

**FIRST MUTUAL  
TRANSPORTATION ASSURANCE  
COMPANY**

**2019 Annual Board Meeting**

**May 22, 2019**

**New York State Insurance Captive of**



# FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

## ANNUAL BOARD MEETING

May 22, 2019

### **NOTICE**

The 2019 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 2 Broadway, 20<sup>th</sup> Floor, New York, NY on May 22, 2019.

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# FMTAC NEWSLETTER



# First Mutual Transportation Assurance Company 2019 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, 2018. 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	All Agency Excess Liability
Owner Controlled Insurance Program (“OCIP”)	Builder’s Risk

### **FMTAC CALENDAR:**

<i>Description</i>	<i>Completion / Due Date</i>	<i>Comments</i>
2018 New York Annual Statement	28-Feb-19	Filed with NYSDFS
2018 Loss Reserve Certification	28-Feb-19	Filed with NYSDFS
2018 Audited Financial Statements	TBD	To be filed with NYSDFS
2019 NY Insurance License	In progress	To be filed with NYSDFS
2019 NY Annual Meeting	22-May-19	Scheduled
2019 Actuarial Reserve Review - Initial	30-Sep-19	To be performed by Oliver Wyman
2019 Actuarial Reserve Review - Final	31-Dec-19	To be performed by Oliver Wyman
2019 Policy Issuance	Ongoing	Various Renewal dates
2019 Monthly Accounting Submission	5-10 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	12/31/18	12/31/17	12/31/16	12/31/15
<b>Balance Sheet:</b>				
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
<b>Income Statement:</b>				
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)
<b>Ratios:</b>				
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%

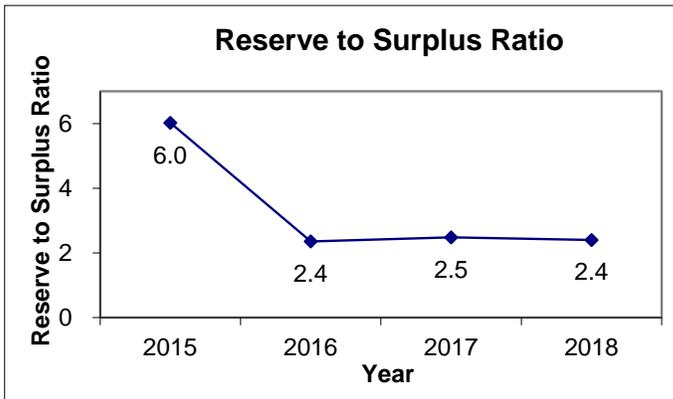
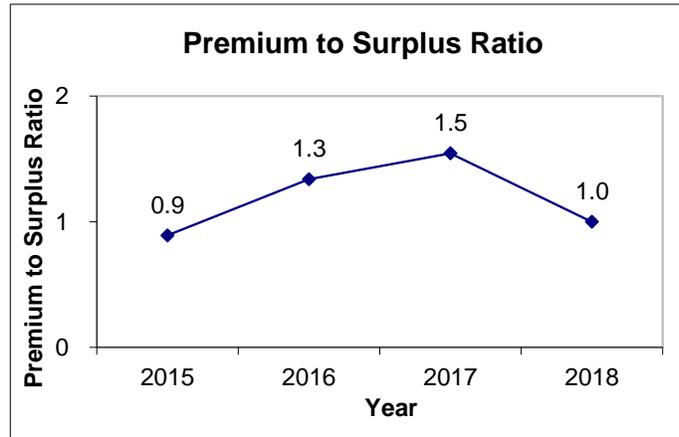
- **Total assets** have increased by \$84.1 million (9%) and **Total liabilities** have increased by \$59.5 million (8%) during 2018. The increase in total assets is the net effect of an increase in investments due to collateral funding of Owner Controlled Insurance Program (“OCIP”) trust accounts. This was offset by a decrease in premium receivable due to payment of the OCIP premiums. The increase in total liabilities is primarily due to an increase in actuarial determined reserves, primarily in the excess loss program, in addition to an increase in unearned premiums due to additional OCIP casualty and builder’s risk premiums being written in 2018.
- **Total equity** was \$206.1 million at year end 2018, which included a \$0.6 million unrealized loss on investments. Total equity increased \$24.6 million (14%) from 2017, which is attributable to a \$37.4 million increase in net income offset by a \$12.8 million decrease in unrealized gain/loss on investments.
- **Premium written** was \$208.1 million, which decreased \$72.3 million (26%) from 2017. The decrease is primarily due to smaller and fewer OCIP casualty and builder’s risk programs written in 2018 versus 2017. **Premium earned** was \$154.3 million for 2018, which was \$20.4 million (15%) higher than 2017. The increase is a result of higher earned premium on OCIP policies and partially offset by a decrease in earned paratransit premium. The OCIP policies earn premium based on percentage of completion of construction projects.
- **Net investment income earned** was \$25.4 million for 2018, which was \$11.4 million (81%) more than 2017 primarily due to higher realized gains on sale of investments in 2018 compared to 2017.
- **Losses and LAE incurred expenses (“incurred expense”)** were \$126.9 million for 2018 which decreased by \$2.3 million (2%) when compared to 2017. The decrease is attributable to decreased expense for the LIRR force and property programs offset by increased loss reserve expenses for the excess loss program and paratransit.

## KEY RATIOS

➤ **Premium-to-Surplus Ratio** is a measure of an insurer's financial strength and future solvency. It measures the adequacy of an insurer's surplus, relative to its operating exposure. A 5:1 ratio or lower is suggested in the captive industry. A low ratio indicates there is surplus to support future premium written.

**Calculation:** Premium Written divided by Total Equity. The terms "Equity" and "Surplus" are used interchangeably.

**Conclusion:** FMTAC, with a Premium-to-Surplus ratio of 1.0:1 in 2018, 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.

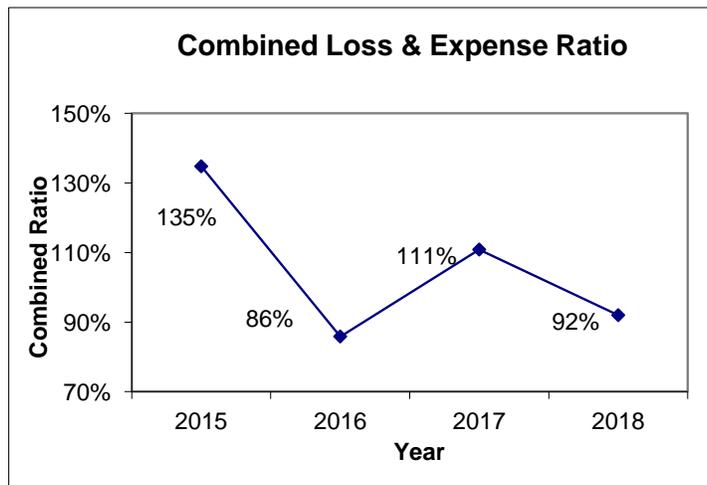
**Calculation:** Total Insurance Reserves divided by Total Equity.

**Conclusion:** FMTAC, with a Reserve-to-Surplus ratio of 2.4:1 in 2018, 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 2018, there was an decrease in the ratio to 92.2%, which is due to an increase in Premium Earned from the OCIP (denominator).

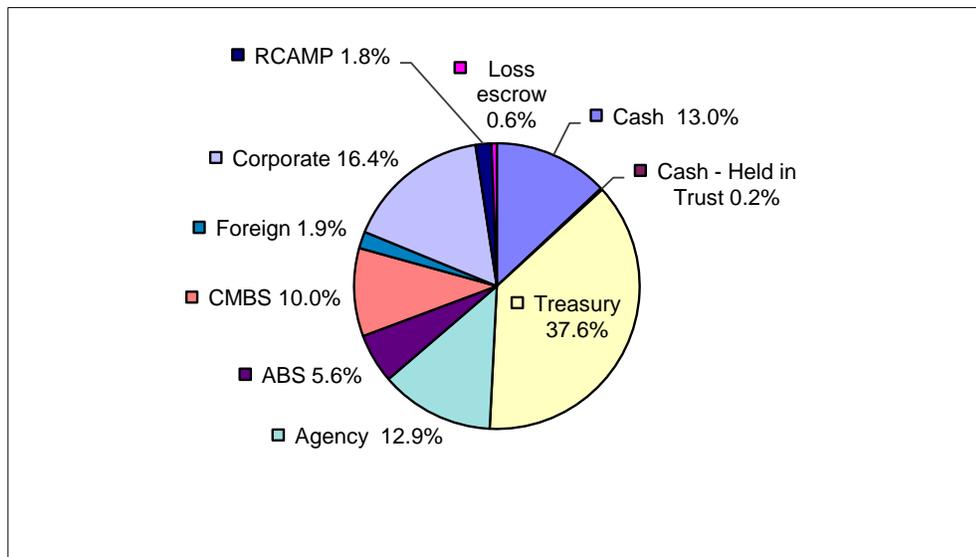


## INVESTMENTS

At December 31, 2018, FMTAC held \$810.8 million in cash, investments, loss trust or escrow accounts. At December 31, 2018, BlackRock Financial Management, Inc. assumed the investment advisory services to FMTAC. For a detailed investment report, please see “Investment Report” section of the meeting book.

<b>Investment Type</b>	<b>MV %</b>	<b>Dec 31, 2018 Market Value (in thousands)</b>
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**



**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, 2018 TO DECEMBER 31, 2015**

	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 97,894,023	\$ 101,440,152	\$ 74,003,750	\$ 197,880,833
Cash & Investments - LOC Collateral	11,470,576	13,253,527	18,105,522	25,939,322
Investments - GOA	107,433,273	55,016,388	105,967,015	132,556,313
Security Trust - Liberty	79,044,221	61,996,131	44,866,127	29,480,291
Security Trust - Liberty '06	31,958,111	31,572,627	30,799,183	31,427,655
Investments - ELF	152,635,511	139,612,589	122,846,269	109,122,634
Investments - Builders Risk	70,372,283	70,171,223	67,570,748	65,254,213
Investments - CV Starr	70,450,988	25,025,000	-	-
Security Trust - ACE	29,534,888	29,165,113	29,278,576	28,206,990
Discover Re Trust Fund	139,245,187	139,050,927	124,146,831	112,043,657
Investment Receivable / (Payable)	-	153,769	(548,637)	(3,293,158)
RCAMP Trust Fund	14,398,820	12,719,192	16,044,560	20,549,065
Premium Receivable	147,197,378	190,420,575	114,348,699	35,707,299
Reinsurance Premium Deposit - MetroCat	1,220,486	1,220,486	-	2,375,000
Reinsurance Recoverable Receivable	-	-	292,221,255	-
Reinsurance Recoverable Reserve	12,174,422	12,244,649	6,268,409	473,924,079
Escrow Paid Loss Deposit Funds	5,108,399	4,608,399	4,608,399	4,608,399
Interest Income Receivable	3,417,870	2,367,702	2,089,214	2,190,444
Deferred Incentive Award Receivable	4,736,809	3,912,607	4,010,649	4,012,827
Prepaid Losses	-	206,668	-	-
Deferred Policy Acquisition Costs	34,249	37,435	26,658	24,862
<b>TOTAL ASSETS</b>	<b>\$ <u>978,327,498</u></b>	<b>\$ <u>894,195,159</u></b>	<b>\$ <u>1,056,653,227</u></b>	<b>\$ <u>1,272,010,728</u></b>
<b>LIABILITIES</b>				
IBNR Loss Reserves	\$ 233,722,506	\$ 240,689,713	\$ 242,955,264	\$ 202,333,522
Case Loss Reserves	247,955,620	192,011,521	161,107,329	167,674,460
Reserves - Deemed Recoverable	12,174,422	12,244,649	6,268,409	472,286,000
Deferred Losses Payable - RCAMP	1,775,743	5,676,699	9,100,109	13,713,099
Losses & LAE Payable	6,461,546	-	305,669,616	141,717,910
Unearned Premium Reserve (net of Deferred Reinsurance Premium)	258,108,362	243,893,686	147,853,125	124,541,130
Other Due	5,650,571	7,007,211	4,904,332	2,383,265
Ceded Premium Payable	6,332,289	11,125,787	863,712	5,193,591
<b>TOTAL LIABILITIES</b>	<b><u>772,181,059</u></b>	<b><u>712,649,266</u></b>	<b><u>878,721,896</u></b>	<b><u>1,129,842,976</u></b>
<b>STOCKHOLDER'S EQUITY</b>				
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	88,699,005	89,242,507	56,171,856	72,927,999
Net Income / (Net Loss)	37,375,502	(543,503)	33,070,651	(16,756,143)
Unrealized Gain / (Loss) on Investments	(596,987)	12,177,970	8,019,904	5,326,978
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b><u>206,146,439</u></b>	<b><u>181,545,893</u></b>	<b><u>177,931,331</u></b>	<b><u>142,167,752</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ <u>978,327,498</u></b>	<b>\$ <u>894,195,159</u></b>	<b>\$ <u>1,056,653,227</u></b>	<b>\$ <u>1,272,010,728</u></b>

**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, 2018 TO DECEMBER 31, 2015**

	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Dec 31, 2015</u>
<b>UNDERWRITING INCOME</b>				
Gross Written Premiums				
Direct	\$ 203,315,690	\$ 275,353,926	\$ 234,491,659	\$ 123,158,783
Assumed	4,815,411	5,104,688	3,635,119	3,477,255
Total Written Premium	<u>208,131,101</u>	<u>280,458,614</u>	<u>238,126,778</u>	<u>126,636,038</u>
Premium Ceded	(39,887,195)	(51,278,683)	(52,255,886)	(48,757,236)
Net Retained Premium	<u>168,243,906</u>	<u>229,179,931</u>	<u>185,870,892</u>	<u>77,878,802</u>
Change in Unearned Premium - Net	(13,976,330)	(95,354,147)	(23,311,995)	2,213,189
Net Earned Premium	<u>154,267,576</u>	<u>133,825,784</u>	<u>162,558,897</u>	<u>80,091,991</u>
<b>LOSS &amp; LOSS ADJUSTMENT EXPENSES:</b>				
Paid Losses & LAE	78,650,266	100,672,060	88,441,231	74,783,479
Change in Case Reserves	56,070,867	29,328,992	(10,273,273)	3,488,095
Change in IBNR Loss Reserves	(7,792,359)	(773,844)	45,965,963	18,235,885
Total Incurred Losses & LAE	<u>126,928,774</u>	<u>129,227,208</u>	<u>124,133,921</u>	<u>96,507,459</u>
<b>UNDERWRITING EXPENSES:</b>				
Safety & Loss Control	5,968,555	9,965,025	3,340,802	2,942,010
Commissions	(99,246)	897,719	851,319	1,243,062
Change in Deferred Acquisition Costs	215,064	213,830	158,150	147,236
Total Underwriting Expenses	<u>6,084,373</u>	<u>11,076,574</u>	<u>4,350,271</u>	<u>4,332,308</u>
<b>NET UNDERWRITING INCOME / (LOSS)</b>	<u>21,254,429</u>	<u>(6,477,998)</u>	<u>34,074,704</u>	<u>(20,747,776)</u>
<b>OTHER EXPENSES</b>				
Risk Management Fees	8,501,872	7,260,406	10,493,815	6,499,945
Other Misc. Charges	727,885	803,792	620,526	621,415
Total Other Expenses	<u>9,229,757</u>	<u>8,064,198</u>	<u>11,114,341</u>	<u>7,121,360</u>
<b>INCOME / (LOSS) BEFORE INVESTMENT INCOME</b>	<u>12,024,672</u>	<u>(14,542,196)</u>	<u>22,960,364</u>	<u>(27,869,136)</u>
<b>INVESTMENT INCOME</b>				
Investment Income	<u>25,350,830</u>	<u>13,998,693</u>	<u>10,110,288</u>	<u>11,112,993</u>
Total Investment Income	<u>25,350,830</u>	<u>13,998,693</u>	<u>10,110,288</u>	<u>11,112,993</u>
<b>NET INCOME / (NET LOSS)</b>	<u>\$ 37,375,502</u>	<u>\$ (543,503)</u>	<u>\$ 33,070,651</u>	<u>\$ (16,756,143)</u>

# **DRAFT 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, 2018 and 2017, and  
Independent Auditors' Report

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

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## **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, 2018 and 2017, 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, 2018 and 2017, 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.

May 20, 2019

# FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

## (Component Unit of the Metropolitan Transportation Authority)

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) YEARS ENDED DECEMBER 31, 2018 AND 2017 (In thousands, except as noted)

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#### 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, 2018 and 2017. 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, 2018 and 2017. 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)	
	2018	2017	2016	2018-2017	2017-2016
<b>ASSETS</b>					
CURRENT ASSETS	\$ 434,726	\$ 429,191	\$ 692,101	\$ 5,535	\$ (262,910)
NONCURRENT ASSETS	<u>543,601</u>	<u>465,003</u>	<u>364,553</u>	<u>78,598</u>	<u>100,450</u>
TOTAL ASSETS	<u>\$ 978,327</u>	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>	<u>\$ 84,133</u>	<u>\$ (162,460)</u>

### Significant Changes in Assets

#### December 31, 2018 versus December 31, 2017

Total assets have increased by \$84,133 or 9.4 percent, from December 31, 2017 to December 31, 2018. The fluctuation in the total assets of FMTAC was the net result of an increase investments offset by a decrease in premium receivable due from affiliates. Investments increased mostly due to collateral funding of Owner Controlled Insurance Programs ("OCIP") trust accounts. The decrease in premiums receivable was due to the partial payment of the OCIP premiums by the affiliates.

#### 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.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2018	2017	2016	2018-2017	2017-2016
<b>LIABILITIES AND NET POSITION</b>					
CURRENT LIABILITIES	\$ 321,252	\$ 306,520	\$ 500,324	\$ 14,732	\$ (193,804)
NONCURRENT LIABILITIES	450,929	406,129	378,397	44,800	27,732
RESTRICTED NET POSITION	<u>206,146</u>	<u>181,545</u>	<u>177,933</u>	<u>24,601</u>	<u>3,612</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 978,327</u>	<u>\$ 894,194</u>	<u>\$ 1,056,654</u>	<u>\$ 84,133</u>	<u>\$ (162,460)</u>

### Significant Changes in Liabilities

#### December 31, 2018 versus December 31, 2017

Total liabilities from December 31, 2017 to December 31, 2018 have increased by \$59,532 or 8.4 percent. The increase in liabilities is primarily due to an increase in unearned premium and an increase to the actuarial determined loss and loss adjustment expense liability. Loss and loss adjustment expense liability increase primarily due to additional reserves related to the excess loss program.

#### 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.

### Significant Changes in Net Position

#### December 31, 2018 versus December 31, 2017

In 2018, the restricted net position increase of \$24,601 is comprised of operating revenues of \$154,268 and non-operating income of \$12,576, less operating expenses of \$142,243.

#### 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.

## Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2018	2017	2016	Increase/(Decrease)	
				2018-2017	2017-2016
OPERATING REVENUES	\$ 154,268	\$ 133,826	\$ 162,559	\$ 20,442	\$ (28,733)
OPERATING EXPENSES	<u>142,243</u>	<u>148,371</u>	<u>139,598</u>	<u>(6,128)</u>	<u>8,773</u>
OPERATING INCOME/(LOSS)	12,025	(14,545)	22,961	26,570	(37,506)
NON-OPERATING INCOME / (LOSS)	<u>12,576</u>	<u>18,157</u>	<u>12,803</u>	<u>(5,581)</u>	<u>5,354</u>
CHANGE IN NET POSITION	24,601	3,612	35,764	20,989	(32,152)
RESTRICTED NET POSITION— Beginning of year	<u>181,545</u>	<u>177,933</u>	<u>142,169</u>	<u>3,612</u>	<u>35,764</u>
RESTRICTED NET POSITION— End of year	<u>\$ 206,146</u>	<u>\$ 181,545</u>	<u>\$ 177,933</u>	<u>\$ 24,601</u>	<u>\$ 3,612</u>

**Operating Revenues**—The increase of \$20,442 or 15.3 percent, over the 2017 operating revenues is primarily due to an increased in 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 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.

**Operating Expenses**—Operating expenses between 2017 and 2018 decreased by 4.1 percent, or \$6,128. The decrease was primarily due to a decrease in underwriting expenses primarily due to the end of payments for safety expenses for the OCIP Second Avenue Subway project.

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.

**Non-operating Income**—Non-operating income between 2017 and 2018 decreased by 30.7 percent, or \$5,581. This is a result of a decrease in income primarily from net unrealized gains on investments held by FMTAC partially offset an an increase in realized investment 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.

### 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, 2018, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2018 and 2017, 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-**A.M. Best estimates the US industry had net catastrophe losses of \$37 billion in 2018, down from \$53 billion in 2017, but still the second highest since 2011. Best expects pre-tax operating income to rebound to nearly \$43 billion for 2018 driven by lower underwriting losses and moderately higher net investment income. Due to lower realized gains and unrealized losses on the industry's equity holdings, they anticipate a \$3.6 billion decline in policyholders' surplus to \$768 billion.

## **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 \$0 and \$10,000 in losses relating to this claim, in 2018 and 2017, respectively. 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 \$4.9 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 \$9.1 million; which includes 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.

**NYCTA Bicycle Case-** On April 10, 2016, the Plaintiff rode his bicycle, through a cordoned off construction site beneath the elevated BMT line on Broadway in Bushwick, Brooklyn. The MTA New York City Transit Authority was replacing rotted cross ties and lowering them into a designated "drop zone." Plaintiff was hit by a discarded tie that was being dropped to the ground per MTA New York

City Transit Authority protocols. Plaintiff sustained severe and permanent injuries including paraplegia. A Kings County jury found the MTA New York City Transit Authority 100% liable and returned a \$110 million verdict. The Authority has a reasonable chance of persuading the trial court to order a new trial. FMTAC writes an all agency excess liability policy for \$50 million per occurrence in excess of the MTA New York Transit Authority's \$11 million self-insured retention. If the case is not settled, litigation is likely to continue for at least 3 years. The FMTAC excess liability policy covering October 31, 2015-October 31, 2016 would be responsible for any settlement up to \$40 million excess of the Agency retention of \$11 million.

