

**First Mutual Transportation Assurance Company**

**Finance Committee Presentation**

**May 20, 2019**



# 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 management

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 Agencies are responsible for the first \$25 Million per occurrence
- 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

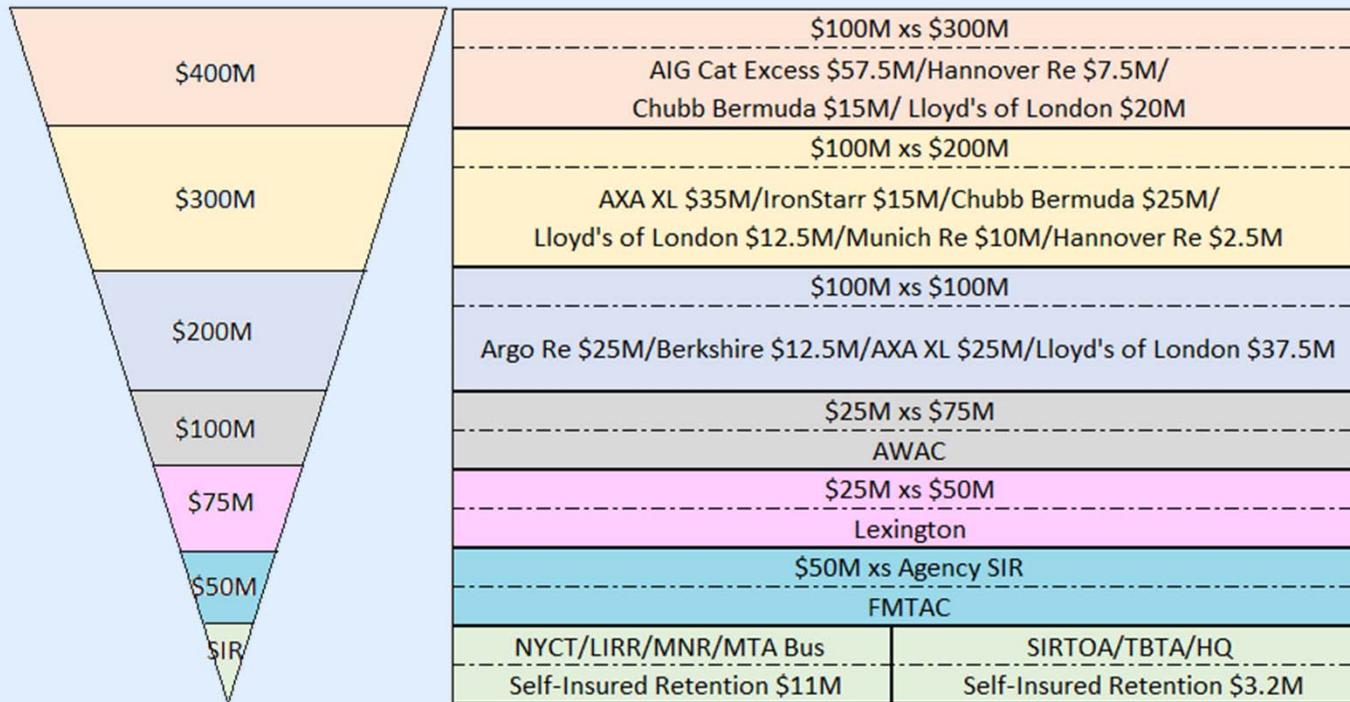
FMTAC provides insurance to the Agencies above their retention layer:

- FMTAC's liquid assets of \$810 Million as of 12/31/2018 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 2018 program was \$23.68 Million as compared to the expiring cost of \$28.06 Million which resulted in an approximate decrease of 15%

By placing the primary \$50 Million layer in FMTAC, we were able to offset a 20% increase in the \$350 Million excess layers

