

Staff Summary

Subject FMTAC Annual Meeting
Department Finance
Department Head Name Kevin Willens, Chief Financial Officer
Department Head Signature
Project Manager/Division Head Claudia Reuben, Acting Director

Date May 22, 2024
Vendor Name
Contract Number
Contract Manager Name
Table of Contents Ref #

Board Action					
Order	To	Date	Approval	Info	Other
1	Finance	5/25/21		X	
2	Board	5/25/21		X	

Internal Approvals			
Order	Approval	Order	Approval
1	Chief Financial Officer	2	Legal
	Procurement		

Purpose:

To provide information concerning the First Mutual Transportation Assurance Company's (FMTAC's) 2023 activities and operations to board members in connection with the May 22, 2024, annual FMTAC Board meeting.

Discussion and Background:

The monthly MTA board meeting of May 27, 2024, will also be the annual board meeting of MTA's captive insurer, the First Mutual Transportation Assurance Company. For informational purposes, the FMTAC Board Book is being distributed to board members in advance of the meeting.

The FMTAC Board Book contains the Annual Meeting Newsletter (Section 1), which provides a summary update on the activities of FMTAC for the year ended December 31, 2023; historical comparative balance sheet and income statement summaries (Section 2); a draft of the FMTAC Audited Financial Statements for the years ended December 31, 2023 and 2022 (Section 3); and the Statement of Actuarial Opinion prepared by Oliver Wyman setting forth the independent actuary's determination that the reserves recorded by FMTAC for the year ended December 31, 2023 meet the requirements of the captive insurance laws of the State of New York and make reasonable provision for unpaid loss and loss adjustment expense obligations of FMTAC (Section 4).

Also included in the FMTAC Board Book is the regulatory compliance checklist for 2024 (Section 5), a Report on Investments (Section 6), and materials describing the captive manager advisers (Davies Captive Management) and FMTAC's investment managers (BlackRock Financial Management) and actuaries (Oliver Wyman) (Section 7).

**FIRST MUTUAL
TRANSPORTATION ASSURANCE
COMPANY**

2024 Annual Board Meeting

May 20, 2024

New York State Insurance Captive of



FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

ANNUAL BOARD MEETING

May 20, 2024

NOTICE

The 2024 Board of Directors of First Mutual Transportation Assurance Company (“FMTAC”) will be held at 2 Broadway, 20th Floor, New York, NY on May 20, 2024.

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FMTAC NEWSLETTER

First Mutual Transportation Assurance Company 2024 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, 2023. 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>
2023 New York Annual Statement	1-Mar-24	Filed with NYSDFS
2023 Loss Reserve Certification	1-Mar-24	Filed with NYSDFS
2023 Audited Financial Statements	TBD	To be filed with NYSDFS
2024 NY Insurance License	In progress	To be filed with NYSDFS
2024 NY Annual Meeting	20-May-24	Scheduled
2024 Actuarial Reserve Review - Initial	30-Sep-24	To be performed by Oliver Wyman
2024 Actuarial Reserve Review - Final	31-Dec-24	To be performed by Oliver Wyman
2024 Policy Issuance	Ongoing	Various Renewal dates
2024 Monthly Accounting Submission	5 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	12/31/23	12/31/22	12/31/21	12/31/20
Balance Sheet:				
Cash and Invested Assets	\$ 953,681	\$ 896,657	\$ 915,150	\$ 915,484
Reinsurance Recoverable	73,766	91,530	93,215	4,936
Other Assets	190,114	124,602	73,490	65,966
Total Assets	1,217,561	1,112,789	1,081,855	986,386
Insurance Reserves	668,631	695,211	712,336	538,881
Other Liabilities	274,166	224,949	144,910	160,359
Total Liabilities	942,797	920,160	857,246	699,240
Total Equity	274,764	192,629	224,609	287,146
Unrealized Gain / (Loss) on Invts	0	0	0	0
Income Statement:				
Premium Written	\$ 209,657	\$ 266,469	\$ 157,702	\$ 124,459
Premium Earned	112,996	128,790	103,234	127,024
Net Investment Income / (Loss)	47,962	(78,432)	(8,305)	75,573
Losses and LAE Incurred Exp	70,472	72,786	146,576	103,017
Other Underwriting and Operating Exp.	8,351	9,552	10,890	9,294
Net Income / (Net Loss)	82,135	(31,980)	(62,537)	90,286
Ratios:				
Loss Ratio	62.4%	56.5%	142.0%	81.1%
Expense Ratio	7.4%	7.4%	10.5%	7.3%
Combined Ratio	69.8%	63.9%	152.5%	88.4%

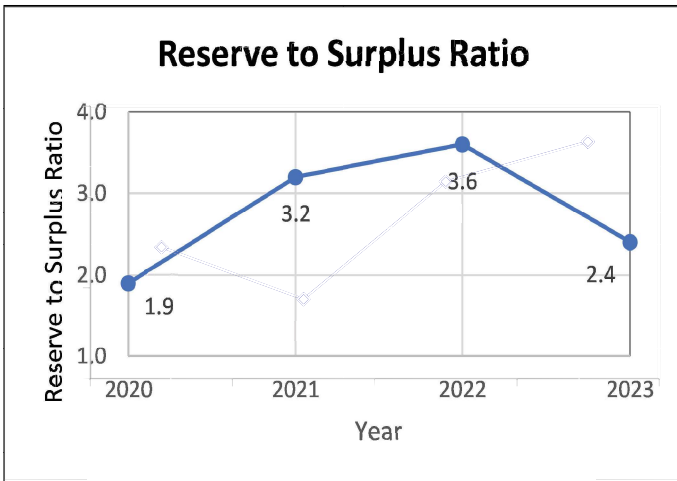
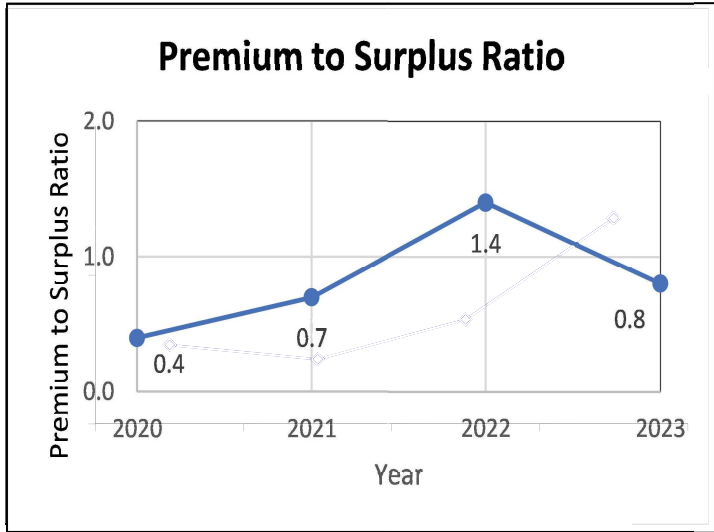
- **Total assets** have increased by \$104.8 million (0.5%) and **Total liabilities** have increased by \$22.6 million (1.2%) during 2023. The fluctuation in total assets was the result of an increase in premium receivable offset by a decrease in the value of the investments. The increase in liabilities is primarily due to an increase in the unearned premium reserve offset by a decrease in the loss reserves and ceded premium payable.
- **Total equity** was \$274.8 million at year end 2023. Total equity increased by \$82.1 million (17.6%) from 2022. For 2020 through 2023, the movement in unrealized gain/loss on investments was recorded through the income statement versus equity.
- **Gross premium written** was \$209.7 million, which decreased \$56.8 million from 2022. **Premium earned** was \$113.0 million for 2023, which was \$15.8 million (6.5%) lower than 2022.
- **Net investment income** was \$48.0 million for 2023, which was \$126.4 million greater than in 2022. For 2020 through 2023, the movement in unrealized gain/loss on investments was recorded through the income statement versus equity.
- **Losses and LAE incurred expenses (“incurred expense”)** were \$70.5 million for 2023 which decreased by \$2.3 million (1.6%) when compared to 2022. This was primarily due to an increase in loss and loss adjustment expenses with the builders risk, OCIP and excess loss programs.

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 .8:1 in 2023, 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 2023, 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 operating expenses are higher than expected.

Calculation: Losses and LAE Incurred plus Other Underwriting and Operating Expense divided (numerator) by Premium Earned (denominator).

Conclusion: In 2023, there was an increase in the ratio to 70%, which is primarily due to a decrease in Premium Earned from OCIP (denominator), which exceeded the marginal decrease in in Losses and LAE Incurred (numerator).



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, 2023 TO DECEMBER 31, 2020

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>	<u>Dec 31, 2020</u>
ASSETS				
Cash & Cash Equivalents	\$ 99,716,766	65,465,916	\$ 39,135,673	\$ 60,939,078
Investments & Security Trusts	853,964,205	824,159,974	869,004,787	847,534,908
Premium Receivable	176,556,249	120,313,449	69,470,596	59,719,880
Reinsurance Premium Deposit - MetroCat	1,517,361	1,472,813	1,451,389	1,451,389
Reinsurance Recoverable Reserve	73,765,664	91,530,318	93,214,924	4,935,869
Escrow Paid Loss Deposit Funds	6,663,678	5,558,399	5,558,399	5,558,399
Interest Income Receivable	4,902,417	3,799,100	3,077,339	3,739,270
Deferred Losses Receivable - RCAMP	468,763	483,387	938,142	610,778
Intercompany Receivable - MTA	-	-	-	1,892,900
Deferred Policy Acquisition Costs	4,719	5,843	3,775	3,387
TOTAL ASSETS	\$ <u>1,217,559,822</u>	\$ <u>1,112,789,199</u>	\$ <u>1,081,855,024</u>	<u>986,385,858</u>
LIABILITIES				
IBNR Loss Reserves	\$ 259,543,111	279,202,451	\$ 312,753,110	\$ 290,632,048
Case Loss Reserves	329,629,386	324,477,840	306,367,767	243,312,607
Reserves - Deemed Recoverable	73,765,664	91,530,318	93,214,924	4,935,869
Losses & LAE Payable	37,184,816	2,950,979	1,309,954	7,212,395
Unearned Premium Reserve (net of Deferred Reinsurance Premium)	217,580,184	210,712,303	127,188,490	133,935,177
Other Due	6,972,796	8,903,964	5,340,459	6,042,157
Ceded Premium Payable	18,119,420	1,716,856	11,070,896	13,169,162
Intercompany Payable - MTA	-	664,988	-	-
TOTAL LIABILITIES	<u>942,795,377</u>	<u>920,159,699</u>	<u>857,245,600</u>	<u>699,239,415</u>
STOCKHOLDER'S EQUITY				
Contributed Surplus - Cash	3,000,000	3,000,000	3,000,000	3,000,000
Additional Policyholder Surplus	77,668,919	77,668,919	77,668,919	77,668,919
Retained Earnings	111,960,580	143,940,506	206,477,524	116,191,533
Net Income / (Net Loss)	82,134,945	(31,979,925)	(62,537,019)	90,285,992
Unrealized Gain / (Loss) on Investments*	-	-	-	-
TOTAL STOCKHOLDER'S EQUITY	<u>274,764,444</u>	<u>192,629,500</u>	<u>224,609,424</u>	<u>287,146,443</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ <u>1,217,559,822</u>	\$ <u>1,112,789,199</u>	<u>1,081,855,024</u>	<u>986,385,858</u>

*In 2020, Unrealized Gain / (Loss) on Investments was moved to the Income Statement from Equity

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY
(A NEW YORK STATE WHOLLY OWNED INSURANCE SUBSIDIARY OF MTA)
COMPARATIVE INCOME STATEMENTS - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2023 TO DECEMBER 31, 2020

	<u>Dec 31, 2023</u>	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>	<u>Dec 31, 2020</u>
UNDERWRITING INCOME				
Gross Written Premiums				
Direct	\$ 209,025,803	265,811,857	\$ 157,277,598	124,084,672
Assumed	631,396	657,147	424,351	374,603
Total Written Premium	<u>209,657,199</u>	<u>266,469,004</u>	<u>157,701,949</u>	<u>124,459,275</u>
Premium Ceded	(90,532,983)	(54,112,597)	(61,302,781)	(65,799,212)
Net Retained Premium	<u>119,124,216</u>	<u>212,356,407</u>	<u>96,399,168</u>	<u>58,660,063</u>
Change in Unearned Premium - Net	6,128,231	(83,566,098)	68,363,611	55,845,895
Net Earned Premium	<u>125,252,447</u>	<u>128,790,309</u>	<u>103,234,281</u>	<u>127,023,674</u>
LOSS & LOSS ADJUSTMENT EXPENSES:				
Paid Losses & LAE	84,979,422	88,726,200	63,309,407	90,265,149
Change in Case Reserves	7,386,831	16,554,468	61,334,215	5,007,777
Change in IBNR Loss Reserves	(21,894,625)	(32,495,053)	21,932,496	7,744,489
Total Incurred Losses & LAE	<u>70,471,628</u>	<u>72,785,615</u>	<u>146,576,118</u>	<u>103,017,415</u>
UNDERWRITING EXPENSES:				
Safety & Loss Control	3,924,570	2,494,982	3,714,150	4,143,555
Commissions Expense / (Income)	(1,872,935)	(1,714,025)	(1,711,932)	(1,555,851)
Change in Deferred Acquisition Costs	30,900	34,079	22,963	18,828
Total Underwriting Expenses	<u>2,082,536</u>	<u>815,036</u>	<u>2,025,181</u>	<u>2,606,532</u>
NET UNDERWRITING INCOME / (LOSS)	<u>52,698,283</u>	<u>55,189,658</u>	<u>(45,367,019)</u>	<u>21,399,727</u>
OTHER EXPENSES				
Risk Management Fees	5,817,566	8,296,977	7,970,029	6,094,061
Other Misc. Charges	450,874	440,713	894,750	592,883
Total Other Expenses	<u>6,268,440</u>	<u>8,737,690</u>	<u>8,864,779</u>	<u>6,686,944</u>
INCOME / (LOSS) BEFORE INVESTMENT INCOME	<u>46,429,843</u>	<u>46,451,968</u>	<u>(54,231,797)</u>	<u>14,712,783</u>
INVESTMENT INCOME				
Investment Income	47,961,564	(78,431,894)	(8,305,222) *	75,573,209
Total Investment Income	<u>47,961,564</u>	<u>(78,431,894)</u>	<u>(8,305,222)</u>	<u>75,573,209</u>
NET INCOME / (NET LOSS)	<u>\$ 82,134,945</u>	<u>\$ (31,979,925)</u>	<u>\$ (62,537,019)</u>	<u>\$ 90,285,992</u>
Mov't Unrealized Gain/(Losses) on Investments	-	-	-	(21,843,694)
Net Income / (Net Loss) per Audited Financial Statements	<u>\$ 82,134,945</u>	<u>\$ (31,979,925)</u>	<u>\$ (62,537,020)</u>	<u>\$ 68,442,298</u>

*In 2020, Unrealized Gain / (Loss) on Investments was moved to the Income Statement from Equity

**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, 2023 and 2022,
and Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Metropolitan Transportation Authority:

Opinion

We have audited the financial statements of the First Mutual Transportation Assurance Company (the "Company"), a public benefit corporation which is a component unit of the Metropolitan Transportation Authority ("MTA"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audits of the basic 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.