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

**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**  
**(In thousands)**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 112,469	\$ 144,895
Investments (Note 4)	157,209	78,545
Funds held by reinsurer (Note 5)	14,399	12,719
Premiums receivable due from affiliates (Note 7)	147,197	190,421
Interest income receivable (Note 4)	3,418	2,367
Prepaid losses	-	207
Other assets	<u>34</u>	<u>37</u>
Total current assets	<u>434,726</u>	<u>429,191</u>
NONCURRENT ASSETS:		
Investments (Note 4)	526,690	448,845
Reinsurance recoverable	12,174	12,245
Incentive reward receivable	<u>4,737</u>	<u>3,913</u>
Total noncurrent assets	<u>543,601</u>	<u>465,003</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 978,327</b></u>	<u><b>\$ 894,194</b></u>
<b>LIABILITIES AND NET POSITION</b>		
CURRENT LIABILITIES:		
Unearned premiums	\$ 258,108	\$ 243,894
Ceded premium payable	6,332	11,126
Loss and loss adjustment expense liability (Note 6)	49,385	44,495
Losses payable	1,776	-
Due to affiliates	4,088	4,561
Accrued expenses	<u>1,563</u>	<u>2,444</u>
Total current liabilities	<u>321,252</u>	<u>306,520</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expense liability (Note 6)	432,293	388,207
Reinsurance recoverable reserves (Note 6)	12,174	12,245
Owner Controlled Insurance Programs liability (Note 5)	<u>6,462</u>	<u>5,677</u>
Total noncurrent liabilities	<u>450,929</u>	<u>406,129</u>
Total liabilities	772,181	712,649
<b>RESTRICTED NET POSITION</b>	<u><b>206,146</b></u>	<u><b>181,545</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 978,327</b></u>	<u><b>\$ 894,194</b></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, 2018 AND 2017**  
**(In thousands)**

	<b>2018</b>	<b>2017</b>
OPERATING REVENUES:		
Gross premiums written	\$ 208,131	\$ 280,459
Premiums ceded	(39,887)	(51,279)
Change in unearned premiums	<u>(13,976)</u>	<u>(95,354)</u>
Total operating revenues	<u>154,268</u>	<u>133,826</u>
OPERATING EXPENSES:		
Loss and loss adjustment	126,929	129,227
Underwriting	6,084	11,077
General and administrative	<u>9,230</u>	<u>8,067</u>
Total operating expenses	<u>142,243</u>	<u>148,371</u>
OPERATING INCOME/(LOSS)	<u>12,025</u>	<u>(14,545)</u>
NON-OPERATING INCOME:		
Net investment income	<u>12,576</u>	<u>18,157</u>
Total non-operating income	<u>12,576</u>	<u>18,157</u>
CHANGE IN NET POSITION	24,601	3,612
RESTRICTED NET POSITION—Beginning of year	<u>181,545</u>	<u>177,933</u>
RESTRICTED NET POSITION—End of year	<u>\$ 206,146</u>	<u>\$ 181,545</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, 2018 AND 2017**  
**(In thousands)**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Premiums and other receipts	\$ 206,912	\$ 164,057
Other operating expenses	<u>(94,354)</u>	<u>(131,294)</u>
Net cash provided by operating activities	<u>112,558</u>	<u>32,763</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(668,051)	(485,655)
Sales and maturities of investments	498,767	355,679
Earnings on investments	<u>24,300</u>	<u>13,721</u>
Net cash used in by investing activities	<u>(144,984)</u>	<u>(116,255)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(32,426)</b>	<b>(83,492)</b>
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<b><u>144,895</u></b>	<b><u>228,387</u></b>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<b><u>\$ 112,469</u></b>	<b><u>\$ 144,895</u></b>
<b>RECONCILIATION OF OPERATING INCOME / (LOSS) TO NET CASH PROVIDED / (USED IN) BY OPERATING ACTIVITIES:</b>		
Operating income/(loss)	\$ 12,025	\$ (14,545)
Adjustments to reconcile to net cash used in operating activities:		
Net increase/(decrease) in accounts payable, accrued expenses and other liabilities	59,532	(166,071)
Net decrease in receivables	<u>41,001</u>	<u>213,379</u>
Net cash provided by operating activities	<u>\$ 112,558</u>	<u>\$ 32,763</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, 2018 AND 2017 (In thousands, except as noted)

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#### 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*.

**New Accounting Standards** —The MTA adopted the following GASB Statements for the year ended December 31, 2018:

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues identified during the implementation and application of certain GASB statements. The provisions of this Statement amend and clarify guidance under a variety of topics with the intent to enhance consistency in the application of accounting and reporting requirements. This Statement specifically issues related to blending component units, goodwill, fair value measurement and application, and pensions and other postemployment benefits (“OPEB”). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The adoption of this Statement had no impact on the Company’s financial statements.

**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 activities related to the 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, 2018 and 2017, cash and cash equivalents consisted of (in thousands):

	2018		2017	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 250	\$ 250	\$ 250	\$ 250
Loss escrows	6,329	6,329	5,829	5,829
Funds for security trust	-	-	25,025	25,025
Uninsured deposits	<u>105,890</u>	<u>105,890</u>	<u>113,791</u>	<u>88,612</u>
	<u>\$ 112,469</u>	<u>\$ 112,469</u>	<u>\$ 144,895</u>	<u>\$ 119,716</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 \$6,329 and \$5,829 as of December 31, 2018 and 2017, 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, 2018 and 2017 (in thousands):

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Funds for claim payments	\$ 328,341	\$ 328,942	\$ 258,258	\$ 245,413
Security trust funds	344,087	344,247	255,878	256,654
Funds for letter of credit	<u>11,471</u>	<u>11,307</u>	<u>13,254</u>	<u>13,147</u>
	<u>\$ 683,899</u>	<u>\$ 684,496</u>	<u>\$ 527,390</u>	<u>\$ 515,214</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, 2018 and 2017.

The yield to maturity rate was 3.05% for the year ended December 31, 2018, and 3.01% for the year ended December 31, 2017. For the year ended December 31, 2018, the change in net unrealized gain/loss on investments was a decrease of \$12,775. For the year ended December 31, 2017, the change in net unrealized gain/loss on investments was an increase of \$4,158.

### 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, 2018 and 2017. 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)	2018		2018			
	Fair Value	Duration (years)	Total	Fair Value Measurements		
Investment Type				Level 1	Level 2	Level 3
Treasury <sup>(1)</sup>	\$ 306,032	2.88	\$ 306,032	\$ -	\$ 306,032	\$ -
Agency <sup>(2)</sup>	105,233	5.90	105,233	-	105,233	-
Asset backed securities	45,302	1.94	45,302	-	45,302	-
Commercial mortgage backed securities	81,056	5.55	81,056	-	81,056	-
Foreign bonds	15,768	6.20	15,768	15,768	-	-
Corporate bonds	133,926	4.43	133,926	133,926	-	-
Total	687,317		687,317	\$ 149,694	\$ 537,623	\$ -
Less accrued interest	(3,418)		(3,418)			
Total investments	\$ 683,899		\$ 683,899			

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)	2017		2017			
	Fair Value	Duration (years)	Total	Fair Value Measurements		
Investment Type				Level 1	Level 2	Level 3
Treasury <sup>(1)</sup>	\$ 216,824	1.99	\$ 216,824	\$ -	\$ 216,824	\$ -
Agency <sup>(2)</sup>	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	149,994	5.27	149,994	149,994	-	-
Total	496,528	3.01	496,528	158,715	337,813	-
Equities <sup>(3)</sup>	25,122		25,122	25,122	-	-
Investments measured at amortized costs						
Commercial paper	8,109		8,109	-	8,109	-
	529,759		529,759	\$ 183,837	\$ 345,922	\$ -
Less accrued interest	(2,369)		(2,369)			
Total investments	\$ 527,390		\$ 527,390			

Including but not limited to:

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

**Credit Risk**—At December 31, 2018, 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	\$ 224,702	32.7 %
AA	31,381	4.6
A	75,953	11.1
BBB	38,442	5.6
BB	239	-
Not rated	10,568	1.5
Credit risk debt securities	381,285	55.5
U.S. Government bonds	306,032	44.5
Total fixed income securities	687,317	100 %
Less accrued interest	(3,418)	
Total investments	\$ 683,899	

**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>	

## 5. INSURANCE PROGRAMS

**Property Program**—Effective May 1, 2018, 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 deductible, 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 annual 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 four-year period, May 1, 2016 to May 1, 2020.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 82% of “certified” losses in 2018, 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 18% 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 \$160,000 (“trigger”) for 2018. 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) 18% of any “certified” act of terrorism in 2018—up to a maximum recovery of \$193,500 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 18% “certified” acts of terrorism insurance in 2018 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 \$160,000 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, 2018, FMTAC also provides an All-Agency Excess Liability Policy to the MTA and its subsidiaries and affiliates with the limits: i) \$75,000 (75%) 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, 2018, 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, 2018, 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, 2018, the MTA renewed its one-year auto liability policy with Travelers (Discover Re). Effective March 1, 2018, 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, 2018, the Company assumed 100% of the Allocated Loss Adjusted Expenses.

**Non-Revenue**—Effective March 1, 2018, 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, 2018, 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, 2018 and 2017 (in thousands):

	<b>2018</b>	<b>2017</b>
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000–2004 Capital Improvement Program	(1,844)	(2,095)
NYCT 2000–2004 line structures/shops, yards and depots Capital Improvements Program	1,591	717
NYCT 2000–2004 stations and escalators/elevators Capital Improvements Program	1,424	(683)
LIRR/MNR 2005–2009 Capital Improvement Program	811	(419)
CCC Second Ave. Subway	<u>3,948</u>	<u>7,625</u>
OCIP liability	<u>\$ 6,462</u>	<u>\$ 5,677</u>

The activity of all funds held by the OCIP reinsurer consists of the following for 2018 and 2017 (in thousands):

	<b>2018</b>	<b>2017</b>
Funds held by OCIP insurers—beginning of year	\$ 12,719	\$ 16,045
Interest income	895	97
Reimbursement to the Company for Safety and Loss Control	(6,903)	-
Claims payments	<u>7,688</u>	<u>(3,423)</u>
Funds held by OCIP reinsurer	<u>\$ 14,399</u>	<u>\$ 12,719</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 \$635 and \$31 during the years ended December 31, 2018 and 2017, 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. the Company had a net recovery of \$5,121 and claim payments of \$430.

**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, 2018, additional funding totaled \$10,737. In 2018 and 2017, respectively, the Company had a net recovery of \$1,183 and made claim payments of \$120. 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 \$32 and \$0 in interest income during the years ended December 31, 2018 and 2017, 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 2018 and 2017, \$5,534 and \$8,983 has been set aside to cover this exposure. During 2018 and 2017, the Company earned \$228 and \$67 in interest with \$1,382 of net recoveries and \$2,874 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.

**East Side Access Project – Excess General Liability** – Effective August 1, 2018, the company entered into program to insure \$10,000 per occurrence and aggregate of General Liability coverage in excess of \$2,000 for claims related to the East Side Access Project. The coverage expires on April 1, 2021

**NYCT 2005–2009 Capital Improvements Projects**—Effective August 1, 2006, the Company entered into a multi-year agreement with Liberty Mutual and the MTA 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 and the MTA 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 and the MTA 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.

**MTA LIRR 3<sup>rd</sup> Track Program** – Effective January 1, 2018, the Company entered into a multi-year agreement with Starr Indemnity & Liability Company and the MTA 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 until January 1, 2024.

**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.

On January 1, 2018, the Company wrote a builders risk deductible reimbursement policy with the MTA for the LIRR 3<sup>rd</sup> Track project with limits of \$250 per occurrence with a \$25 contractor deductible per claim. The policy will expire on January 1, 2024.

## 6. LOSS AND LOSS ADJUSTMENT EXPENSES AND REINSURANCE

The following schedule presents changes in the loss and loss adjustment expense liabilities during 2018 and 2017 (in thousands):

	<b>2018</b>	<b>2017</b>
Loss and loss adjustment expenses liability—beginning of year	\$ 444,947	\$ 410,330
Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(12,245)</u>	<u>(6,268)</u>
Net balance—beginning of year	432,702	404,062
Loss and loss adjustment expenses	126,929	129,227
Payments attributable to insured events of the current year	<u>(77,953)</u>	<u>(100,587)</u>
Net balance—end of year	481,678	432,702
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>12,174</u>	<u>12,245</u>
Loss and loss adjustment expenses liability—end of year	493,852	444,947
Less current portion	<u>49,385</u>	<u>44,495</u>
Long-term liability	<u>\$ 444,467</u>	<u>\$ 400,452</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, 2018 and 2017, was as follows (in thousands):

	<b>2018</b>		<b>2017</b>	
	<b>Receivable</b>	<b>Earned</b>	<b>Receivable</b>	<b>Earned</b>
LIRR	\$ 12,314	\$ 15,205	\$ 10,545	\$ 14,396
MNCR	5,358	8,855	6,601	10,960
MTA	<u>129,525</u>	<u>130,208</u>	<u>173,275</u>	<u>108,470</u>
	<u>\$ 147,197</u>	<u>\$ 154,268</u>	<u>\$ 190,421</u>	<u>\$ 133,826</u>

Included in General and Administrative expenses for the years ended December 31, 2018 and 2017, respectively, are amounts the MTA charged of \$8,502 and \$7,260, respectively, to FMTAC for risk management services provided to the Company of which \$4,088 and \$4,561 remain as a liability at December 31, 2018 and 2017, respectively.

## 8. 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 \$0 and \$10,000 in losses relating to this claim, in 2018 and 2017, respectively. Any additional claims related to this matter will be the responsibility of excess insurance layers.

**9. NYCTA BICYCLE CASE**

On April 10, 2016, the Plaintiff rode his bicycle, through a cordoned off construction site beneath the elevated BMT line on Broadway in Bushwick, Brooklyn. The MTA New York City Transit Authority was replacing rotted cross ties and lowering them into a designated "drop zone." Plaintiff was hit by a discarded tie that was being dropped to the ground per MTA New York City Transit Authority protocols. Plaintiff sustained severe and permanent injuries including paraplegia. A Kings County jury found the MTA New York City Transit Authority 100% liable and returned a \$110 million verdict. The Authority has a reasonable chance of persuading the trial court to order a new trial. FMTAC writes an all agency excess liability policy for \$50 million per occurrence in- excess of the MTA New York Transit Authority's \$11 million self-insured retention. If the case is not settled, litigation is likely to continue for at least 3 years. The FMTAC excess liability policy covering October 31, 2015-October 31, 2016 would be responsible for any settlement up to \$40 million excess of the Agency retention of \$11 million.

**10. SUBSEQUENT EVENTS**

FMTAC evaluated subsequent events from January 1, 2019 through May 20, 2019, 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, 2018**

**IDENTIFICATION**

I, Steven G. McKinnon, am a Senior 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") to render an opinion on the Company's December 31, 2018 loss and loss adjustment expense reserves. These reserves, as included in the Financial Statement as of December 31, 2018 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 May 7, 2019. 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, 2018 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 since 2015. 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 is 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.

We note that the average net written premium for 2016 through 2018 is more than twice the net written premium for the 2013 through 2015 period. 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
2018	\$168.2 million

I have established a materiality standard for this Company at \$30,921,966. 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, 2018. 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).

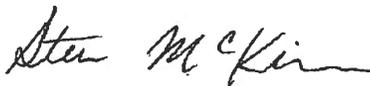
**D. Additional Comments**

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.



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

48 South Service Road, Suite 310  
Melville, NY 11747  
(631) 577-0555  
May 7, 2019

**Exhibit A – SCOPE**

<b><u>Loss Reserves:</u></b>	<b><u>Amount</u></b>
1. Gross Reserve for Unpaid Losses (Page 2, Line 17)	\$474,911,141
2. Gross Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$18,941,407
3. Gross Reserve for Unpaid Losses and Loss Adjustment Expenses [ = (1) + (2)]	\$493,852,548
4. Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$11,318,222
5. Reserve for Unpaid Losses and Loss Adjustment Expenses [ = (3) - (4)]	\$482,534,326

**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         \$30,921,966
6. Is there a Significant Risk of Material Adverse  
Deviation? Yes  No  Not  
Applicable
7. Statutory Surplus         \$206,146,439

# REGULATORY CHECKLIST

# FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

## New York Regulatory Compliance Report As of May 22, 2019

<i>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</i>
<b><i>Financial Reports &amp; Examinations</i></b>		
File Annual Report with NYSDFS	Within 60 days of fiscal year end	February 28, 2019
File Actuarial Certification of Loss Reserves.	Within 60 days of fiscal year end	February 28, 2019
File Audited Financial Statements with NYSDFS	July 1	In progress
File Parent Company Annual Report with NYSDFS	Annually	In progress
Examination by NYSDFS	Every 5 years	Last completed for 2015
<b><i>Taxes &amp; Fees</i></b>		
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
<b><i>Underwriting</i></b>		
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
<b><i>Investments</i></b>		
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
<b><i>Corporate Governance</i></b>		
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>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</i>
<b><i>Corporate Governance, con't</i></b>		
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 22, 2019
<b><i>Other Filings</i></b>		
NY Cyber Regulation	Sec 500.17b written statement by Captive they are in compliance is due February 15, 2019	February 11, 2019
Annual Terrorism Risk Insurance Act (“TRIA”) data reporting	Annually, May 15	2018 data was submitted on May 15, 2019

# INVESTMENT REPORT



MONTHLY REPORT  
31 MARCH 2019

**BLACKROCK**<sup>®</sup>

First Mutual  
Transportation  
Assurance Company

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

**Your Account Management Team**

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☎ 800-777-8389

**Learn more about BlackRock**

[www.blackrock.com](http://www.blackrock.com)

**Corporate Governance**

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

[www.blackrock.com/responsibleinvestment](http://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](http://www.blackrock.com/institutions/glossary)

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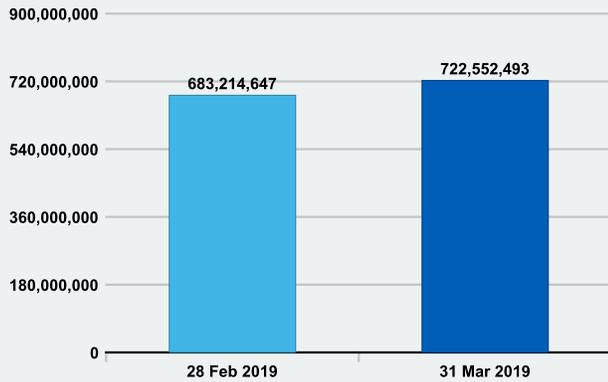
<b>Executive Summary</b>	<b>2</b>
<b>Performance Attribution</b>	<b>20</b>
<b>Portfolio Credit Positioning</b>	<b>29</b>
<b>Fixed Income Sector Review</b>	<b>55</b>
<b>Disclosures</b>	<b>58</b>

**FMTAC-AGG**  
**Executive Summary**

31 March 2019

Reporting Currency: **USD**

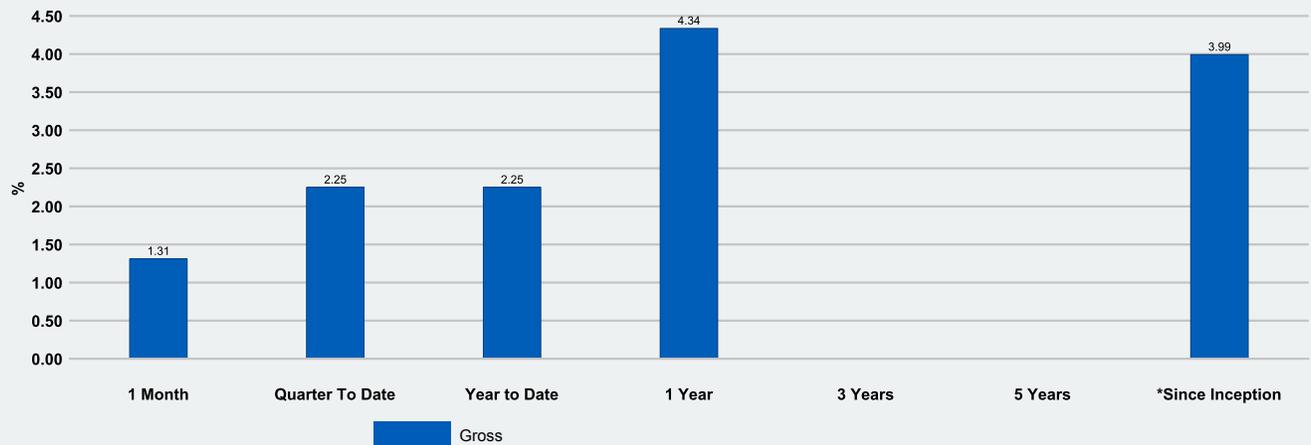
**Total Market Value**



**Portfolio Activity**

YTD Realized Gain/Loss	73,248.77
Unrealized Gain/Loss	8,454,339.22
Subscriptions/Redemptions (net)	30,077,509.73
Asset Transfers In/Out (net)	0.00

**Performance Gross of Fees %**



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.

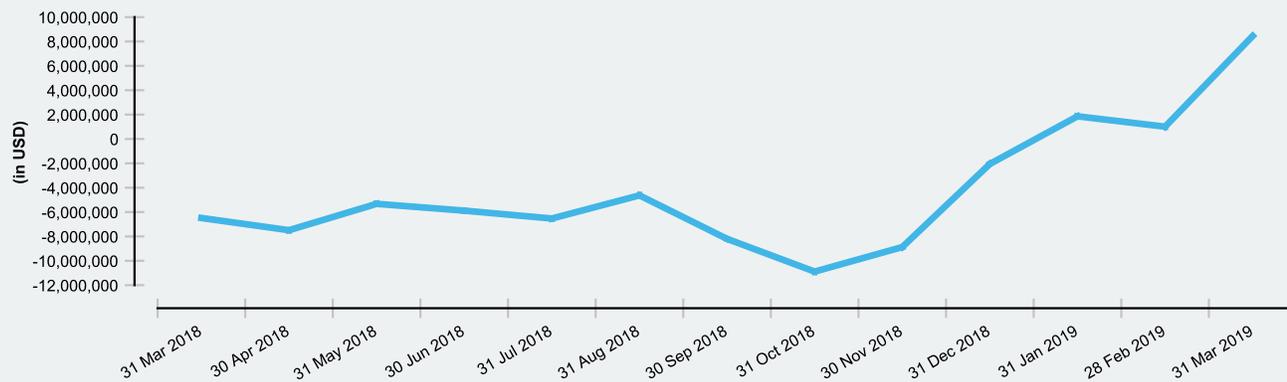
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Reporting Currency: **USD**

**Unrealized Gain/Loss**



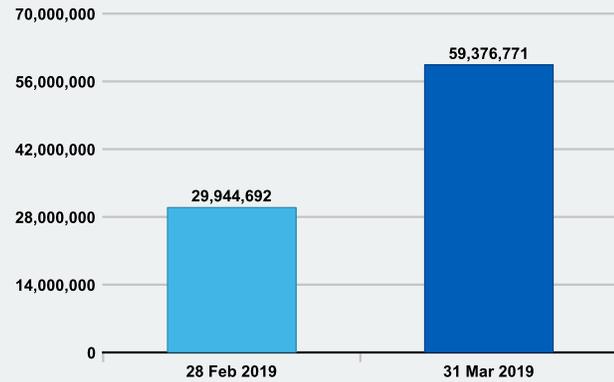
Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-6,487,172.94
30 Apr 2018	-7,487,519.38
31 May 2018	-5,324,517.58
30 Jun 2018	-5,883,924.47
31 Jul 2018	-6,530,730.15
31 Aug 2018	-4,628,688.59
30 Sep 2018	-8,200,627.53
31 Oct 2018	-10,886,550.91
30 Nov 2018	-8,871,514.58
31 Dec 2018	-2,049,854.42
31 Jan 2019	1,859,744.88
28 Feb 2019	1,007,982.99
31 Mar 2019	8,454,339.22

Executive Summary

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

Reporting Currency: USD

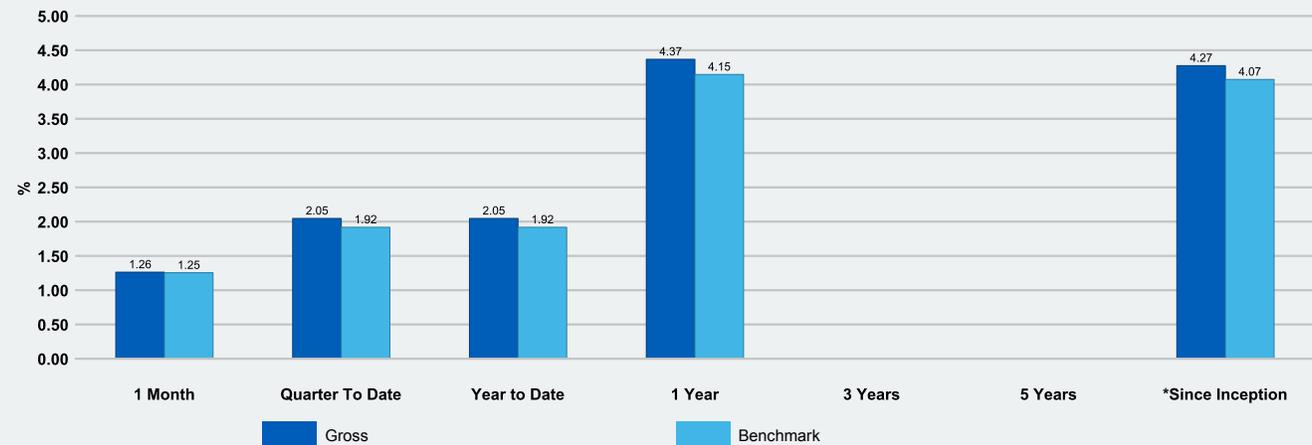
Total Market Value



Portfolio Activity

YTD Realized Gain/Loss	-36,953.53
Unrealized Gain/Loss	355,297.61
Subscriptions/Redemptions (net)	28,780,203.00
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
+1	+13	+13	+22			+20

Periods greater than one year are annualized.