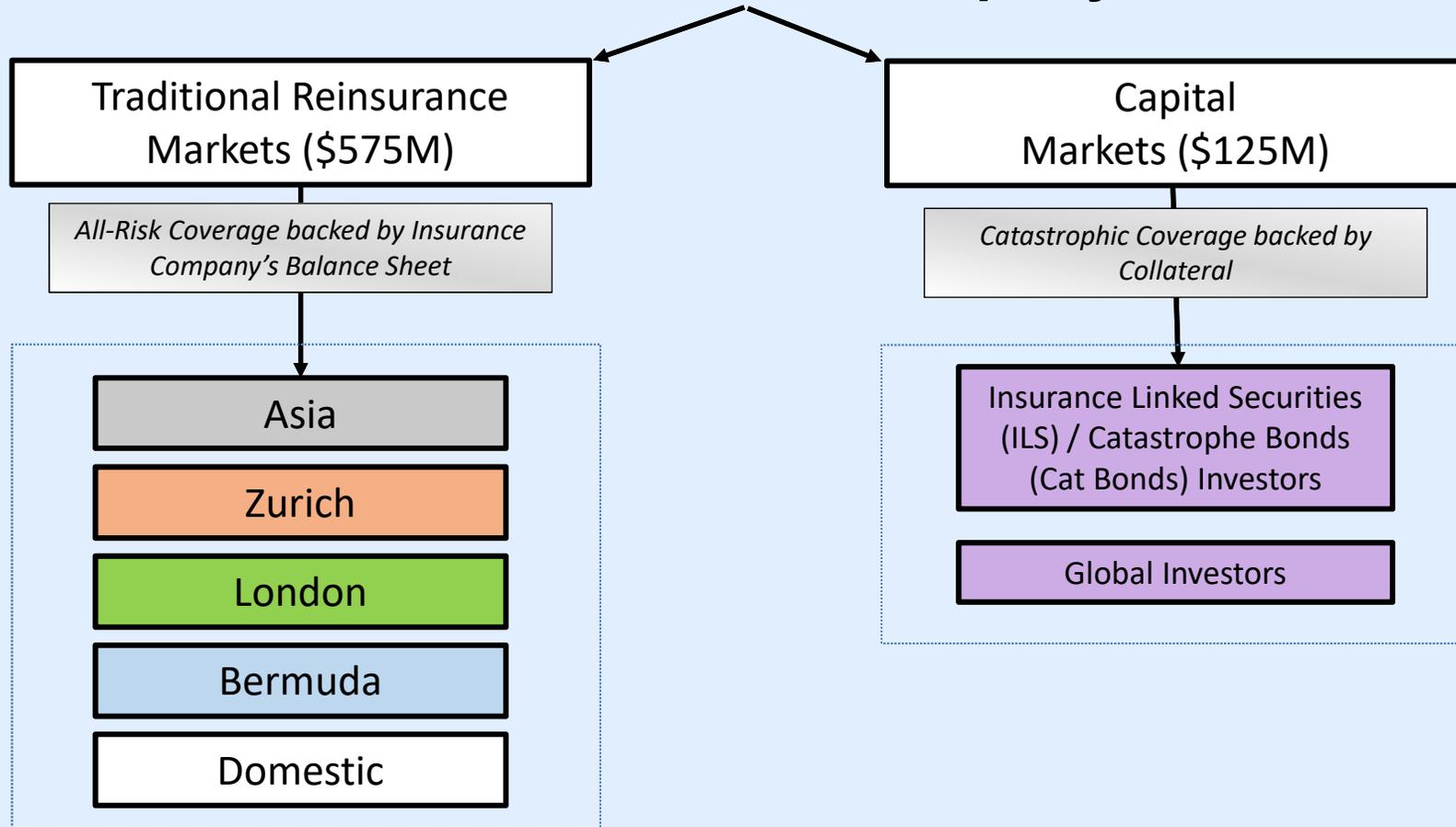


# FMTAC Property Program

- Property Insurance is the largest insurance program covered by FMTAC
- MTA is one of the biggest purchasers of property insurance in the transportation sector
- FMTAC purchases \$700 Million of property reinsurance limits on behalf of the MTA, including all-risk and catastrophe coverage in 2019 as compared to \$800 Million in 2018
- Challenges to the placement of this program:
  - Higher than average attritional losses over the past three years
  - Market correction due to global losses in 2017 and 2018
  - Constriction of available capacity due to continued carrier consolidation and market withdrawals



