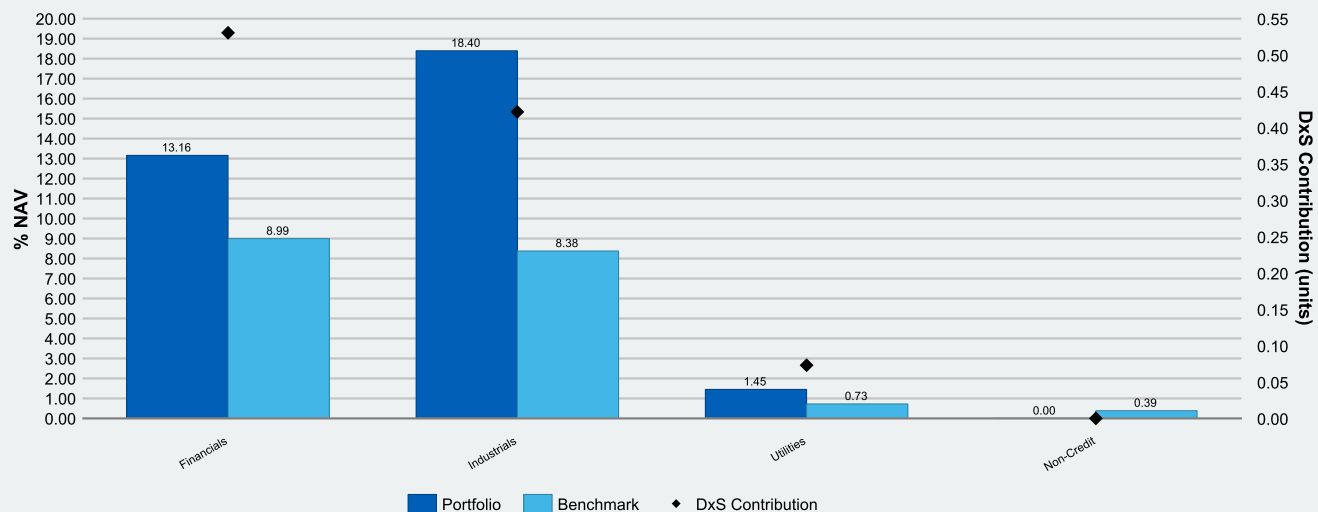
31 March 2018

Portfolio Credit Positioning

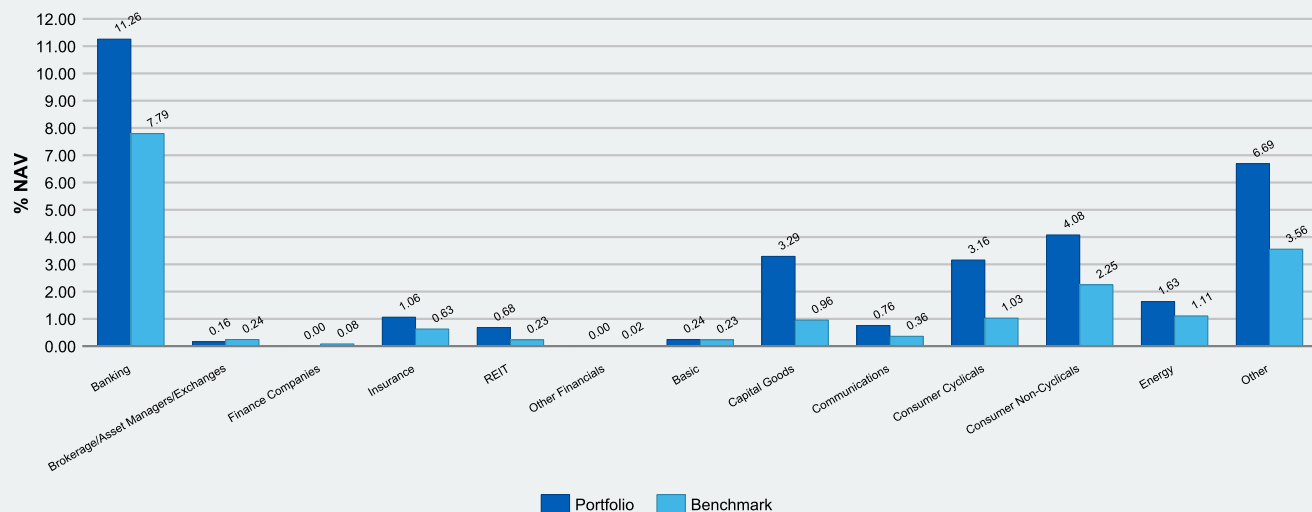
Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC Liberty Trust East Side Access

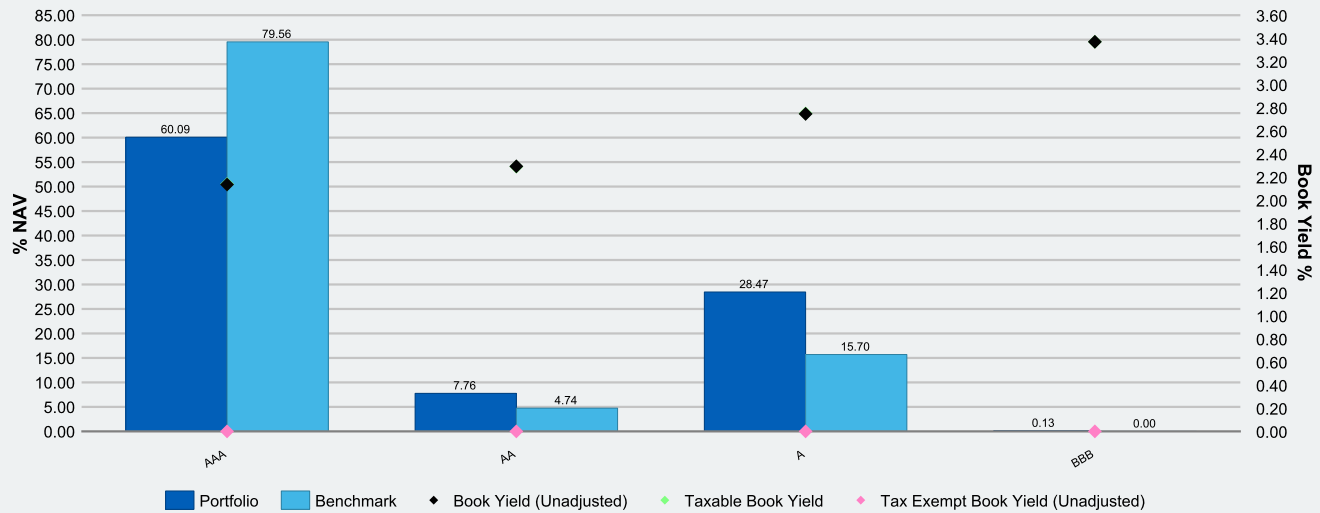
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	2.33	3.34	0.70	2.67	3.85	0.69
AAA Rated or above	2.14	3.29	0.65	2.52	3.77	0.67
AA Rated	2.29	2.00	1.15	3.04	3.73	0.82
A Rated	2.75	4.23	0.65	3.29	4.27	0.77
BBB Rated	3.37	3.46	0.97	0.00	0.00	0.00