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Executive Summary

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

Reporting Currency: **USD**

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-635,020.59
30 Apr 2018	-745,444.37
31 May 2018	-590,050.39
30 Jun 2018	-657,316.21
31 Jul 2018	-719,315.12
31 Aug 2018	-584,361.42
30 Sep 2018	-765,316.35
31 Oct 2018	-835,451.08
30 Nov 2018	-688,824.56
31 Dec 2018	-330,339.50
31 Jan 2019	-173,814.81
28 Feb 2019	-214,292.45
31 Mar 2019	355,297.61

# FMTAC Discovery Re Trust

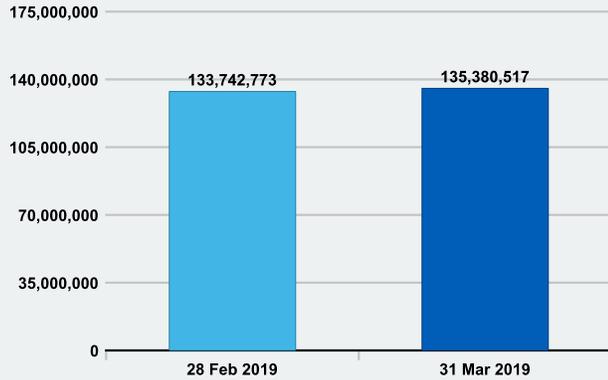
31 March 2019

## Executive Summary

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

Reporting Currency: USD

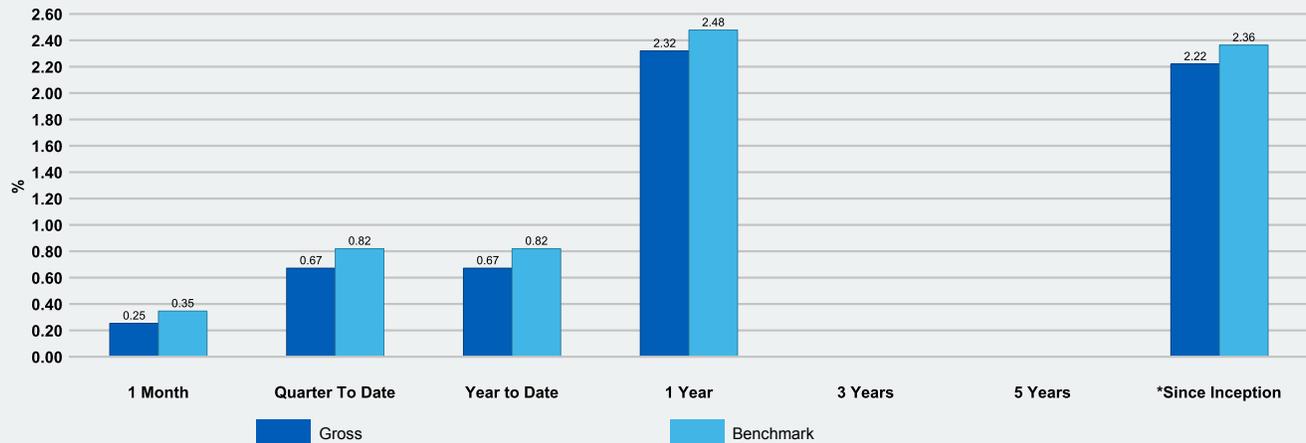
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	-3,571.98
Unrealized Gain/Loss	-100,307.91
Subscriptions/Redemptions (net)	1,297,306.73
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
-10	-15	-15	-16			-14

Periods greater than one year are annualized.

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Executive Summary

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

Reporting Currency: USD

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-635,170.61
30 Apr 2018	-727,377.60
31 May 2018	-604,912.85
30 Jun 2018	-591,658.93
31 Jul 2018	-554,421.60
31 Aug 2018	-480,678.34
30 Sep 2018	-523,740.80
31 Oct 2018	-485,189.83
30 Nov 2018	-416,685.92
31 Dec 2018	-326,852.11
31 Jan 2019	-230,215.49
28 Feb 2019	-181,149.46
31 Mar 2019	-100,307.91

# FMTAC Excess Loss Fund

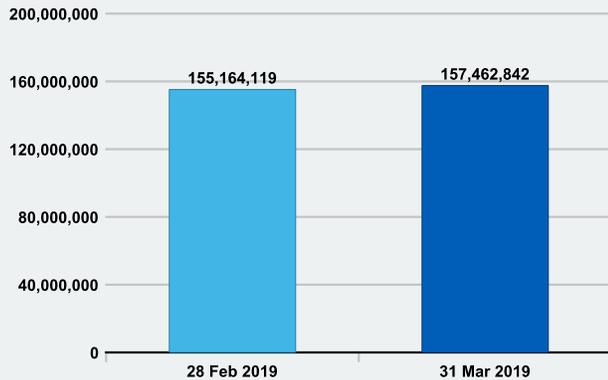
31 March 2019

## Executive Summary

Performance Benchmark: **BBG Barc Intermediate Aggregate Index**

Reporting Currency: **USD**

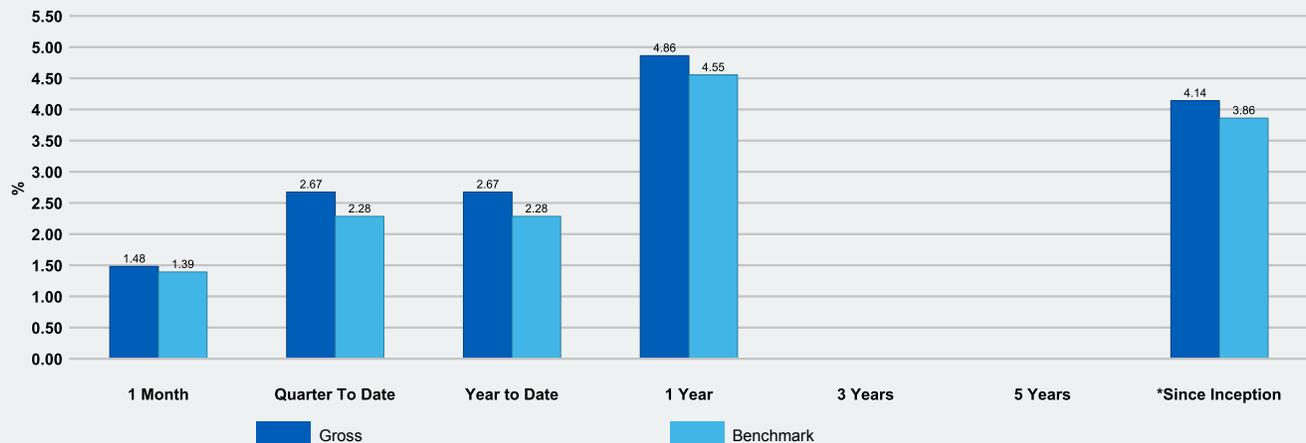
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	-50,749.12
Unrealized Gain/Loss	1,891,798.02
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
+9	+39	+39	+31			+28

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# FMTAC Excess Loss Fund

31 March 2019

## Executive Summary

Performance Benchmark: **BBG Barc Intermediate Aggregate Index**

Reporting Currency: **USD**

### Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-2,092,367.54
30 Apr 2018	-2,089,548.03
31 May 2018	-1,548,285.18
30 Jun 2018	-1,824,605.68
31 Jul 2018	-1,923,350.83
31 Aug 2018	-1,423,291.37
30 Sep 2018	-2,297,111.67
31 Oct 2018	-3,161,087.27
30 Nov 2018	-2,649,054.14
31 Dec 2018	-1,011,794.39
31 Jan 2019	112,056.88
28 Feb 2019	-43,277.53
31 Mar 2019	1,891,798.02

# FMTAC General Operating Account

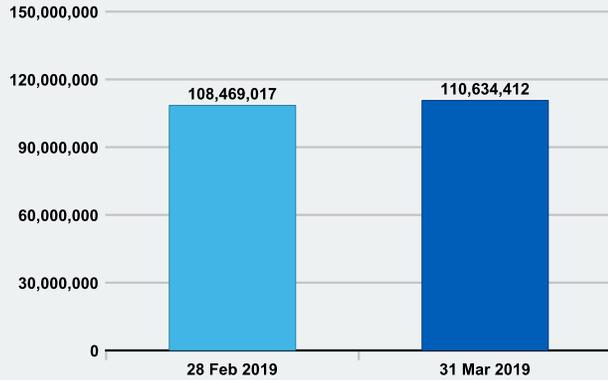
31 March 2019

## Executive Summary

**Performance Benchmark:** BBG Barc U.S. Aggregate Index

**Reporting Currency:** USD

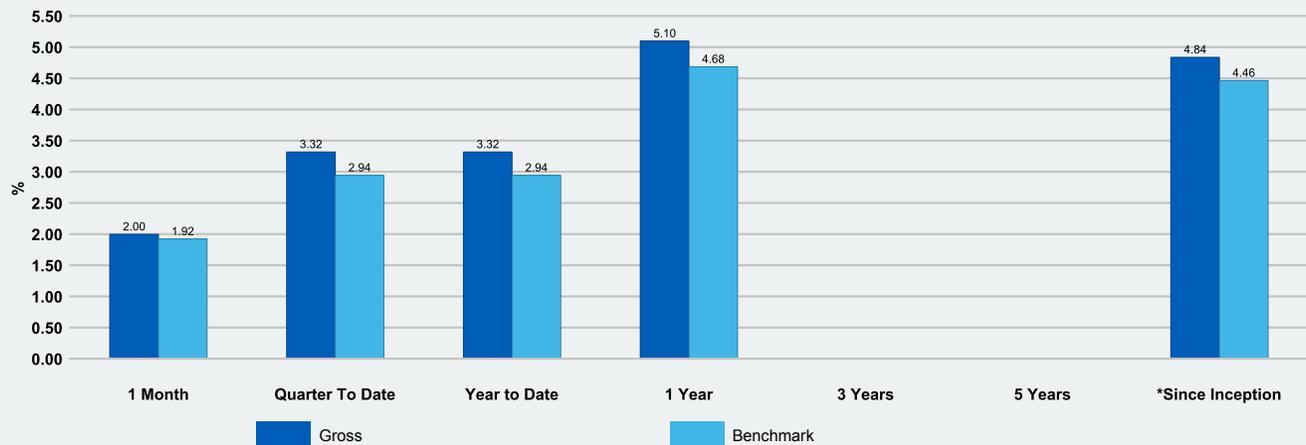
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	102,908.95
Unrealized Gain/Loss	2,440,127.84
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
+8	+38	+38	+42			+38

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# FMTAC General Operating Account

31 March 2019

## Executive Summary

Performance Benchmark: **BBG Barc U.S. Aggregate Index**

Reporting Currency: **USD**

### Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-452,413.27
30 Apr 2018	-774,176.51
31 May 2018	-473,119.91
30 Jun 2018	-671,181.82
31 Jul 2018	-679,219.39
31 Aug 2018	-486,544.78
30 Sep 2018	-1,211,722.49
31 Oct 2018	-2,007,343.31
30 Nov 2018	-1,653,787.01
31 Dec 2018	-76,909.31
31 Jan 2019	910,370.34
28 Feb 2019	654,561.82
31 Mar 2019	2,440,127.84

# FMTAC Liberty Trust East Side Access

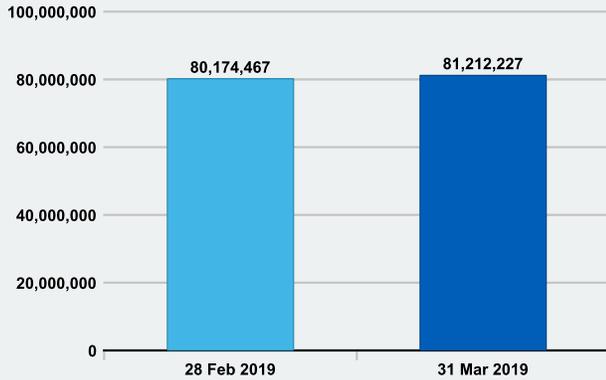
31 March 2019

## Executive Summary

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

**Reporting Currency:** USD

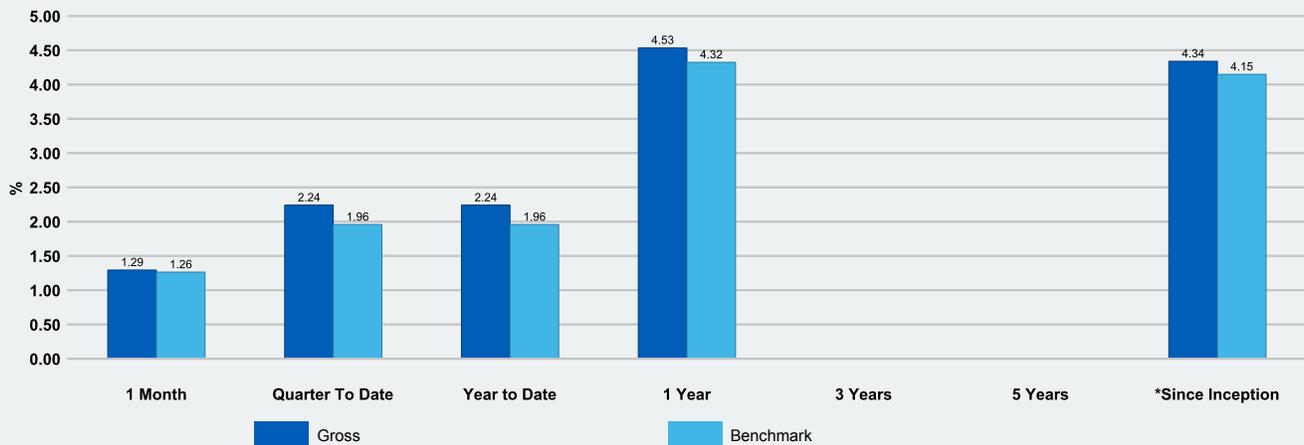
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	17,747.18
Unrealized Gain/Loss	1,134,740.41
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
+3	+28	+28	+21			+19

Periods greater than one year are annualized.

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# FMTAC Liberty Trust East Side Access

31 March 2019

## Executive Summary

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

**Reporting Currency:** USD

### Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-1,214,043.29
30 Apr 2018	-1,416,600.53
31 May 2018	-1,131,594.22
30 Jun 2018	-877,651.52
31 Jul 2018	-1,059,398.51
31 Aug 2018	-671,859.37
30 Sep 2018	-1,161,085.55
31 Oct 2018	-1,286,520.97
30 Nov 2018	-955,095.29
31 Dec 2018	-58,336.47
31 Jan 2019	402,477.32
28 Feb 2019	317,838.64
31 Mar 2019	1,134,740.41

# FMTAC Liberty Trust '06 NY Transit Authority

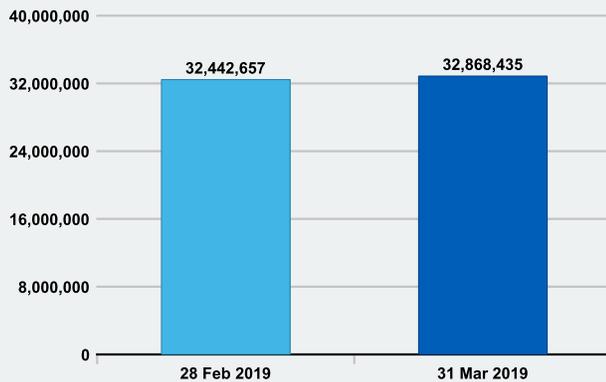
31 March 2019

## Executive Summary

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

**Reporting Currency:** USD

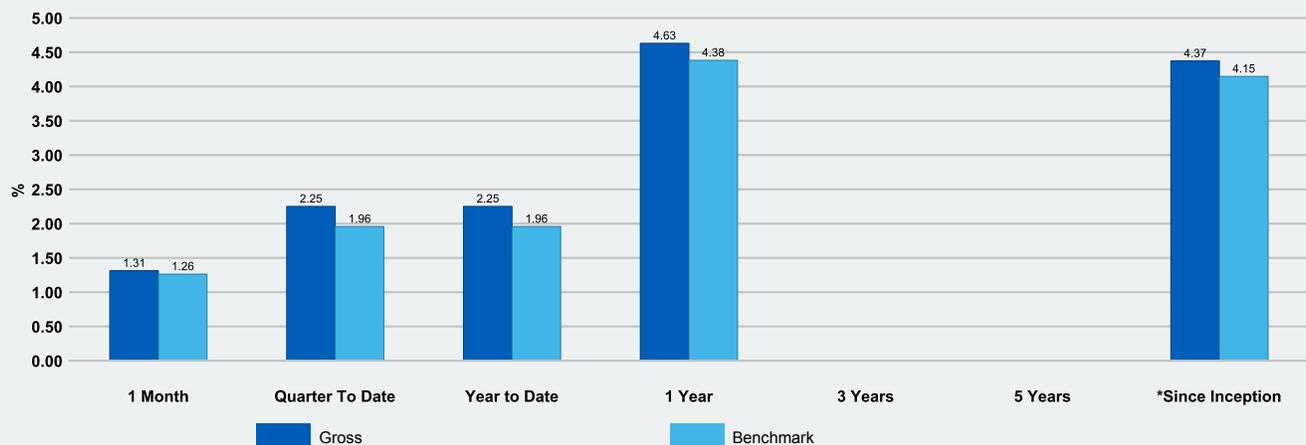
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	7,349.26
Unrealized Gain/Loss	509,317.01
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
+5	+29	+29	+25			+22

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Executive Summary

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

Reporting Currency: **USD**

Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-455,434.22
30 Apr 2018	-515,328.03
31 May 2018	-378,829.05
30 Jun 2018	-306,442.69
31 Jul 2018	-382,174.90
31 Aug 2018	-186,765.40
30 Sep 2018	-377,919.44
31 Oct 2018	-439,168.98
30 Nov 2018	-330,615.98
31 Dec 2018	29,967.79
31 Jan 2019	211,880.40
28 Feb 2019	170,737.08
31 Mar 2019	509,317.01

# FMTAC Master Builders' Risk

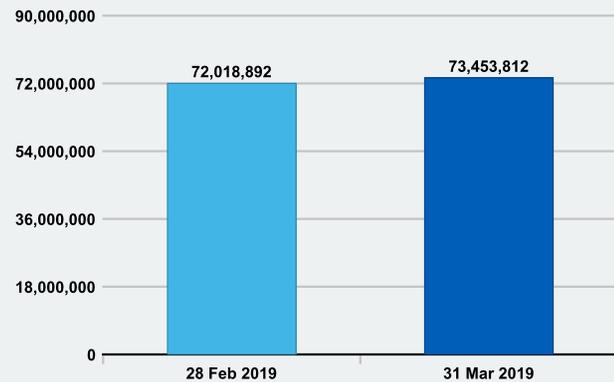
31 March 2019

## Executive Summary

Performance Benchmark: **BBG Barc U.S. Aggregate Index**

Reporting Currency: **USD**

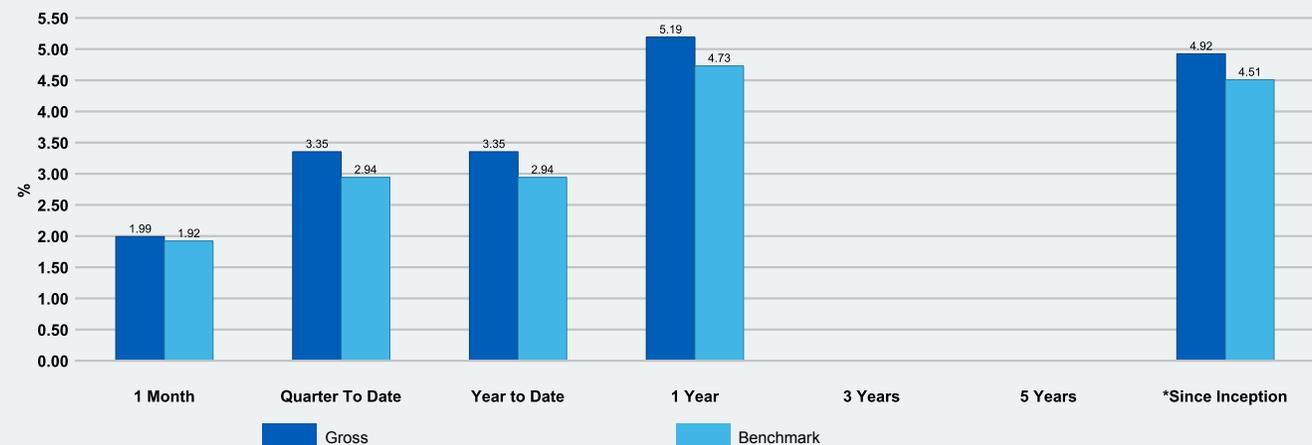
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	42,805.54
Unrealized Gain/Loss	936,241.83
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
+7	+41	+41	+46			+41

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

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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 2019

## Executive Summary

Performance Benchmark: **BBG Barc U.S. Aggregate Index**

Reporting Currency: **USD**

### Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-1,002,577.62
30 Apr 2018	-1,135,697.65
31 May 2018	-722,914.03
30 Jun 2018	-978,473.28
31 Jul 2018	-1,065,002.41
31 Aug 2018	-780,143.84
30 Sep 2018	-1,359,982.45
31 Oct 2018	-2,031,029.78
30 Nov 2018	-1,851,001.03
31 Dec 2018	-795,838.37
31 Jan 2019	-105,711.24
28 Feb 2019	-239,806.04
31 Mar 2019	936,241.83

