

First Mutual Transportation Assurance Company

Finance Committee Presentation

May 21, 2018



FMTAC Overview

The First Mutual Transportation Assurance Company (FMTAC), an insurance subsidiary of MTA, was the first Captive in New York, licensed on December 5, 1997

FMTAC is a pure captive designed as a vehicle to maximize risk-financing techniques and improve efficiencies to the MTA's overall cost of risk

FMTAC continues to successfully strengthen the MTA's ability to broaden insurance coverages through a combination of risk retention and risk transfer strategies by managing various programs on an insured and reinsured basis

The following are FMTAC insurance programs:

- All Agency Property Insurance
- All Agency Excess Liability
- MTA Premises Liability
- Station Liability
- Force Account
- Automobile Liability
- All Agency Protective Liability (AAPL)



FMTAC Program Structure

Each Agency has its own Self-Insured Retention (SIR):

- For Property Insurance, the SIR is \$25 Million for each agency
- For Liability Insurance: LIRR, NYCT, MNR & MTA Bus each have an SIR of \$11 Million; SIRTOA, TBTA and MTA each have an SIR of \$3.2 Million

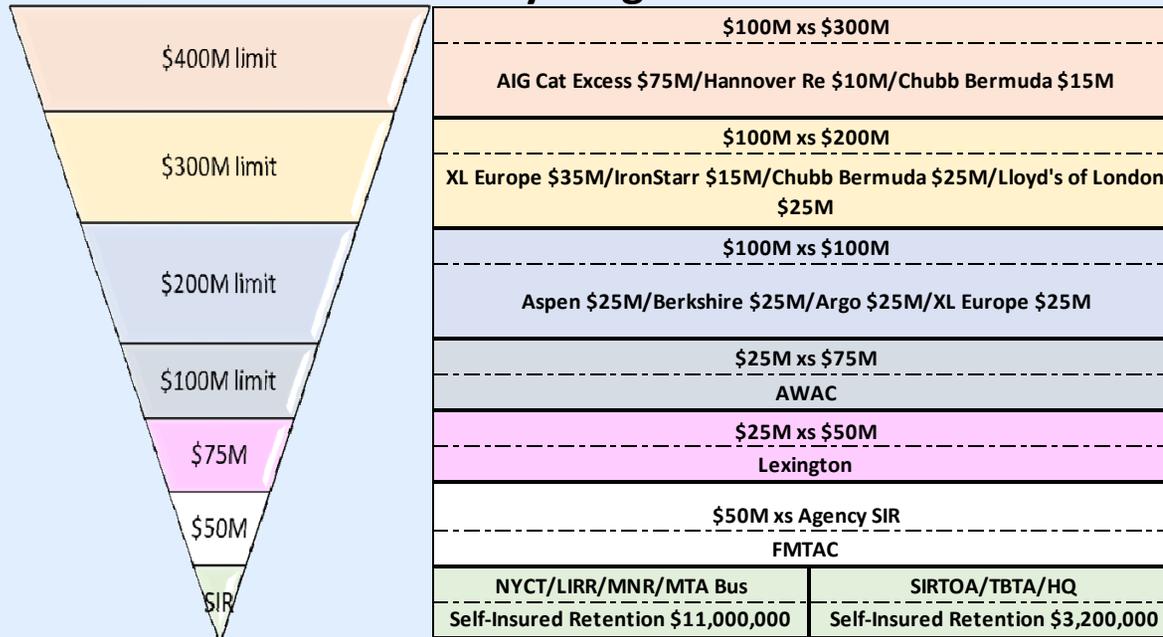
FMTAC provides insurance to the agencies above their retention layer:

- FMTAC's liquid assets of \$685 Million as of 12/31/2017 are used almost exclusively to directly administer various liability coverage programs and to pay outstanding claims
- FMTAC provides property insurance on an indirect basis by placing reinsurance in the global insurance marketplace



FMTAC Excess Liability Program

Excess Liability Program Schematic



The overall cost of the 2017 program is \$28.06 Million as compared to the expiring cost of \$27.20 Million, which resulted in an approximate increase of 3%