# FMTAC \$700M Property



- FMTAC employs a strategy of maximizing tension/competition inside each market, as well as between the traditional reinsurance and capital markets
- Insurance marketplace is cyclical; due to significant global losses in 2017 and 2018, we are currently in a hard pricing phase of the cycle



# \$700 Million 2019 – 2020 Property Reinsurance Program

\$125M x/s \$575M		\$700M		Metro CAT																											
\$25M x/s \$550M	\$575M	Kinsale	AXIS E&S	Everest Re	Sompo International	Swiss Re Fac	Mitsui	*Chubb Bermuda	XL Re	Arch Re	Transatlantic Re	China Life	Swiss Re Fac										CSAM				Hanover Re - Option can be combined with 3 and 4 2.50%		CV Starr - Option 1	CPIC	
\$50M x/s \$500M	\$500M	Kinsale	AXIS E&S	Everest Re	Sompo International	Swiss Re Fac	Mitsui	*Chubb Bermuda	XL Re	Arch Re	Transatlantic Re	China Life	Swiss Re Fac										CSAM				Hanover Re - Option can be combined with 3 and 4 2.50%		CV Starr - Option 1	CPIC	
\$150M x/s \$350M	\$500M	*Hamilton Re Option 2	*Chubb Bermuda (Munich Re) Option 1	AXIS E&S	Everest Re	Sompo International	Swiss Re Fac	Mitsui	*Chubb Bermuda	XL Re	CSAM	Transatlantic Re	China Life	Lloyds - MapFire	Ironshore Insurance Services, LLC	Swiss Re Fac				Lloyds ASC	Lloyds MMX	LGT	Hanover Re - Option can be combined with 3 and 4 2.50%		CV Starr - Option 1	CPIC					
\$50M x/s \$300M	\$350M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Colony	XL Re	HDI - Option 4	Lloyds - ASC	Third Point Re	Lloyds - MapFire	Transatlantic Re	Everest Re	Lloyds - AUW	Lloyds - HDU		LGT		Partner RE		CV Starr - Option 1	CPIC						
\$50M x/s \$250M	\$300M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Sompo International	Colony	XL Re	HDI - Option 4	Lloyds - ASC	Third Point Re	Lloyds - MapFire	Transatlantic Re	Everest Re	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - HCC		Partner RE	CV Starr - Option 1	CPIC					
\$50M x/s \$200M	\$250M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Sompo International	Colony	XL Re	HDI - Option 4	Lloyds - ASC	Third Point Re	Lloyds - MapFire	Transatlantic Re	Everest Re	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - AML	Hannover Re	Lloyds - HCC	Lloyds - HCC	Partner RE	CV Starr - Option 1	CPIC			
\$50M x/s \$150M	\$200M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Everest Re	Chubb	HDI - Option 4	Lloyds - ASC	Third Point Re	Lloyds - MapFire	Transatlantic Re	Everest Re	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - AML	HSIC - Option 2	HSIC - Option 2	Lloyds - HCC	Partner RE	CV Starr - Option 1	CPIC				
\$50M x/s \$100M	\$150M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Everest Re	Chubb	HDI - Option 4	Lloyds - ASC	Third Point Re	Kemah	Commonwealth	Lloyds - Chubb (AGM)	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - AML	HSIC - Option 2	HSIC - Option 2	Lloyds - HCC	Partner RE	CV Starr - Option 1	CPIC				
\$50M x/s \$50M	\$100M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Everest Re	Chubb	HDI - Option 4	Lloyds - ASC	Third Point Re	Kemah	Commonwealth	Lloyds - Chubb (AGM)	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - AML	HSIC - Option 2	HSIC - Option 2	Lloyds - HCC	Partner RE	CV Starr - Option 1	CPIC				
Primary \$50M	\$50M	RSUI Option 2	*Liberty Agency (formerly Ironshore) - Option 3	*Markel	*AWAC	Markel	Canopus	Sompo International	Everest Re	Chubb	Swiss Re Fac	HDI Option 4	Third Point Re	Kemah	Commonwealth	Lloyds - Chubb (AGM)	Lloyds - AUW	Lloyds - HDU	Lloyds - ASC	Lloyds - AML	Lloyds - AML	HSIC - Option 2	HSIC - Option 2	Lloyds - HCC	Partner RE	CV Starr - Option 1	CPIC				