# FMTAC Star Indemnity

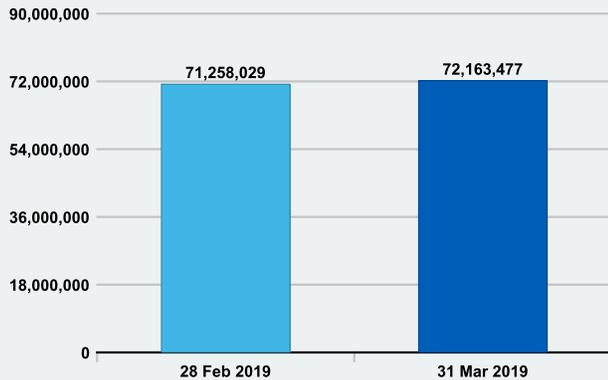
31 March 2019

## Executive Summary

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

**Reporting Currency:** USD

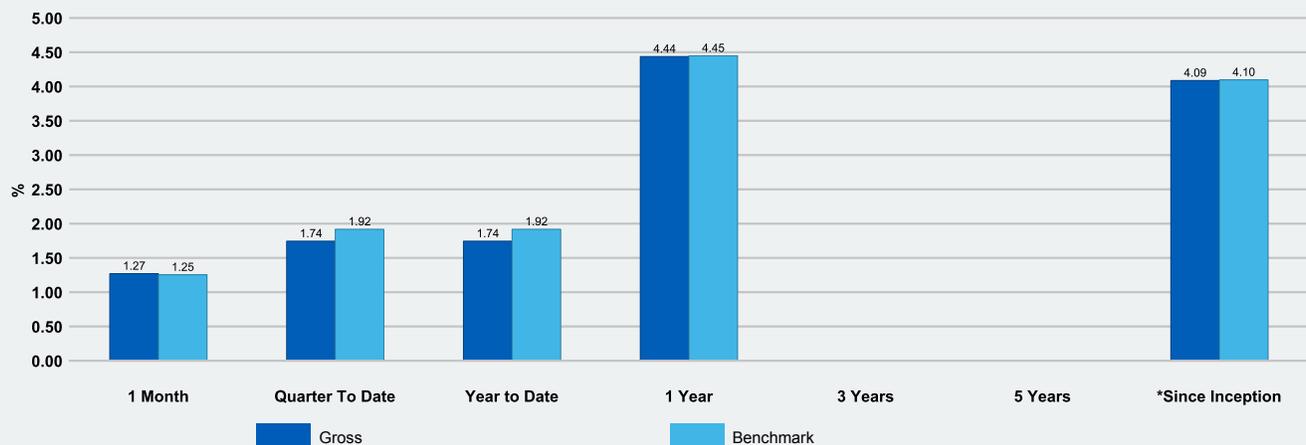
### Total Market Value



### Portfolio Activity

YTD Realized Gain/Loss	-6,287.52
Unrealized Gain/Loss	1,287,124.42
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
+2	-18	-18	-1			-1

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 2019

## Executive Summary

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

**Reporting Currency:** USD

### Unrealized Gain/Loss



Dates	Unrealized Gain/Loss (in USD)
31 Mar 2018	-145.80
30 Apr 2018	-83,346.66
31 May 2018	125,188.04
30 Jun 2018	23,405.66
31 Jul 2018	-147,847.39
31 Aug 2018	-15,044.07
30 Sep 2018	-503,748.77
31 Oct 2018	-640,759.68
30 Nov 2018	-326,450.65
31 Dec 2018	520,247.94
31 Jan 2019	732,701.47
28 Feb 2019	543,370.94
31 Mar 2019	1,287,124.42

**FMTAC-AGG**  
**Performance Attribution**

31 March 2019

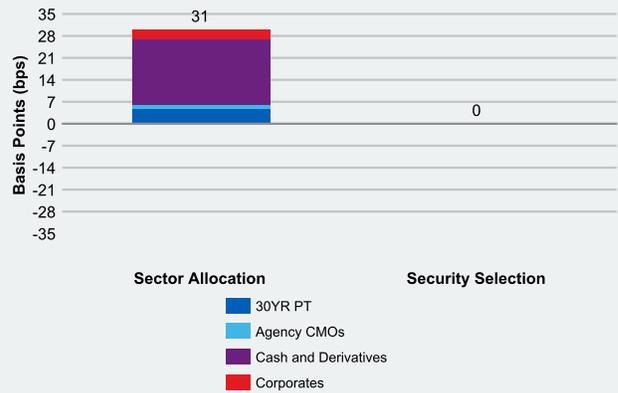
Reporting Currency: **USD**

Performance by Sector		Monthly	
Description	Portfolio		Total Performance (bps)
	Average Weight (%)		
<b>Portfolio</b>	<b>100.00</b>		<b>131</b>
US Treasuries	41.25		46
Corporates	20.14		32
30YR PT	12.51		21
CMBS	9.37		15
ABS	7.87		5
Agency CMOs	2.58		3
Taxable Muni	1.11		3
US Agencies	0.98		2
Cash and Derivatives	3.09		1
15YR PT	0.43		1
Sovereign Plus	0.33		1
Emerging Markets	0.16		1
Non-Agency ARMs & CMOs	0.15		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
<b>Total Excess Performance</b>	<b>31</b>	<b>0</b>
Corporates	3	0
30YR PT	5	0
Agency CMOs	1	0
Cash and Derivatives	21	0



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)	
<b>Portfolio</b>	<b>100.00</b>	<b>126</b>	<b>100.00</b>	<b>125</b>	<b>1</b>
CMBS	4.98	10	0.00	0	10
US Treasuries	64.29	80	71.93	89	-8
Sovereign Plus	0.00	0	5.59	6	-6
Agency CMOs	2.26	3	0.00	0	3
Taxable Muni	1.59	2	0.13	0	2
US Agencies	1.39	4	2.45	2	2
Corporates	24.46	27	19.25	27	-1
Emerging Markets	0.00	0	0.58	1	-1
Unassigned	0.00	1	0.00	0	1
Cash and Derivatives	0.56	0	0.06	0	0
30YR PT	0.45	0	0.00	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.

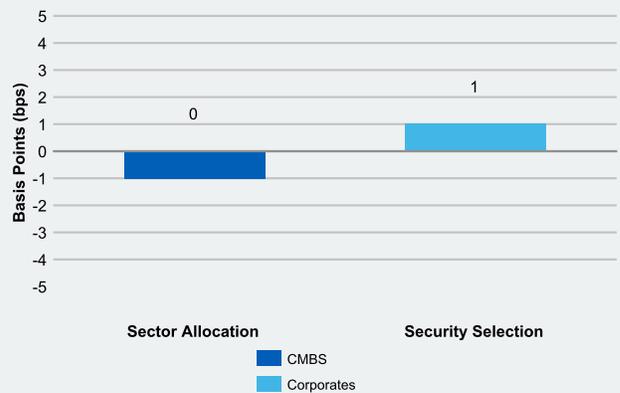
Monthly Attribution Summary

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

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
<b>Total Excess Performance</b>	<b>0</b>	<b>1</b>
CMBS	-1	0
Corporates	0	1



# FMTAC Discovery Re Trust

31 March 2019

## Performance Attribution

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

Reporting Currency: USD

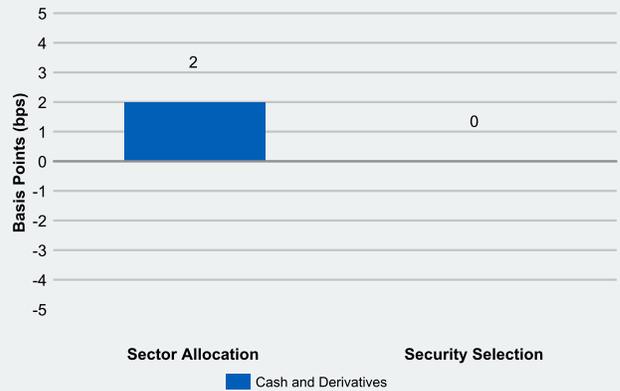
Performance by Sector					Monthly
Description	Portfolio		Benchmark		Total Active Performance (bps)
	Average Weight (%)	Total Performance (bps)	Average Weight (%)	Total Performance (bps)	
<b>Portfolio</b>	<b>100.00</b>	<b>25</b>	<b>100.00</b>	<b>35</b>	<b>-9</b>
US Treasuries	88.29	20	100.00	35	-14
Cash and Derivatives	11.71	5	0.00	0	5

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	
-17	+6	0	0	+2	0	0	<b>-9</b>

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

Sector	Month To Date	
	Sector Allocation	Security Selection
<b>Total Excess Performance</b>	<b>2</b>	<b>0</b>
Cash and Derivatives	2	0



# FMTAC Excess Loss Fund

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>148</b>	<b>100.00</b>	<b>139</b>	<b>9</b>
US Treasuries	14.20	22	38.31	47	-25
CMBS	13.50	20	2.33	4	16
ABS	13.73	8	0.61	0	8
Agency CMOs	2.60	4	0.00	0	4
Taxable Muni	1.29	5	0.09	0	4
Corporates	24.12	35	19.89	32	3
Sovereign Plus	0.45	1	3.43	4	-3
30YR PT	27.02	47	29.59	45	2
15YR PT	1.77	3	3.38	4	-2
US Agencies	0.64	2	1.30	1	1
Emerging Markets	0.20	1	0.65	1	-1
Unassigned	0.00	1	0.00	-0	1
Cash and Derivatives	0.22	0	0.41	0	0
Non-Agency ARMs & CMOs	0.16	0	0.00	0	0
High Yield	0.10	0	0.00	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.

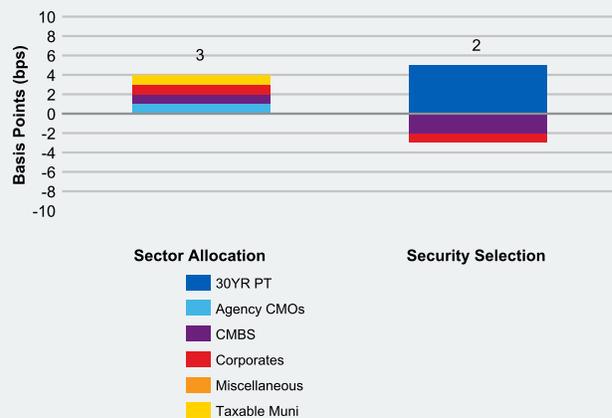
## Monthly Attribution Summary

Active (bps)							Total Active Performance
Duration	Curve	Trade	FX	Sector Allocation	Security Selection	Unassigned	
+2	+1	0	0	+3	+2	+1	<b>+9</b>

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
<b>Total Excess Performance</b>	<b>3</b>	<b>2</b>
CMBS	1	-2
Agency CMOs	1	0
Taxable Muni	1	0
Corporates	1	-1
30YR PT	0	5



# FMTAC General Operating Account

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>199</b>	<b>100.00</b>	<b>192</b>	<b>7</b>
US Treasuries	11.21	49	38.74	74	-25
CMBS	13.67	21	1.95	3	17
ABS	12.37	8	0.51	0	8
30YR PT	25.59	44	24.81	37	6
Agency CMOs	3.35	5	0.00	0	5
Taxable Muni	1.93	7	0.63	2	4
15YR PT	0.21	0	2.83	4	-4
Sovereign Plus	0.97	3	3.39	6	-3
US Agencies	0.00	0	1.33	2	-2
Non-Agency ARMs & CMOs	0.49	1	0.00	0	1
Emerging Markets	0.41	1	0.77	2	-1
Corporates	29.54	62	24.63	61	0
Cash and Derivatives	0.26	0	0.40	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	
+2	-1	0	0	+3	+3	0	<b>+7</b>

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
<b>Total Excess Performance</b>	<b>3</b>	<b>3</b>
US Treasuries	0	-1
CMBS	1	-2
30YR PT	0	4
Agency CMOs	1	0
Taxable Muni	1	0
15YR PT	-1	0
Emerging Markets	0	1



# FMTAC Liberty Trust East Side Access

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>129</b>	<b>100.00</b>	<b>126</b>	<b>3</b>
US Treasuries	33.62	47	66.43	82	-35
CMBS	17.39	29	3.94	7	22
Agency CMOs	6.01	8	0.00	0	8
Corporates	27.43	32	17.78	25	7
Sovereign Plus	0.00	0	5.23	6	-6
ABS	10.96	6	1.01	1	5
US Agencies	2.43	6	2.26	2	4
15YR PT	0.00	0	2.58	3	-3
Taxable Muni	0.90	1	0.12	0	1
Emerging Markets	0.00	0	0.54	1	-1
Unassigned	0.00	0	0.00	-0	1
Cash and Derivatives	0.91	0	0.10	0	0
30YR PT	0.26	0	0.00	0	0
Non-Agency ARMs & CMOs	0.08	0	0.00	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	
0	+1	0	0	+3	-1	+1	+3

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
<b>Total Excess Performance</b>	<b>3</b>	<b>-1</b>
CMBS	2	-3
Agency CMOs	1	0
Corporates	0	1
US Agencies	0	1
15YR PT	-1	0



# FMTAC Liberty Trust '06 NY Transit Authority

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>131</b>	<b>100.00</b>	<b>126</b>	<b>5</b>
US Treasuries	28.14	47	66.43	82	-35
CMBS	16.62	28	3.94	7	21
Corporates	32.44	34	17.78	25	9
Agency CMOs	6.22	8	0.00	0	8
Sovereign Plus	0.00	0	5.23	6	-6
ABS	10.80	5	1.01	1	5
US Agencies	2.40	6	2.26	2	4
15YR PT	0.00	0	2.58	3	-3
Taxable Muni	1.85	1	0.12	0	1
30YR PT	0.56	1	0.00	0	1
Emerging Markets	0.00	0	0.54	1	-1
Unassigned	0.00	1	0.00	-0	1
Cash and Derivatives	0.75	0	0.10	0	0
Non-Agency ARMs & CMOs	0.20	0	0.00	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

Duration	Curve	Trade	FX	Active (bps)			Total Active Performance
				Sector Allocation	Security Selection	Unassigned	
0	+1	0	0	+3	0	+1	+5

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
<b>Total Excess Performance</b>	<b>3</b>	<b>-1</b>
CMBS	2	-2
Corporates	1	1
Agency CMOs	1	0
US Agencies	0	1
15YR PT	-1	0



# FMTAC Master Builders' Risk

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>199</b>	<b>100.00</b>	<b>192</b>	<b>7</b>
US Treasuries	10.61	49	38.76	74	-25
CMBS	11.67	18	1.95	3	14
ABS	11.79	8	0.51	0	7
30YR PT	24.85	43	24.82	37	5
Agency CMOs	3.50	5	0.00	0	5
Corporates	32.98	65	24.64	61	4
Taxable Muni	2.17	7	0.63	3	4
15YR PT	0.03	0	2.84	4	-4
Sovereign Plus	0.83	2	3.39	6	-3
US Agencies	0.00	0	1.33	2	-2
Unassigned	0.00	0	0.00	-0	1
Cash and Derivatives	0.82	0	0.36	0	0
Emerging Markets	0.54	2	0.77	2	0
Non-Agency ARMs & CMOs	0.22	0	0.00	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	
+1	-1	+1	0	+2	+3	+1	<b>+7</b>

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
<b>Total Excess Performance</b>	<b>2</b>	<b>3</b>
US Treasuries	0	-1
CMBS	1	-1
30YR PT	0	3
Agency CMOs	1	0
Corporates	0	1
Taxable Muni	1	0
15YR PT	-1	0
Sovereign Plus	0	1
Emerging Markets	0	1



# FMTAC Star Indemnity

31 March 2019

## 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)	
<b>Portfolio</b>	<b>100.00</b>	<b>127</b>	<b>100.00</b>	<b>125</b>	<b>2</b>
US Treasuries	86.44	112	71.93	89	23
Corporates	4.93	7	19.25	27	-20
Sovereign Plus	0.00	0	5.59	6	-6
US Agencies	3.51	7	2.45	2	5
Cash and Derivatives	5.13	1	0.06	0	1
Emerging Markets	0.00	0	0.58	1	-1
Taxable Muni	0.00	0	0.13	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.

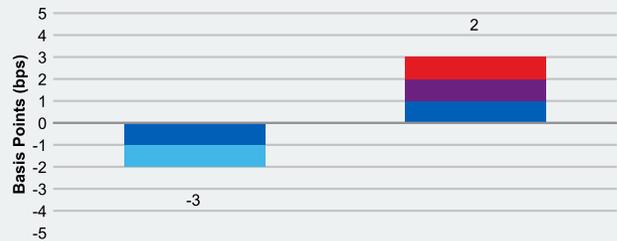
## Monthly Attribution Summary

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

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

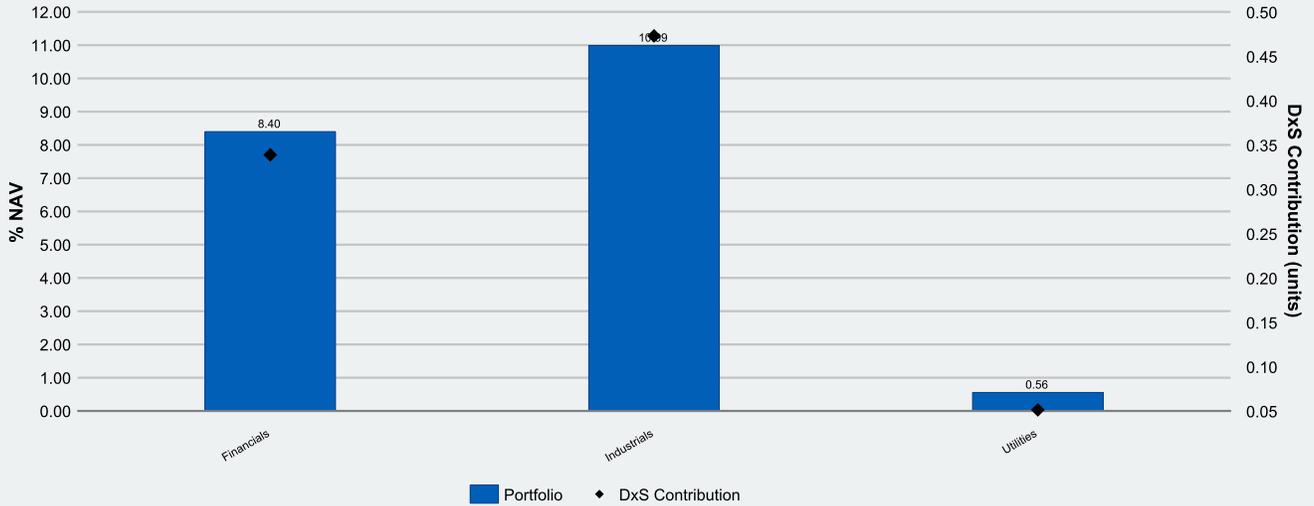
## Monthly Excess Performance by Sector (bps)

Sector	Month To Date	
	Sector Allocation	Security Selection
<b>Total Excess Performance</b>	<b>-3</b>	<b>2</b>
US Treasuries	0	1
Corporates	-1	0
US Agencies	0	1
Cash and Derivatives	-1	1

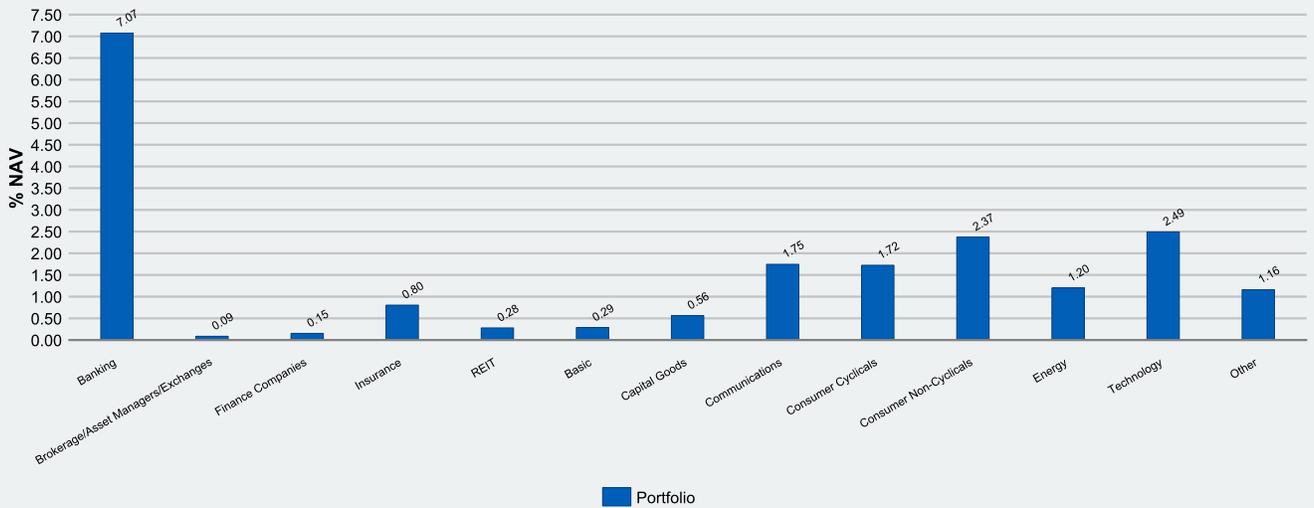


Reporting Currency: USD

**Portfolio Credit Sector Exposure**



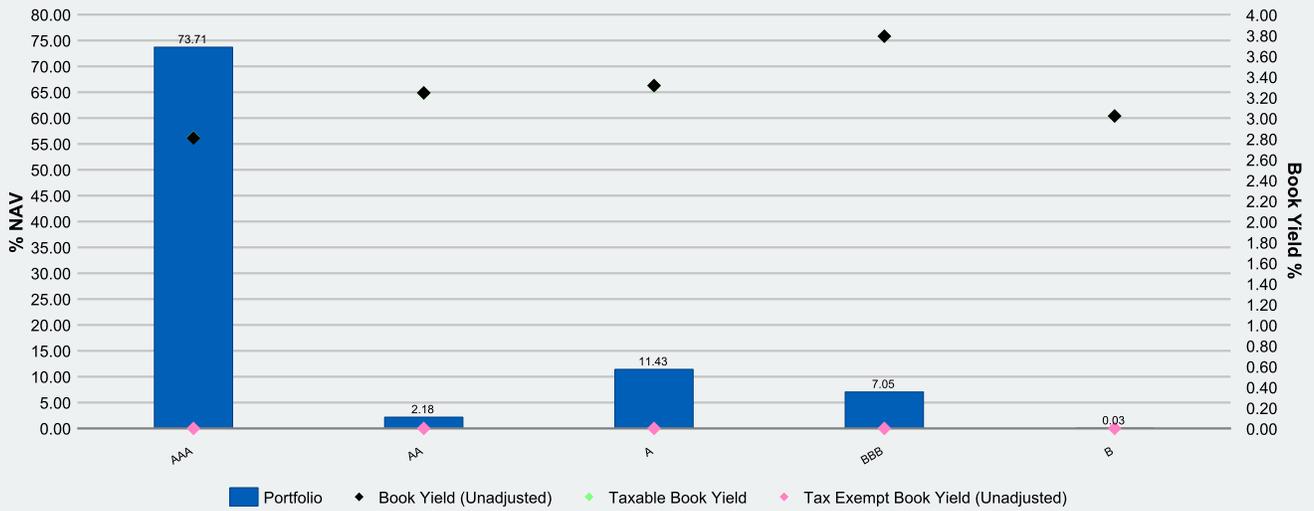
**Portfolio Credit Sub-Sector Exposure**