FMTAC Liberty Trust East Side Access

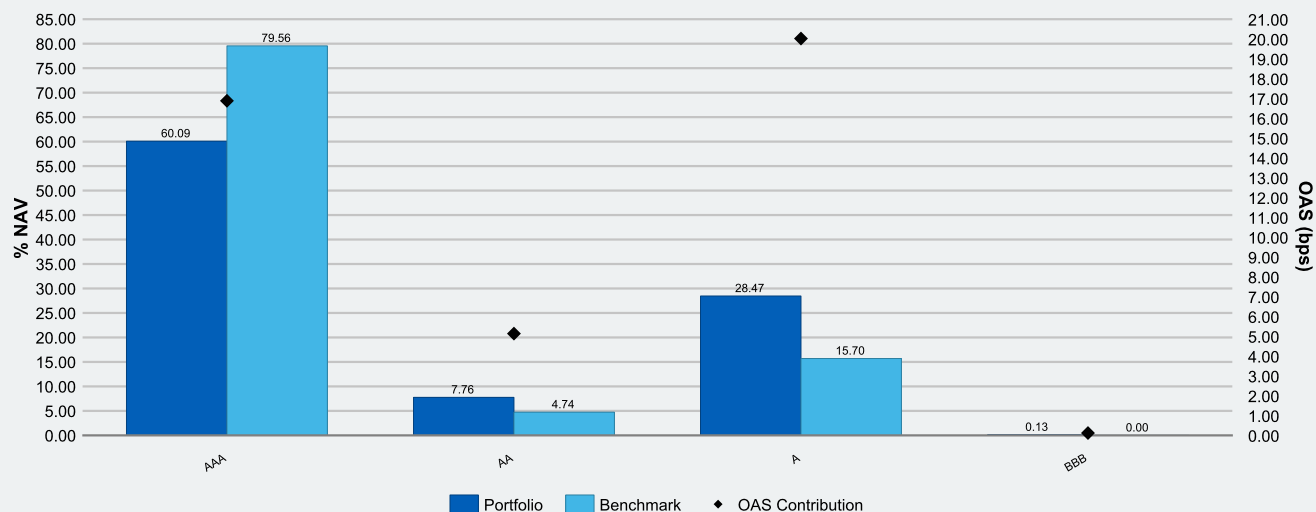
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	41.26	1.55
ACCESS GROUP INC ACCSS_04-1	125.33	1.06
GENERAL ELECTRIC CO	90.50	0.86

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	46.05	2.23
WELLS FARGO COMMERCIAL MORTGAGE TRUST WFCM_15-C31	83.34	1.42
JPMBB COMMERCIAL MORTGAGE SECURITIES TRUST JPMBB_14-C26	75.04	1.22

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	-0.66	-0.00

FMTAC Liberty Trust '06 NY Transit Authority

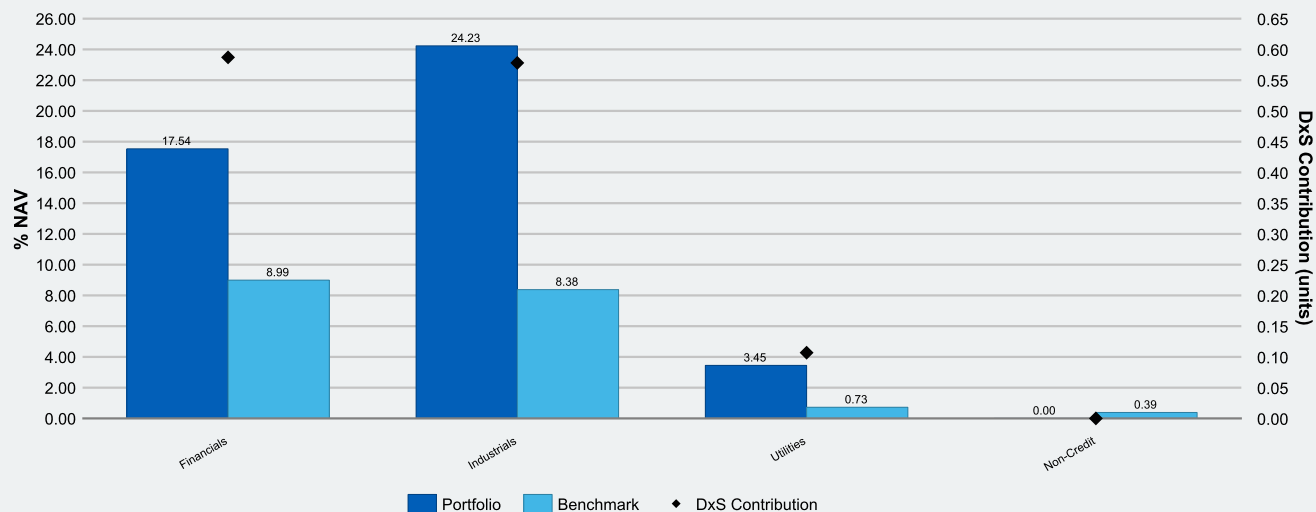
31 March 2018

Portfolio Credit Positioning

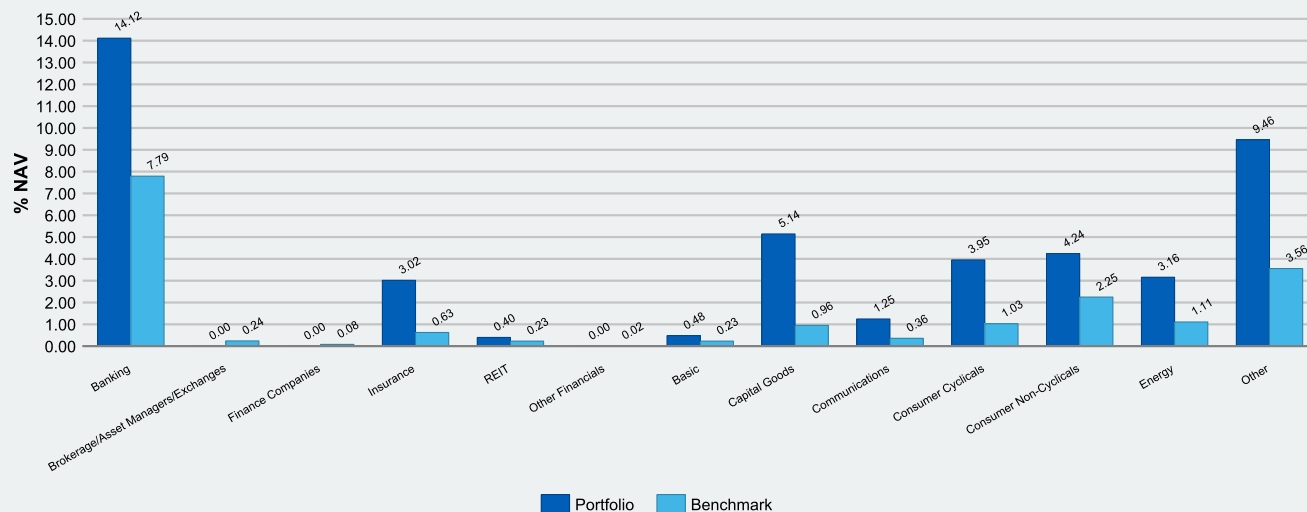
Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC Liberty Trust '06 NY Transit Authority

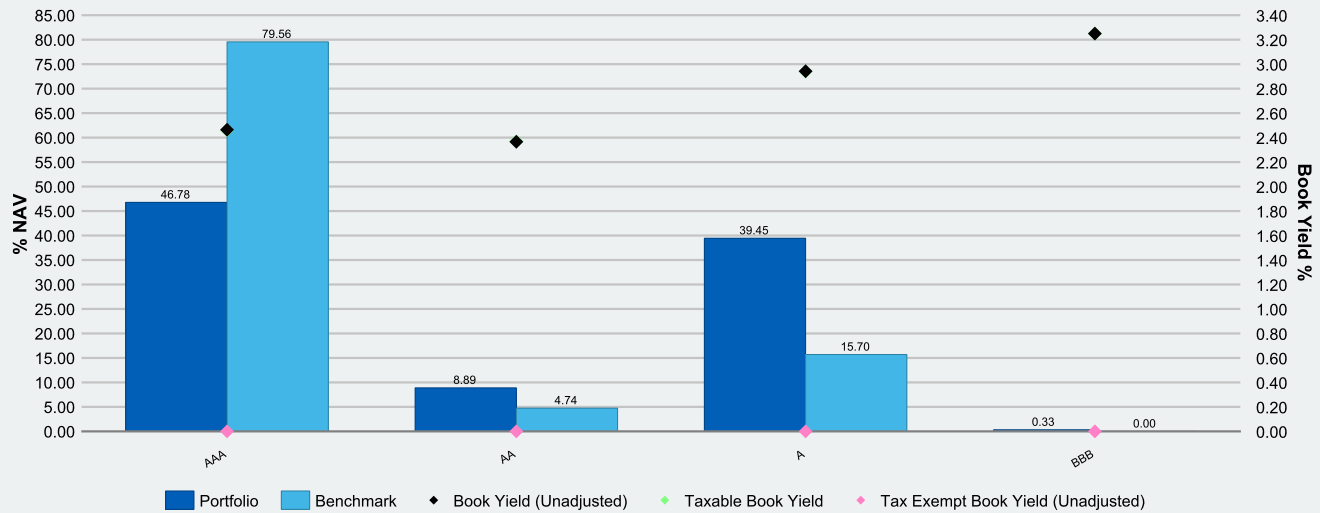
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	2.65	3.31	0.80	2.67	3.85	0.69
AAA Rated or above	2.46	3.41	0.72	2.52	3.77	0.67
AA Rated	2.37	2.25	1.05	3.04	3.73	0.82
A Rated	2.94	3.83	0.77	3.29	4.27	0.77
BBB Rated	3.25	3.46	0.94	0.00	0.00	0.00