By placing the first \$50 Million in FMTAC, the premium increase was kept to a minimum

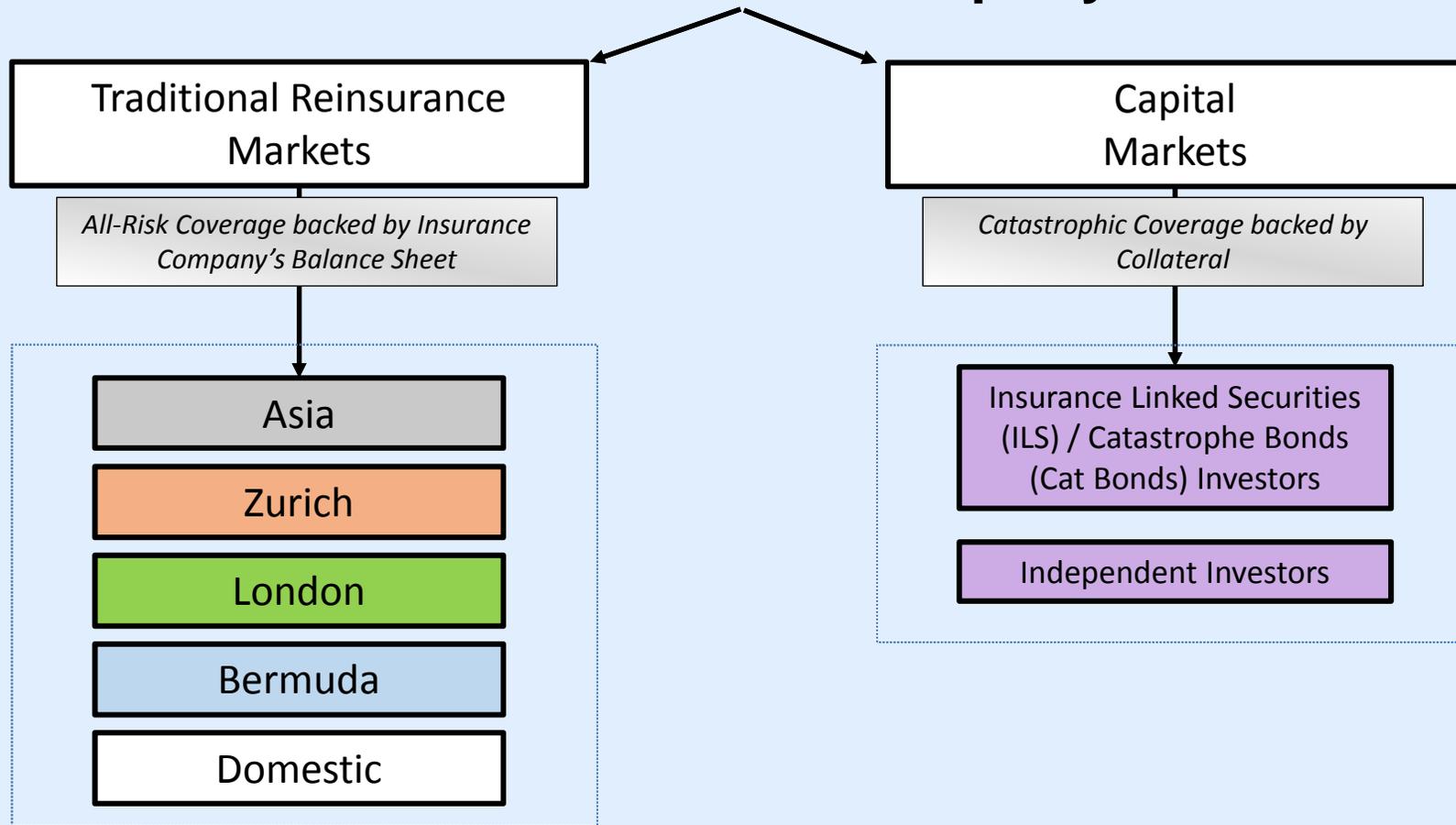


FMTAC Property Program

- Property Insurance is the biggest insurance program covered by FMTAC
- MTA is one of the largest purchasers of property insurance in the transportation sector
- FMTAC purchases \$800 Million of property reinsurance limits on behalf of the MTA, including all-risk and catastrophe coverage
- Challenges to the placement of this program:
 - US capacity is limited since the Sandy Storm
 - The 2017 hurricane season (Harvey, Irma and Maria)
 - Global and US loss events such as the Mexico earthquakes and California fires