Portfolio Credit Positioning

Reporting Currency: USD

Portfolio Credit Rating Exposure and Book Yield



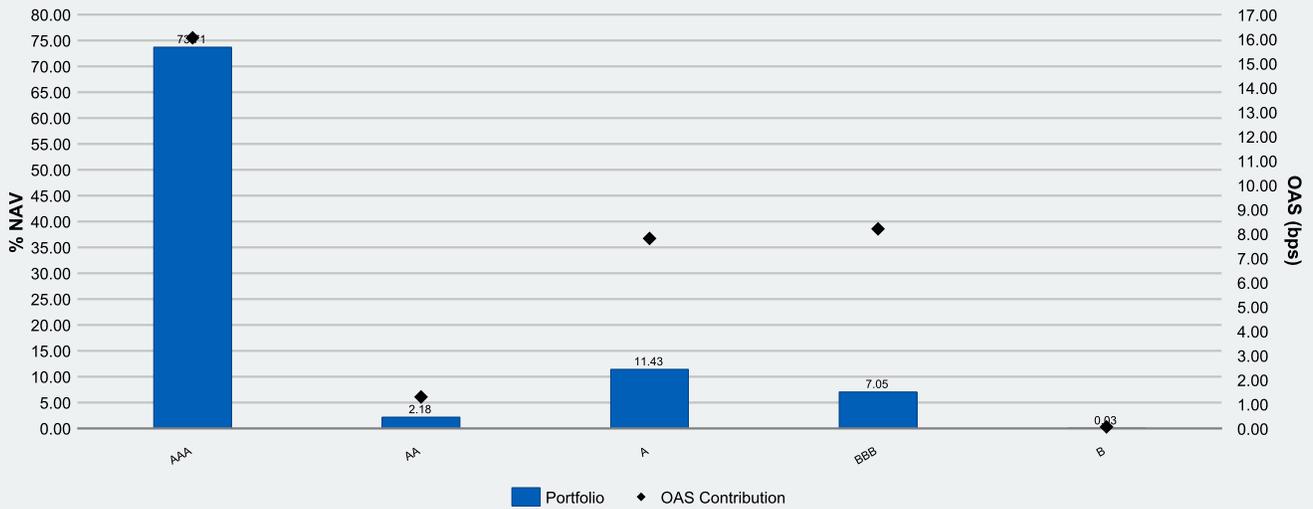
Taxable Equivalent yields are adjusted up by a factor of 1.1994 which assumes a 21% corporate tax rate with 25% proration on municipal income  
 Credit ratings are based on the Barclays Rating methodology

Portfolio Credit Rating by OAD and Book Yield Exposure

	Portfolio		
	Book Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>2.93</b>	<b>3.54</b>	<b>0.83</b>
AAA Rated or above	2.81	3.51	0.80
AA Rated	3.24	5.55	0.58
A Rated	3.31	4.35	0.76
BBB Rated	3.79	4.57	0.83
B Rated	3.02	0.24	12.58

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)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	45.00	1.02
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	57.08	0.48
CHESAPEAKE FUNDING II LLC	65.01	0.48

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

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	35.20	2.66
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	40.29	1.08
PETROLEOS MEXICANOS	409.23	0.61

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

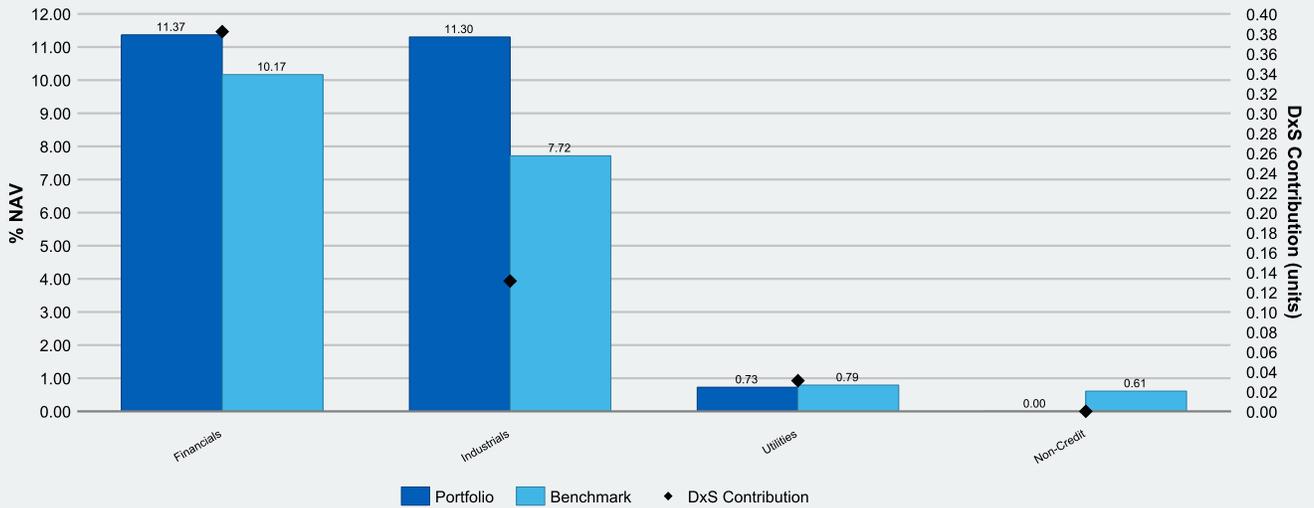
Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	135.13	0.13
UNIVERSITY CALIF REGTS MEDICAL CENTER POOLED REV	118.96	0.11
BANK OF AMERICA CORP	138.90	0.10

Portfolio Credit Positioning

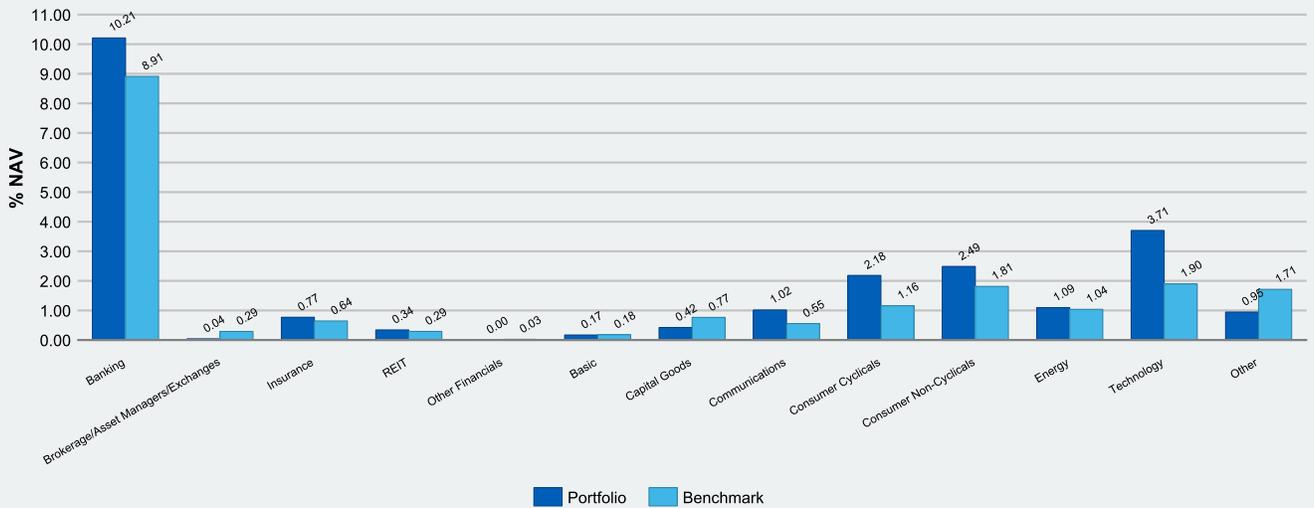
Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure

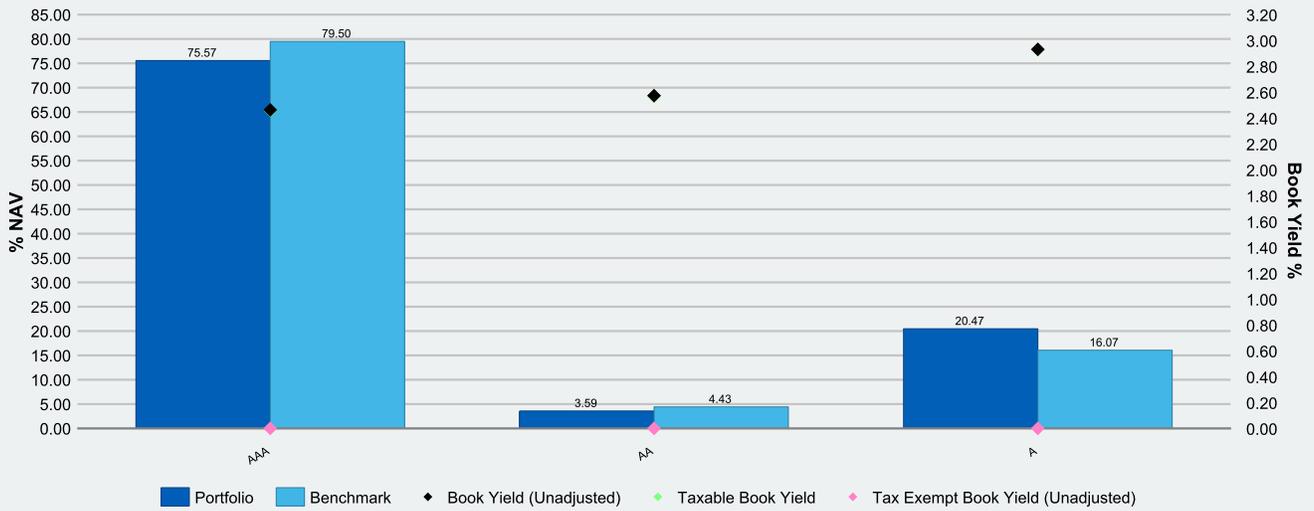


Portfolio Credit Positioning

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

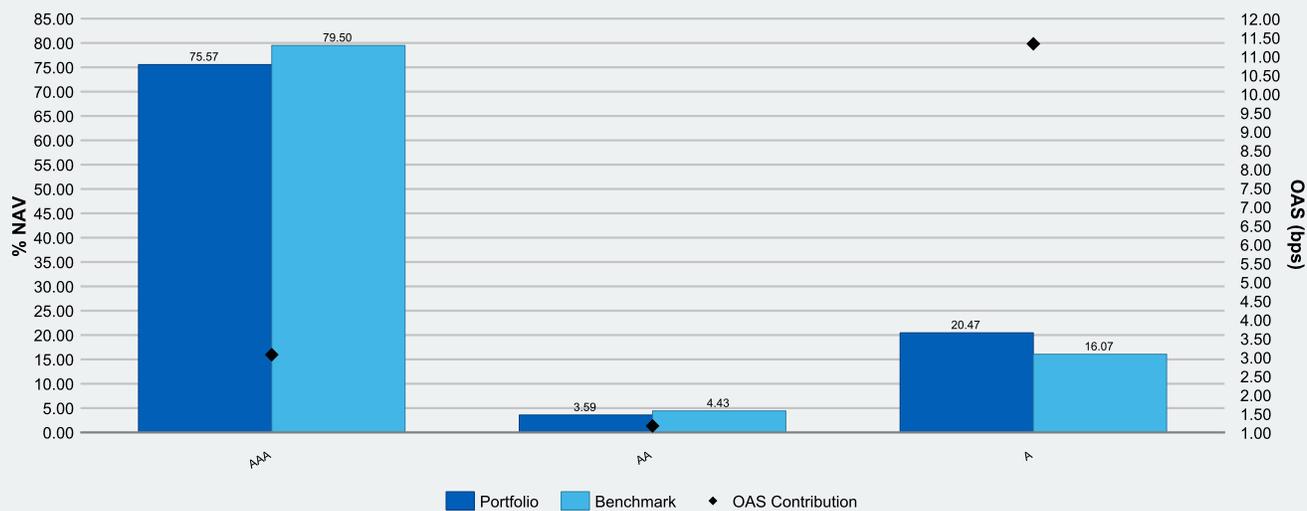
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>2.56</b>	<b>3.79</b>	<b>0.68</b>	<b>2.44</b>	<b>3.80</b>	<b>0.64</b>
AAA Rated or above	2.46	3.98	0.62	2.30	3.73	0.62
AA Rated	2.57	2.89	0.89	2.73	3.49	0.78
A Rated	2.93	3.31	0.89	3.01	4.25	0.71

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	71.82	0.88
GOLDMAN SACHS GROUP INC/THE	91.65	0.70
BANK OF AMERICA CORP	101.44	0.69

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

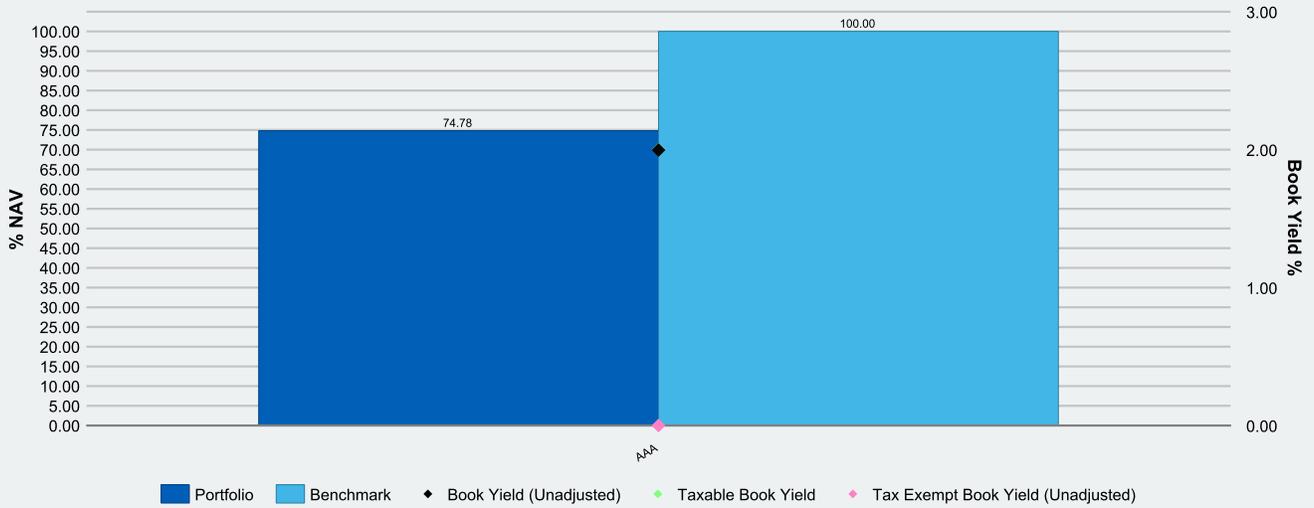
Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	95.33	0.71
BANK OF AMERICA CORP	124.50	0.53
COMCAST CORPORATION	85.60	0.46

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

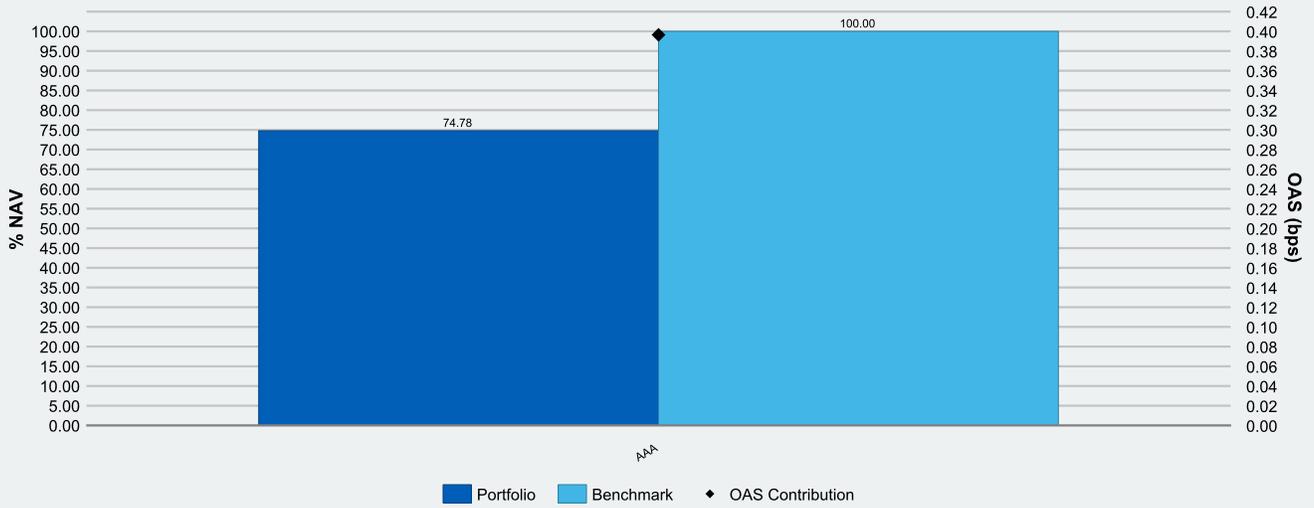
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>2.08</b>	<b>0.34</b>	<b>6.11</b>	<b>2.42</b>	<b>0.98</b>	<b>2.47</b>
AAA Rated or above	2.00	0.38	5.26	2.42	0.98	2.47

Portfolio Credit Positioning

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

Reporting Currency: USD

Portfolio Credit Rating Exposure and OAS Contribution



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

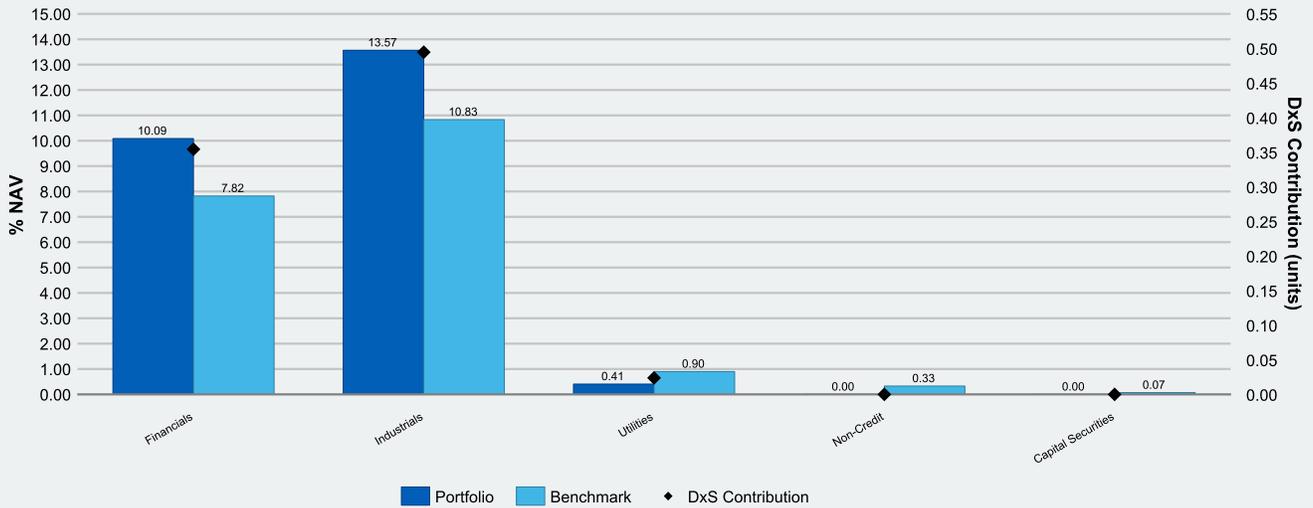
Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	0.53	0.40

Portfolio Credit Positioning

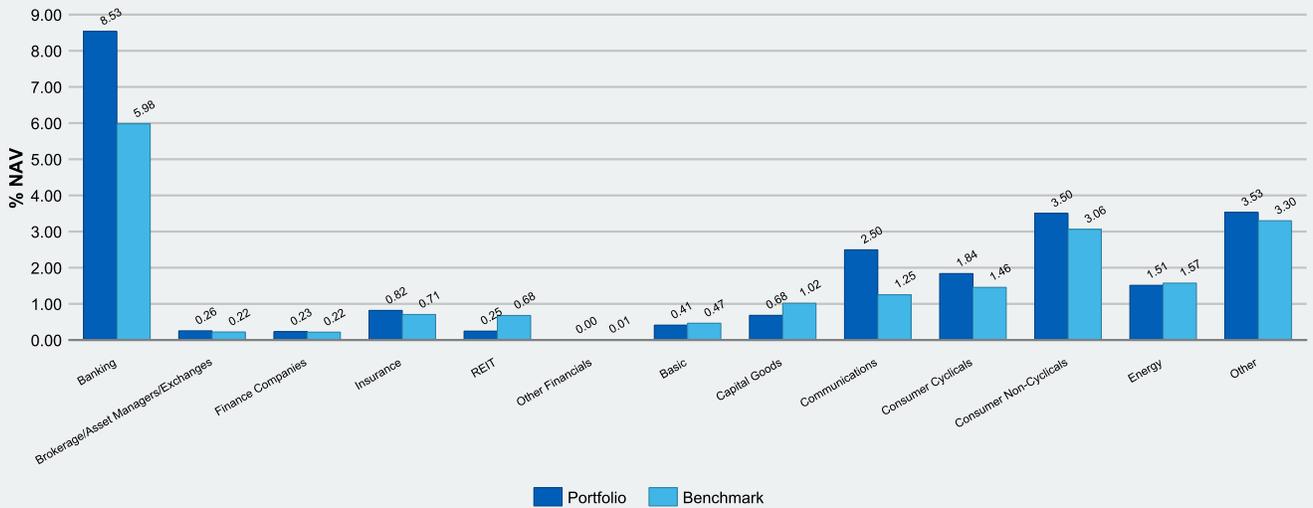
Risk Benchmark: BBG Barc Intermediate Aggregate Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure

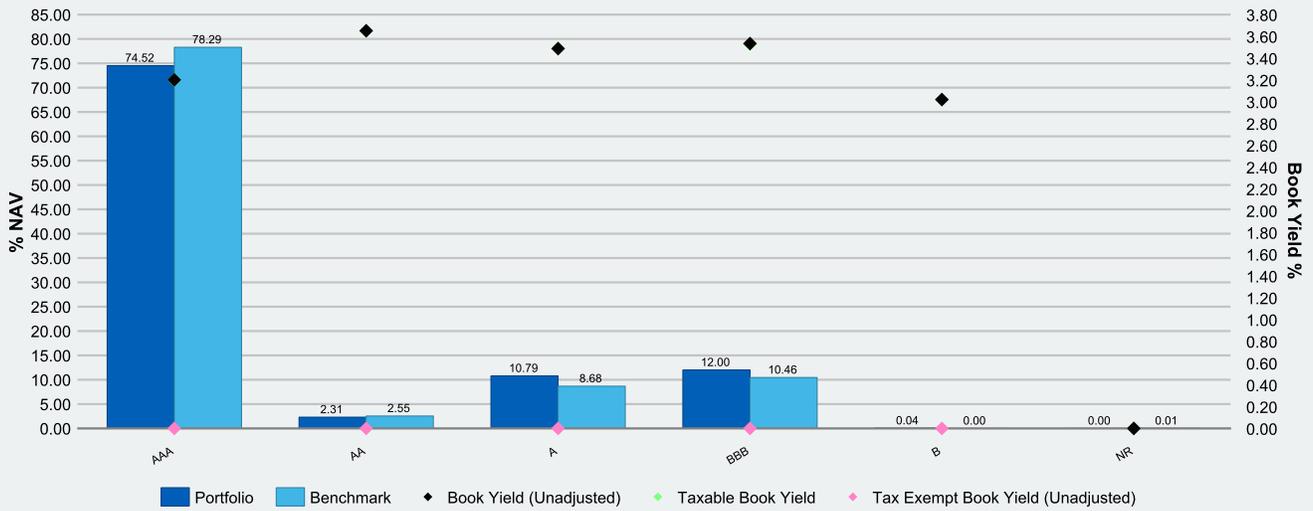


Portfolio Credit Positioning

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

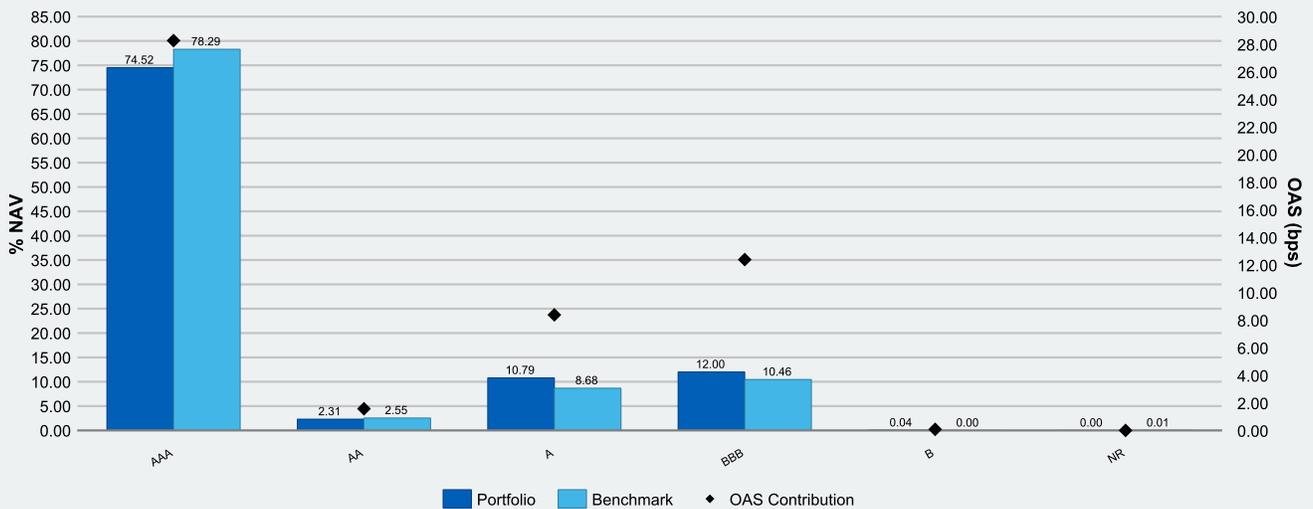
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>3.29</b>	<b>3.67</b>	<b>0.90</b>	<b>2.78</b>	<b>3.66</b>	<b>0.76</b>
AAA Rated or above	3.20	3.53	0.91	2.65	3.50	0.76
AA Rated	3.65	6.06	0.60	2.78	3.64	0.76
A Rated	3.49	4.09	0.85	3.02	4.26	0.71
BBB Rated	3.53	3.81	0.93	3.56	4.37	0.81
B Rated	3.02	0.24	12.58	0.00	0.00	0.00