FMTAC Liberty Trust '06 NY Transit Authority

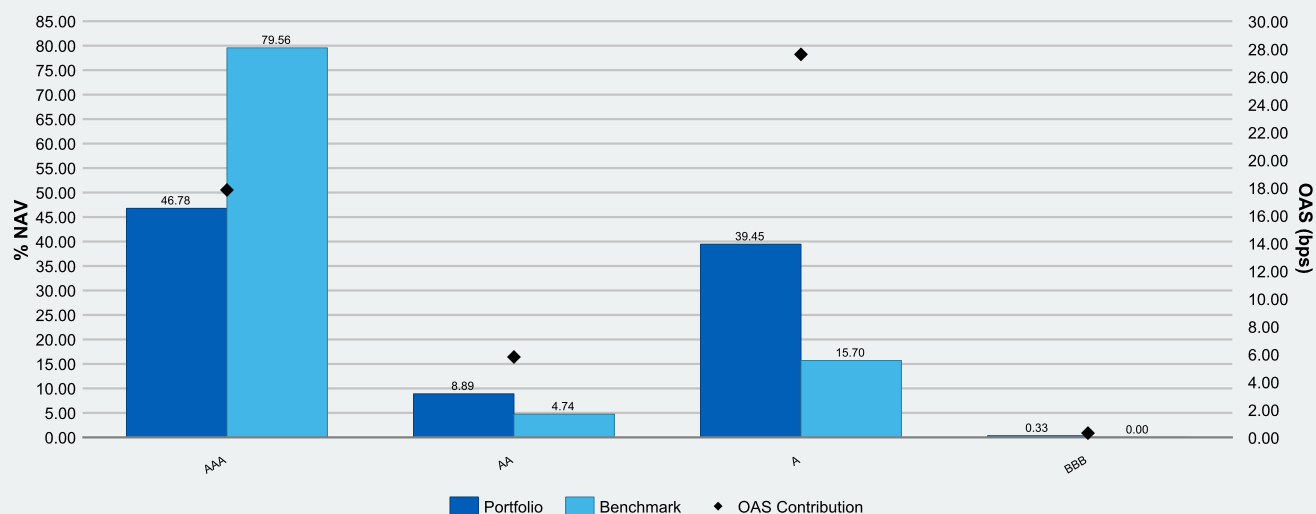
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
GENERAL ELECTRIC CO	89.87	1.75
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	41.30	1.15
MORGAN STANLEY	88.36	1.05

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
WELLS FARGO COMMERCIAL MORTGAGE TRUST WFCM_15-C31	83.36	2.92
FEDERAL NATIONAL MORTGAGE ASSOCIATION	39.10	1.91
BANK OF AMERICA CORP	100.43	1.29

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	4.45	0.01

FMTAC Master Builders' Risk

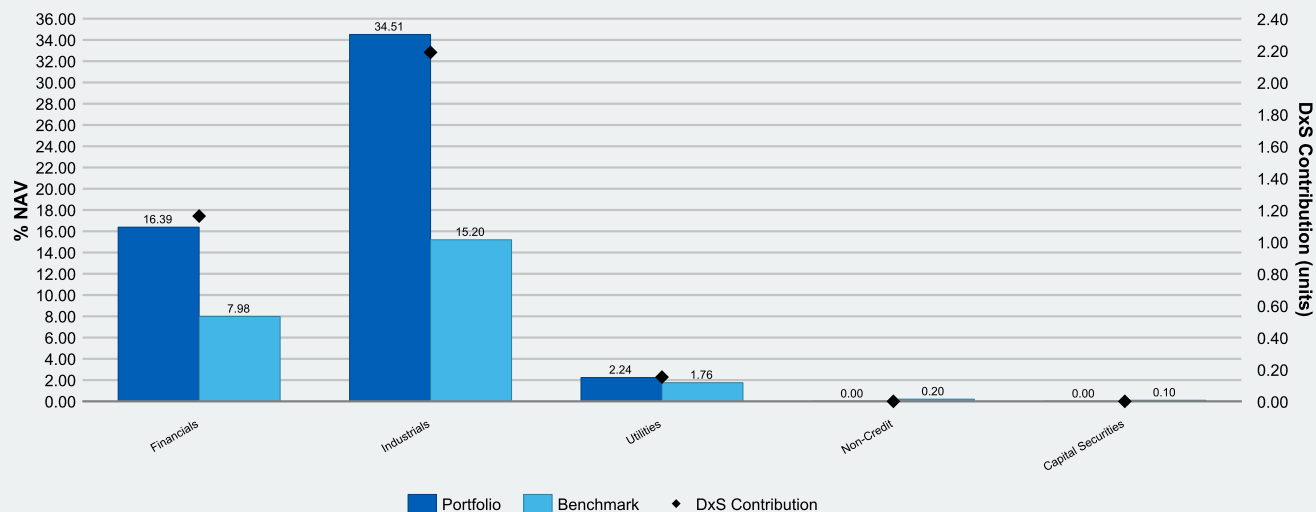
31 March 2018

Portfolio Credit Positioning

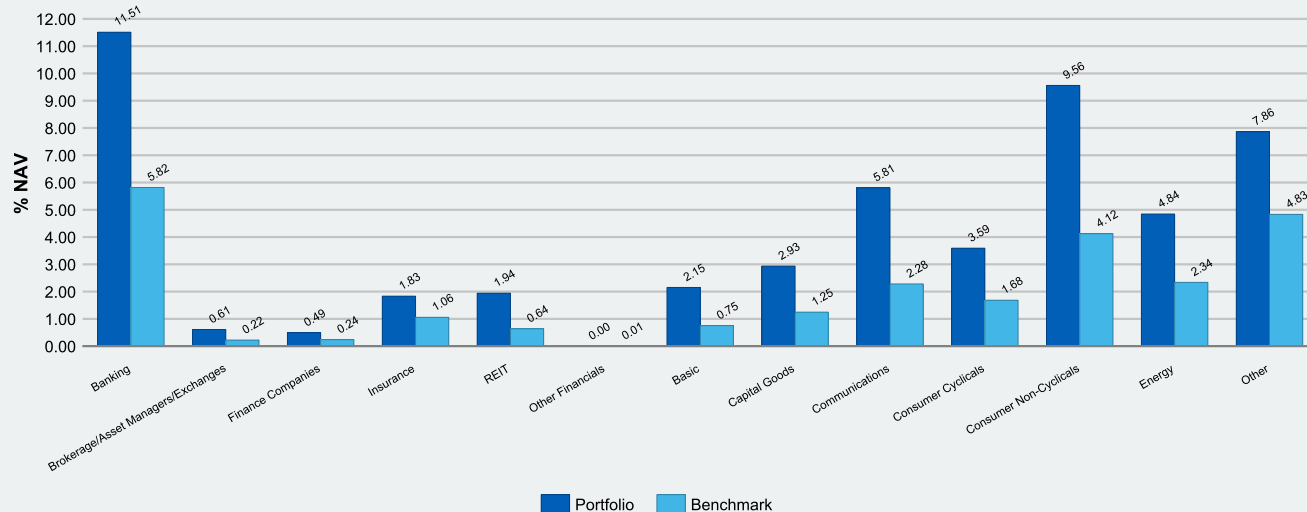
Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC Master Builders' Risk