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



## 2019 Property Program Results

- As a result of global insured losses in 2017 and 2018 from perils including California wildfire, Florida wind, and Japanese typhoon, global reinsurance pricing conditions have hardened and capacity has become more constrained
- Due to current market conditions, the overall property program coverage was reduced by \$100 Million, or from \$800 Million in 2018 to \$700 Million in 2019
- In 2019, \$575 Million of coverage was placed in the traditional reinsurance market with a premium of \$31.10 Million (5.41% ROL) and \$125 Million of coverage is in the MetroCat 2017-1 catastrophe bond with a premium of \$5.05 Million (4.04% ROL)
- The total premium cost of the 2019 program is relatively flat to the 2018 program with \$36.15 Million for 2019 (5.17% ROL) compared to \$36.09 Million for 2018 (4.51% ROL)



# APPENDIX



# Selected Financials

## Summary of Selected Financial Information

(in thousands), except ratios

Period Ended

12/31/2018

12/31/17

12/31/16

12/31/15

### Balance Sheet:

Cash and Invested Assets	\$ 810,767	\$ 685,006	\$ 637,688	\$ 756,151
Reinsurance Recoverable	12,174	12,245	298,490	473,924
Other Assets	155,386	196,944	120,476	41,936
Total Assets	978,327	894,195	1,056,654	1,272,011
Insurance Reserves	495,628	450,623	419,430	856,007
Other Liabilities	276,553	262,026	459,291	273,836
Total Liabilities	772,181	712,649	878,721	1,129,843
Total Equity	206,146	181,546	177,933	142,168
Unrealized Gain / (Loss) on Invt	(597)	12,178	8,020	5,327

### Income Statement:

Premium Written	\$ 208,131	\$ 280,459	\$ 238,127	\$ 126,636
Premium Earned	154,268	133,826	162,559	80,092
Net Investment Income	25,351	13,998	10,111	11,113
Losses and LAE Incurred Exp	126,929	129,227	124,134	96,507
Other Underwriting and Operating Exp.	15,315	19,142	15,464	11,454
Net Income / (Net Loss)	37,375	(545)	33,072	(16,756)

### Ratios:

Loss Ratio	82.3%	96.6%	76.4%	120.5%
Expense Ratio	9.9%	14.3%	9.5%	14.3%
Combined Ratio	92.2%	110.9%	85.9%	134.8%



# Investment Overview

Investment Type	MV %	Dec 31, 2018
		Market Value (in thousands)
Cash and Cash Equivalents	13.1%	106,140
Cash - Held in Trust	0.2%	1,220
Treasury	37.6%	304,663
Agency	12.9%	104,845
Asset Backed Securities	5.6%	45,245
Commercial Mortgage Backed Securities	10.0%	80,831
Foreign Bonds	1.9%	15,633
Corporate Bonds	16.4%	132,682
OCIP Collateral ("RCAMP Trust")	1.8%	14,399
Loss Escrows	0.6%	5,108
<b>Total</b>	<b>100.0%</b>	<b>810,766</b>

**Cash and Invested Assets at 12/31/18 Market Values**