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)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	42.13	2.28
JPMBB COMMERCIAL MORTGAGE SECURITIES TRUST JPMBB_14-C26	72.84	0.95
CHESAPEAKE FUNDING II LLC	62.77	0.92

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

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	36.00	5.89
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	42.51	2.68
PETROLEOS MEXICANOS	409.23	0.73

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

Issuer	OAS (bps)	OAS Contribution (bps)
SACRAMENTO MUNICIPAL UTILITY DISTRICT	106.31	0.45
NORTHERN STATES POWER CO (WISCONSIN)	122.50	0.08

# FMTAC General Operating Account

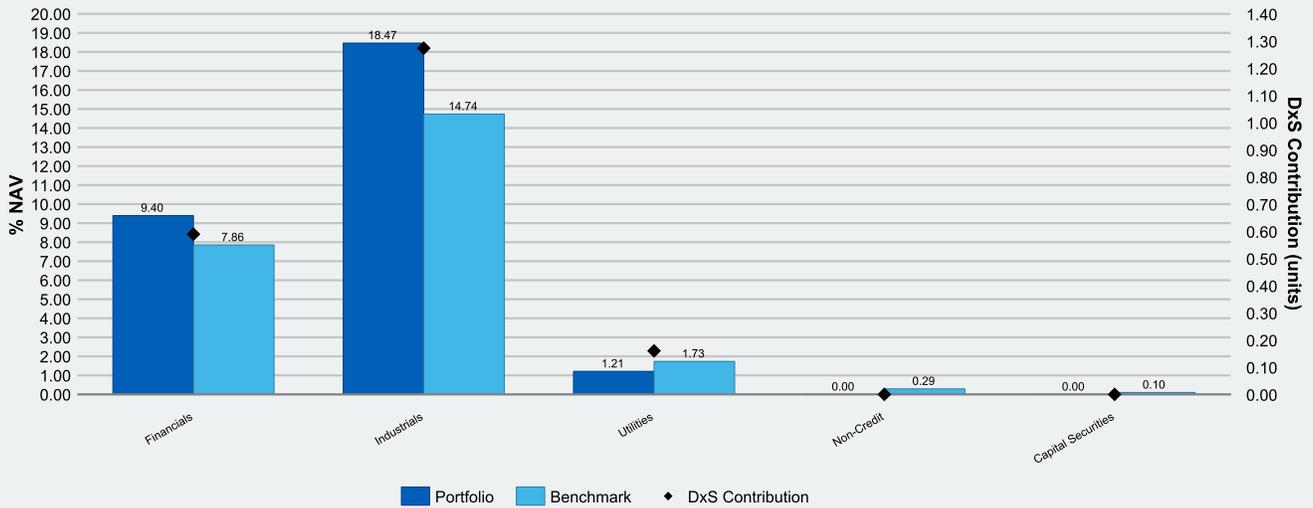
31 March 2019

## Portfolio Credit Positioning

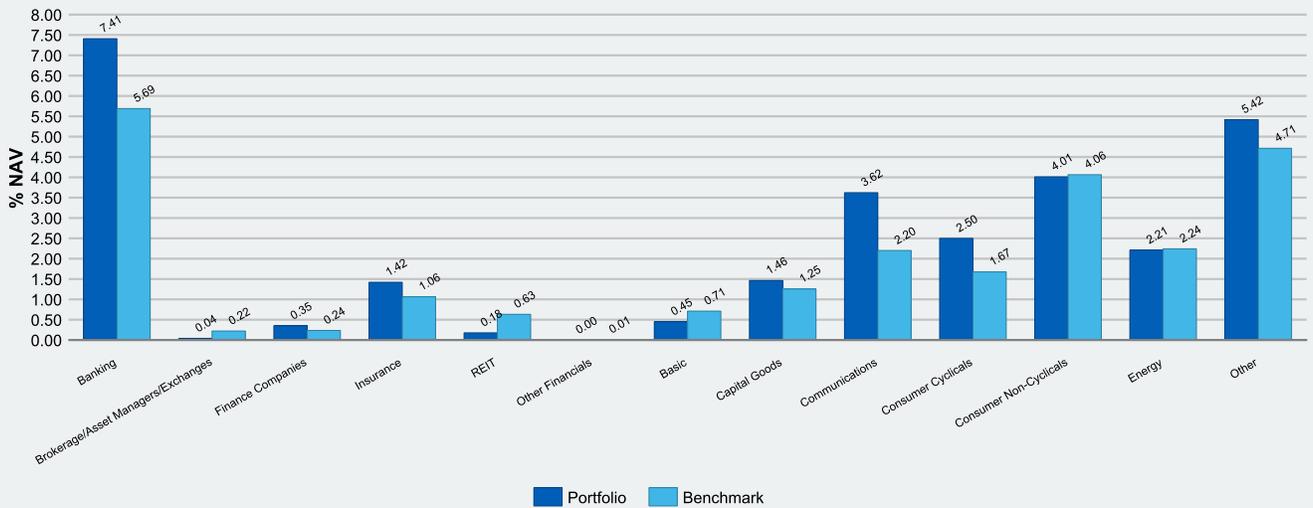
Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

### Portfolio Credit Sector Exposure



### Portfolio Credit Sub-Sector Exposure



# FMTAC General Operating Account

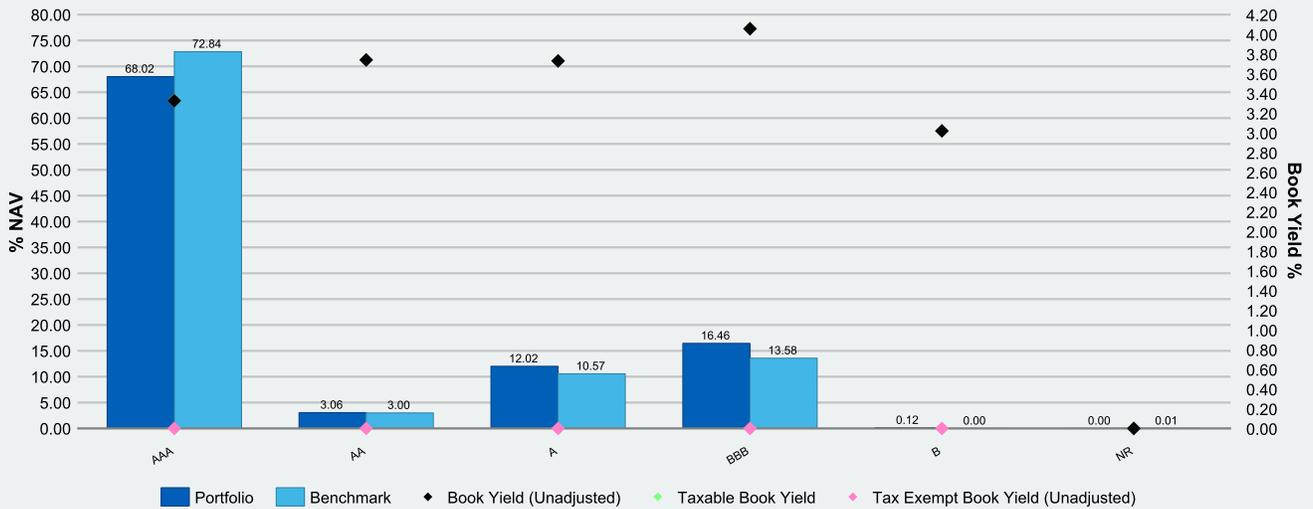
31 March 2019

## 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
<b>Total</b>	<b>3.52</b>	<b>5.48</b>	<b>0.64</b>	<b>2.93</b>	<b>5.49</b>	<b>0.53</b>
AAA Rated or above	3.33	5.25	0.63	2.67	4.85	0.55
AA Rated	3.74	8.15	0.46	3.05	6.56	0.46
A Rated	3.73	6.66	0.56	3.33	7.29	0.46
BBB Rated	4.06	5.23	0.78	4.02	7.25	0.55
B Rated	3.02	0.24	12.58	0.00	0.00	0.00

# FMTAC General Operating Account

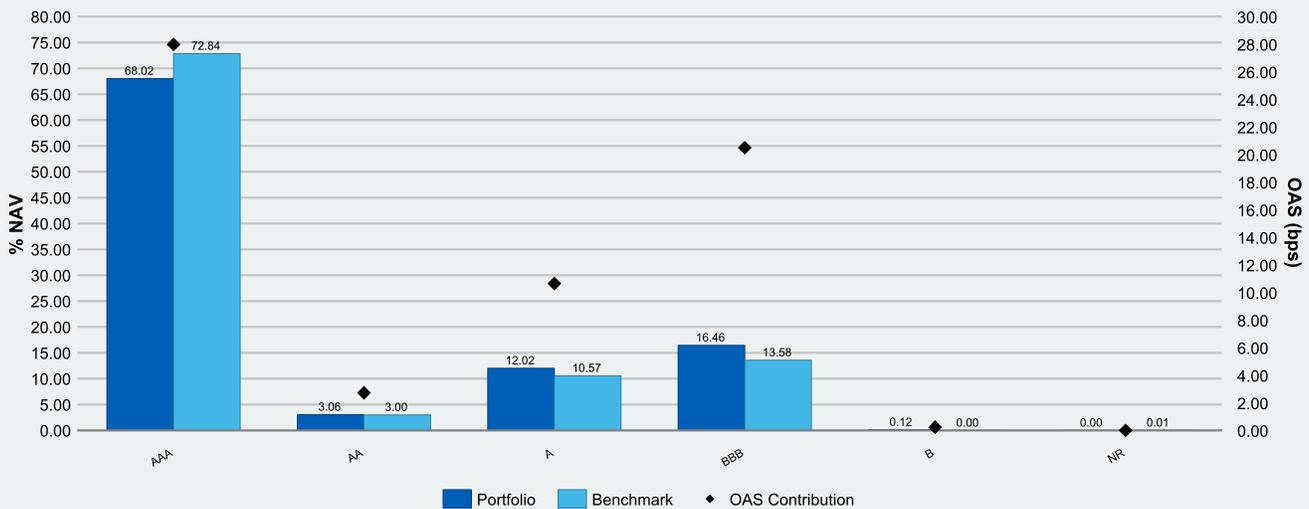
31 March 2019

## 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)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	75.85	2.02
CHESAPEAKE FUNDING II LLC	74.33	1.14
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION II	58.66	0.90

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

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	36.90	5.56
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	37.28	2.22
PETROLEOS MEXICANOS	409.23	1.55

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

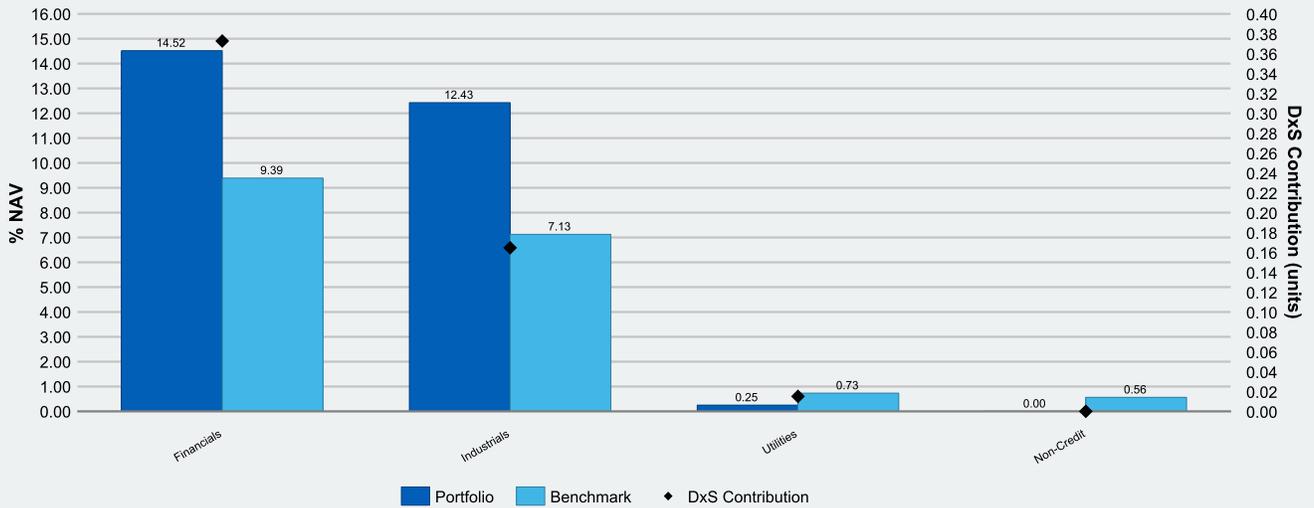
Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	138.36	0.52
UNIVERSITY CALIF REGTS MEDICAL CENTER POOLED REV	118.96	0.46
BANK OF AMERICA CORP	138.90	0.39

Portfolio Credit Positioning

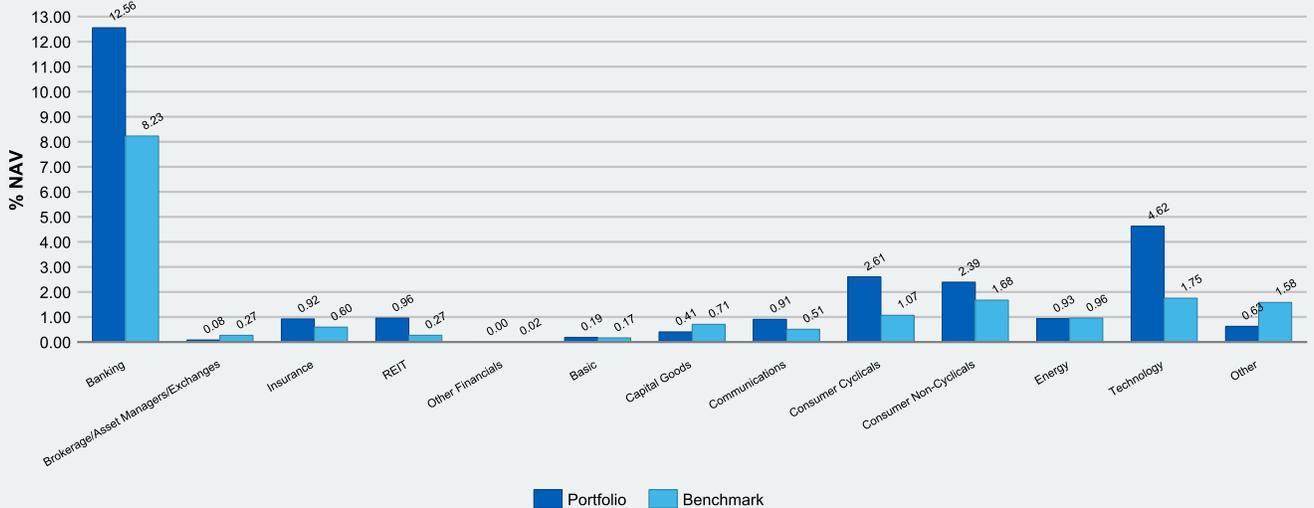
Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure

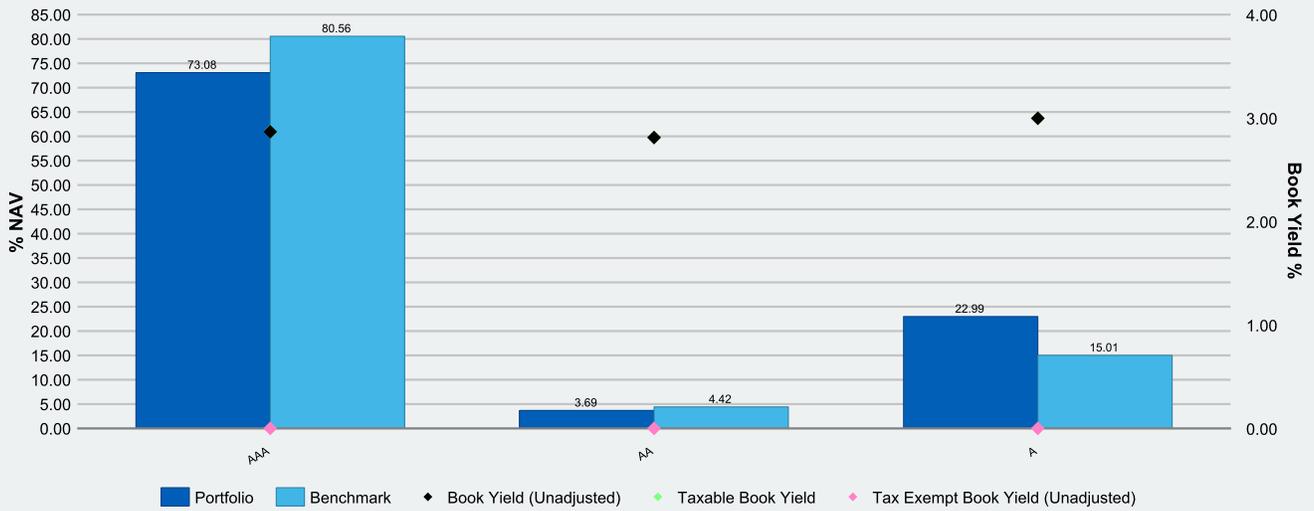


Portfolio Credit Positioning

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

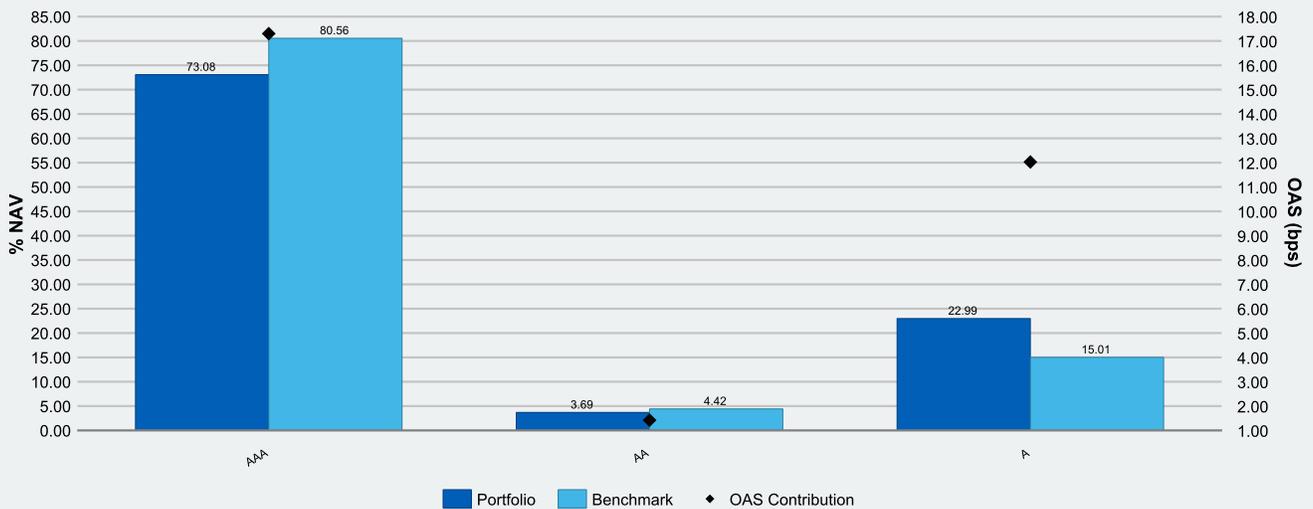
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>2.90</b>	<b>3.79</b>	<b>0.76</b>	<b>2.46</b>	<b>3.80</b>	<b>0.65</b>
AAA Rated or above	2.87	3.99	0.72	2.34	3.72	0.63
AA Rated	2.81	3.58	0.79	2.78	3.64	0.76
A Rated	3.00	3.24	0.93	3.02	4.26	0.71

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)
BANK OF AMERICA CORP	84.75	1.05
JPMBB COMMERCIAL MORTGAGE SECURITIES TRUST JPMBB_14-C26	72.84	0.92
GOLDMAN SACHS GROUP INC/THE	65.42	0.86

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

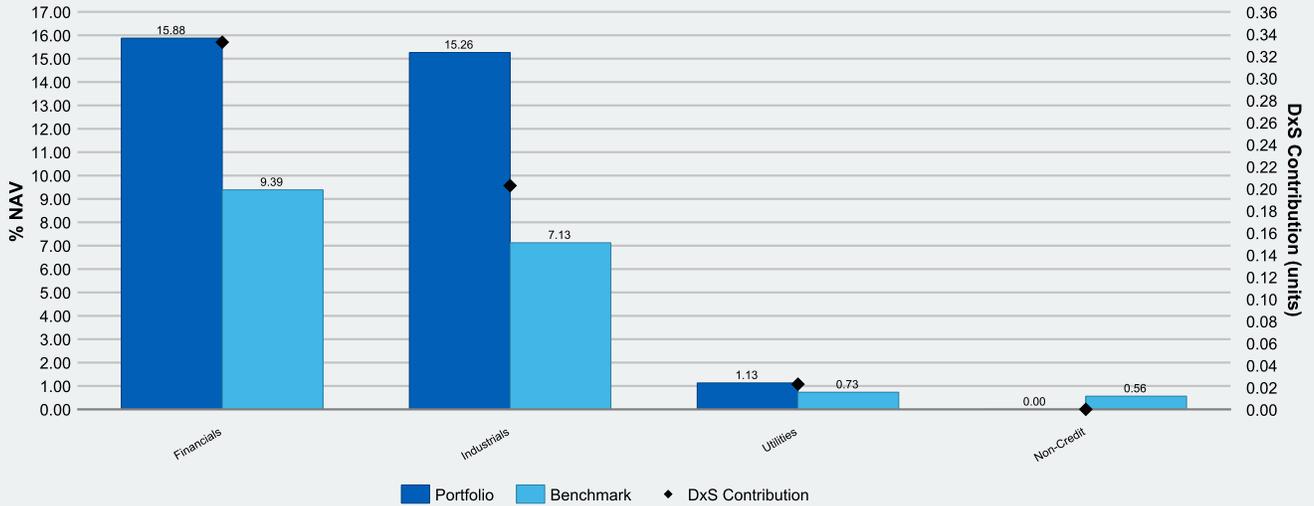
Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	92.48	0.70
MORGAN STANLEY	121.51	0.64
WELLS FARGO COMMERCIAL MORTGAGE TRUST WFCM_16-NXS5	81.34	0.63