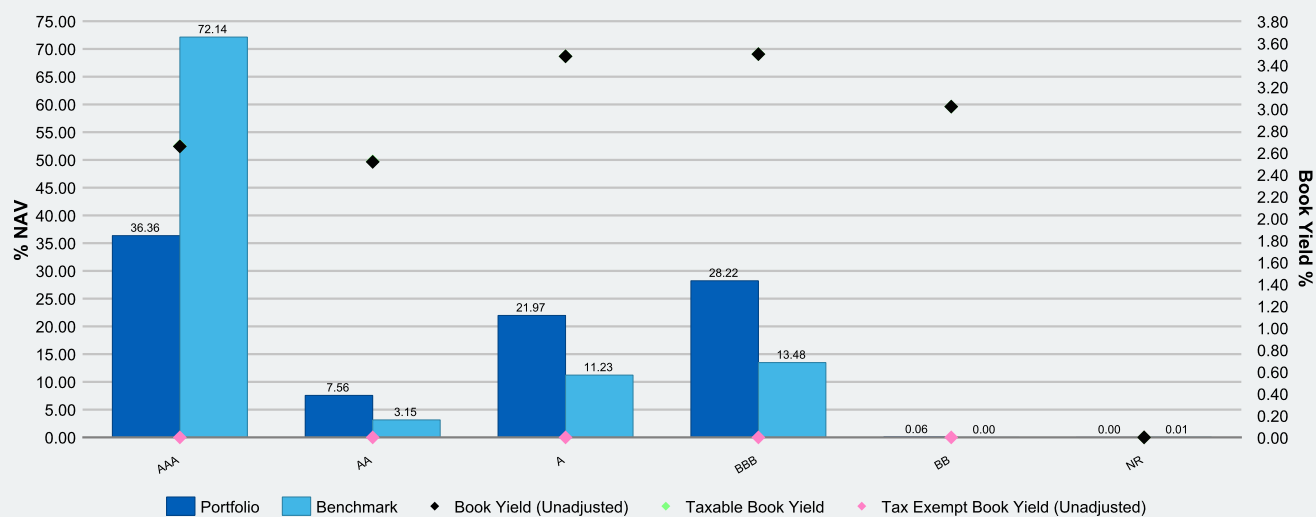
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	3.09	4.44	0.70	3.11	5.84	0.53
AAA Rated or above	2.66	3.75	0.71	2.86	5.31	0.54
AA Rated	2.52	2.84	0.89	3.26	6.40	0.51
A Rated	3.48	5.67	0.61	3.56	7.36	0.48
BBB Rated	3.50	5.74	0.61	4.07	7.32	0.56
BB Rated	3.02	0.32	9.44	0.00	0.00	0.00

FMTAC Master Builders' Risk

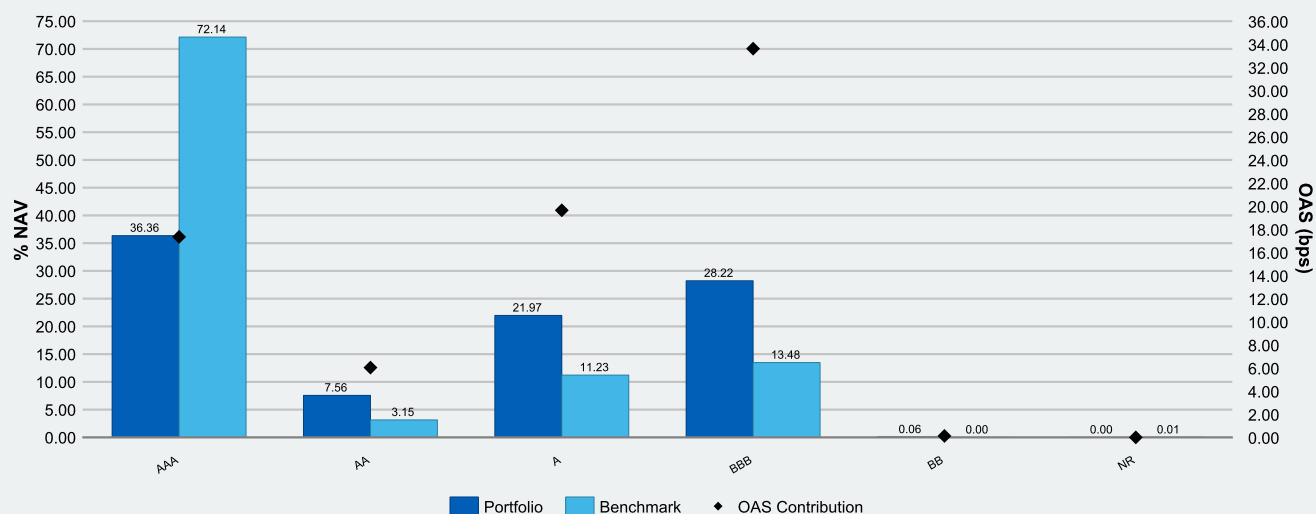
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	41.13	1.74
ACCESS GROUP INC ACCSS_04-1	125.33	1.23
GENERAL ELECTRIC CO	106.65	1.07

Portfolio Top 3 Contributors to OAS by Stated Maturity: 6 – 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
WELLS FARGO COMMERCIAL MORTGAGE TRUST WFCM_15-C31	83.22	2.36
BANK OF AMERICA CORP	110.60	1.55
BECTON DICKINSON AND COMPANY	141.44	1.38

Portfolio Top 3 Contributors to OAS by Stated Maturity: Greater than 12 years

Issuer	OAS (bps)	OAS Contribution (bps)
PACIFICORP	107.35	0.60
CITIGROUP INC	127.69	0.53
VERIZON COMMUNICATIONS INC	156.21	0.51