_____, 2024

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Component Unit of the Metropolitan Transportation Authority)

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands, except as noted)

OVERVIEW OF THE FINANCIAL STATEMENTS

Introduction—The following is a narrative overview and analysis of the financial activities of the First Mutual Transportation Assurance Company (the “Company” or “FMTAC”) as of and for the years ended December 31, 2023 and 2022. This discussion and analysis are 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 as of December 31, 2023 and 2022. 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)	
	2023	2022	2021	2023-2022	2022-2021
ASSETS:					
Current assets	\$ 360,091	\$ 368,566	\$ 229,578	\$ (8,475)	\$ 138,988
Noncurrent assets	<u>857,470</u>	<u>744,222</u>	<u>852,278</u>	<u>113,248</u>	<u>(108,056)</u>
Total assets	<u>\$1,217,561</u>	<u>\$1,112,788</u>	<u>\$1,081,856</u>	<u>\$ 104,773</u>	<u>\$ 30,932</u>

Significant Changes in Assets

December 31, 2023 versus December 31, 2022

Total assets increased by \$104,773 or 9.4%, from December 31, 2022 to December 31, 2023. The fluctuation in the total assets of FMTAC was the result of increases in premiums receivable and investments, which was partially offset by a decreases in Cash and Cash Equivalents and Reinsurance Recoverable. Premium receivable increased due to additional Owner Controlled Insurance Programs ("OCIP") and excess loss fund ("ELF") premiums written in 2023. The increase in investments was due to market fluctuations. Cash and Cash Equivalents decreased due to the timing of payments. Reinsurance Recoverable decreased due to the receipt of recoverable balances due to the Company.

December 31, 2022 versus December 31, 2021

Total assets increased by \$30,932 or 2.9%, from December 31, 2021 to December 31, 2022. The fluctuation in the total assets of FMTAC was the result of increases in premiums receivable and cash and cash equivalents and offset by a decrease in investments. Premium receivable increased due to additional Owner Controlled Insurance Programs ("OCIP") and Builders Risk premiums written in 2022. Cash and cash equivalents increased due to collected premiums exceeding the amount of claims paid. In addition, there were more investments classified as cash equivalents in 2022 compared to 2021. The decrease in investments was due to market fluctuations.

(In thousands)	As of December 31,			Increase/(Decrease)	
	2023	2022	2021	2023-2022	2022-2021
Liabilities and restricted net position:					
Current liabilities	\$ 340,460	\$ 294,576	\$ 216,750	\$ 45,884	\$ 77,826
Noncurrent liabilities	<u>602,337</u>	<u>625,583</u>	<u>640,496</u>	<u>(23,246)</u>	<u>(14,913)</u>
Total liabilities	942,797	920,159	857,246	22,638	62,913
Restricted net position	<u>274,764</u>	<u>192,629</u>	<u>224,610</u>	<u>82,135</u>	<u>(31,981)</u>
Total liabilities and net position	<u>\$1,217,561</u>	<u>\$1,112,788</u>	<u>\$1,081,856</u>	<u>\$ 104,773</u>	<u>\$ 30,932</u>

Significant Changes in Liabilities

December 31, 2023 versus December 31, 2022

Total liabilities from December 31, 2022 to December 31, 2023 increased by \$22,638 or 2.5%. The increase in liabilities is due to an increase in unearned premiums and ceded premium payable, which was partially offset by a decrease in loss and loss adjustment expense reserves. The increase in unearned premiums was due to additional premium written for OCIP and to the increase in ceded premiums payable due to ceded premiums in relation to the ELF program. The decrease in loss and loss adjustment expense reserves was due to increase in reserves on OCIP.

December 31, 2022 versus December 31, 2021

Total liabilities from December 31, 2021 to December 31, 2022 increased by \$62,913 or 7.3%. The increase in liabilities is due to an increase in unearned premiums, which is partially offset by decreases in loss and loss adjustment expense reserves and ceded premiums payable. The increase in unearned premiums was due to additional premium written for the OCIP and builders risk programs. The decrease in loss and loss adjustment expense reserves was due to lower reserves for the all agency protective liability, OCIP and excess loss programs and partially offset by reserve increases in stations and force and builders risk. The decrease in ceded premiums payable was due to the payment of premiums related to the ELF program.

Significant Changes in Net Position

December 31, 2023 versus December 31, 2022

In 2023, the restricted net position increase of \$82,135 is comprised of operating revenues of \$112,996 plus non-operating revenue of \$47,962 and operating expenses of \$78,823.

December 31, 2022 versus December 31, 2021

In 2022, the restricted net position decrease of \$31,981 is comprised of operating revenues of \$128,790 less non-operating loss of \$78,432 and operating expenses of \$82,339.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2023	2022	2021	Increase/(Decrease)	
				2023-2022	2022-2021
Operating revenues	\$112,996	\$128,790	\$103,234	\$ (15,794)	\$ 25,556
Operating expenses	<u>78,823</u>	<u>82,339</u>	<u>157,466</u>	<u>(3,516)</u>	<u>(75,127)</u>
Operating income/(loss)	34,173	46,451	(54,232)	(12,278)	100,683
Non-operating (loss)/income	<u>47,962</u>	<u>(78,432)</u>	<u>(8,305)</u>	<u>126,394</u>	<u>(70,127)</u>
Change in net position	82,135	(31,981)	(62,537)	114,116	30,556
Restricted net position— Beginning of year	<u>192,629</u>	<u>224,610</u>	<u>287,147</u>	<u>(31,981)</u>	<u>(62,537)</u>
Restricted net position— End of year	<u>\$274,764</u>	<u>\$192,629</u>	<u>\$224,610</u>	<u>\$ 82,135</u>	<u>\$ (31,981)</u>

Operating Revenues—Operating revenues between 2022 and 2023 decreased by \$15,794 or 12.3%. The decrease is primarily due to a decrease in earned premium for the OCIP casualty program. Earned premium for OCIP casualty programs are based on completion of the project construction.

Operating revenues between 2021 and 2022 increased by \$25,556 or 24.8%. The increase is primarily due to an increase in earned premium for the OCIP casualty program. Earned premium for OCIP casualty programs are based on completion of the project construction.

Operating Expenses—Operating expenses between 2022 and 2023 decreased by 4.3%, or \$3,516. The decrease was primarily due to a decrease in chargeback related expenses from the MTA.

Operating expenses between 2021 and 2022 decreased by 47.7%, or \$75,127. The decrease was primarily due to lower builders risk, OCIP and excess loss fund (“ELF”) loss and loss adjustment expenses.

Non-Operating Income—Non-operating income between 2022 and 2023 increased by 161.2%, or \$126,394. This is a result of an increase in net unrealized gains, interest and realized gain income on investments held by FMTAC.

Non-operating income between 2021 and 2022 decreased by 844.4%, or \$70,127. This is a result of an increase in net unrealized losses and a decrease in interest and realized gain income 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, 2023 and 2022, all programs administered by FMTAC have been reviewed and approved.

As of December 31, 2023 and 2022, 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—The United States Property/Casualty industry recorded a \$21.2 billion net underwriting loss in 2023, slightly improving from the \$24.9 billion loss recorded in the prior year, as 9.9% growth in net earned premiums was countered by a 4.5% increase in policyholder dividends and a 10% increase in incurred losses and loss adjustment expenses, as well as a 6.4% rise in other underwriting expenses. Losses in the personal lines segment, specifically homeowners' line of business, were primarily responsible for weak underwriting results. Based on data from companies whose 2023 annual statutory statements were received as of March 8 this year, the industry's combined ratio improved slightly to 101.6%, with an estimated catastrophe loss impact of 8.7 points on the 2023 combined ratio, up from an estimated 7.3 points in the prior year. With earned net investment income virtually unchanged from the prior-year period, the lower underwriting loss boosted pre-tax operating income 4.8% to \$50 billion.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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. Numerous passengers and several employees were injured. There has been a total of 72 claims related to this accident; 57 passenger injuries, 8 employee injuries and the remaining are property damage claims. The derailment caused damage to three passenger cars, the track area and the track equipment involved. At this time, 33 lawsuits have been filed against LIRR. LIRR has paid out the entire \$11 million FMTAC Force Account retention limit in expenses and settlements and \$8.6 million has impacted the ELF program. The current outstanding reserves are \$3.3 million and there are 8 open lawsuits.

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. To date, 122 claims have been put into suit. LIRR has paid out the entire \$11 million FMTAC Station Maintenance retention limit in expenses and settlements and \$19.57 million has impacted and there are 6 open lawsuits.

NYCTA Bicycle Case— On April 10, 2016, at about 3pm, the Plaintiff, rode a bicycle through a cordoned-off construction site beneath an elevated subway line and was struck by a rotted cross tie which was dropped into a designated "drop zone." Plaintiff sustained severe and permanent injuries and is confined to a long-term care facility. A Kings County Supreme Court jury found MTA NYCT 100% liable and awarded Plaintiff \$110 million. The trial judge reduced the pain and suffering awards after post-trial motions were made thereby reducing the total award to roughly \$69 million. The Authority appealed. The appellate court heard oral argument in November 2023. A decision is expected early 2024. Settlement has not been productive as plaintiff insists on recovering the entire judgment amount. The case has been reported to the ELF which would be responsible for any amount in excess of the \$11 million self-insured retention up to the remaining limits available.

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, 2021. In December 2020, TRIA was extended through to December 31, 2027. For additional information, please refer to the property section under Note 5.

Brooklyn NYCT Shooting—On April 12, 2022, at about 8:25 am, a man committed a mass shooting, which led to an explosion and smoke condition on Manhattan-bound N train as it traveled between 59th Street and 36th Street subway stations in Brooklyn. To date, 8 claims have been received and 4 lawsuits have been filed, with 1 lawsuit having 3 named plaintiffs. The cases have been consolidated for discovery and liability and are in the early stages of discovery. Thus, NYCT cannot predict the outcome of the litigation at this time. The case has been reported to the ELF which would be responsible for any amount in excess of the \$11 million self-insured retention up to the remaining limits available.

This financial report is designed to provide our customers and other interested parties with a general overview of FMTAC’s finances and to demonstrate FMTAC’s accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact Metropolitan Transportation Authority, Deputy Chief, Controller’s Office, 2 Broadway, New York, NY 10004.

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

STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	\$ 99,717	\$ 136,625
Investments (Note 4)	76,986	99,900
Funds held by reinsurer (Note 5)	8,181	7,817
Premiums receivable due from affiliates (Note 7)	170,300	120,313
Interest income receivable (Note 4)	4,902	3,799
Reinsurance receivable	-	106
Other assets	<u>5</u>	<u>6</u>
Total current assets	<u>360,091</u>	<u>368,566</u>
NONCURRENT ASSETS:		
Investments (Note 4)	776,978	652,315
Premiums receivable due from affiliates (Note 7)	6,257	-
Reinsurance recoverable	73,766	91,424
Owner Controlled Insurance Programs asset	<u>469</u>	<u>483</u>
Total noncurrent assets	<u>857,470</u>	<u>744,222</u>
TOTAL ASSETS	<u>\$1,217,561</u>	<u>\$1,112,788</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Unearned premiums	\$ 217,580	\$ 210,712
Ceded premium payable	12,427	1,717
Reinsurance recoverable reserves (Note 6)	-	106
Loss and loss adjustment expense liability (Note 6)	66,294	69,521
Losses payable	37,185	2,951
Due to affiliates	5,795	8,165
Accrued expenses	<u>1,179</u>	<u>1,404</u>
Total current liabilities	<u>340,460</u>	<u>294,576</u>
NONCURRENT LIABILITIES:		
Loss and loss adjustment expense liability (Note 6)	522,879	534,159
Reinsurance recoverable reserves (Note 6)	73,766	91,424
Ceded premium payable	<u>5,692</u>	<u>-</u>
Total noncurrent liabilities	<u>602,337</u>	<u>625,583</u>
Total liabilities	942,797	920,159
RESTRICTED NET POSITION	<u>274,764</u>	<u>192,629</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$1,217,561</u>	<u>\$1,112,788</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022
OPERATING REVENUES:		
Gross premiums written	\$ 209,657	\$ 266,469
Premiums ceded	(90,533)	(54,113)
Change in unearned premiums	<u>(6,128)</u>	<u>(83,566)</u>
Total operating revenues	<u>112,996</u>	<u>128,790</u>
OPERATING EXPENSES:		
Loss and loss adjustment	70,472	72,786
Underwriting	2,083	815
General and administrative	<u>6,268</u>	<u>8,738</u>
Total operating expenses	<u>78,823</u>	<u>82,339</u>
OPERATING INCOME	<u>34,173</u>	<u>46,451</u>
NON-OPERATING INCOME—Net investment income / (loss)	<u>47,962</u>	<u>(78,432)</u>
Total non-operating income / (loss)	<u>47,962</u>	<u>(78,432)</u>
CHANGE IN NET POSITION	82,135	(31,981)
RESTRICTED NET POSITION—Beginning of year	<u>192,629</u>	<u>224,610</u>
RESTRICTED NET POSITION—End of year	<u>\$ 274,764</u>	<u>\$ 192,629</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums and other receipts	\$ 74,330	\$ 152,118
Payments for claims and other operating expenses	<u>(56,346)</u>	<u>(91,974)</u>
Net cash provided by operating activities	<u>17,984</u>	<u>60,144</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(588,446)	(391,202)
Sales and maturities of investments	505,774	385,899
Earnings on investments	<u>27,780</u>	<u>19,461</u>
Net cash provided by/(used in) investing activities	<u>(54,892)</u>	<u>14,158</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(36,908)	74,302
CASH AND CASH EQUIVALENTS—Beginning of year	<u>136,625</u>	<u>62,323</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 99,717</u>	<u>\$ 136,625</u>
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 34,173	\$ 46,451
Adjustments to reconcile to net cash used in operating activities:		
Net decrease in accounts payable, accrued expenses and other liabilities	25,010	62,248
Net increase in receivables	<u>(41,199)</u>	<u>(48,555)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 17,984</u>	<u>\$ 60,144</u>

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

(Component Unit of the Metropolitan Transportation Authority)

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(In thousands, except as noted)

1. BASIS OF PRESENTATION

Reporting Entity—First Mutual Transportation Assurance Company (the “Company”), a component unit of the Metropolitan Transportation Authority (“MTA”), was incorporated under the laws of the State of New York (the “State”) as a pure captive insurance company on December 5, 1997, and commenced operations on that date. The Company was established to maximize the flexibility and effectiveness of the MTA’s insurance program and is governed by a Board of Directors consisting of members of the MTA. The Company’s financial position and results of operations are included in the MTA’s Comprehensive Annual Financial Report. The MTA is a component unit of the State of New York and is included in the State of New York’s Comprehensive Annual Financial Report of the Comptroller as a public benefit corporation.

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

The New York captive insurance statute requires a \$250 minimum unimpaired paid-in-capital and surplus be maintained by a pure captive insurance company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

FMTAC applies Governmental Accounting Standards Board (“GASB”) Codification of Governmental Accounting and Financial Reporting Standards (“GASB Codification”) Section P80, *Proprietary Accounting and Financial Reporting*.

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.

Restricted 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.

Premiums Ceded—Premiums ceded is where the Company is the named insured, and the insurer is an unrelated third-party re-insurance company. The ceded premiums are expensed over the term of the related policies. This arrangement is explained further in Note 5.

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, 2023 and 2022, cash and cash equivalents consisted of (in thousands):

	2023		2022	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Insured deposits	\$ 250	\$ 250	\$ 250	\$ 250
Loss escrows	26,415	26,415	7,031	7,031
Uninsured deposits	73,052	73,052	129,344	129,344
	<u>\$ 99,717</u>	<u>\$ 99,717</u>	<u>\$ 136,625</u>	<u>\$ 136,625</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 \$26,415 and \$7,031 as of December 31, 2023 and 2022, 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, 2023 and 2022 (in thousands):

	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Funds for claim payments	\$ 526,409	\$ 557,004	\$ 449,382	\$ 505,885
Security trust funds	<u>327,540</u>	<u>338,709</u>	<u>302,833</u>	<u>319,753</u>
	<u>\$ 853,949</u>	<u>\$ 895,713</u>	<u>\$ 752,215</u>	<u>\$ 825,638</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 Statements 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, 2023 and 2022.