Portfolio Credit Positioning

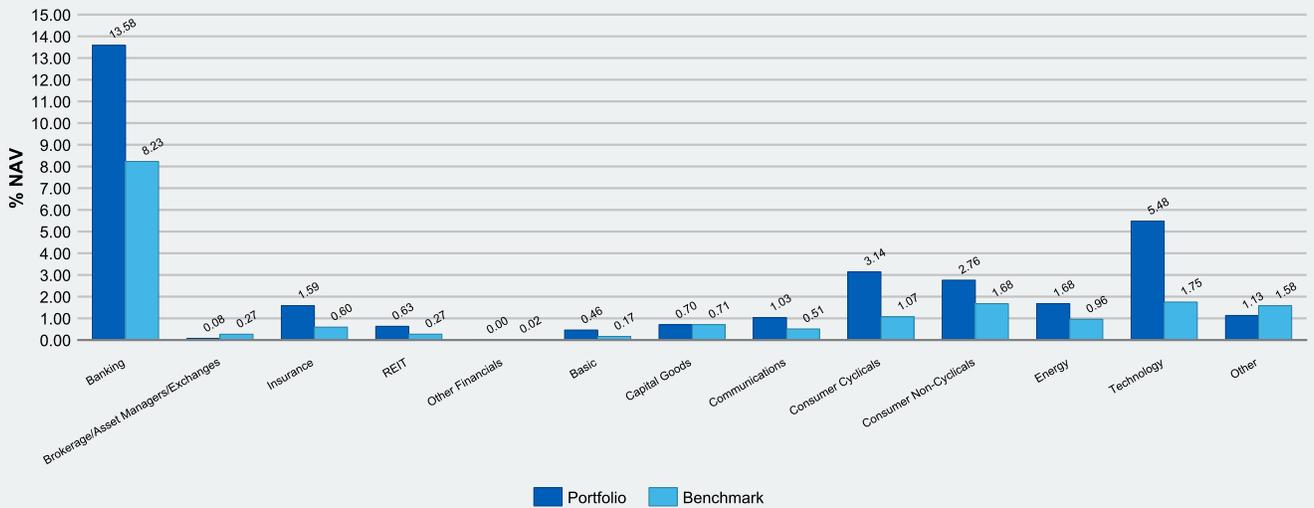
Risk Benchmark: BBG Barc US Aggregate Intermediate A3/A- or better Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure



# FMTAC Liberty Trust '06 NY Transit Authority

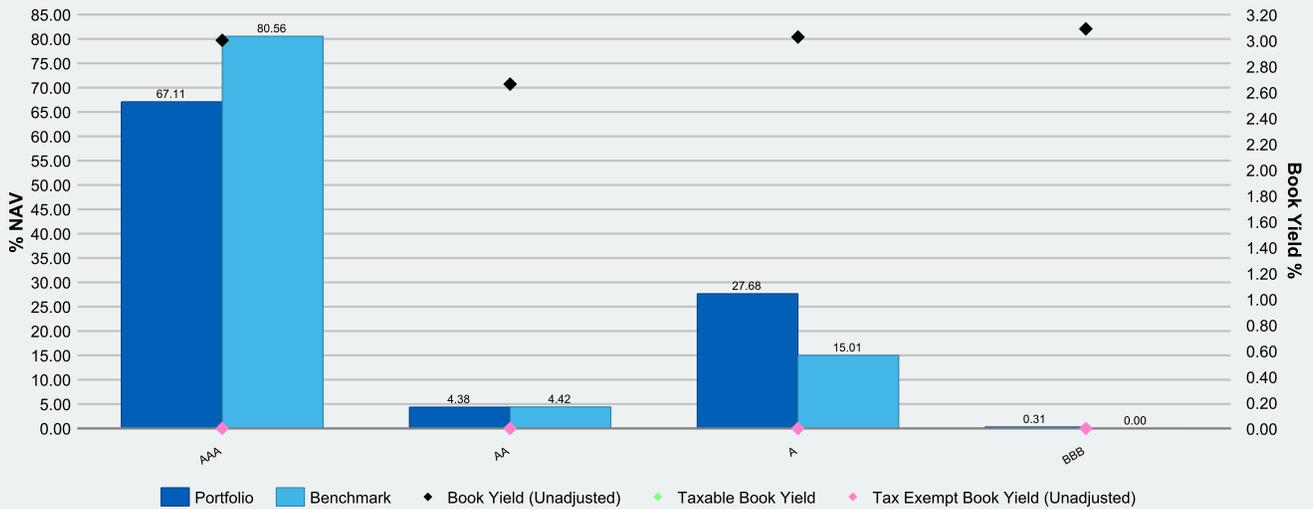
31 March 2019

## 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

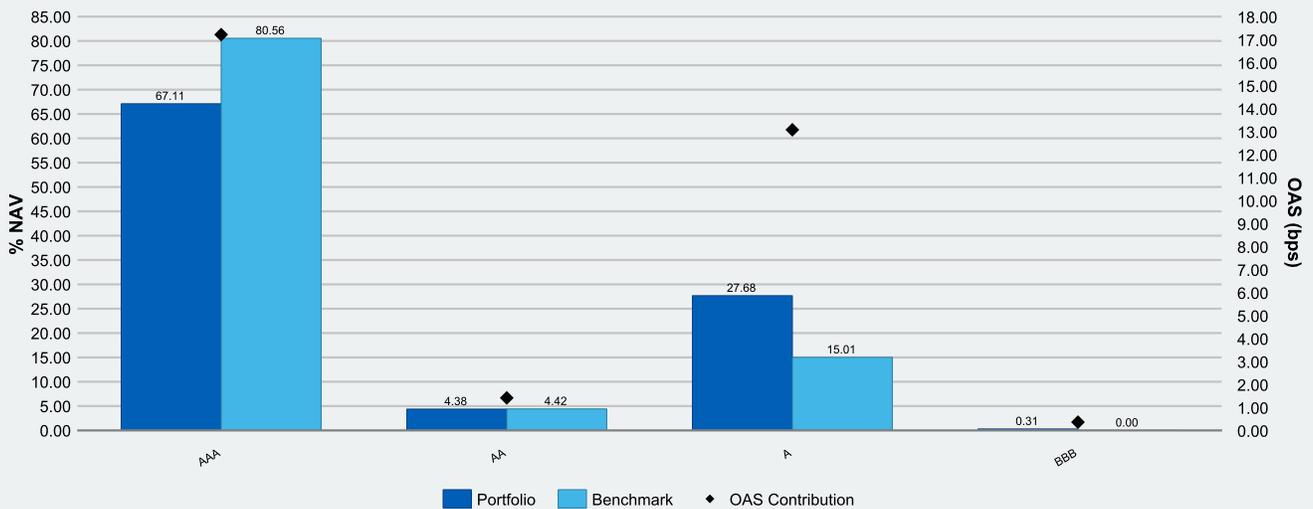
	Portfolio			Benchmark		
	Book Yield (%)	OAD (yrs)	Ratio	Nominal Yield (%)	OAD (yrs)	Ratio
<b>Total</b>	<b>2.99</b>	<b>3.78</b>	<b>0.79</b>	<b>2.46</b>	<b>3.80</b>	<b>0.65</b>
AAA Rated or above	3.00	4.26	0.70	2.34	3.72	0.63
AA Rated	2.66	2.99	0.89	2.78	3.64	0.76
A Rated	3.03	2.80	1.08	3.02	4.26	0.71
BBB Rated	3.09	4.95	0.62	0.00	0.00	0.00

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)
WELLS FARGO COMMERCIAL MORTGAGE TRUST WFCM_15-C31	72.47	1.69
BANK OF AMERICA CORP	72.56	1.10
MORGAN STANLEY	78.89	0.91

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	75.77	0.84
JPMORGAN CHASE & CO	92.34	0.62
JPMBB COMMERCIAL MORTGAGE SECURITIES TRUST JPMBB_16-C1	77.96	0.58

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

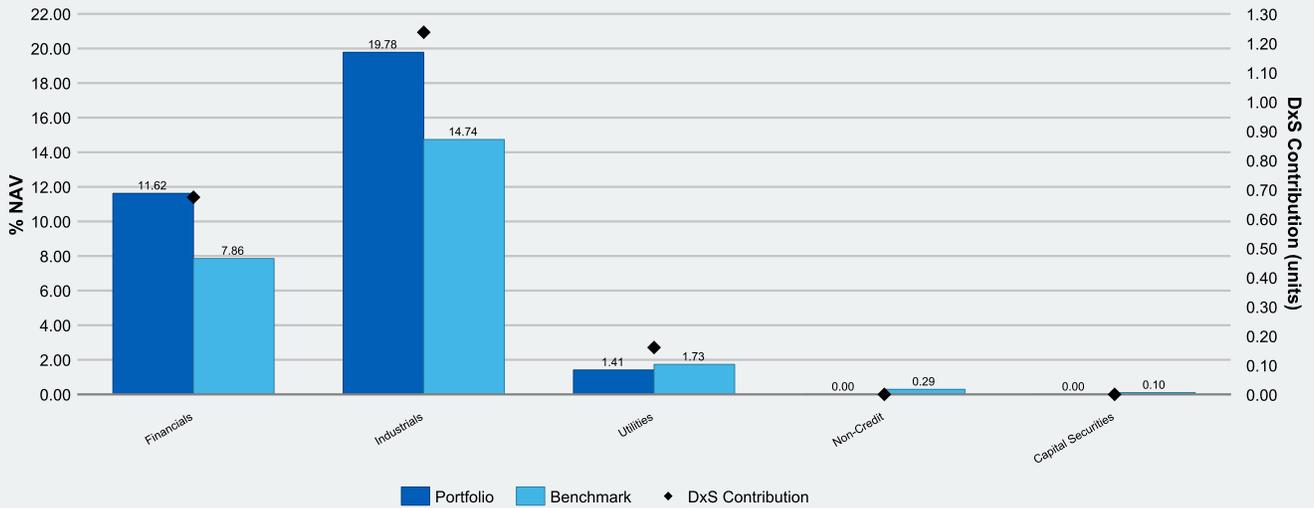
Issuer	OAS (bps)	OAS Contribution (bps)
UNITED STATES TREASURY	11.02	0.01

Portfolio Credit Positioning

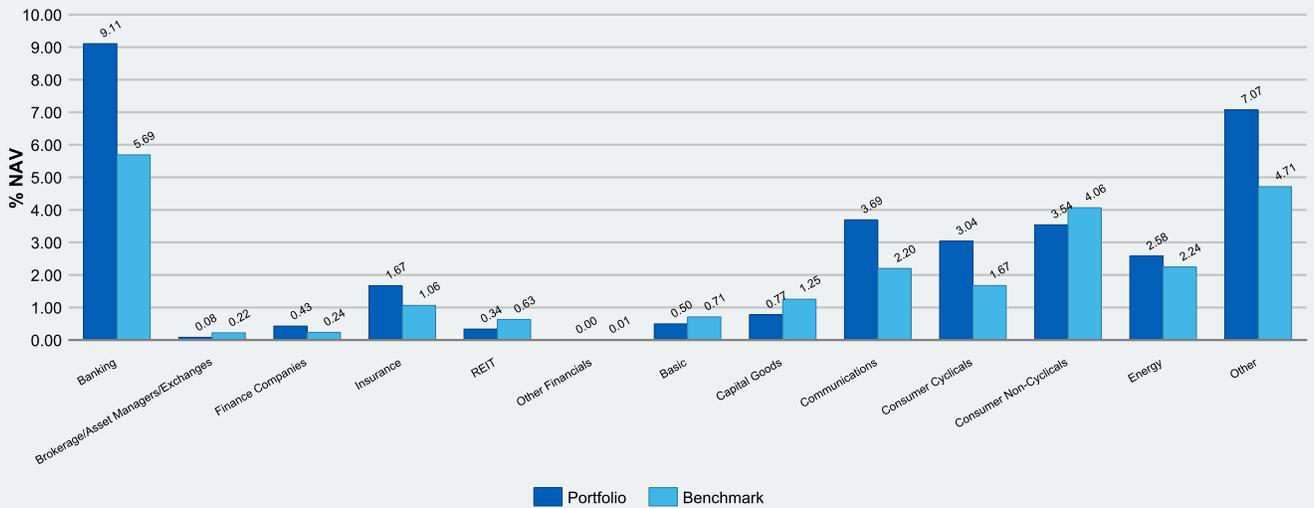
Risk Benchmark: BBG Barc U.S. Aggregate Index

Reporting Currency: USD

Portfolio Credit Sector Exposure



Portfolio Credit Sub-Sector Exposure

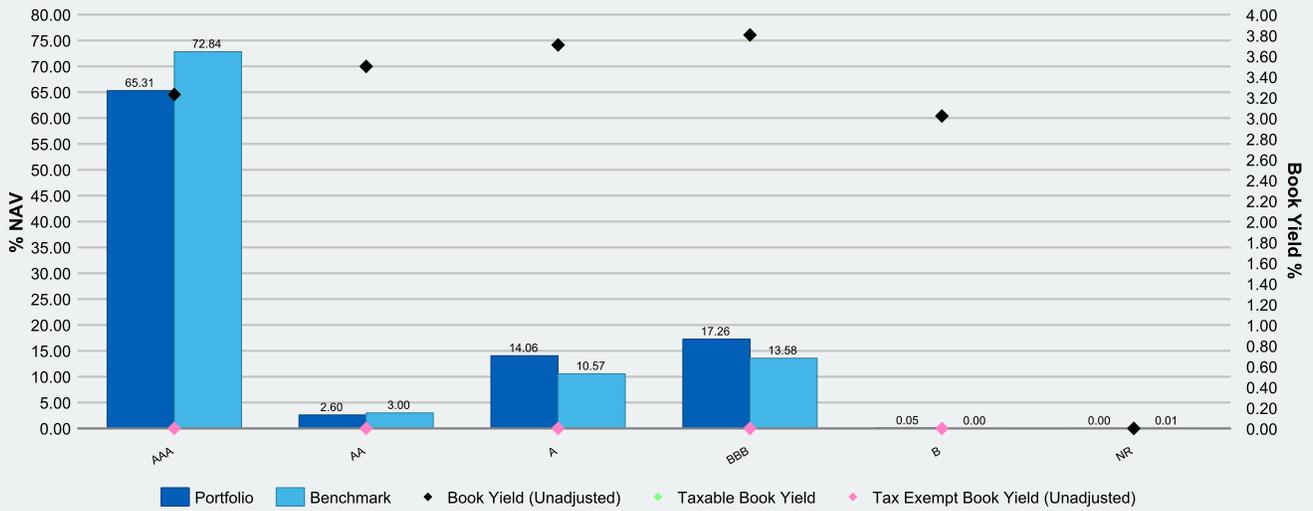


Portfolio Credit Positioning

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
<b>Total</b>	<b>3.41</b>	<b>5.48</b>	<b>0.62</b>	<b>2.93</b>	<b>5.49</b>	<b>0.53</b>
AAA Rated or above	3.23	5.43	0.59	2.67	4.85	0.55
AA Rated	3.50	7.99	0.44	3.05	6.56	0.46
A Rated	3.71	6.36	0.58	3.33	7.29	0.46
BBB Rated	3.80	4.85	0.78	4.02	7.25	0.55
B Rated	3.02	0.24	12.58	0.00	0.00	0.00

# FMTAC Master Builders' Risk

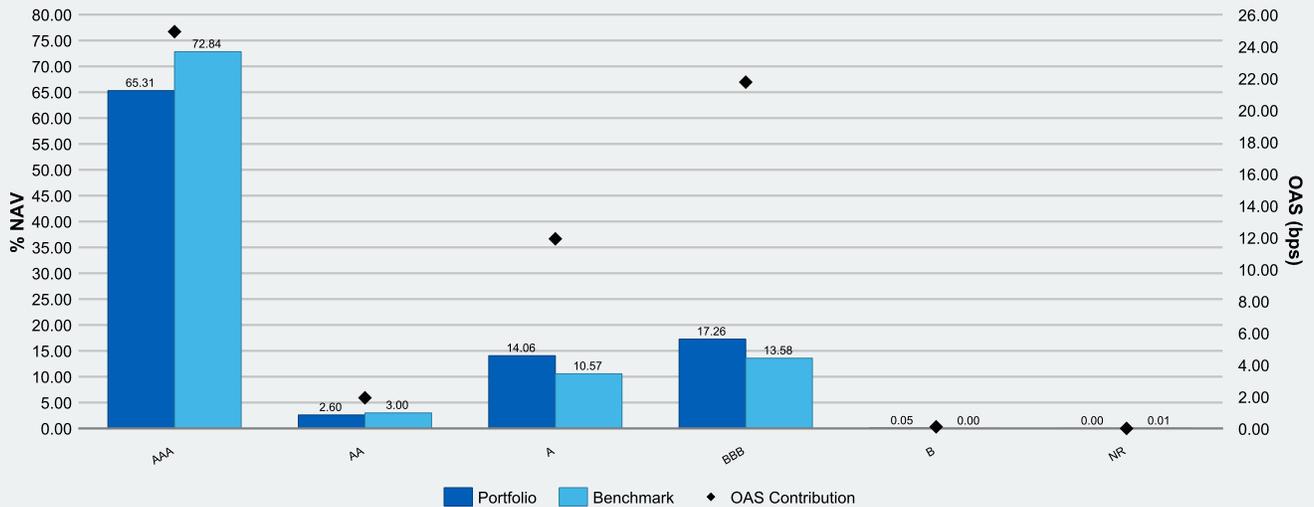
31 March 2019

## 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	56.18	1.87
FEDERAL NATIONAL MORTGAGE ASSOCIATION	59.29	1.65
FORD MOTOR CREDIT COMPANY LLC	208.28	1.53

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

Issuer	OAS (bps)	OAS Contribution (bps)
FEDERAL NATIONAL MORTGAGE ASSOCIATION	33.44	4.76
PETROLEOS MEXICANOS	409.23	2.11
FEDERAL HOME LOAN MORTGAGE CORPORATION - GOLD	39.54	1.57

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

Issuer	OAS (bps)	OAS Contribution (bps)
JPMORGAN CHASE & CO	130.39	0.50
BANK OF AMERICA CORP	138.90	0.45
PACIFICORP	138.47	0.45

# FMTAC Star Indemnity

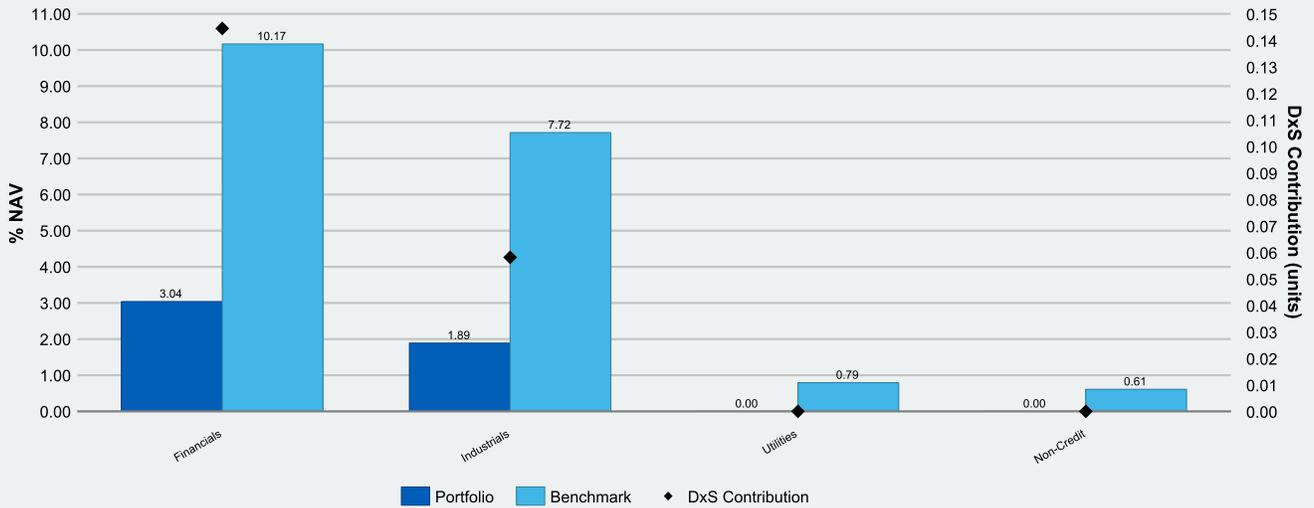
## Portfolio Credit Positioning

31 March 2019

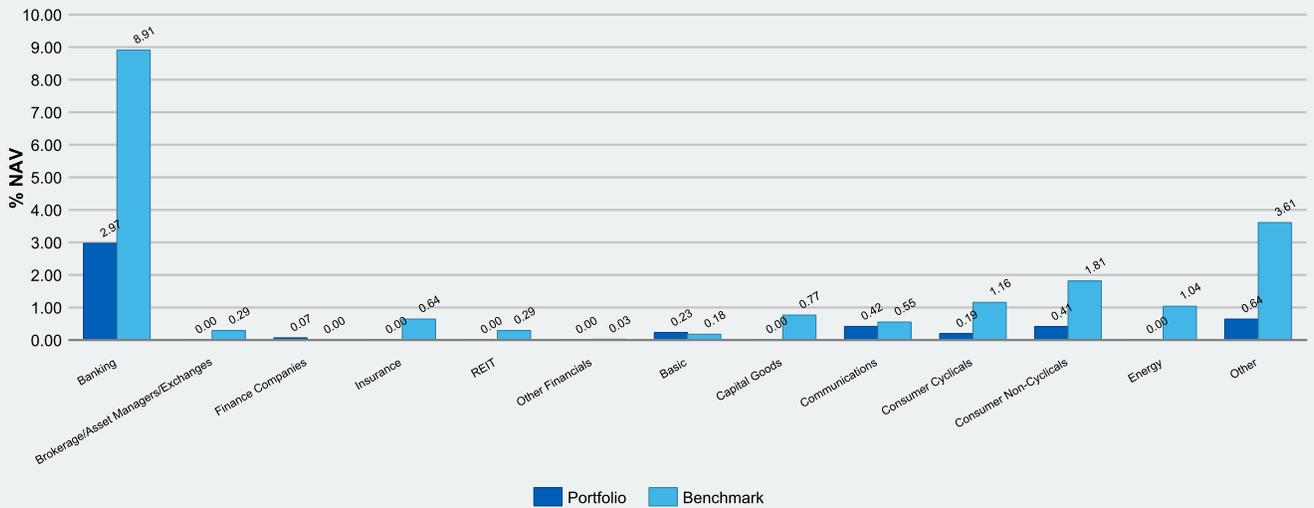
Risk Benchmark: BBG Barc Intermediate Gov/Credit A or Higher Index