FMTAC \$800M Property



- FMTAC employs a strategy of maximizing tension/competition inside each market, as well as between the two markets
- Insurance marketplace is cyclical; right now we are in a hard pricing phase of the cycle



\$800 Million 2018 – 2019 Property Reinsurance Program

\$200M x/s \$600M	\$800M	Cathay 0.30%	*Chubb Bermuda (Munich Re) 4.00%	Everest Re - Option 1 1.0000%	LGT - Aggregate Limit (Total Capacity \$30M) 10.2000%	CSAM - Aggregate Limit 10.00%			Swiss Re Fac 10.00%			Metro CAT 62.50%										CPIC 2.00%				
\$50M x/s \$550M	\$600M	Kemah 5.00%	AXIS E&S 2.50%	Arch Re - Option 1 5.00%	Everest Re - Option 1 1.00%	Swiss Re Fac 8.00%	Mitsui - Option 1 4.00%	*Chubb Bermuda 19.00%	XL Re - Option 1 0.60%	Kinsale - Indication 2.50%	Transatlantic Re - Option 1 0.80%	CCIC 5.00%	HDI 30.00%						CSAM 7.10%	Hannover Re - Option 2 2.50%	CV Starr 5.00%	CPIC 2.00%				
\$50M x/s \$500M	\$550M	Kemah 5.00%	AXIS E&S 2.50%	Arch Re - Option 1 5.00%	Everest Re - Option 1 1.00%	Swiss Re Fac 8.00%	Mitsui - Option 1 4.00%	*Chubb Bermuda 19.00%	XL Re - Option 1 0.60%	Kinsale - Indication 2.50%	Transatlantic Re - Option 1 0.80%	CCIC 5.00%	HDI 30.00%						CSAM 7.10%	Hannover Re - Option 2 2.50%	CV Starr 5.00%	CPIC 2.00%				
\$150M x/s \$350M	\$500M	China Life - Op 5.00%	AXIS E&S 2.50%	Ironshore - LIU 2.58%	Everest Re - Option 1 1.00%	Swiss Re Fac 8.00%	Mitsui - Option 1 4.00%	*Chubb Bermuda 19.00%	XL Re - Option 1 0.60%	Lloyds - MapFre 4.71%	Transatlantic Re - Option 1 0.80%	CCIC 5.00%	*Barbican Underwriting Limited Bermuda - Option 2 2.00%	*Hamilton Re - Option 2 2.50%	*Chubb Bermuda (Munich Re) 6.00%	Swiss Re Fac - Option 1 B 16.35%		Sompo (Endurance Assurance Corporation) - Option 2 Indication 5.00%	Lloyds SSC 3.13%	Windward - Opt 2.33%	Hannover Re - Option 2 2.50%	CV Starr 5.00%	CPIC 2.00%			
\$50M x/s \$300M	\$350M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Aspen 1.67%	Colony 10.00%	XL Re 2.33%	Lloyds - MapFre 4.71%	Lloyds - ASC - Option 4 4.18%	Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Transatlantic Re - Option 1 and 2 1.00%	Everest Re - Option 1 and 2 1.67%	Lloyds - AUI 8.00%	Lloyds - SCC 9.09%	Ironshore - LIU 6.25%	Sompo (Endurance Assurance Corporation) - Option 2 Indication 5.00%	HDI 3.00%	HDI 2.50%		Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%
\$50M x/s \$250M	\$300M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Aspen 1.67%	Colony 10.00%	XL Re 2.33%	Lloyds - MapFre 4.71%	Lloyds - ASC - Option 4 4.18%	Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Transatlantic Re - Option 1 and 2 1.00%	Everest Re - Option 1 and 2 1.67%	Lloyds - AUI 8.00%	Lloyds - SCC 9.09%	Lloyds - ASC - Option 4 2.35%	Sompo (Endurance Assurance Corporation) - Option 2 Indication 5.00%	HDI 3.00%	Lloyds - HSIC 6.40%		Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%
\$50M x/s \$200M	\$250M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Aspen 1.67%	Colony 10.00%	XL Re 2.33%	Lloyds - MapFre 4.71%	Lloyds - ASC - Option 4 4.18%	Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Transatlantic Re - Option 1 and 2 1.00%	Everest Re - Option 1 and 2 1.67%	Lloyds - AUI 8.00%	Lloyds - SCC 9.09%	Lloyds - ASC - Option 4 2.35%	Lloyds - AML 3.24%	HDI 3.00%	Lloyds - HSIC 6.40%	Lloyds - HCC 1.76%	Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%