The yield to maturity rate was 4.44% for the year ended December 31, 2023, and 4.61% for the year ended December 31, 2022. For the year ended December 31, 2023, the Company had realized losses of \$17,372 and had unrealized gains of \$31,638. For the year ended December 31, 2022, the Company had realized gains of \$8,828 and had unrealized losses of \$88,373. Additional investment income was earned from the RCAMP investments and the money market fund. Income from these sources were \$2,779 and \$1,113 for the years ended December 31, 2023 and 2022, respectively.

Interest Rate Risk and Investments at Fair Value—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Duration is a measure of interest rate risk. The greater the duration of a bond or portfolio of bonds, the greater its price volatility will be in response to a change in interest rate risk and vice versa. Duration is an indicator of a bond price's sensitivity to 100 basis point change in interest rates. Duration is expressed as a number of years.

The Company categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the Company's investments. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Listed below are the recurring fair value measurements as of December 31, 2023 and 2022. 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)	2023		2023			
	Fair Value	Duration (Years)	Total	Fair Value Measurements		
Investment Type				Level 1	Level 2	Level 3
Treasury ⁽¹⁾	\$ 374,503	4.32	\$ 374,503	\$ -	\$ 374,503	\$ -
Agency ⁽²⁾	114,461	6.22	114,461	-	114,461	-
Asset backed securities	71,510	3.26	71,510	-	71,510	-
Commercial mortgage backed securities	173,298	5.25	173,298	-	173,298	-
Foreign bonds	9,925	5.66	9,925	9,925	-	-
Corporate bonds	115,154	5.89	115,154	115,154	-	-
Equities	-		-	-	-	-
Total	858,851		858,851	<u>\$ 125,079</u>	<u>\$ 733,772</u>	<u>\$ -</u>
Less accrued interest	<u>(4,661)</u>		<u>(4,661)</u>			
Total investments	<u>\$ 854,190</u>		<u>\$ 854,190</u>			

Including but not limited to:

(1) U.S. Treasury Notes

(2) Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation

(In thousands)	2022		2022			
	Fair Value	Duration (Years)	Total	Fair Value Measurements		
Investment Type				Level 1	Level 2	Level 3
Treasury ⁽¹⁾	\$ 313,764	3.82	\$ 313,764	\$ -	\$ 313,764	\$ -
Agency ⁽²⁾	93,094	5.63	93,094	-	93,094	-
Asset backed securities	48,116	3.59	48,116	-	48,116	-
Commercial mortgage backed securities	159,729	5.07	159,729	-	159,729	-
Foreign bonds	15,101	5.77	15,101	15,101	-	-
Corporate bonds	125,714	5.81	125,714	125,714	-	-
Equities	<u>480</u>		<u>480</u>	<u>480</u>	<u>-</u>	<u>-</u>
Total	755,998		755,998	<u>\$ 141,295</u>	<u>\$ 614,703</u>	<u>\$ -</u>
Less accrued interest	<u>(3,783)</u>		<u>(3,783)</u>			
Total investments	<u>\$ 752,215</u>		<u>\$ 752,215</u>			

Including but not limited to:

⁽¹⁾ U.S. Treasury Notes

⁽²⁾ Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation

Credit Risk—At December 31, 2023, 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	\$ 318,847	37.1 %
AA	14,190	1.7
A	77,785	9.1
BBB	41,558	4.8
Not rated	<u>32,545</u>	<u>3.8</u>
Credit risk debt securities	484,925	56.5
U.S. Government Notes	<u>373,926</u>	<u>43.5</u>
Total fixed income securities	858,851	<u>100.0 %</u>
Equities		
Less accrued interest	<u>(4,661)</u>	
Total investments	<u>\$ 854,190</u>	

Credit Risk—At December 31, 2022, 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	\$ 217,798	28.8 %
AA	33,730	4.5
A	69,051	9.1
BBB	47,058	6.2
Not rated	<u>74,117</u>	<u>9.8</u>
Credit risk debt securities	441,754	58.4
U.S. Government Notes	<u>313,764</u>	<u>41.5</u>
Total fixed income securities	755,518	<u>100.0 %</u>
Equities	480	
Less accrued interest	<u>(3,783)</u>	
Total investments	<u>\$ 752,215</u>	

5. INSURANCE PROGRAMS

Property Program—Effective May 1, 2023, 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 \$500,000 per occurrence covering property of the related entities collectively through self-insured and reinsured in the domestic and offshore marketplaces. 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 \$100,000 of fully collateralized 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 19, 2023 to April 30, 2026. The program is a Catastrophic Bond reinsured by MetroCat Re Ltd. 2023-1, a Bermuda special purpose insurer independent from the MTA and formed to provide FMTAC with capital markets based storm surge reinsurance. The MetroCat Re Ltd. 2023-1 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.

Terrorism Program—Effective May 1, 2023, 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 effective from May 1, 2023 to May 1, 2025.

With respect to acts of terrorism, FMTAC provides direct coverage that is reinsured by the United States Government for 80% of “certified” losses in 2023, as covered by the Terrorism Risk Insurance Act (“TRIA”) of 2019 (originally introduced in 2002). Under the 2020 extension, terrorism acts sponsored by both foreign and domestic organizations are covered. The remaining 20% 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 \$200,000 (“trigger”) for 2023. There were no certified losses by the United States Government in 2023 that exceeded the trigger. In December 2020, the United States government’s reinsurance of TRIA was extended until December 31, 2027.

To supplement the reinsurance to FMTAC through the 2019 Terrorism Risk Insurance Program Reauthorization Act (“TRIPRA”) program, FMTAC obtained an additional commercial reinsurance policy with various reinsurance carriers in the domestic, London and European marketplaces. That policy provides coverage for (1) 20% of any “certified” act of terrorism in 2023—up to a maximum recovery of \$215,000 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 20% “certified” acts of terrorism insurance in 2023 or (3) 100% of any “certified” terrorism loss which exceeds \$5,000 and less than the \$200,000 TRIPRA trigger—up to a maximum recovery of \$200,000 for any occurrence and in the annual aggregate.

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, 2023, FMTAC directly provides an All-Agency Excess Liability Policy to the MTA and its subsidiaries and affiliates. With the exception of one carrier, the limits are fully reinsured in the domestic, London, European and Bermuda marketplaces. The limits include claims arising from acts of terrorism.

Stations and Force Liability—Effective December 15, 2023, the Company renewed its direct insurance for the first \$11,000 per occurrence losses for Long Island Rail Road Company (“LIRR”) and Metro-North Commuter Railroad Company (“MNCR”) 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, 2023, the net retention to the Company is \$2,000 per occurrence. The Company also issued a policy for \$9,000 excess of \$2,000 per occurrence with an \$18,000 annual aggregate.

Paratransit—Effective March 1, 2023, the Company renewed with the MTA, a self-insured retention reimbursement policy for the auto liability on the New York City Transit (“NYCT”) Paratransit operations. The Company is responsible for the first \$3,000 per occurrence. Effective March 1, 2024, the Company renewed with the MTA, a self-insured retention reimbursement policy for the New York City Transit (“NYCT”) Paratransit operations. The Company is responsible for \$3,000 per occurrence.

Non-Revenue—Effective March 1, 2023, 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 \$1,000 per occurrence of every claim, excluding Allocated Loss Adjusted Expenses (“ALAE”). Under a separate reinsurance agreement with Travelers, effective March 1, 2023, the Company assumed 100% of the Allocated Loss Adjusted Expenses. Effective March 1, 2023, the Company issued a \$5,000 excess of \$6,000 per claim policy with no aggregate. Effective March 1, 2024, the Company restructured its non-revenue auto liability policy with the MTA’s non-revenue fleet program. The Company is responsible for \$9,000 per occurrence of every claim excess of the \$1,000 per occurrence of the commercial insurance program. The commercial insurance program is excess of the MTA’s \$1,000 self-insured funding program.

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 owner-controlled insurance program asset as the Company may have to make payments to contractors with favorable loss experience.

OCIP (asset)/liability consists of the following on December 31, 2023 and 2022 (in thousands):

	2023	2022
NYCT structures lines	\$ 532	\$ 532
LIRR/MNCR 2000–2004 Capital Improvement Program	(2,461)	(2,461)
NYCT 2000–2004 line structures/shops, yards and depots Capital Improvements Program	(2,016)	(1,956)
NYCT 2000–2004 stations and escalators/elevators Capital Improvements Program	(761)	(712)
LIRR/MNR 2005–2009 Capital Improvement Program	(21)	(21)
CCC Second Ave. Subway	<u>4,258</u>	<u>4,135</u>
OCIP (asset)	<u>\$ (469)</u>	<u>\$ (483)</u>

The activity of all funds held by the OCIP reinsurer consists of the following for 2023 and 2022 (in thousands):

	2023	2022
Funds held by OCIP insurers—beginning of year	\$ 7,817	\$ 7,301
Interest income	349	61
Claims payments	<u>15</u>	<u>455</u>
Funds held by OCIP reinsurer	<u>\$ 8,181</u>	<u>\$ 7,817</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) LIRR/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 consists 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 \$63 and \$16 during the years ended December 31, 2023 and 2022, 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. There were withdrawals from the Company of \$123 and \$4 and claim payments of \$48 and \$63 during the years ended December 31, 2023 and 2022, respectively.

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. 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 \$14 and \$4 in interest income during the years ended December 31, 2023 and 2022, respectively. There were no withdrawals from the Company during the years ended December 31, 2023 and 2022, 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 2023 and 2022, \$6,396 and \$6,001 has been set aside to cover this exposure, respectively. During 2023 and 2022, the Company earned \$272 and \$41 in interest, respectively, with withdrawals of \$123 and \$513 in 2023 and 2022, respectively.

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 and then in 2021 further extended to April 1, 2023. The program ended as of April 1, 2023. 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. In 2021, this coverage was extended to April 1, 2023. The program ended as of April 1, 2023.

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 2021–2025 Combined Capital Construction Program Bridge Program—Effective June 30, 2021, 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 \$750 per occurrence resulting from Workers' Compensation and the first \$1,500 from General Liability losses during the MTA 2021–2025 Combined Capital Construction Bridge Program. On February 9, 2022, this coverage was extended to June 30, 2027.

MTA LIRR 3rd 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.

MTA 2022–2024 Mini RFP Program—Effective June 30, 2022, the Company entered into a multi-year agreement with ACE American Insurance Company and the MTA. The Company will hold the collateral and loss funding for the first \$750 per occurrence resulting from Workers' Compensation and the first \$2,500 from General Liability losses until June 30, 2028.

MTA 2022–2024 Mini RFP Program #2 —Effective September 30, 2023, the Company entered into a multi-year agreement with Liberty Mutual Insurance Company and the MTA. The Company will hold the collateral and loss funding for the first \$750 per occurrence resulting from Workers' Compensation and the first \$3,000 from General Liability losses until September 30, 2029.

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 and then further extended to December 31, 2022, for an additional ceded premium of \$7,202. 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 expired on June 30, 2023. Effective June 1, 2021, the policy was extended from June 30, 2023 to June 30, 2025 for an additional premium of \$480.

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

On June 30, 2022, the Company wrote a builders risk deductible reimbursement policy with the MTA for the Mini RFP #1 project with limits of \$250 per occurrence with a \$25 contractor deductible per claim. The policy will expire on June 30, 2028.

On September 26, 2022, the Company wrote a builders risk liability policy with the MTA for the Metro-North Penn Station Access project with limits of \$1,400 per occurrence and in aggregate. The policy was written for 60 days.

On December 31, 2022, the Company wrote a builders risk deductible reimbursement policy with the MTA for the Metro-North Penn Station Access project with limits of \$500 per occurrence. The policy will expire on July 29, 2027.

On September 30, 2023, the Company wrote a builders risk deductible reimbursement policy with the MTA for the Mini OCIP #2 project with limits of \$250 per occurrence with a \$50 contractor deductible per claim. The policy will expire on October 1, 2029.

6. LOSS AND LOSS ADJUSTMENT EXPENSES AND REINSURANCE

The following schedule presents changes in the loss and loss adjustment expense liabilities during 2023 and 2022 (in thousands):

Loss reinsurance recoverable on unpaid losses and loss expenses	<u>(91,424)</u>	<u>(92,609)</u>
Net balance—beginning of year	603,786	619,727
Loss and loss adjustment expenses	70,472	72,786
Payments attributable to insured events of the current year	<u>(85,085)</u>	<u>(88,727)</u>
Net balance—end of year	589,173	603,786
Plus reinsurance recoverable on unpaid losses and loss expenses	<u>73,766</u>	<u>91,424</u>
Loss and loss adjustment expense liability—end of year	662,939	695,210
Less current portion	<u>66,294</u>	<u>69,627</u>
Long-term liability	<u>\$ 596,645</u>	<u>\$ 625,583</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, 2023 and 2022, was as follows (in thousands):

	2023		2022	
	Receivable	Earned	Receivable	Earned
LIRR	\$ 17,613	\$ 15,210	\$ 14,964	\$ 11,743
MNCR	2,773	2,949	1,986	2,089
MTA	<u>156,171</u>	<u>94,837</u>	<u>103,363</u>	<u>114,958</u>
	<u>\$ 176,557</u>	<u>\$ 112,996</u>	<u>\$ 120,313</u>	<u>\$ 128,790</u>

Included in General and Administrative expenses for the years ended December 31, 2023 and 2022, respectively, are amounts the MTA charged of \$5,818 and \$8,297, respectively, to FMTAC for risk management services provided to the Company of which \$5,795 and \$7,500 remain as a liability at December 31, 2023 and 2022, respectively.

8. NYCTA BICYCLE CASE

NYCTA Bicycle Case— On April 10, 2016, at about 3pm, the Plaintiff, rode a bicycle through a cordoned-off construction site beneath an elevated subway line and was struck by a rotted cross tie which was dropped into a designated “drop zone.” Plaintiff sustained severe and permanent injuries and is confined to a long-term care facility. A Kings County Supreme Court jury found MTA NYCT 100% liable and awarded Plaintiff \$110 million. The trial judge reduced the pain and suffering awards after post-trial motions were made thereby reducing the total award to roughly \$69 million. The Authority appealed. The appellate court heard oral argument in November 2023. A decision is expected early 2024. Settlement has not been productive as plaintiff insists on recovering the entire judgment amount. The case has been reported to the ELF which would be responsible for any amount in excess of the \$11 million self-insured retention up to the remaining limits available.

9. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through _____, 2024, to ensure that these financial statements include appropriate recognition and disclosure of recognized events in the financial statements as of December 31, 2023. As of _____, 2024, there were no subsequent events that required recognition or disclosure.

* * * * *

ACTUARIAL CERTIFICATION

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

**Statement of Actuarial Opinion
as of December 31, 2023**

IDENTIFICATION

I, Steven G. McKinnon, am a Senior Principal of the firm of Oliver Wyman Actuarial Consulting, Inc. I was appointed by the Board of Directors of First Mutual Transportation Assurance Company (hereinafter referred to as "FMTAC" or "the Company") on August 1, 2017 to render an opinion on the Company's December 31, 2023 loss and loss adjustment expense reserves as filed with the Department of Financial Services of the State of New York. I am a member of the American Academy of Actuaries and meet the definition of a Qualified Actuary per the NAIC Annual Statement Instructions – Property and Casualty, Actuarial Opinion. I am a member in good standing and a Fellow of the Casualty Actuarial Society.

SCOPE

These reserves, as included in the Financial Statement as of December 31, 2023 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 evaluated as of December 31, 2023 and reviewed information provided to me by the Company through February 28, 2024 (review date). This information was provided by Ms. Claudia Reuben (current Acting Director, MTA Risk and Insurance Management and current Vice President and Secretary of FMTAC), Mr. Laudwin Pemberton (current Deputy Director, MTA Risk and Insurance Management and Acting Vice President of FMTAC), and their designees. 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 or any recoverable other than reinsurance recoverables.