Reporting Currency: USD

### Portfolio Credit Sector Exposure



### Portfolio Credit Sub-Sector Exposure



# FMTAC Star Indemnity

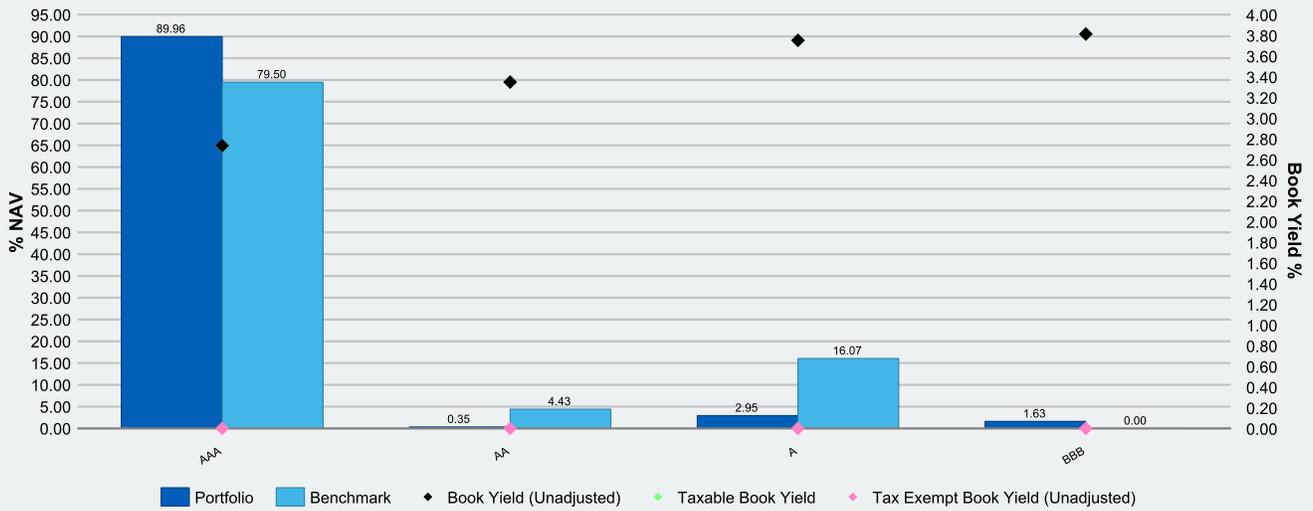
## Portfolio Credit Positioning

31 March 2019

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
<b>Total</b>	<b>2.79</b>	<b>3.77</b>	<b>0.74</b>	<b>2.44</b>	<b>3.80</b>	<b>0.64</b>
AAA Rated or above	2.73	3.96	0.69	2.30	3.73	0.62
AA Rated	3.35	5.25	0.64	2.73	3.49	0.78
A Rated	3.75	4.66	0.81	3.01	4.25	0.71
BBB Rated	3.81	3.47	1.10	0.00	0.00	0.00

# FMTAC Star Indemnity

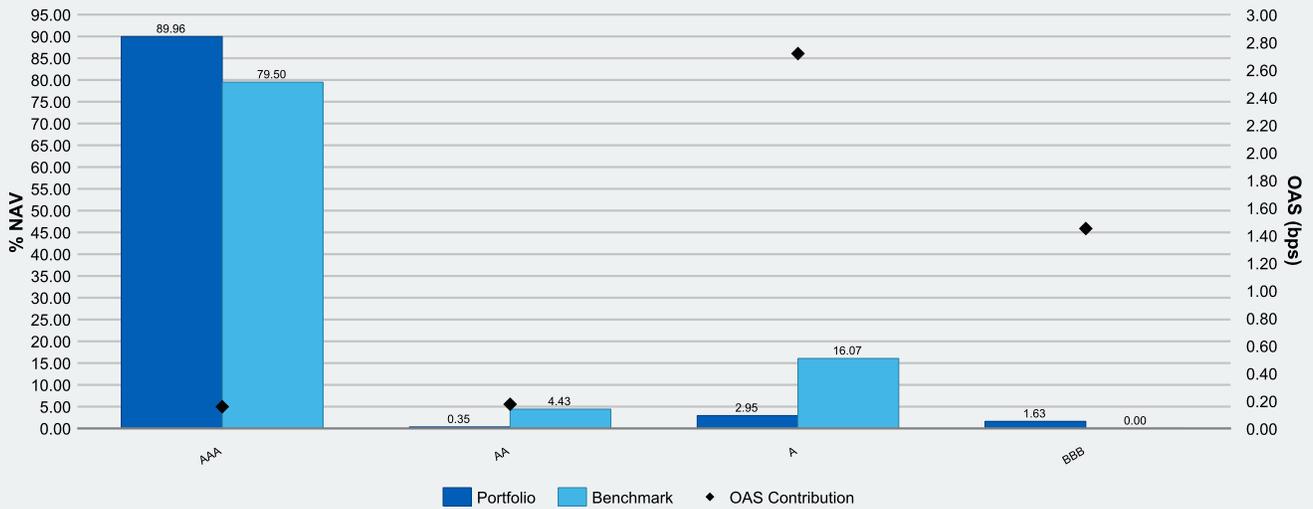
## Portfolio Credit Positioning

31 March 2019

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)
GOLDMAN SACHS GROUP INC/THE	86.97	0.45
WELLS FARGO & COMPANY	87.61	0.34
JPMORGAN CHASE & CO	76.41	0.30

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

Issuer	OAS (bps)	OAS Contribution (bps)
BANK OF AMERICA CORP	125.65	0.43
PNC BANK NATIONAL ASSOCIATION	103.07	0.38
FEDERAL HOME LOAN BANKS	26.56	0.19

## Fixed Income Sector Review

Reporting Currency: USD

## Monthly Fixed Income Sector Review

**Treasury Securities:** March was an active month closing out Q1, with 10yr rates nearly 30bps richer than the beginning of the month, and the curve just a few basis points steeper after being as much as 15bps steeper intra-month. Treasuries across the complex moved towards the low end of their yield range, with carry being sucked out of the curve to a large extent. The grab for yield set in on the back of a general Dovish tone globally, and was again catalyzed mid-month by the ECB. Strong hands investors (both Domestic and Foreign) were interested in adding duration throughout the month – but it was the late month FOMC meeting that provided the final catalyst. The Fed signaled no hikes for 2019 and one hike for 2020, as forecasts for both growth and inflation were toned lower. The Fed also announced it will taper Balance Sheet roll off earlier than expected (May), while also adding some additional details on Treasury/MBS roll off and reinvestment. With the outcome being more Dovish than the already Dovish expectations, the rally in duration continued, led by the front-end and belly as the market began to price the potential for rate cuts into 2019 and 2020. The curve steepened as a result, touching as high as 70bps on March 27th. Moving into month-end, and through supply which came and went with mixed results, the market began to give back some of the front-end rally. Additionally – investors began extending out the curve to longer tenors with increased comfort taking us off the intra-month steeps. As the month came to a close market volatility had calmed, with investors looking ahead to the important early April data prints that were upcoming (Retail Sales, ISM Manufacturing, and Non-Farm Payrolls).

**Mortgage-Backed Securities (MBS):** Mortgages generally fared well over the month, with 30-year conventional par coupon spreads tightening 8 bps as primary refinance rates touched 4% – a level last seen in January 2018. The range-breaking rally in March has led to a sharp contraction in mortgage index duration (by nearly 60 bps), leading to a large convexity for the index loss (-1 bps net excess return) due to the lack of delta hedging. The rate rally has brought prepay concerns to the forefront of investor focus, manifested primarily in the wide dispersion of performance within mortgages. FN 4.0/3.0 underperformed 5+ ticks on the month, as investors fled from the most negatively convex mortgage assets, such as recently originated FN 4.0 collateral, into less refinaneable assets. Seasoned pools continued to put in strong performance with more index managers rotating out of TBAs to match the convexity profile of the index. Mirroring price action on the conventional stack, lower coupon G2/FN swaps went out 1-3 ticks tighter, while higher coupon swaps lagged 5-12 ticks on the month.

**Commercial Mortgage-Backed Securities (CMBS):** The Bloomberg Barclays CMBS Index posted excess return over duration-adjusted Treasuries of 171 bps with a total return of 2 bps in February. CMBS spreads hit local tightts as two benchmark new issue last cash flows printed at +83 but have widened out ~5bps from there into quarter end. Generic 10yr conduit (pooled) AAA's were 6 bps tighter on the month to S+88; AA's were marginally tighter at +130; Single A's were 10 tighter to 180; and BBB- were about 10 bps tighter to +290. March saw approximately \$8.7bn of private label issuance, with \$3.6 bn of that in the conduit space. On the agency side, benchmark 10yr Freddie seniors oscillated around S+58, closing roughly flat on the month. Agency issuance continues to be robust and was \$14.7 bn for March. Finally, CMBX was wider on the month in sympathy with broader risk markets, with AAA tranches out 3-5bps and BBB- tranches generally out by 15 bps.

**Asset-Backed Securities (ABS):** The sector printed +72 bps of total return in March, while posting excess returns of +2 bps. Autos posted +5 bps, credit cards posted -1 bps of excess returns, respectively.

In the month, we saw \$20.14bn of ABS issuance across 29 transactions, which was flat MoM and down 22.7% YoY. Auto related ABS issuance represented 45.8% of total supply in March, while esoterics represented 23.4%.

Following tightening seen in February, ABS spreads were mostly flat in March. Spreads in 3-5yr paper continue to lag retracement seen in other spread sectors. Due to the yield curve inversion, the front end of the curve has been seeing stronger demand. Yields continue to look attractive in this space, with swap spreads wider on the month.

Consumer fundamentals continue to show strength. Collateral performance in private student loans and in auto loans remains strong, while performance in consumer installment loans continues to improve. Charge-offs in credit card ABS trusts increased in March to 2.39% from 2.26% in February.

**Investment Grade (IG) Credit:** US Investment Grade Credit outperformed duration-adjusted Treasuries by 24 bps in March with the OAS of the Bloomberg Barclays US Credit Index tightening 1 bps to end the month at 113 bps. Supply came roughly in line with expectations at \$117 bn with industrials contributing the majority of supply bringing \$69 bn to market. While demand was still relatively robust, heavier than expected supply during the first two weeks of the month did lead to more muted new issue performance than earlier in the year. In credit specific events Boeing underperformed due to uncertainty surrounding the 737 Max issue and CVS continued to underperform on weaker guidance and concerns over its PBM business due the WellCare acquisition by Centene which would likely drive business away from CVS. Tobacco outperformed over the month due to the unexpected resignation of the

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FDA chief who had been proposing new regulations around the industry. The Fed's more dovish than anticipated stance at the March meeting and signs of weak growth led Treasuries to rally with the 10-year falling 31 bps over the month leading to a brief inversion of the 3m/10yr yield curve. The best-performing sectors were Tobacco, Chemicals, Refining, Gaming and Building Materials. The worst performing were Aerospace/Defense, Health Insurance, Oil Field Services, Transportation Services and Supermarkets.

**High-Yield Corporate Bonds:** In March, the High Yield Index produced total returns of +0.94% for the month. Higher quality bonds outperformed. On a total return basis, the Ba Index gained +1.23%, the B Index was up +0.87%, and the Caa Index returned +0.17%. Distressed issuers rated Ca and below produced +0.49%. All other parts of credit were mixed on the month. For further context, the Pan-European High Yield Index was down -0.35%, the S&P/LSTA Performing Loans Index shed -0.20%, the US Credit Index produced +2.44%, and the Emerging Markets Index returned +1.37%. Equities were mixed, with the S&P 500 up +3.98% and the Russell 2000 down -2.09%. Most sectors were up last month. The worst-performing sectors were independent (-0.56%), automotive (+0.11%), wireless (+0.23%), metals and mining (+0.43%), and healthcare (+0.56%). The best-performing sectors were transportation services (+2.20%), banking (+1.98%), home construction (+1.86%), wirelines (+1.83%), and aerospace/defense (+1.76%).

US HY new issue volumes in March totalled \$20.4bn across 28 tranches, which compares similarly to \$21.2bn of supply in February 2019, though falls short of last March's to \$29.5bn. For use of proceeds during the month, activity was driven by opportunistic issuance, amounting to nearly 80% of supply, as issuers accessed the market to address near term maturities and repay term loan and revolver borrowings. M&A financing only represented 18% of March issuance, this was largely concentrated in Johnson Controls' Power Solutions LBO financing, which ultimately included a \$1bn 7 year secured tranche and a \$1.95bn 8 year unsecured tranche. Despite robust demand and price tightening of ~100bp, the secured tranche was downsized from \$2bn in favour of the concurrently offered term loan due to the company's preference for pre-payable debt. This was an interesting reversal of the broader trend of companies preferring secured bonds over loans this year. Another trend of note has been the limited appetite for lower quality offerings as CCC issuance only represented 9% of March supply, despite representing 21% in 2018. Notably, one deal was postponed for Kodiak Gas as demand was slow to build and pricing was pushed back by at least 125-150bp. For the month overall, oversubscription averaged 3.0x and break performance was decent at +0.6 point, which compares to 3.5x and +0.6 point last year-to-date. New issue is expected to moderate in April, with initial expectations for ~\$15bn. In addition to a light M&A pipeline currently, supply typically slows down from March to April as companies enter earnings blackouts.

**Taxable Municipal Bonds:** Taxable municipals produced strong absolute and relative performance as falling interest rates on the back of a Fed pivot boosted risk assets and a continued supportive technical backdrop promoted consistent strength across the curve. The broad taxable municipal index returned 4.02% while outperforming duration matched U.S. Treasuries by 71bps, bringing the year-to-date total return to 5.17% with 189bps of excess performance. Strong tone late in the month, particularly in high quality names and issues further out the curve, was aided by month-end and quarter-end index extension. From a supply perspective, the market saw \$3.0bln in gross issuance, up 59% year-over-year, bringing year-to-date issuance to \$7.8bln, up 57% year-over-year. The pickup in issuance was notably focused in the front and intermediate part of the curve and drew incredibly strong demand which drove spreads tighter. With inventories light, dealers used competitive new issues as a chance to re-load, with numerous deals receiving strong dealer bids and ultimately ending with large unsold balances. On the credit front, positive headlines out of Santee Cooper on the likelihood of a potential sale and additional loan guarantees for MEAG Power from the U.S. Department of Energy boosted performance in the public power sector. Looking forward, we maintain a constructive view on the asset class. Issuance is unlikely to overwhelm, with no significant pipeline in the forward calendar, while demand from both domestic and international buyers for high quality fixed income assets should persist. On a relative basis, particularly in front-end of the curve, taxable municipals provide value compared to tax-exempts, a dynamic that could draw in additional crossover buyers. Additionally, as the earliest Build America Bonds (BABs) approach their call dates, deals in the tax-exempt space to call out BABs, especially given current low rates and tight ratios, could provide a positive technical tailwind as taxable investors are forced to reinvest proceeds.

**Tax Exempt Municipal Bonds:** Municipals bucked the seasonal trend and posted their 5th consecutive month of positive performance and strongest March since the financial crisis (2008), boosted by a sharp rally in interest rates as the Fed solidified its policy pause by removing expectation for a 2019 rate hike from its Summary of Economic Projections. On the month, the broad municipal index returned 1.58% with -27bps of excess returns when duration matched to U.S. Treasuries, bringing the year-to-date total return to 2.90% with 85bps of excess returns. Credit and duration strongly outperformed throughout the month, and the asset class has now returned a phenomenal 5.18% since the start of November. While rich relative valuations acted as a drag, the technical backdrop remained very favorable with moderate supply outpaced by voracious demand. The month of March has historically been the 3rd largest issuance month of the year on average, experiencing a typical 45% month over month increase from February, a seasonal uptick that never materialized. Gross issuance ultimately underwhelmed at just \$26.4bln, -22% below its 5yr average, bringing the year-to-date total to \$75.8bln. At the same time, strong demand for the asset class continued unabated with another 4-consecutive weeks of inflows concentrated in long-term and high yield funds. We continue to believe that fund flow weakness typically experienced around tax-time may be avoided in 2019 as investors increasingly value the tax haven provided by the asset

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class post-tax reform and may be less likely to sell municipals to fund tax bills. Given the supply and demand imbalance, the market saw broadly tighter spreads, which was further aided by positive budget news out of some of the more distressed state credits, most notably the State of Connecticut. Looking forward, while we remain constructive on the asset class, we have shifted to a slightly short of neutral duration stance with respect to municipal bond positioning given current absolute rate levels and historically rich valuations (ratios) versus U.S. Treasuries across the majority of the curve. We continue to employ a 0-2yr and 20yr+ barbell curve strategy with a preference for revenue bonds, lower rated investment grade credits, and issues in high tax states.

**Emerging Markets (EM):** Emerging markets debt (EMD) lagged the strong March rally seen in many other fixed income sectors. In US dollar sovereign bonds, the JPMorgan EMBI Global Diversified index delivered a total return of 1.42%, of which the spread return was -0.84% and Treasury return was 2.28%. In local currency bonds, the JPMorgan GBI-EM Global Diversified index returned -1.33%, of which the FX component was -1.92%. In corporate bonds, the JPMorgan CEMBI Broad Diversified index delivered a total return of 1.28%, with the investment-grade sub-index (1.77%) outperforming its high-yield (0.62%) counterpart. The month ended with a surprisingly strong bounce in China's official manufacturing PMI. The March reading of 50.5 highlighted a return to expansion after three months of manufacturing contraction, with a broad-based improvement in components hinting that stimulus was succeeding in stabilizing the economy. More support is likely to be needed, however, given the weakness of external demand and a sharp decline in industrial profits. The non-manufacturing PMI also improved, rising to 54.8 from 54.3 in February. In Brazil, President Jair Bolsonaro is looking to push through pro-market policies based on monetary and fiscal responsibility. He considers the reform of the country's pension system to be critical to boosting growth, but opponents of the president's proposals claim the revamp would penalize the poor. Emerging markets are going through a spate of major elections that have recently included a general election in Thailand, municipal elections in Turkey and a presidential election in Ukraine. Upcoming in April will be general elections in Israel and India, and presidential and parliamentary elections in Indonesia, while May will see a general election in South Africa. Falls in Turkish asset prices ahead of the local elections threatened to cause contagion to other emerging markets, although this should be contained given Turkey represents only some 4.5% of the benchmark, and its weighting could be reduced if liquidity remains artificially impaired. The elections saw President Erdogan at risk of losing control of key cities, including Ankara and Istanbul, amid opposition claims of poll rigging. Turkish assets have been suffering from three simultaneous and self-reinforcing shocks — capital flight, tensions with the US, and poor economic management — and the election results could exacerbate all three. In Ukraine, the two frontrunners following the first round of the presidential election were a comedian, Zelensky, and the incumbent president, Poroshenko. Despite the unusual situation, the election continues to offer a positive outcome as both frontrunners have been proposing market-friendly policies.

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# **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 50 years
- Largest captive manager with over 1,450 clients in over 51 domiciles
- More than 480 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
- Extensive captive experience
  - Qualified and committed professional staff with more than 45 years of combined captive management experience
- Expansive knowledge of New York State captive regulatory environment
  - Frequent interactions 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”)

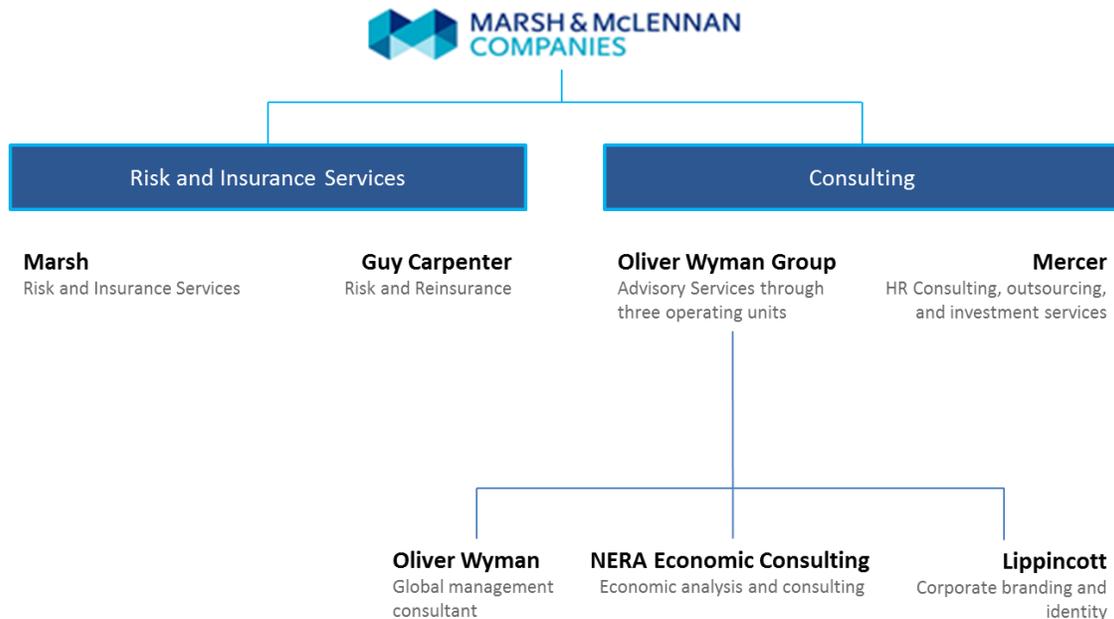
Team Member & Role	Responsibilities	Qualifications
<b>Nisala Weerasooriya</b> Head of Office, Captive Management	<ul style="list-style-type: none"> <li>• Oversees the performance of the MTA’s FMTAC captive management service team</li> </ul>	<ul style="list-style-type: none"> <li>• Over 25 years with Marsh captive management</li> <li>• Over 30 years in the insurance, financial and audit experience</li> <li>• 10 years with the MTA / Marsh Team</li> <li>• Certified Public Accountant</li> </ul>
<b>Gemma Mah</b> Client Team Leader	<ul style="list-style-type: none"> <li>• Serves as the primary point of contact for the MTA</li> <li>• Reviews all financial statements, budget reports and policies</li> <li>• Oversees annual financial statement audit with Deloitte</li> <li>• Ensures regulatory compliance with NYS Department of Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Over 20 years with Marsh captive management</li> <li>• Over 18 years in the captive insurance and audit experience</li> <li>• 10 years with the MTA / Marsh Team</li> <li>• Chartered Accountant</li> </ul>
<b>David Carman</b> Account Manager	<ul style="list-style-type: none"> <li>• Manages the day-to-day administration of FMTAC’s payment process, accounting, premium invoicing and policy issuance</li> <li>• Prepares financial statements, budget reports and bank reconciliations</li> <li>• Prepares FMTAC payments and acts as liaison to the MTA Treasury department for all disbursements</li> </ul>	<ul style="list-style-type: none"> <li>• 5 years with Marsh captive management</li> <li>• 18 years in corporate accounting</li> </ul>

# 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 35,000 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 75,000 employees worldwide and annual revenue exceeding \$15 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 60 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 190 credentialed actuaries in our 335 colleague staff, making it one of the largest actuarial practices in the United States. Over 120 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, Director**, 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.

**Stephen Boyle**, Associate, is a member of BlackRock's Financial Institutions Group within the Institutional Client Business. He is responsible for developing and maintaining relationships with insurance and other taxable clients.

Mr. Boyle began his career at BlackRock in 2013. Prior to assuming his current responsibilities, Mr. Boyle was a member of BlackRock's Portfolio Compliance Group (PCG) based in Delaware. The group is responsible for mitigating firm-wide operational risk by providing solutions for investment and trade-related operational issues. In addition, the group monitors



and maintains portfolio compliance with both client specific guidelines and firm-wide regulatory trading constraints across a wide range of mandates.

Mr. Boyle earned a BSBA degree with a major in Finance and a minor in Economics from the University of Pittsburgh in 2013.

# **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.