\$50M x/s \$150M	\$200M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Everest Re - Option 1 & 2 0.50%	Chubb 5.00%	Lloyds - HCC 8.82%	HDI 2.00%	Lloyds - ASC - Option 4 4.18%	Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Commonwealth 1.50%	Lloyds - Chubb (AGM) 6.47%	Lloyds - AUI 8.00%	Lloyds - ASC - Option 4 6.17%	Lloyds - ASC - Option 4 2.35%	Lloyds - AML 3.24%	HDI 3.00%	Lloyds - HSIC 6.40%	Lloyds - HCC 1.76%	Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%
\$100M x/s \$50M	\$150M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Everest Re - Option 1 & 2 0.50%	Chubb 5.00%	Lloyds - HCC 8.82%	HDI 2.00%	Lloyds - ASC - Option 4 4.18%	Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Commonwealth 1.50%	Lloyds - Chubb (AGM) 6.47%	Lloyds - AUI 8.00%	Lloyds - ASC - Option 4 6.17%	Lloyds - ASC - Option 4 2.35%	Lloyds - AML 3.24%	HDI 3.00%	Lloyds - HSIC 6.40%	Lloyds - HCC 1.76%	Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%
Primary \$50M	\$50M	*Ironshore 6.40%	*Markel 2.50%	*AWAC 7.00%	RSUI 2.86%	*Markel 2.50%	Sompo Canopus 2.50%	Everest Re - Option 1 & 2 0.50%	Chubb 5.00%	Swiss RE Fac 15.00%			Houston Specialty Insurance Company 2.50%	Lloyds - STD 2.35%	Commonwealth 1.50%	Lloyds - Chubb (AGM) 6.47%	Lloyds - AUI 8.00%	Lloyds - ASC - Option 4 6.17%	Lloyds - ASC - Option 4 2.35%	Lloyds - AML 3.24%	HDI 3.00%	Lloyds - HSIC 6.40%	Lloyds - HCC 1.76%	Partner RE 5.00%	CV Starr 5.00%	CPIC 2.00%

BERMUDA	CAPITAL MKT	LONDON	ZURICH	Domestic	ASIA	CAT BOND
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- The risk of each layer increases towards the bottom of the schematic and theoretically, so should the premium
- Each participating reinsurer has their own risk tolerance profile which can change over time; Demand for risk in various parts of the structure may result in price swings
 - Reaching out to the capital markets gives us the ability to increase competition and achieve best pricing
 - Some reinsurers want to buy risk throughout the structure, and some only have an appetite for specific layers



2018 Property Program Results

- This year, we obtained Board approval to pursue an Insurance Linked Security (ILS) transaction. However, the efforts of the Master Broker resulted in a successful indemnity placement negating the need to procure another parametric catastrophe bond for flood and earthquake coverage
- The cost of the 2018 program is \$36 Million compared to the 2017 cost of \$36.3 Million, which resulted in \$300 Thousand in savings
 - The net rate-on-line for the 2018 program is 4.5% as compared to the 2017 rate-on-line of 4.6%
 - FMTAC was able to secure this premium reduction in a hardening risk transfer market, where global pricing is higher by approximately 5% as compared to 2017



APPENDIX



Selected Financials

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

Investment Overview

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