OPINION

In my opinion, giving consideration to the Relevant Comments herein, the Company's December 31, 2023 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;
- 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

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 and the potential for catastrophic claims to trigger a large claim under the Excess Loss Program. 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.

- Nature of Coverages Written – The Company has historically written workers compensation and general liability coverages. The ultimate value of these 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.
- Potential for Large Claim(s) in Excess Loss Program – Under the Excess Loss Program, the Company provides \$50 million of coverage, on a per occurrence basis and in the aggregate annually, 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 also participates in certain layers, along with the excess carriers, above the \$50 Excess Loss Program layer. Similar structures, with various attachment points and limits, existed during prior years.

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. I have selected a materiality standard of 15% of the Company's total capital and surplus, or \$42,789,615. 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.

In my opinion, there is a significant risk of material adverse deviation from the carried net reserve amounts. I have considered the materiality standard listed above, as well as the major risk factors discussed above, in making this determination.

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, 2023. 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.

I note that there is currently a \$70 million property claim associated with damage caused by Hurricane Ida in 2021. This claim is 100% reinsured, and I have accepted the \$70 million reserve for this claim provided by the Company without further review.

The Company has represented that it knows of no uncollectible reinsurance cessions within the last two years. However, the Company has represented that there is an ongoing dispute with the property reinsurer(s) regarding a claim associated with the COVID-19 pandemic, and 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.

Underwriting Pools and Associations

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

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.

Risk Margin

The carried reserves do not include an explicit risk margin.

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.

In my evaluation, I considered uncertainties related to the COVID-19 pandemic, including but not limited to:


- uncertainty related to regulatory, legislative and judicial decisions;
- impacts to claim frequency and claim severity;
- the potential slowdown in claim notification, quantification and settlement processes; and
- the potential impact on future loss development patterns and settlement amounts.

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.

Supporting Documents and Usage

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

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



Steven G. McKinnon, FCAS, MAAA, FCA
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Melville, NY 11747
(631) 577-0555
Steven.McKinnon@oliverwyman.com

February 29, 2024

Exhibit A – SCOPE

Loss Reserves:

	<u>Amount</u>
1. Gross Reserve for Unpaid Losses (Page 2, Line 17)	\$646,706,771
2. Gross Reserve for Unpaid Loss Adjustment Expenses (Page 2, Line 18)	\$16,231,389
3. Gross Reserve for Unpaid Losses and Loss Adjustment Expenses [= (1) + (2)]	\$662,938,160
4. Reinsurance Recoverable on Unpaid Losses and Loss Adjustment Expenses (Page 2, Line 9)	\$73,765,664
5. Reserve for Unpaid Losses and Loss Adjustment Expenses [= (3) - (4)]	\$589,172,496

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 \$42,789,615
6. Is there a Significant Risk of Material Adverse Deviation?
Yes No Not Applicable
7. Statutory Surplus \$285,264,102

REGULATORY CHECKLIST

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

New York Regulatory Compliance Report As of May 20, 2024

<i>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</i>
<i>Financial Reports & Examinations</i>		
File Annual Report with NYSDFS	Within 60 days of fiscal year end	March 1, 2024
File Actuarial Certification of Loss Reserves.	Within 60 days of fiscal year end	March 1, 2024
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 exam as of 2020 – field work is complete. Waiting on final report.
<i>Taxes & Fees</i>		
File Premium Tax (Franchise Tax) Return with NYS Tax Dept	Within 3 ½ months after the reporting period (April 15 for December YE)	FMTAC is exempt from NYS taxes
Pay Premium Tax to NYS Tax Dept.	12/15	FMTAC is exempt from NYS taxes
NYS Department of Financial Services Examination Fees	Due at the end of an exam, based on time incurred.	Will be paid as invoiced
Pay Assessment Surcharge per Section 206 of NYSDFS Law	Due quarterly when invoiced by NYSDFS	FMTAC is exempt from NYSDFS Assessments
<i>Underwriting</i>		
Changes in insurance programs (coverage, limits, reinsurers)	Approval is required for business plan changes	In Compliance
Insurance policies and reinsurance agreements	Insurance documentation must be on file in principal office in New York	In Compliance
<i>Investments</i>		
Maintain Minimum required capital and surplus in prescribed form [Cash, LOC, or investment type as described in section 7004, section (b)(2)]	\$250,000 of total surplus (\$100,000 shall represent paid-in capital)	In Compliance
Intercompany loans	Prior approval from NYSDFS required.	In Compliance
<i>Corporate Governance</i>		
Notify changes of Directors and Officers to NYSDFS	Notify within 30 days and submit biographical affidavits for any new individuals	Biographical affidavits not applicable. Notice of appointments of new MTA/FMTAC directors (made by Governor following background checks and Senate confirmation process) are made to NYSDFS within 30 days. NYSDFS fingerprinting requirement has been waived.

<i>Description</i>	<i>Requirement / Due Date</i>	<i>Comments/Date Completed</i>
	<i>Corporate Governance, con't</i>	
File Certificate of Compliance for License Renewal with NYSDFS	Annually by June 30	In progress
Certificate of Designation	Information needs to remain current	In Compliance
NYS Resident Directors	Minimum of two NY resident directors	In Compliance
Hold Annual Meeting of Directors	Must be held annually in NYS	In Compliance – May 20, 2024
	<i>Other Filings</i>	
NY Cyber Regulation	Sec 500.17b written statement by Captive they are in compliance is due April 15, 2023	April 10, 2024
Annual Terrorism Risk Insurance Act (“TRIA”) data reporting	Annually, May 15	2024 data to be submitted on or prior to May 15, 2024

INVESTMENT REPORT

FMTAC Board Presentation

May 2024

BlackRock

FMTAC Board Presentation

BlackRock managed portfolios for First Mutual Transportation Assurance Company include:

- FMTAC Ace American Trust
- FMTAC Discovery Re Trust
- FMTAC Excess Loss Fund
- FMTAC General Operating Account
- FMTAC Liberty Trust East Side Access
- FMTAC Liberty Trust '06 NY Transit Authority
- FMTAC Master Builders' Risk
- FMTAC Star Indemnity

PREPARED FOR FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY - NOT FOR PUBLIC DISTRIBUTION

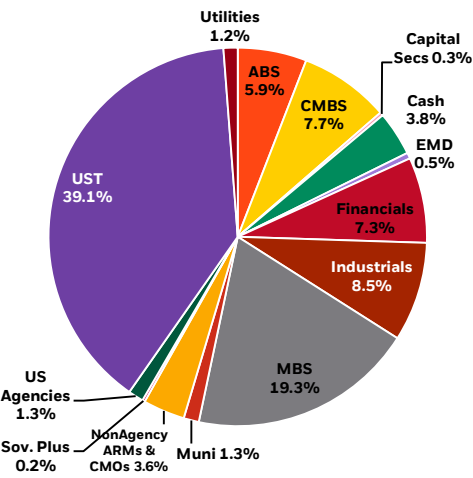
FMTAC Aggregate Portfolio

FMTAC-AGG

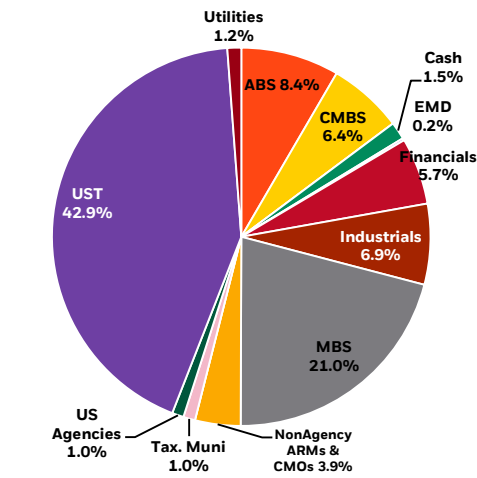
Total Portfolio: Sector Positioning & Characteristics

Portfolio Change

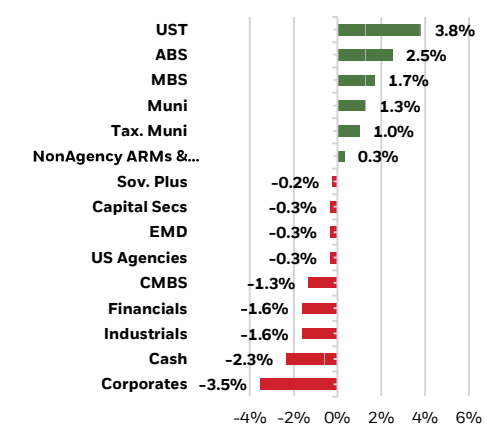
As of December 31, 2022



As of December 31, 2023



Portfolio Change 12/31/2022 vs. 12/31/2023



	Portfolio
Duration	4.48
Avg. Moody's/S&P Rating	Aa1/AA
Market Yield	4.81
Book Yield (excl. Cash)	2.61
YTD Interest Income (\$000)	18,948
Net Asset Value (\$000)	775,580

	Portfolio
Duration	4.52
Avg. Moody's/S&P Rating	Aa1/AA
Market Yield	4.65
Book Yield (excl. Cash)	3.59
YTD Interest Income (\$000)	24,031
Net Asset Value (\$000)	880,337

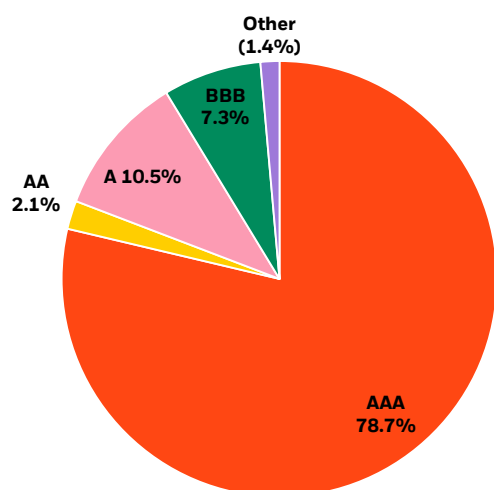
Portfolio Change 12/31/2022 vs. 12/31/2023	
Chg. in Active Duration	+4 bps
Avg. Moody's/S&P Rating	No Change
Active Market Yield	-16 bps
Book Yield (excl. cash)	+98 bps
Net Assets Value(\$000)	104,757
Unrealised G/L(\$000)	175,162

Note: MBS above consists of 30YR & 15 YR passthroughs, agency ARM's & CMO's. Other credit includes HY, EM, and sovereign plus
Benchmark: No Benchmark

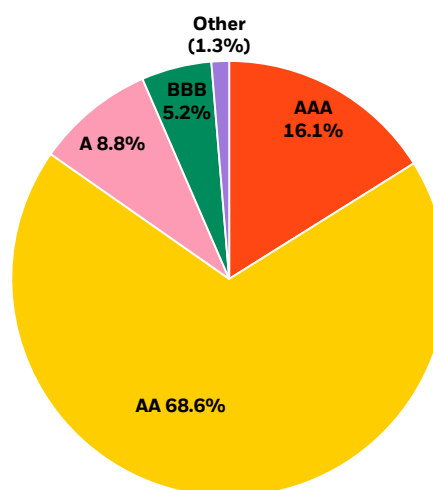
Total Portfolio: Ratings & Key Rate Duration

Portfolio Change

As of December 31, 2022



As of December 31, 2023



Effective Duration Buckets as of December 31, 2023

	Total	<1Y	1Y-5Y	5Y-10Y	10Y-20Y	20Y+
Duration	4.52	0.34	3.26	6.40	14.97	-
Market Value%	100.00%	12.11%	52.26%	29.85%	5.79%	0.00%

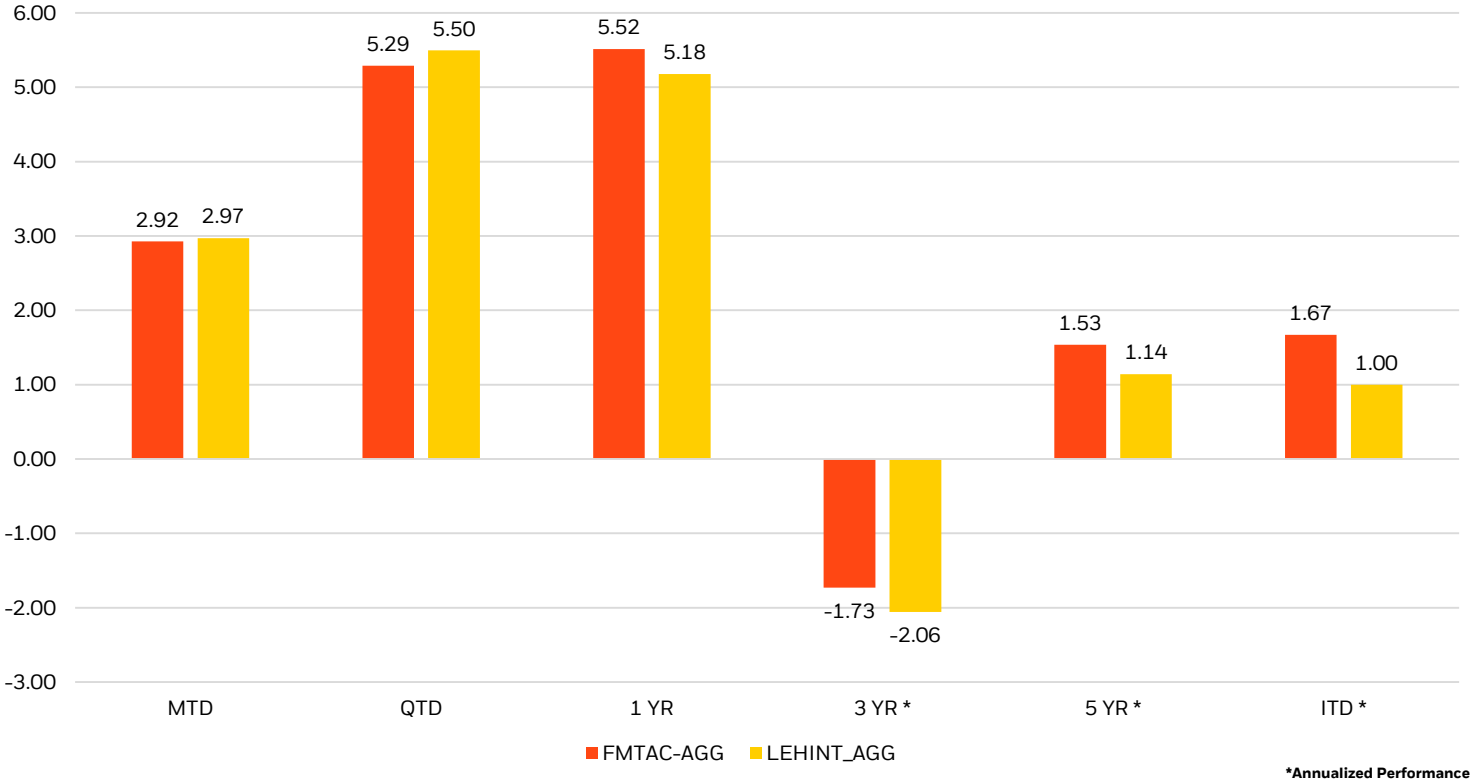
Standard Barclays Rating

Benchmark: No Benchmark

The decrease in AAA rated securities is due to the US Government Debt rating downgrade by Fitch from AAA to AA+ on August 2, 2023

Aggregate Portfolio Performance (%)