FMTAC Star Indemnity

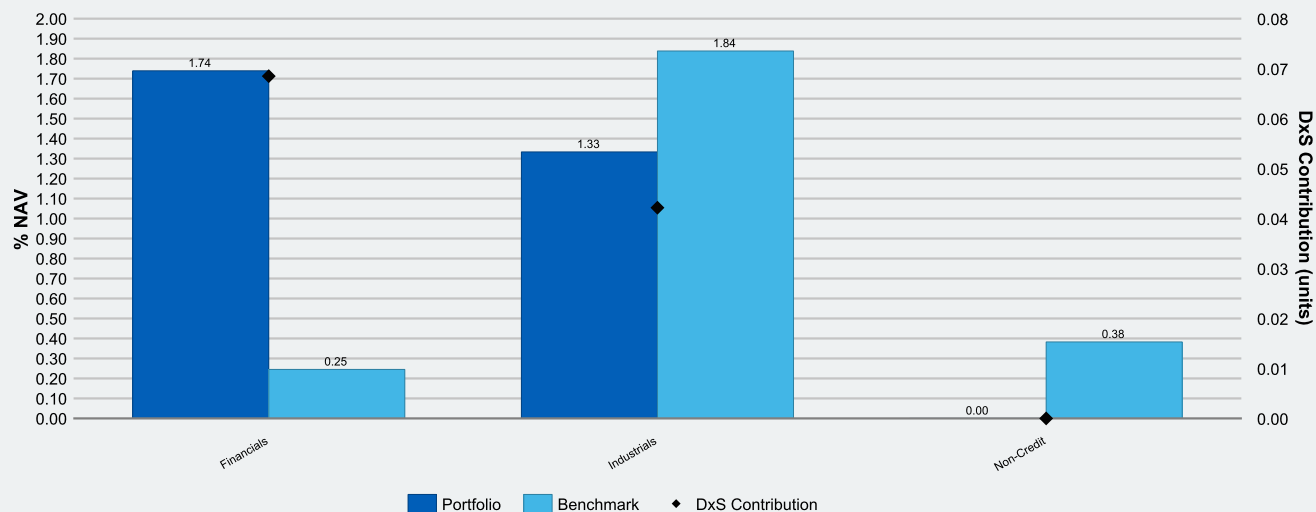
Portfolio Credit Positioning

31 March 2018

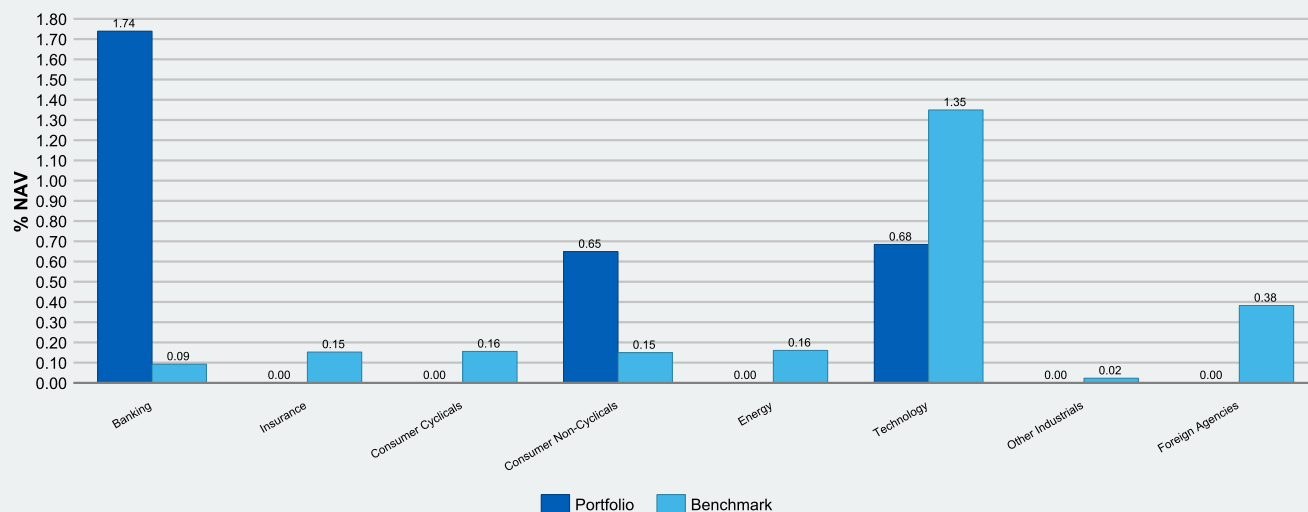
Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



FMTAC Star Indemnity

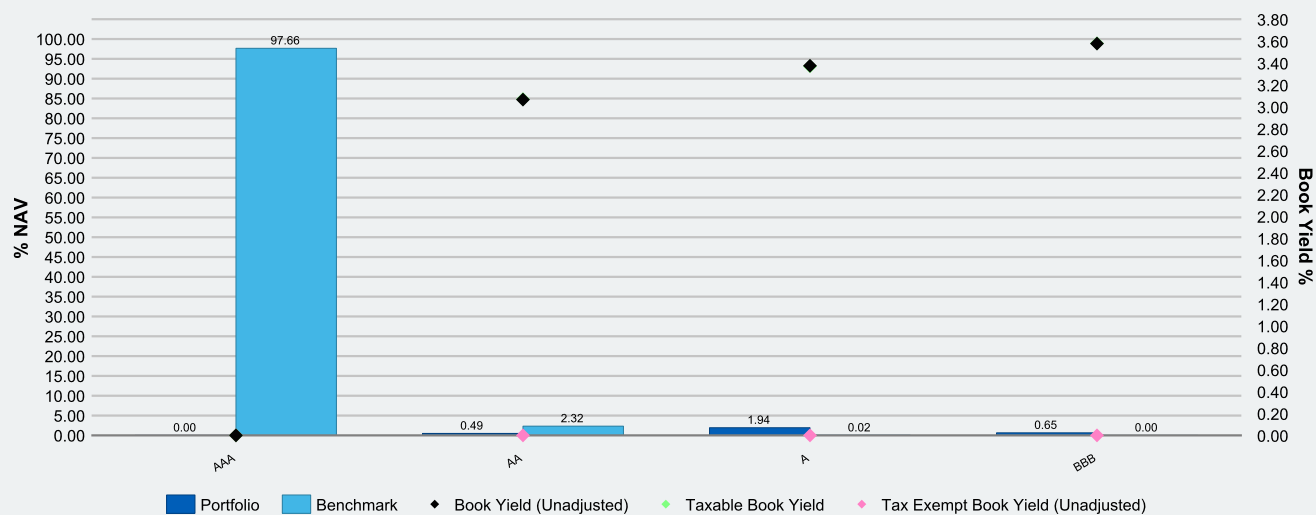
31 March 2018

Portfolio Credit Positioning

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income
Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
Total	-158.37	0.12	-1,319.75	2.49	3.76	0.66
AAA Rated or above	0.00	0.00	0.00	2.48	3.76	0.66
AA Rated	3.07	4.71	0.65	3.00	3.93	0.76
A Rated	3.37	3.90	0.87	3.22	8.44	0.38
BBB Rated	3.58	3.87	0.92	0.00	0.00	0.00

FMTAC Star Indemnity

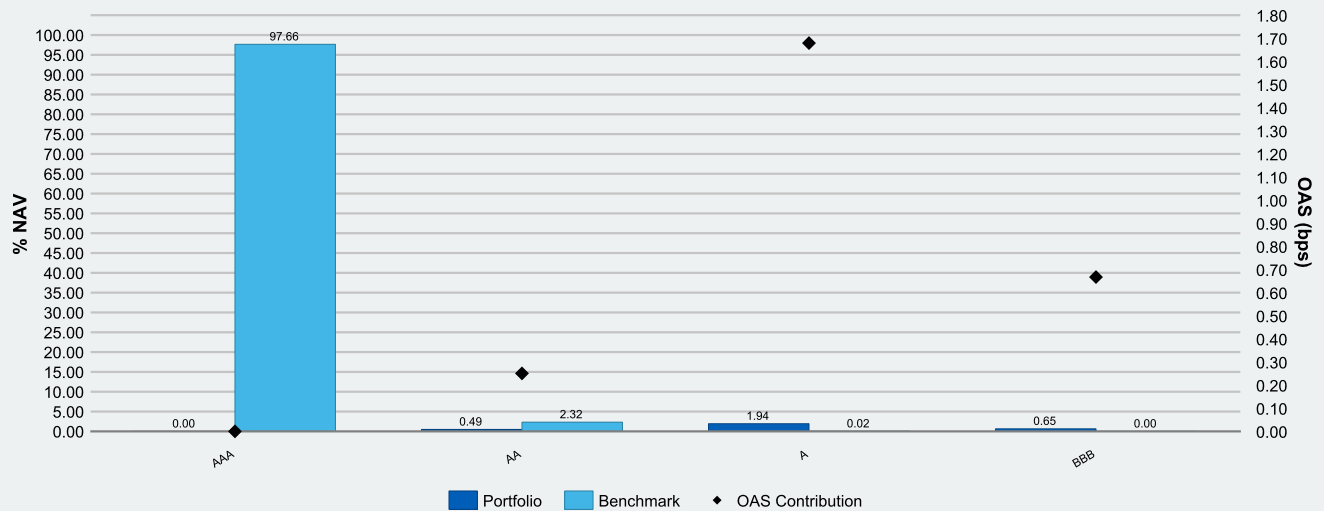
Portfolio Credit Positioning

31 March 2018

Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



Credit ratings are based on the Barclays Rating methodology

Portfolio Top 3 Contributors to OAS by Stated Maturity: Less than 6 years

Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	90.50	0.68
BANK OF AMERICA CORP	92.56	0.46
MORGAN STANLEY	88.36	0.44

Fixed Income Sector Review

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Monthly Fixed Income Sector Review

Treasury Securities: 10yr yields closed March 12bp lower at 2.74%, while intra-month yields touched as high as 2.89%. The 5s30s curve closed the month 6bps flatter, continuing the flattening trend of 2017 as market participants prepared for the Fed meeting and put money to work in the long-end of the curve. The tone of the month was more constructive on duration, in contrast to the short conviction of months-past. While duration earlier in the month remained range bound, the 'better-buyer' sentiment was led by geopolitical concerns (Trade Wars/Tariffs/Risk market anxiety) towards the end of the month. By month-end, what had initially been somewhat extreme short positioning in the marketplace had been cleaned up substantially, and the market felt more evenly balanced. The main event of the month was the March FOMC meeting, where the Fed raised rates by 25bps. Most importantly, the committee upgraded outlooks for growth and inflation and overall the event was deemed Hawkish. With respect to the dots, the key takeaways were that the dots for 2018 remained stable (2 more hikes), the dots for 2019 were raised to reflect 3 hikes and the dots for 2020 to reflect 2 hikes. Although counterintuitive, the front-end of the curve actually traded well after the hike – mainly recalibrating to the fact that the 2018 dot stayed constant versus some more hawkish expectations that had come to the table across rates desks leading into the meeting. Supply continued to be a key narrative throughout the month. Early month auctions (3s, 10s, 30s) had strong results, however late month auctions (2s, 5s, 7s) suffered given the rally in rates ahead of the supply events.

