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Press Release

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[MTA Headquarters](#)

IMMEDIATE

MTA Secures \$200 Million of Insurance Protection for Future Sandy-Like Storms

The Metropolitan Transportation Authority (MTA) today announced that it has secured \$200 million of insurance protection that will help pay for future repairs for damage to its infrastructure in the event of a storm featuring destructive storm surges similar to those experienced during Superstorm Sandy. The insurance protection has been funded through the offering of “catastrophe bonds” by MetroCat Re Ltd., a special purpose insurer.

This is the first time that the MTA has accessed the capital markets to manage its property damage risks, and it is the first catastrophe bond ever issued to protect solely against storm surge. The MTA’s premium cost is well below quotes that MTA received this spring for traditional property coverage.

“In the aftermath of Superstorm Sandy, the traditional avenues we use for insurance and reinsurance contracted dramatically, making it exceedingly difficult for the MTA to obtain insurance,” said MTA Chairman and CEO Thomas F. Prendergast. “But as a result of this savvy and novel reinsurance arrangement, we are now in a stronger position should our area, God forbid, face another large-scale storm-surge event within the next three years.”

The transaction provides protection in the unlikely event that the water level reaches designated heights in the New York City Metropolitan Region during any hurricane, tropical cyclone or tropical storm through August 5, 2016.

“This terrific outcome was the result of the creative thinking and hard work of MTA’s finance, strategic initiatives and insurance staff as well as the willingness of our Board to explore new risk transfer alternatives,” Prendergast continued. “It will substantially increase our coverage for property damage from storm surge for three years at a favorable price. This transaction also strengthens our position with regard to future interactions with the traditional reinsurance market. We anticipate that this deal represents the start of a long-term alternative reinsurance option that diversifies MTA’s risk management strategy.”

Assisting MTA on this transaction were:

- The First Mutual Transportation Assurance Company (FMTAC), the MTA’s in-house insurer, which entered into a reinsurance contract with MetroCat Re to provide this storm surge protection.
- Risk Management Solutions, Inc., a risk modeling firm.
- Raymond James and Associates, Inc., financial advisor to FMTAC on this transaction.
- GC Securities, a division of MMC Securities Corp and a member of Marsh and McLennan Companies, and Goldman, Sachs and Co., companies with substantial experience as advisors and/or underwriters of reinsurance through capital markets-based programs.