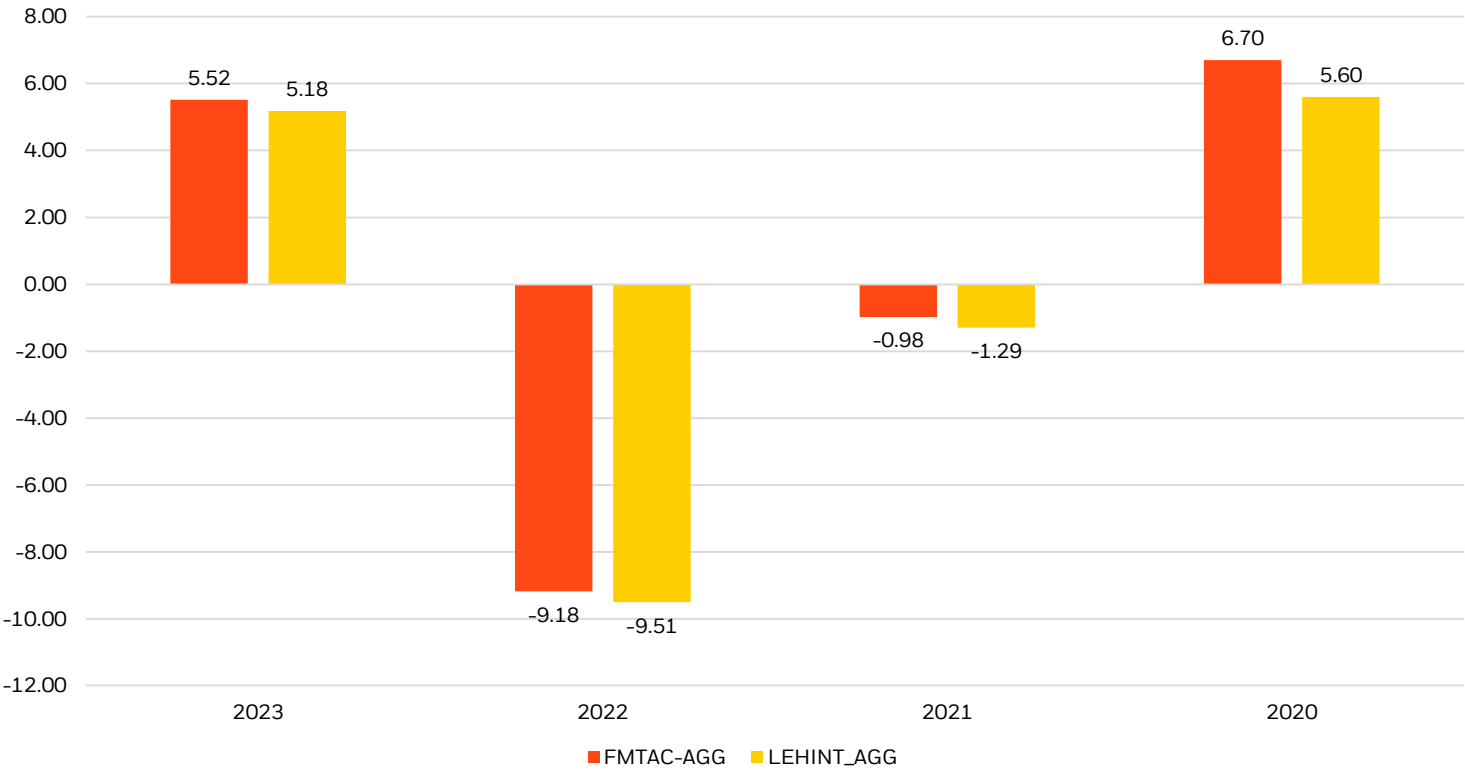
As of December 31, 2023



- LEHINT_AGG = BBG Intermediate Aggregate Index
- The Aggregate Portfolio is not managed to an official benchmark
- The listed index is for illustrative purposes at the request of FMTAC but is not an official contracted benchmark to the Aggregate Portfolio. This index was selected as it has comparable asset classes and duration to the Aggregate Portfolio.
- Official performance is measured at the individual portfolio level as displayed on slide 35

Aggregate Portfolio Performance (%)

Annual Performance 2020-2023

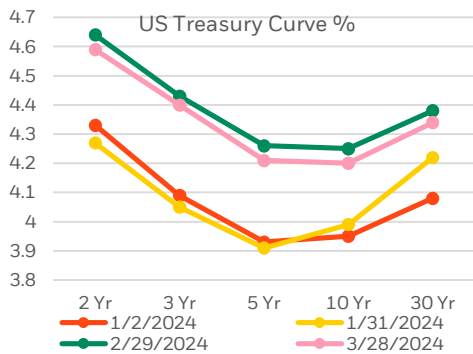


- LEHINT_AGG = BBG Intermediate Aggregate Index
- The Aggregate Portfolio is not managed to an official benchmark
- The listed index is for illustrative purposes at the request of FMTAC but is not an official contracted benchmark to the Aggregate Portfolio. This index was selected as it has comparable asset classes and duration to the Aggregate Portfolio.
- Official performance is measured at the individual portfolio level as displayed on slide 35

Macro Outlook

March 2024: Fed in holding pattern amidst economic resilience

Rates remained fairly rangebound in March, despite selling off for the majority of 2024



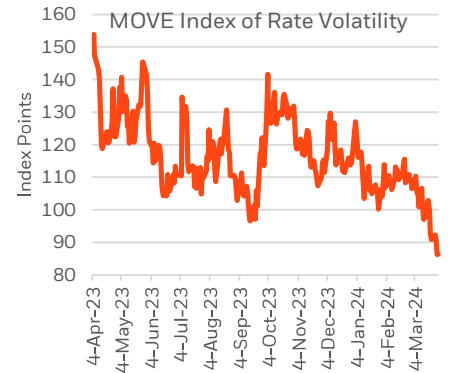
Past Performance is not a reliable indicator of future results. Source: The US Treasury as of March 28, 2024.

Markets became more comfortable with the Fed Dots which project 3 rate cuts in 2024...



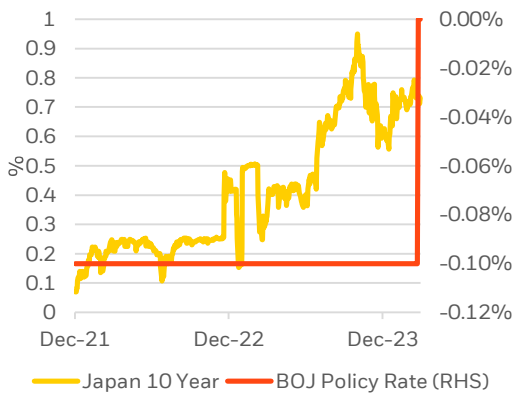
Source: Bloomberg as of March 29, 2024.

...allowing rate volatility to follow a comfortable downward trend.



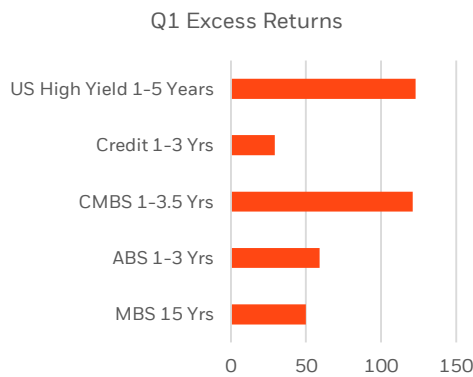
Source: Bloomberg as of March 28, 2024.

The most notable central bank move was from the BOJ that left its negative interest rate policy



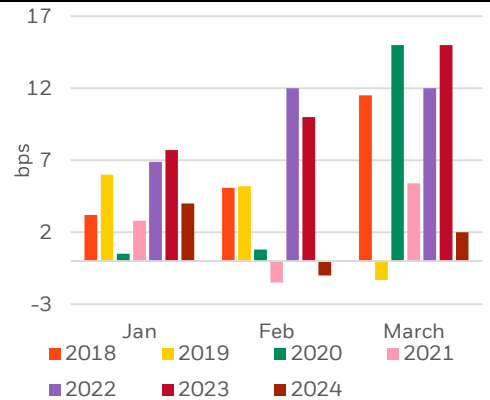
Source: Bloomberg as of March 28, 2024.

CMBS and HY outperformed other spread sectors in Q1 as investors moved to higher carry sectors



Source: Bloomberg as of March 31, 2024. Past performance is not a reliable indicator of future results. It is not possible to invest directly into an index.

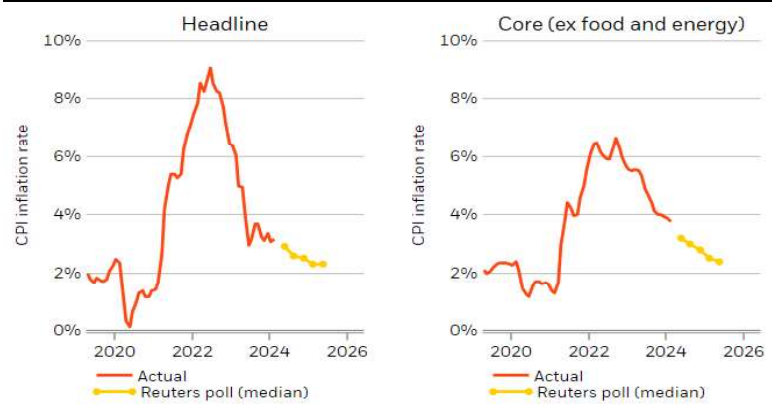
IG Credit new issue concessions have dropped materially, indicative of strong demand



Source: Bloomberg, BlackRock as of March 31, 2024.

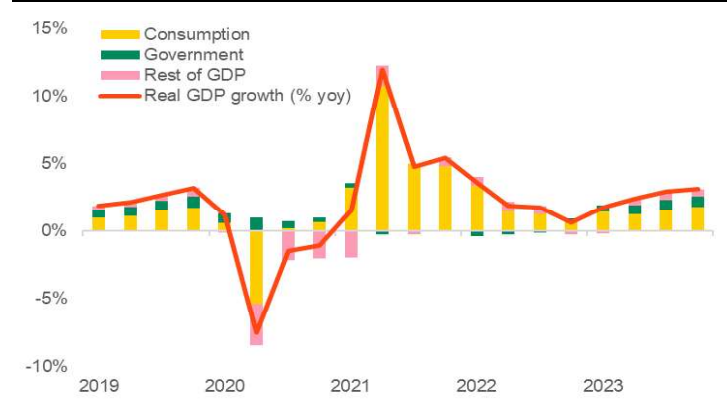
US Macro Overview

Core Goods inflation continues to deflate while Core Services inflation remains sticky



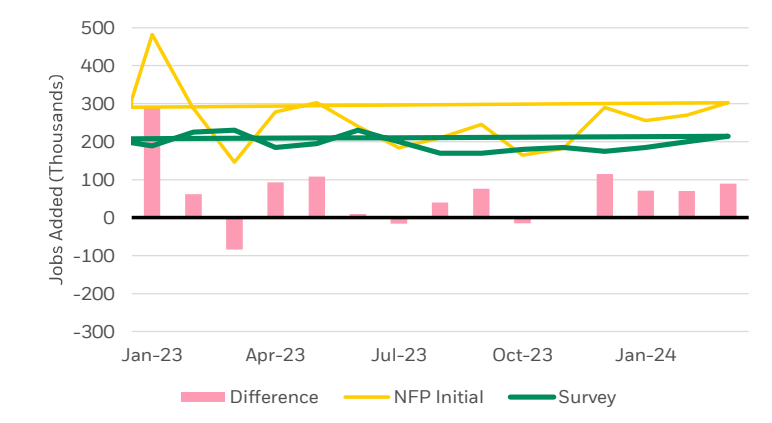
Source: Bureau of Labor Statistics and Haver Analytics, Charts by BlackRock as of March 31, 2024

We expect contributions to GDP from consumption and government spending to slow over 2024



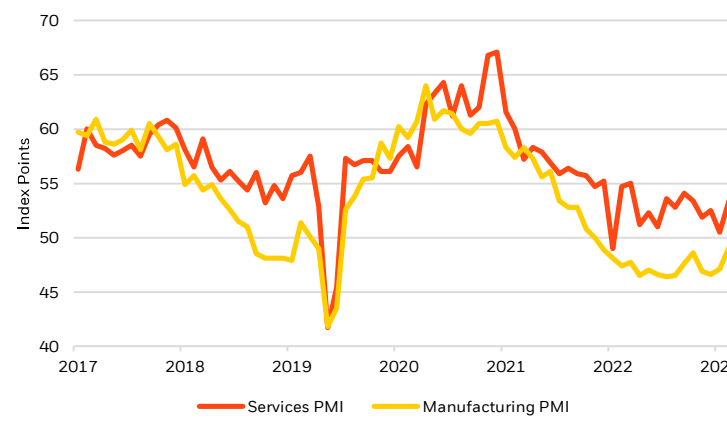
Source: Bloomberg as of March 31, 2024

The economy added \$303K jobs in March, led by healthcare, marking the 39th consecutive month of solid job growth in the US



Source: Bureau of Labor Statistics and Haver Analytics, Chart by BlackRock as of March 31, 2024

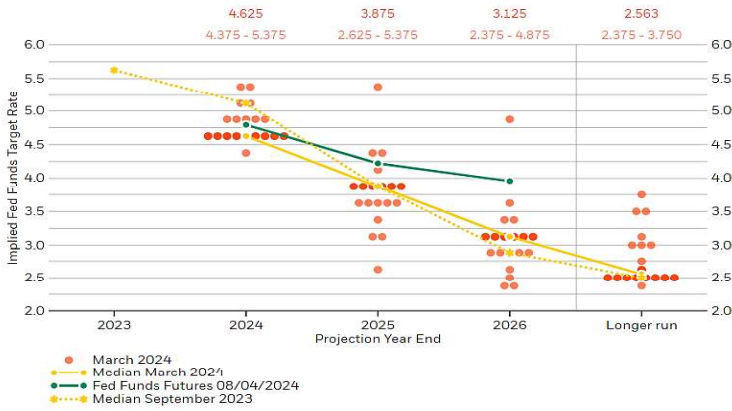
Manufacturing PMI rose to expansionary territory as new orders, production, and employment surprised to the upside



Source: Bloomberg as of March 31, 2024

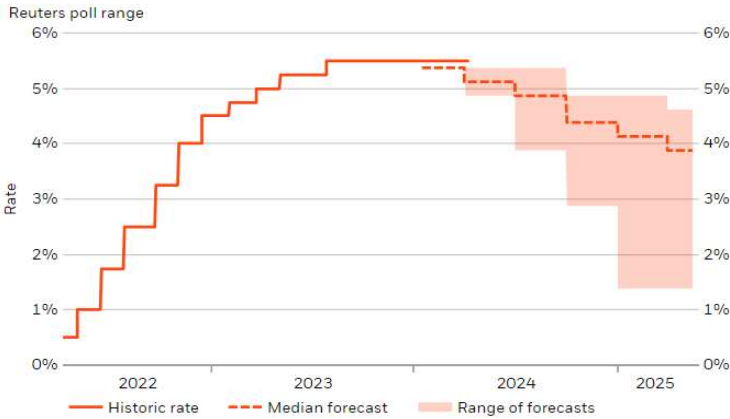
Fed and US Rates Overview

The latest Fed's dot plot penciled in ~75 bps of rate cuts for 2024



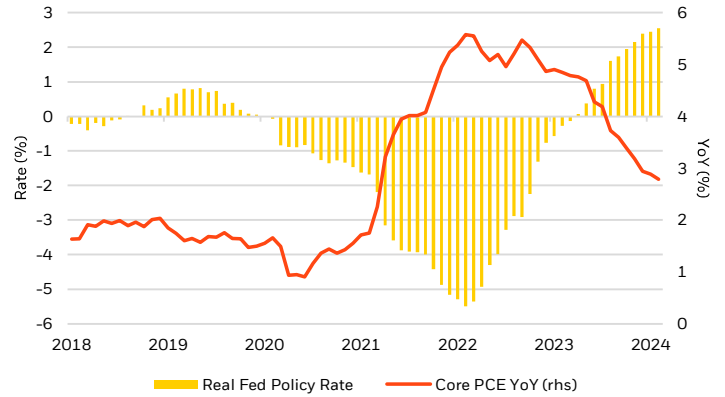
Source: Bloomberg as of March 31, 2024

Latest Economists' Forecasts show expectations for ~50 – 150 bps of rate cuts in the next two years