Mortgage-Backed Securities (MBS): The Agency MBS Index as measured by Bloomberg Barclays posted a total return of 64bps in March with an excess return of -14bps. The mortgage basis (as measured by FNMA 3.5s) underperformed the Treasury curve by seven ticks in March and have sunk ~3/4 of a point since the beginning of the year. Despite the benign prepay environment with subsiding implied rate volatility, demand from domestic banks and overseas investors failed to materialize meaningfully, causing the Fed's fading involvement in MBS to be more acutely felt by the market. The flattening of the yield curve corresponded to weakness across relative value expressions such as coupon swaps and 15s30s. Coupon swaps broadly underperformed by two to four ticks on the month as origination selling continued to shift into higher coupons and the carry advantage in FN 4.0s and FN 3.5s eroded with their rolls softer. G2/FN swaps firmed by 1 to 2 ticks on the backdrop of improved prepay fundamentals into higher rates.

Commercial Mortgage-Backed Securities (CMBS): The Bloomberg Barclays CMBS Index posted excess return over duration-adjusted Treasuries of -30 bps with total return of 41 bps in March. The conduit credit curve bear flattened last month as 10yr AAA's backed up 13 bps to +83 but AA's were unchanged at +115, single-A's were 5 bps wider to +160, and BBB- was 5 bps wider to +330. This sharp move in AAA's was a lagged reaction to prior widening in IG corporates after February outperformance. To mark-to-market on the year, 10yr AAA's are now 6 bps wider to swaps and 11 bps wider to Treasuries. AA's/A's/BBB- are all about 10 bps tighter to swaps. The synthetic underperformed cash again last month in subordinates, continuing February's price action. CMBX BBB- series 10 was out 15 bps in March to +472 and is out 73 bps from its late January tight, versus new issue cash BBB- that is just 25-30 bps wider from the local tight. This divergence of the cash-synthetic basis stems from CMBX being the lone instrument that is shortable within structured products and thus the hedge of choice in a macro risk-off. AAA CMBX has outperformed both cash and its beta to subordinate tranches, however, with AAA.10 just 4 bps wider in March to +55.5 and just 11 bps off the YTD tight. This mirrors the price action in IG CDX vis-à-vis IG cash. Elsewhere, in single asset / single borrower, benchmark 10yr office AAA's backed up 11 bps to +86, in sympathy with conduit. Benchmark 10yr office BB's were 20 bps wider to +215, though with little trading. Finally, 10yr agency seniors were 6 bps wider to +49 but remain unchanged on the year, outperforming private label. In new issue, \$11bn priced in private label to finalize 1Q18 supply at a robust \$25bn, 80% north of 1Q17's run rate. 1Q18 was dominated by non-conduit supply as \$9+bn priced in single asset / single borrower and \$3+bn in CRE CLO's, vs. \$10bn of conduit. In contrast, conduit was 60% of 1Q17 issuance. In agency, \$6bn priced in pooled form for a total of \$16bn in 1Q18, about unchanged YoY.

Asset-Backed Securities (ABS): The sector printed +18 bps of total return in March, while posting excess returns of -3 bps. Autos posted -2 bps, credit cards posted -4 bps, and utilities posted +1 bps of excess returns, respectively. In the month, we saw \$22.1bn of ABS issuance across 38 transactions, which was up 35% MoM and up 7.5% YoY. Auto related ABS issuance represented 45% of total supply in March, while esoterics represented 14%. Secondary market activity remained elevated, with investors selling to raise cash to fund either investments in other spread sectors that widened due to the macro volatility or to address corporate repatriation needs. Dealers are still net longer by ~2bn since the start of the year, with ~0.4bn of net selling on the month. Spreads in high quality paper moved 10-15bps wider in March due to the negative supply technical. Higher yielding paper outperformed due to the scarcity effect of these sectors, only moving 5-10bps wider. Collateral performance in private student loans remains strong, while we see performance in auto loans and unsecured consumer loans as worsening but at a controlled pace. Charge-offs in credit card ABS trusts increased in March to 2.42% from 2.26% in February.

Investment Grade (IG) Credit: US Investment Grade Credit underperformed duration-adjusted Treasuries by 81 bps in March with the option-adjusted spread of the Bloomberg Barclays US Credit Index widening 12 bps to end the month at 103 bps. The large surge in supply that began during the last few days of February continued into March as the third largest deal ever priced in the first week of the month with CVS issuing \$40 bn to fund its purchase of Aetna. While the \$113 bn of supply that came to market over the month fell short of initial expectations of \$150 bn, the market was not supportive as

Fixed Income Sector Review

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Monthly Fixed Income Sector Review

weakening demand together with heightened volatility and macroeconomic uncertainty weighed on markets. Political risk pervaded the market narrative for the month as President Trump's announcement to impose tariffs on steel and aluminum, the continued turnover in the Trump administration, and fears around privacy concerns in the technology sector all coalesced to fuel an equity selloff and rate rally towards the end of the month. The ten-year Treasury finished the month at 2.74%, 20 bps off the recent high of 2.94% reached at the end of February. Despite the market volatility, the Fed continued on its path of normalization, increasing the target range for the Federal Funds Rate by 25 bps to 1.50% -1.75% and raised its forecasts for growth, inflation, and interest rates and lined up another rate increase in June. As supply slowed towards the end of the month, credit traded with a more positive tone and index level spreads were unchanged through the final week of the month. The best-performing sectors were Supranationals, Packaging, Foreign Local Govt, Foreign Agencies, and Leisure. The worst-performing were Paper, Metals & Mining, Life Insurers, and Natural Gas.

High-Yield Corporate Bonds: In March, the High Yield Index returned -0.60% for the month. Performance by ratings was mixed. On a total return basis, the Ba Index fell -0.54%, the B Index produced -0.54%, and the Caa Index was down -0.84%. Distressed issuers rated Ca and below returned -2.64%. For further context, the S&P/LSTA Performing Loans Index was up +0.29%, the US Corporate Index returned +0.31%, and the Emerging Markets Index produced +0.06%. Equities were mixed, with the S&P 500 down -2.54% and the Russell 2000 up +1.29%. Most sectors were down last month, with the worst-performing sectors being supermarkets (-1.68%), automotive (-1.32%), and restaurants (-1.29%). The best-performing sectors were financial other (+0.44%), diversified manufacturing (+0.20%), and transportation services (-0.03%).

New issuance volumes in March totaled \$29.5bn across forty-six tranches, which is well above February's \$11.8bn across twenty-five tranches, but below last March's issuance of \$42.6bn across seventy-one tranches. Activity resumed in March following a subdued February due to broader market volatility in rates and equities. In addition to the backlog that built up in February while primary market access was limited, March seasonally tends to be a decent supply month given companies are coming out of earnings blackouts and on the back of industry conferences. Due to ongoing volatility, issuers accepted elevated new issue concessions and continued to come to market for refinancing and GCP funding, though there were a number of deals related to M&A toward month-end. Performance of new issue was largely mediocre in March, averaging +0.5 point on the break, though a handful of deals outperformed, including Husky, Iridium, Boyne, and USA Compression. Supply in April is typically less robust than March, as last year's \$43bn in March was followed by only \$15bn in April, although, 2016 was an outlier with a very slow start to the year, including \$23bn in March and \$32bn in April. For this April, we have visibility into \$10bn of supply already and would expect issuance to total \$20-25bn, in line with the YTD monthly average, as well as last year's average.

Taxable Municipal Bonds: March saw the taxable municipal market post strong absolute performance while underperforming U.S. Treasuries, as the less volatile nature of the asset class prevented it from keeping pace as rates rallied sharply during the latter half of the month. However, underperformance was much more muted than that seen in the investment grade corporate market, which saw spreads widen amidst robust supply and trade war fears. On the month, the broad taxable municipal index returned 1.41% while underperforming duration matched U.S. Treasuries by -45bps, bringing the year-to-date total return to -1.73% with 62bps of excess performance. Selling pressure remained modest, but given cheaper valuations in investment grade corporates, long-end inquiry in taxable municipals faded throughout the month. However, the front-end (maturities out to ~10 years) remained fairly resilient with less overall supply and better demand from likely prior institutional buyers of front-end tax-exempts. Taxable municipal issuance once again underwhelmed alongside its tax-exempt counterpart, down -23% year-over-year at just \$1.7bn, bringing year-to-date issuance to \$4.7bn, down -40% year-over-year. Two index-eligible deals late in the month made up the bulk of the new issue calendar, a \$795mln George Washington University deal and a \$684mln Sutter Health deal. Demand for the calendar was generally firm, with the 10-year Sutter Health tranche performing well while the 30-year tranches of both deals weakened marginally on the break. Looking forward, given the expectation for continued muted supply, with the exception on an anticipated California GO deal sometime in April, we expect somewhat listless trading with taxable municipals likely to follow the direction of investment grade corporates. Overall, long-end valuations may warrant some caution, as spreads approach the tight. However, the diversifying nature and strong credit quality of the asset class combined with increasing interest from overseas buyers make it difficult to foresee material weakness in the near-term.