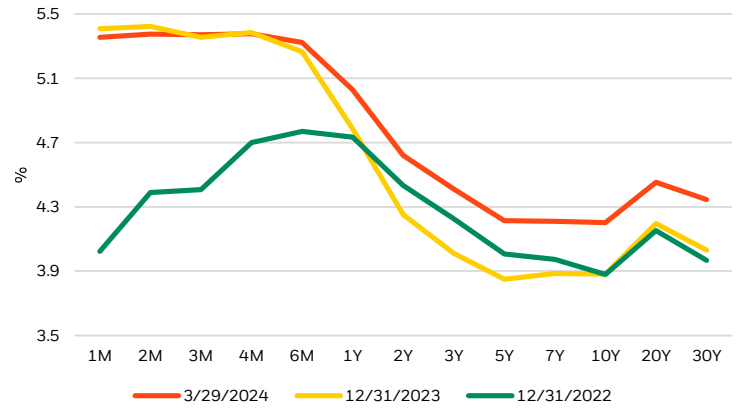
Source: Bloomberg as of March 31, 2024

Fed's real policy rate has become increasingly restrictive as inflation has been declining



Source: Bloomberg as of February 29, 2024

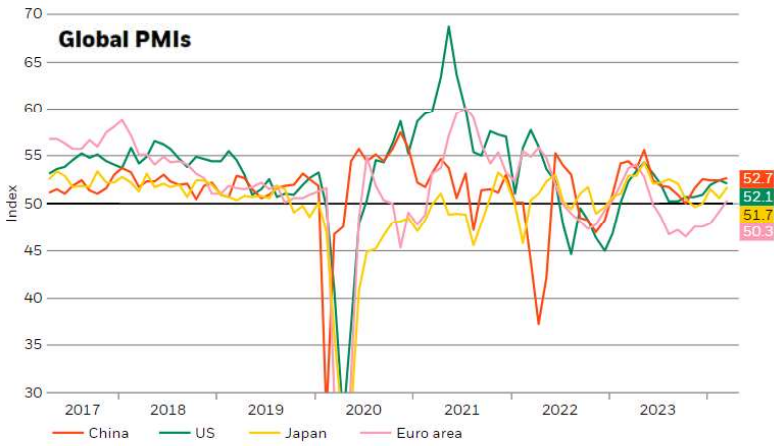
Yield curve remains deeply inverted but is likely to steepen from here



Source: Bloomberg as of March 31, 2024

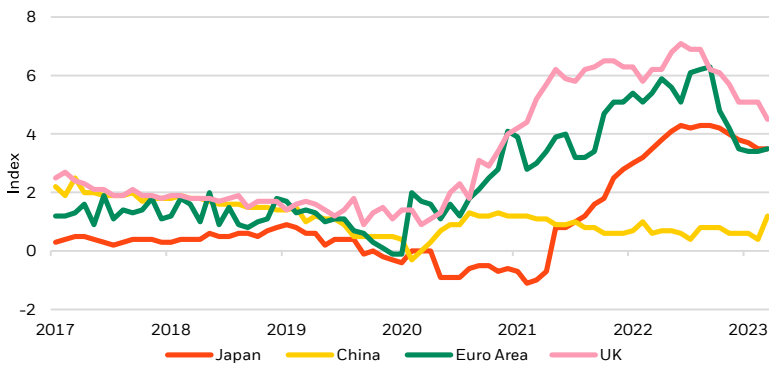
Global Macro Backdrop

Major global economies remain in the expansionary area, except for Eurozone



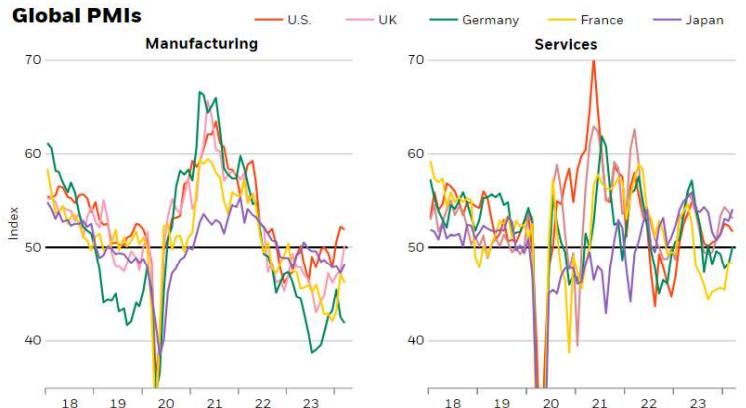
Source: Bloomberg as of March 31, 2024

Global inflation levels have likely peaked and are normalizing



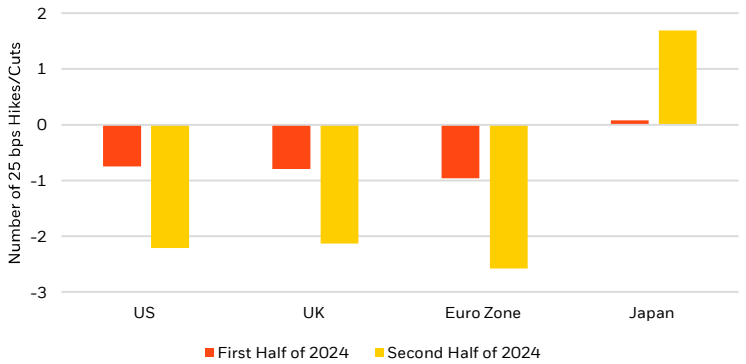
Source: Bloomberg as of March 31, 2024

However, details showed bifurcation in recovery between Manufacturing and Services industries



Source: Bloomberg as of March 31, 2024

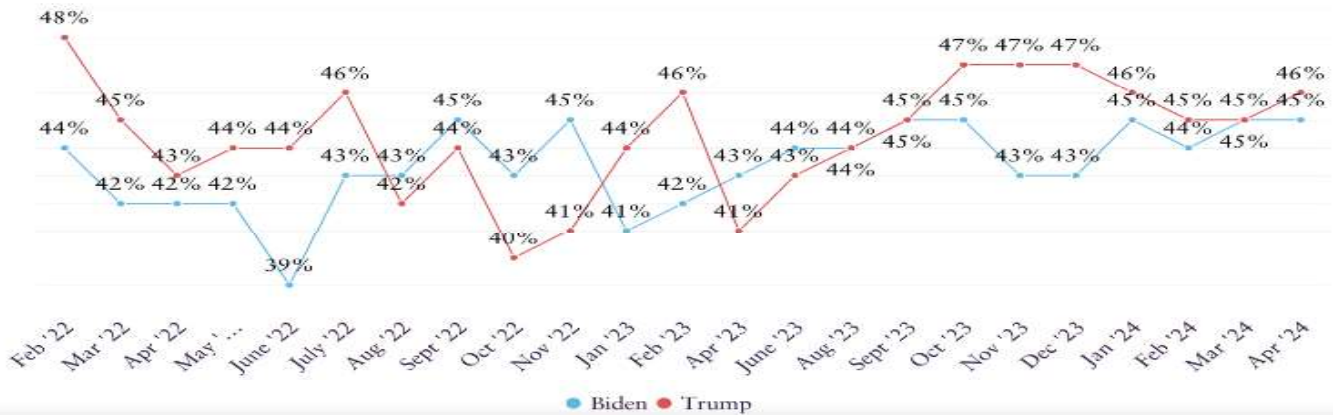
The market is forecasting rate cuts (hike for Japan) to come in the second-half of the year



Source: Bloomberg as of March 31, 2024

US Presidential Election Coming Into Focus

U.S. Voters February 2022-April 2024



Source: Emerson College Polling, as of April 05, 2024

POTENTIAL MAJOR POLICY CHANGES UNDER DIFFERENT ELECTION SCENARIOS

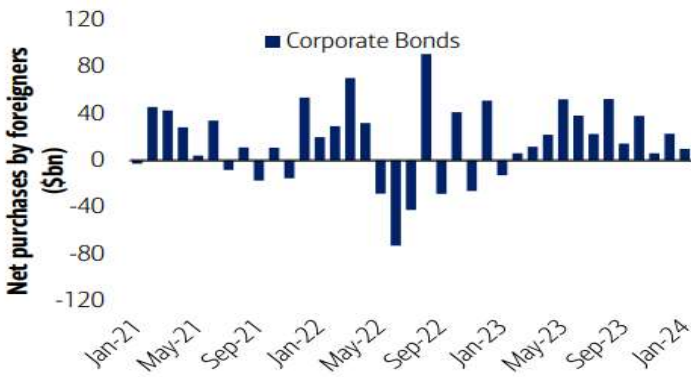
President Congress	Biden Unified	Biden Divided	Trump Divided	Trump Unified
TCJA	Extend individual tax provisions under \$400K	Extend individual tax under \$400K, partial resolution of expiring business provisions	Extend individual tax under 98 th percentile, partial resolution of expiring business provisions	Fully extend individual and business provisions
Other Tax	~\$2 trillion in additional tax increases (half corporate, half wealthy & pass thru)	No major change	Potentially roll back corporate AMT	Repeal corporate AMT and buyback tax
IRA Clean Energy Credits	No major change	No major change	No major change	Repeal half of IRA credits
Tariffs	No major change	No major change	60% tariff on Chinese goods	60% tariff on Chinese goods
Mandatory Spending	~\$2 trillion safety net expansion (education, health care, income support)	No major change	No major change	Potentially modest SNAP & Medicaid cuts
Discretionary Spending	Domestic up more than defense	Defense & non-defense up the same	Defense & non-defense up the same	Defense up more than domestic

TCJA = Tax Cuts and Jobs Act. Source: BlackRock, as of April 04, 2024.

Fixed Income Sector Reviews

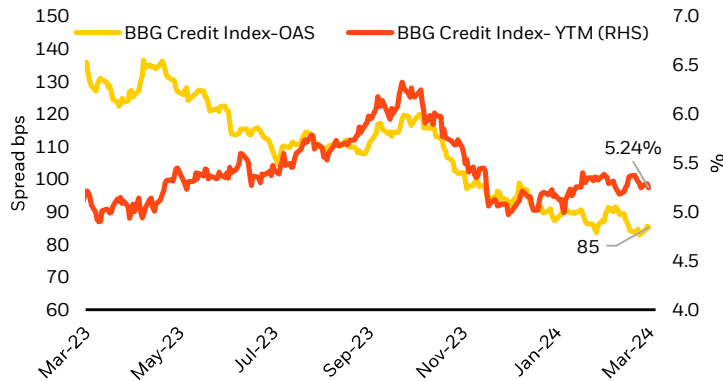
Global Investment Grade Credit

Foreign institutional and retail demand has continued to drive spread tightening in the US credit market...



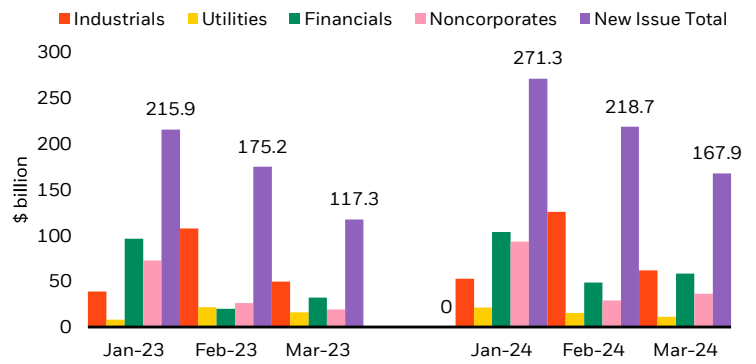
Source: Bank of America as of March 22, 2024.

In March, US IG credit spreads continued to tighten driven by strong technicals, compression in financials, and BBB outperformance



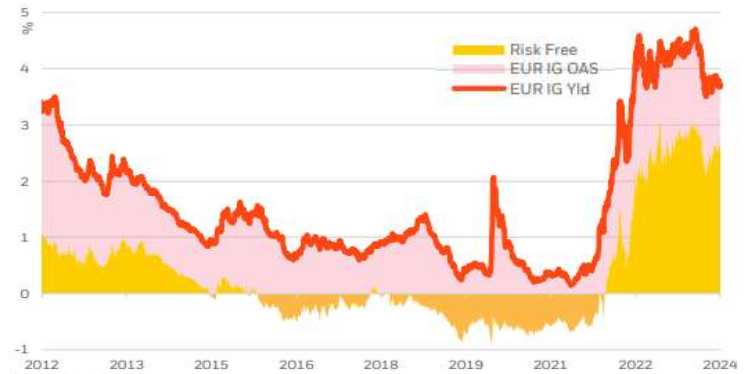
Source: Bloomberg, Barclays as of March 31, 2024.

...as primary market supply Q1 2024 exceeded the year prior, driven by heavy financials issuance



Source: Barclays as of March 31, 2024.

EUR IG continues to provide high quality carry, and spreads will likely be supported by yield-based buying and a pending ECB rate cut



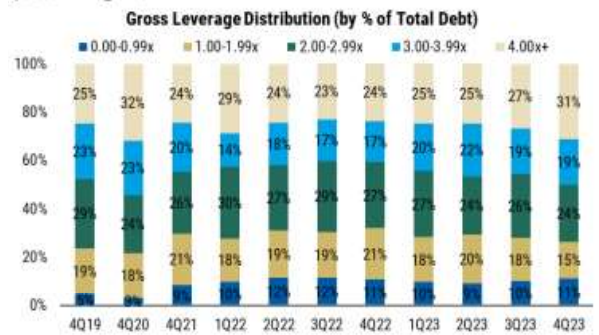
Source: BlackRock, Bloomberg as of March 25, 2024.