Tax Exempt Municipal Bonds: March saw increased volatility continue and interest rates rally late in the month as the Fed narrowly maintained their expectations for three rate hikes in 2018 and President Trump renewed trade war fears by announcing tariffs on at least \$50bn of Chinese imports. As a result, performance continued to buck strong seasonal patterns, and after experiencing negative returns in January and February, typically positive performing months, the asset class posted positive performance in March, which has historically been the worst performing month of the year on average. On the month, the broad municipal index returned 0.37% with -51bps of excess returns when duration matched to U.S. Treasuries, bringing the year-to-date total return to -1.11% with 29bps of excess returns. Municipal underperformance resulted from a more defensive structure including a higher coupon, longer duration, and 10-year call, which made it difficult for the asset class to match the swift rally in rates at month-end. Throughout the month, the municipal technical backdrop remained incredibly favorable. As expected, issuance once again underwhelmed historical expectations, posting \$25.0bn in gross issuance, down -14% year-over-year and -27% below both its 5yr and 10yr average. At the same time, while some institutional bid lists continued to

Fixed Income Sector Review

Performance Benchmark: Perf hol 02/23/18 - 04/30/18

Reporting Currency: USD

Monthly Fixed Income Sector Review

materialize post tax reform, traditional retail demand for the asset class remained remarkably firm. Mutual fund flows totaled nearly \$11bln on a year-to-date basis, up a significant 141% year-over-year, with about 58% concentrated in intermediate funds, the typical classification of flexible (unconstrained) strategies. From a strategy perspective, we have shifted to a neutral duration bias and maintain a barbell curve strategy (0-2yrs and 20yrs+). We recognize that interest rates will likely continue to drive absolute performance, though we expect continued strong technicals to be supportive of excess returns. Looking forward, while issuance is expected to remain muted into the summer, aggregate fund flows could be poised to decelerate in the upcoming weeks, as in years following strong equity returns municipals tend to have a greater probability of outflows as investors sell munis to pay tax bills, particularly impacting short-term funds. In 2017, the S&P returned nearly 20% and tax reform clarity late in the year spurred -\$27bln in late December equity profit taking, setting the stage for potential tax-time driven outflows to materialize in 2018. However, given that recent underperformance has reset relative valuations to more attractive levels, particularly in the long-end of the curve, increased interest from crossover buyers is likely to be supportive of the market.

Emerging Markets (EM): Emerging Market Debt delivered mostly positive total returns in March, with the bulk of the performance generated in the last week of the month. Geopolitics dominated the second half of March, with US President Trump's announcement of a plan to impose tariffs on \$60bn worth of Chinese imports, followed by retaliation from China, sending shockwaves across risk assets and leading to a rally in core rates. As expected by the market, the Federal Reserve raised rates for the sixth time since December 2015, highlighting a stronger economic outlook. Bloomberg announced that it will add China to the Bloomberg Barclays Global Aggregate family of indices starting April 2019, pending some planned operational changes being implemented by China.

Looking at returns, the JPMorgan EMBI Global Diversified Index of US dollar sovereign bonds delivered a total return of 0.29%, with performance brought higher by the rates component, which added 0.99% due to the market's risk-off rates rally and expected Fed outcome. The JPMorgan GBI-EM Global Diversified Index of local currency bonds returned 1% in US dollar terms, with the FX return component adding 0.06%. In corporate bonds, the JPMorgan CEMBI Broad Diversified Index delivered a total return of -0.19% with the rates component adding 0.74%.

Disclosures

Each of BlackRock Financial Management, Inc., BlackRock Capital Management, Inc., BlackRock Investment Management, LLC, BlackRock International Limited and BlackRock Advisors, LLC is registered as an investment adviser with the United States Securities and Exchange Commission ("SEC"). BlackRock Institutional Trust Company, N.A., a national banking association operating as a limited purpose trust company, provides fiduciary and trust services to various institutional investors. Each of the foregoing entities is a subsidiary of BlackRock, Inc. For ease of reference, "BlackRock" may be used to refer to BlackRock, Inc. and its affiliates, including any of the foregoing entities. Any strategy referred to herein, which may be managed by one of the foregoing BlackRock entities, does not give rise to a deposit or other obligation of BlackRock, Inc. or its subsidiaries and affiliates, is not guaranteed by BlackRock, Inc. or its subsidiaries and affiliates, is not insured by the United States Federal Deposit Insurance Corporation or any other governmental agency, and may involve investment risks, including possible loss of principal invested.

This communication is not an offer and should not be deemed to be a contractual commitment or undertaking between the intended recipient of this communication and BlackRock. Any reference herein to any security and/or a particular issuer shall not constitute a recommendation to buy or sell, offer to buy, offer to sell, or a solicitation of an offer to buy or sell any such securities issued by such issuer. These materials are not an advertisement and are not intended for public use or dissemination. The information is not intended to provide investment advice. Neither any of the foregoing BlackRock entities nor BlackRock, Inc. guarantees the suitability or potential value of any particular investment. The information contained herein may not be relied upon by you in evaluating the merits of investing in any investment. Any opinions and estimates expressed in this publication reflect our judgment at this date and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We do not warrant the accuracy or completeness of any information provided. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. You should consult your tax or legal adviser regarding such matters. No part of this publication may be reproduced in any manner without the prior written permission of BlackRock.

Performance and Fees

Past performance is not a guarantee or a reliable indicator of future results. Certain performance figures do not reflect the deduction of investment advisory fees but they may reflect commissions, other expenses (except custody), and reinvestment of earnings. For a BlackRock entity that is registered as an investment adviser with the SEC, investment advisory fees are described in Part II of the applicable BlackRock entity's Form ADV. Such fees that a client may incur in the management of their investment advisory account may reduce the client's return. For example, assuming an annual gross return of 8% and an annual management/advisory fee of 0.25%, the net annualized total return of the portfolio would be 7.75% over a 5-year period. If any "net of fees" performance figures are shown in this report, such figures reflect the deduction of actual investment advisory fees, but there may still be other fees and expenses not reflected in the performance figures that would reduce the client's return (such as custodial fees). All periods longer than one year are annualized.

Forward Looking Information

This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of yields or returns, and proposed or expected portfolio composition. Moreover, where certain historical performance information of other investment vehicles or composite accounts managed by BlackRock has been included in this material, such performance information is presented by way of example only. No representation is made that the performance presented will be achieved, or that every assumption made in achieving, calculating or presenting either the forward-looking information or the historical performance information herein has been considered or stated in preparing this material. Any changes to assumptions that may have been made in preparing this material could have a material impact on the investment returns that are presented herein by way of example.

This material is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed may change as subsequent conditions vary. The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by BlackRock to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecasts made will come to pass.

Account Statement should be reviewed jointly with statements received from qualified custodians.

THIS MATERIAL IS HIGHLY CONFIDENTIAL AND IS NOT TO BE REPRODUCED OR DISTRIBUTED TO PERSONS OTHER THAN THE RECIPIENT .

© 2018 BlackRock, Inc. All rights reserved. **BLACKROCK** is a registered trademark of BlackRock, Inc. in the United States and elsewhere. All other trademarks are the property of their respective owners.

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE.

For use with institutional and professional investors only – proprietary and confidential.

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• 10 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 15 years with Marsh captive management• Over 18 years in the captive insurance and audit industries• 10 years with the MTA / Marsh Team• Chartered Accountant
David Carman Account Manager	<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">• 4 years with Marsh captive management• 18 years in corporate accounting

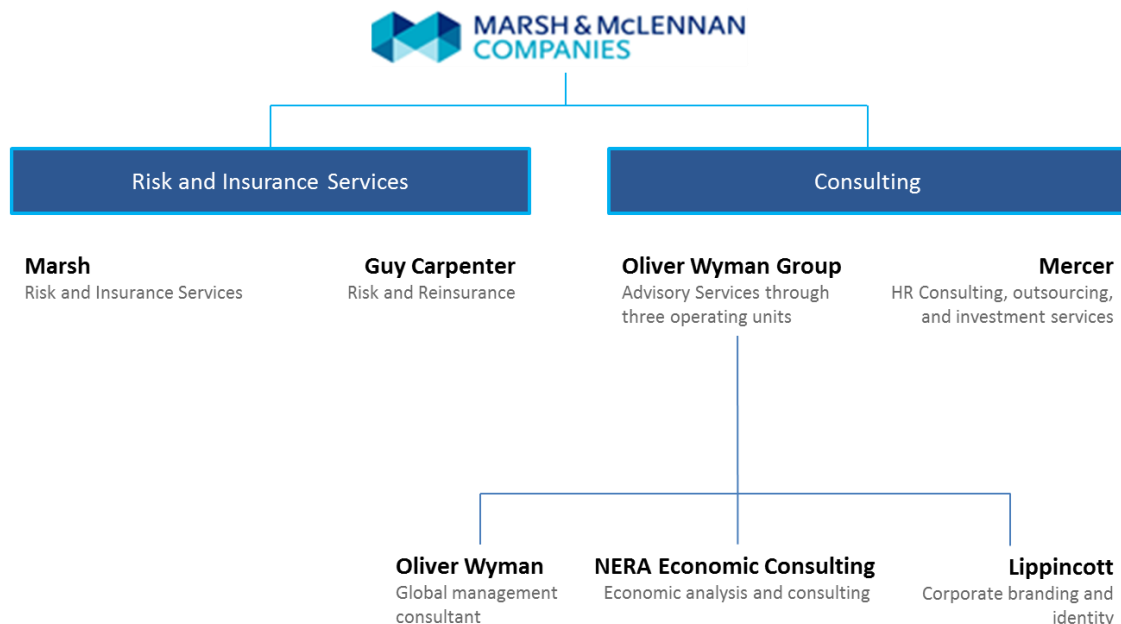
Marsh USA Inc

MTA – Master Broker

About Marsh

Marsh, a global leader in insurance broking and risk management, teams with its clients to define, design, and deliver innovative industry-specific solutions that help them protect their future and thrive. It has approximately 32,000 colleagues who collaborate to provide advice and transactional capabilities to clients in over 130 countries. Marsh is a wholly owned subsidiary of Marsh & McLennan Companies (NYSE: MMC), a global team of professional services companies offering clients advice and solutions in the areas of risk, strategy, and human capital. With over 65,000 employees worldwide and annual revenue exceeding \$14 billion, Marsh & McLennan Companies is also the parent company of Guy Carpenter, a global leader in providing risk and reinsurance intermediary services; Mercer, a global leader in talent, health, retirement, and investment consulting; and Oliver Wyman, a global leader in management consulting.

The diagram below displays the structure of Marsh & McLennan Companies.



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

The senior casualty and property advisors provide support and expertise in the evaluation of MTA's exposures with the goal of expanding coverages where possible while focusing on reducing the MTA's Total Cost of Risk. Additionally, they provide the MTA with information relative to 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 are aligned with Client Advisors to design and place insurance and reinsurance to minimize the loss exposure to 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 teams 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.



Oliver Wyman Actuarial Consulting, Inc.

Oliver Wyman Actuarial Consulting, Inc. is part of the Oliver Wyman Group, an independent (legally and operationally) business unit of Marsh & McLennan Companies (MMC). Oliver Wyman Group has over 4,700 employees in more than 50+ offices in nearly 30 countries.

MMC is a global professional services firm composed of four principal firms:

- Oliver Wyman Group (financial and insurance consulting)
- Marsh (risk and brokerage services firm)
- Mercer (human resource consulting, outsourcing and investment services firm)
- Guy Carpenter (reinsurance intermediary)

Oliver Wyman Actuarial Consulting, Inc. employs over 150 credentialed actuaries in our 285 colleague staff, making it one of the largest actuarial practices in the United States. Over 110 of our credentialed members have earned the designation "Fellow of the Casualty Actuarial Society" or "Fellow of the Society of Actuaries", reflective of the completion of an exhaustive examination process. We specialize in evaluating the long-term financial consequences of property, casualty, life, and health insurance risks.

The Melville, NY office of Oliver Wyman Actuarial Consulting, Inc. provides actuarial consulting services to the MTA and FMTAC. The Melville office employs ten individuals, including four Fellows and one Associate of the Casualty Actuarial Society. The project team that serves the MTA and FMTAC includes Steven G. McKinnon, FCAS, MAAA, FCA and Scott J. Lefkowitz, FCAS, MAAA, FCA. Mr. McKinnon and Mr. Lefkowitz are senior members of Oliver Wyman Actuarial Consulting, Inc. and have over 45 years of combined experience in the insurance and risk management industry. Mr. Lefkowitz is a Partner of Oliver Wyman and manages the Melville office. Mr. McKinnon is a Senior Principal and assists Mr. Lefkowitz with managing the Melville office. Mr. McKinnon and Mr. Lefkowitz are the primary consultants for a large number of clients with New York State workers compensation exposure and have extensive experience with the complexities of dealing with the changing New York State workers compensation environment. Mr. McKinnon and Mr. Lefkowitz have years of experience with unique workers compensation exposures, including the Jones Act, FELA, the United States Longshore and Harbor Workers Act, the Federal Black Lung Act, and numerous state jurisdictions.

Mr. McKinnon serves as the primary actuarial consultant to FMTAC, having day-to-day client management responsibilities for all aspects of Oliver Wyman's engagement to provide actuarial consulting services to FMTAC. Mr. Lefkowitz serves as the peer reviewer of all actuarial work products prepared by Mr. McKinnon for FMTAC.



Biographies - BlackRock Coverage Team for First Mutual Transportation Assurance Company

Danielle Nefouse, CFA, Director, is a member of BlackRock's Financial Institutions Group within the Institutional Client Business. She is a relationship manager responsible for developing and maintaining relationships with insurance clients in North America.

Prior to her current role, Danielle was a member of the Cash Management sales team within BlackRock's Trading & Liquidity Strategies Group where she was responsible for identifying and providing appropriate cash management solutions across Financial Institution sectors, including insurance companies, banks, private equity firms, hedge funds, custodians, structured finance, and collateral management. Danielle spent five years from 2008-2013 in BlackRock's London office in the Cash Management Financial Institutions sales team covering European clients.

Danielle's service with the firm dates back to 2004, including her years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006. Danielle began her career with MLIM as an analyst in the firm's Summer Analyst Program, and spent her first 3 years at the firm on the Global Proprietary Sales Desk, promoting MLIM/BlackRock managed products to the Merrill Lynch Global Wealth Management division.

Danielle earned a BBA degree, summa cum laude, in Finance & International Business from Villanova University, Pennsylvania in 2005. She is a CFA charter holder.

Catherine Cole, Vice President, is a member of the Financial Institutions Group within Americas Fixed Income Alpha Strategies. She is a portfolio manager on the Financial Institutions Portfolio Team.

Prior to joining BlackRock in 2012, Ms. Cole was an Associate at Goldman, Sachs and Co., where she was a member of the Macro Cross Asset Sales team with a focus on interest rate products. Ms. Cole began her career in 2007 at UBS on the Interest Rate Sales desk, covering Hedge Funds.

Ms. Cole earned a BA degree, cum laude, in Political Science from Yale University in 2007.

Angela Pflug, Vice President, is a member of BlackRock's Financial Institutions Group within the Institutional Client Business. She is a relationship manager responsible for developing and maintaining relationships with insurance clients.

Prior to joining BlackRock in March 2015, Ms. Pflug was an investment professional at MFP Investors, Michael Price's family office hedge fund, from 2012 to 2015 where she performed investment due diligence, trade execution and fund operations. Previously, she was with Cowen Group (f.k.a. Dahlman Rose) from 2010 to 2012 on the institutional research sales team, serving as a relationship manager for hedge fund and mutual fund clients.

Ms. Pflug earned a BA degree in Economics & Business from Lafayette College.

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.