Fundamentals - 4Q Leverage Trends

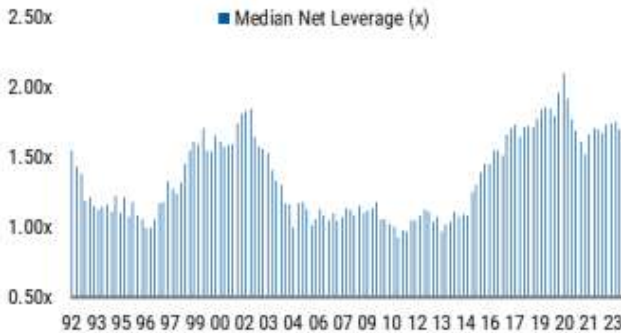
Gross leverage remained flat for another quarter



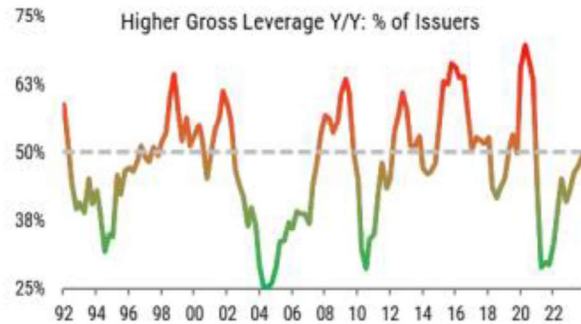
However, debt in higher-leverage buckets continued to push higher



Net leverage declined to 1.64x from 1.70x



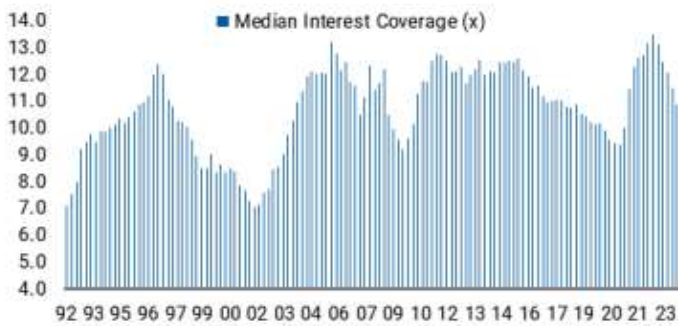
Breadth of issuers with higher leverage flat vs. 3Q



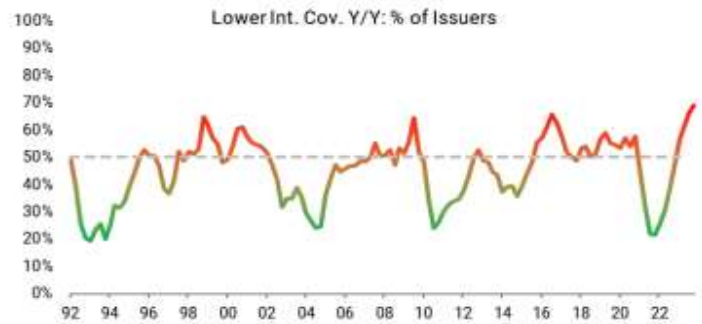
Source: Morgan Stanley, as of March 22, 2024. Inclusive of all US Corporates. **Past performance does not guarantee future returns.**

Fundamentals – 4Q Interest Coverage And EBITDA trends

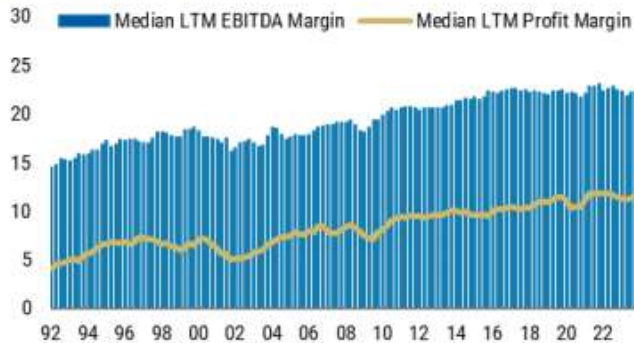
ICR declined sharply, down 0.6x in 4Q



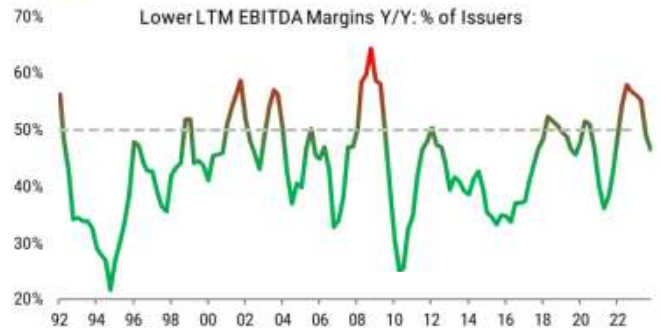
Breadth of issuers with lower interest coverage reached new peaks



Both LTM EBITDA and Profit Margins continued to improve in 4Q



Issuers with lower LTM EBITDA margins fell below the majority

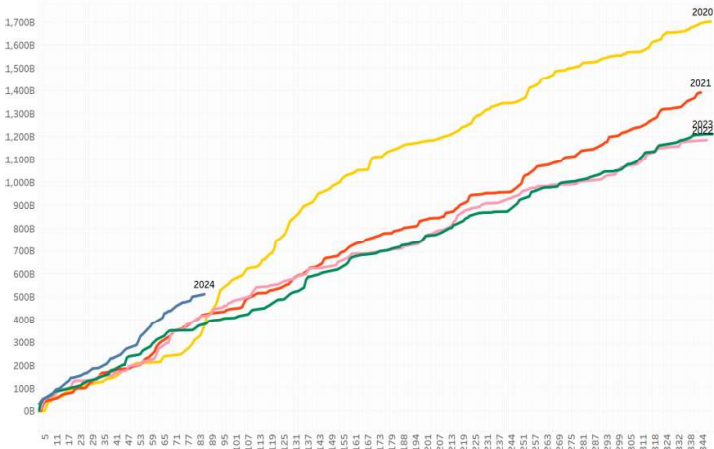


Source: Morgan Stanley as of March 22, 2024. Inclusive of all US Corporates. **Past performance does not guarantee future returns.**

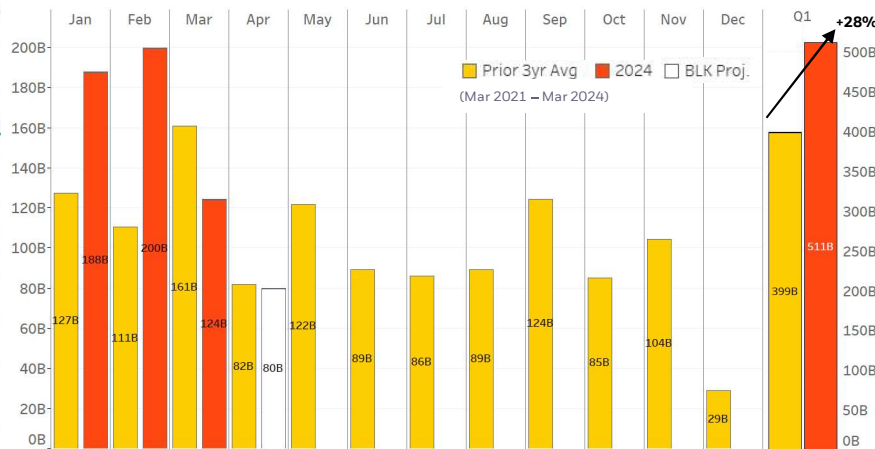
US IG Technicals: Supply

2024 started with a record supply pace, but the trend has slowed and looks set to continue in April

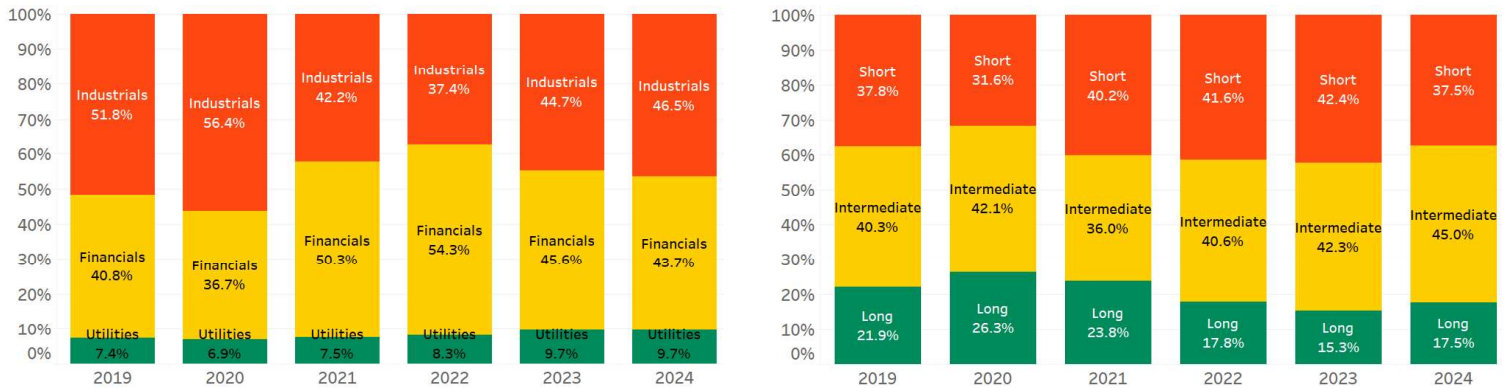
IG Supply & FY 2024 Expectations



IG Supply & FY 2024 expectations



Post February M&A, skew of deals has reverted shorter with long duration supply -60% MoM

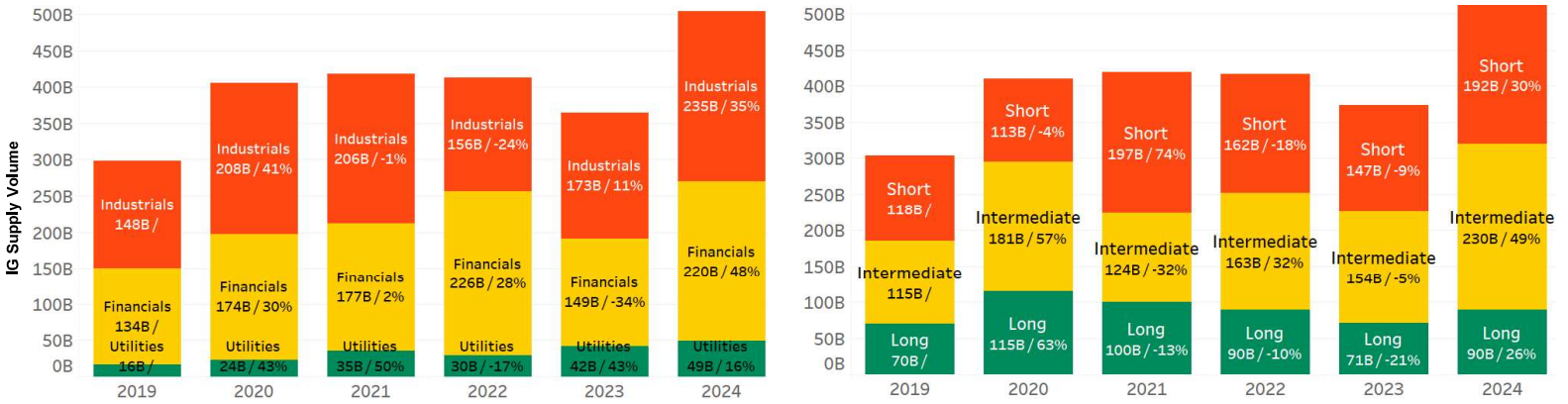


Source for all charts: BlackRock, as of March 27, 2024.

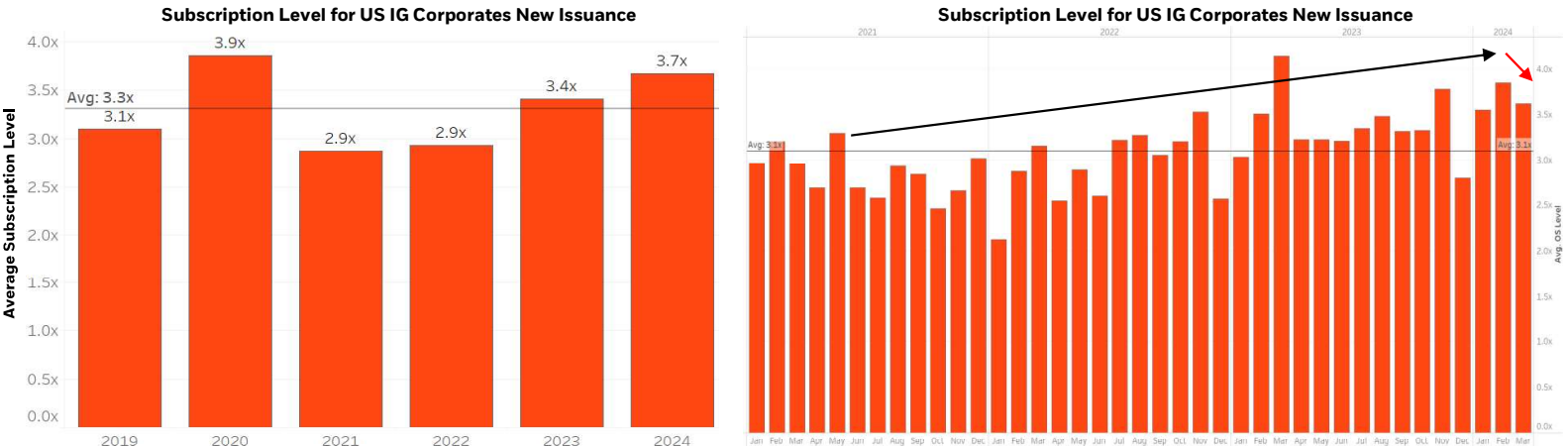
Inclusive of all US Corporates. Forecasts are based on estimates and assumptions. There is no guarantee that they will be achieved. They should not be relied upon as actual results may vary significantly and may not be achieved.

US IG Additional Supply Exhibits

Financials up strongly versus last year with the greatest YTD %increase despite Industrial M&A

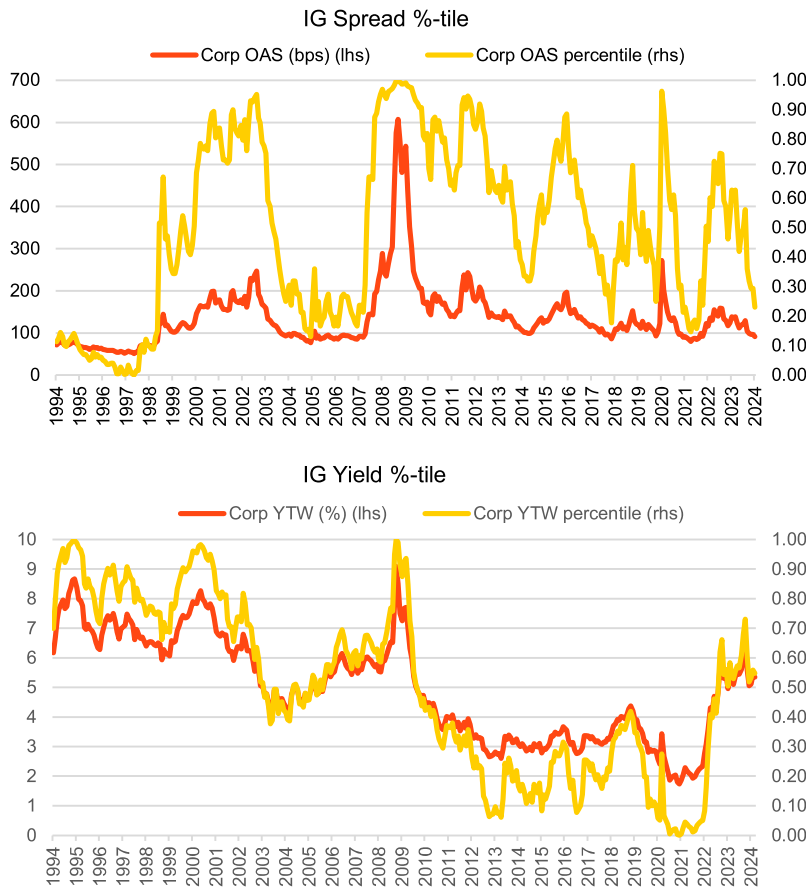


Oversubscription still strong but tapered off with March indigestion



Source for all charts: BlackRock, as of March 28, 2024. Inclusive of all US Corporates.

U.S. IG Valuations



Source for left charts: Bloomberg, as of March 26, 2024. BBG US Corporate Investment Grade Index. **Past performance does not guarantee future returns.** Indexes are unmanaged. It is not possible to invest directly in an index.

IG Corporate Spread	OAS	Yield	1W Δ	1M Δ	YTD Δ	12M Δ
Corporate Index By Sector						
Corporate	88	5.29	-1	-4	-10	-55
Industrial	84	5.25	-1	-4	-7	-44
Basic Industry	100	5.40	0	-4	-9	-57
Capital Goods	81	5.22	0	0	2	-32
Communications	108	5.47	-1	-6	-5	-48
Consumer Cyclical	76	5.19	-2	-5	-9	-34
Consumer Non-Cyclical	78	5.18	-1	-4	-6	-38
Energy	96	5.38	-1	-4	-12	-57
Technology	68	5.10	-1	-5	-5	-47
Transportation	83	5.24	0	-2	-8	-47
Other Industrial	66	5.06	1	-4	-20	-52
Utility	97	5.37	-1	-2	-8	-43
Electric	97	5.37	-1	-2	-8	-43
Natural Gas	100	5.41	0	0	-6	-47
Other Utility	91	5.27	0	0	-2	-41
Financial Institutions	94	5.35	-2	-5	-18	-77
Banking	91	5.34	-2	-5	-19	-77
Brokerage	86	5.24	-2	-4	-16	-75
Finance Companies	139	5.81	-5	-12	-23	-122
Insurance	96	5.36	-1	-2	-9	-53
REITs	102	5.38	-2	-9	-18	-98
Other Financial	69	4.97	0	-2	-16	-66
Quality						
Aaa	31	4.74	1	-6	-6	-26
Aa	42	4.87	-1	-5	-6	-31
A	75	5.16	-1	-4	-10	-49
Baa	109	5.50	-1	-5	-12	-63
Maturity						
1-3 Year	55	5.22	-2	-5	-13	-54
1-5 Year	64	5.16	-2	-6	-13	-54
3-5 Year	76	5.09	-2	-5	-13	-53
5-7 Year	88	5.14	-2	-5	-8	-51
5-10 Year	100	5.24	-1	-4	-8	-54
7-10 Year	109	5.33	-1	-3	-8	-55
10+ Year	107	5.49	0	-3	-9	-55
10-25 Year	108	5.49	0	-4	-10	-57
25+ Year	106	5.50	0	-2	-7	-53
Non-Corporate						
Non-Corporate (Credit)	51	4.92	-1	-2	-4	-16
Sovereigns	118	5.54	-1	-2	0	-24
Supranationals	10	4.54	-1	-3	-1	1
Foreign Agency	24	4.71	-1	-4	-5	-12
Foreign Local Govt	62	5.00	0	-4	-13	-36

Source: BlackRock Credit Trading, as of March 22, 2024.

Note: The changes in the table are OAS changes over the listed time periods. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index. Any reference herein to any security and/or a particular issuer shall not constitute a recommendation to buy or sell, offer to buy, offer to sell, or a solicitation of an offer to buy or sell any such securities issued by such issuer. Bloomberg US Corporate Indices.

Sector relative value shows limited pockets of value

BBG US Agg Corporate Headline Index = 93

Sector	Current Spread	Fair Value*	Z-Score/std. deviation*	3M Z-Score/std. deviation	1Y Z-Score/std. deviation	Std. Deviation	Correlation (R^2) vs. headline index
Financials	99	85	0.91	-0.51	-1.24	15.04	0.91
Banking	96	79	0.93	-0.38	-1.15	18.56	0.88
Brokerage/Asset Managers/Exchanges	96	98	-0.11	-0.62	-0.98	22.76	0.83
Finance Company	138	124	0.22	-2.14	-0.30	63.20	0.56
Insurance	99	95	0.30	0.59	0.32	12.83	0.90
Other Financials	121	116	0.18	-0.81	-0.40	26.07	0.60
REIT	107	106	0.04	-1.62	-0.17	18.83	0.86
Industrials	87	96	-1.10	-0.02	1.03	8.47	0.92
Basic	98	111	-0.49	-0.74	0.13	26.22	0.67
Communications	111	118	-0.74	0.03	0.78	9.27	0.91
Consumer Cyclical	81	85	-0.27	-0.99	-0.87	13.83	0.85
Consumer Non Cyclical	80	88	-0.77	-0.32	0.80	10.14	0.74
Energy	99	116	-0.51	-0.57	-0.30	34.11	0.57
Other Industrials	70	87	-0.80	0.68	-1.07	21.66	0.67
Technology	74	83	-0.85	0.18	1.58	10.92	0.82
Transportation	86	95	-1.12	0.61	1.78	8.44	0.88
Capital Goods	84	82	0.20	0.99	2.92	11.85	0.81
Utilities	100	98	0.27	-0.47	-0.59	7.10	0.91
Electric	101	98	0.43	-0.03	-0.27	7.22	0.90
Natural Gas	96	99	-0.20	0.33	-1.05	13.33	0.83
Other Utility	95	99	-0.19	0.47	1.65	21.30	0.73

Sector	Current Spread	Fair Value*	Z-Score/std. deviation*	3M Z-Score/std. deviation	1Y Z-Score/std. deviation	Std. Deviation	Correlation (R^2) vs. headline index
HQ							
Corporates_HQ	74	69	0.73	-0.33	-0.37	7.21	0.95
Financials_HQ	85	69	0.89	0.22	-1.07	18.29	0.87
Industrials_HQ	59	64	-0.81	0.06	1.42	6.48	0.90
Utilities_HQ	94	88	0.75	0.51	0.34	8.29	0.83
BBB							
Corporates_BBB	113	119	-1.01	-2.75	-1.37	6.14	0.98
Financials_BBB	133	120	0.60	-1.41	-0.96	21.21	0.89
Industrials_BBB	108	118	-0.99	0.23	0.55	10.56	0.93
Utilities_BBB	108	113	-0.50	-1.46	-1.37	10.25	0.89

Data as of March 25, 2024. Source: SHINY OTR.

* Calculated using historical data from January 2010 – March 2024.

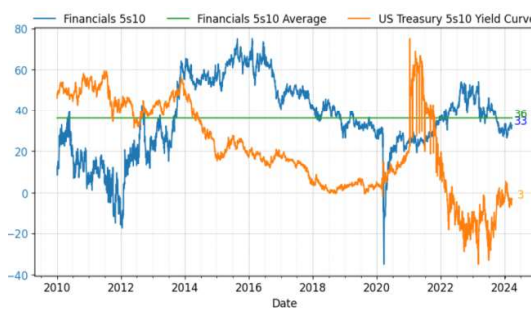
Past performance does not guarantee future returns. Indexes are unmanaged and one cannot invest directly in an index. Any reference herein to any security and/or a particular issuer shall not constitute a recommendation to buy or sell, offer to buy, offer to sell, or a solicitation of an offer to buy or sell any such securities issued by such issuer. BBG US Corporate Investment Grade Index.

US IG Valuations: Spread Curves Continue Steepening Trend but Still Flat Relative to Long Run Averages

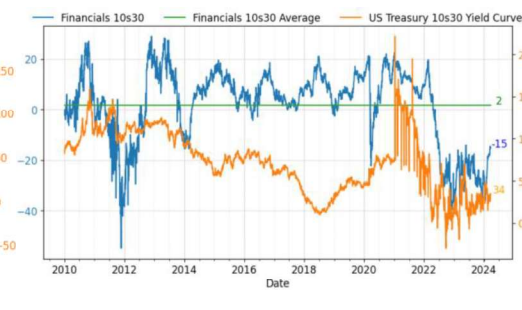
Financials 3s5 Spread Curve



Financials 5s10 Spread Curve



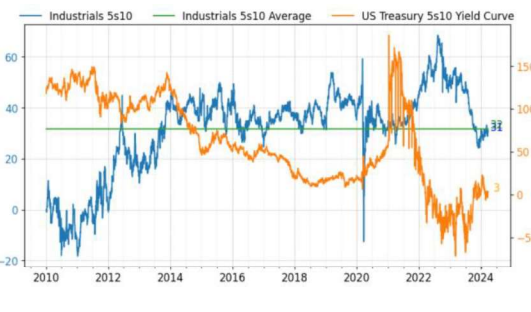
Financials 10s30 Spread Curve



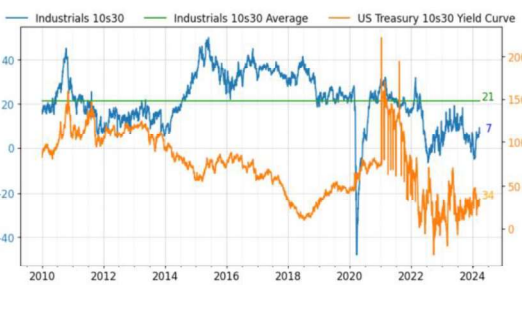
Industrials 3s5 Spread Curve



Industrials 5s10 Spread Curve



Industrials 10s30 Spread Curve



Source for all charts: BlackRock, Bloomberg; Data as of March 25, 2024. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index. Bloomberg US Corporate Indices. Spread curves represent difference between maturities.

US IG Valuations- Fair Value Models

IG Spreads fair to equity market volatility

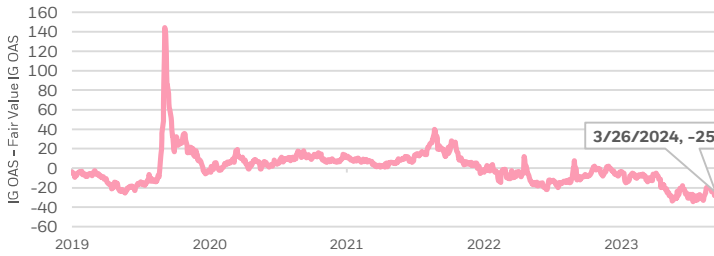
Current Level, Corp OAS = 91

VIX Index Range	#	Avg Corp OAS	Current Spread to Average OAS for Vol Regime
9-11	9	98	7
11-13	56	90	-1
13-15	66	102	11
15-17	55	111	20
17-19	42	127	36
19-21	36	130	39
21-23	31	128	37
23-25	32	143	52
25-27	25	174	83
27-29	14	166	75
29-31	6	154	63
>31	33	258	167

Source: BlackRock, Bloomberg, as of March 26, 2024. Calculated based on historical data from February 1990-March 2024. Bloomberg US Agg Corporate Index, Chicago Board Options Exchange Volatility Index. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index.

Technical driving spreads to rich levels

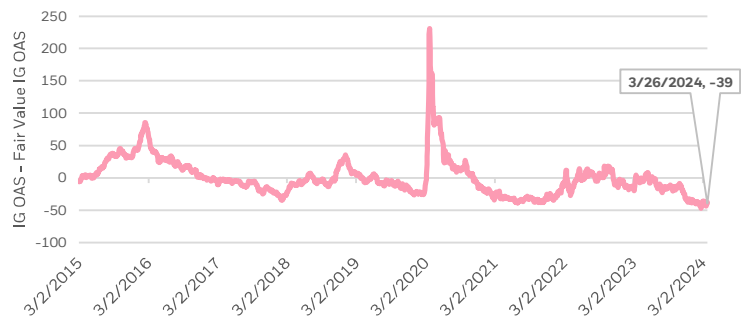
Technical Strength indicator



Source: BlackRock, Bloomberg, as of March 26, 2024. Bloomberg US Agg Corporate Index, Bloomberg US High Yield ex Energy Index. Technical Strength Indicator represents spreads between IG Index and IG Fair Value. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index.

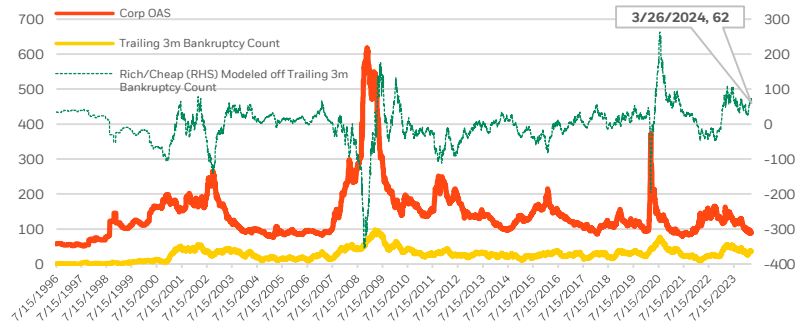
But rich to interest rate volatility

MOVE vs. IG Model



Source: BlackRock, Bloomberg, as of March 26, 2024. Bloomberg US Agg Corporate Index, ICE BofA MOVE Index. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index. IG Model represents regression analysis on historical data from March 2015 - March 2024. The model shown above is based on BlackRock analysis and assumptions. Actual results may vary significantly from what is shown above.

IG Spreads Rich to Trailing 3m Bankruptcy Count



Source: BlackRock, Bloomberg, as of March 26, 2024. Bloomberg US Agg Corporate Index. **Past performance does not guarantee future returns.** Indexes are unmanaged and one cannot invest directly in an index. Rich/Cheap model represents regression analysis on historical data from July 1996-March 2024. The model shown above is based on BlackRock analysis and assumptions. Actual results may vary significantly from what is shown above.

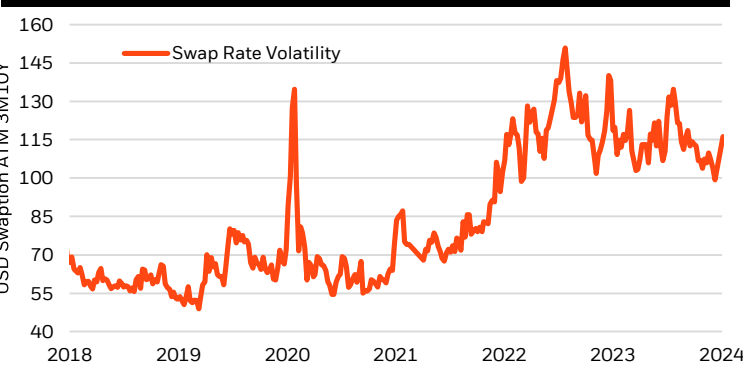
Agency MBS

Current coupon mortgage spread



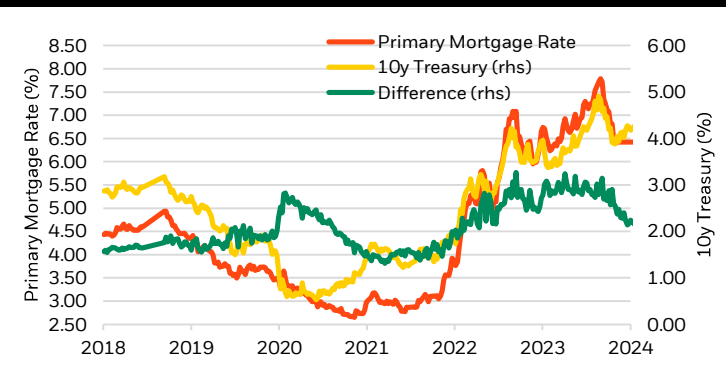
Source: Credit Suisse FN30 Current Coupon Agency MBS, Bloomberg as of April 12, 2024

Implied interest rate volatility



Source: Bloomberg as of April 05, 2024

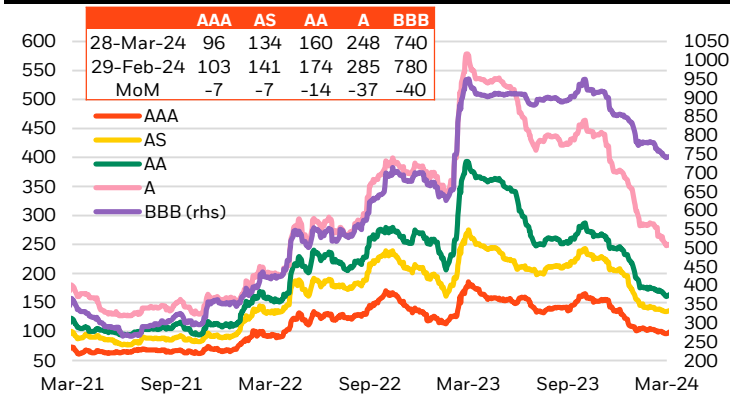
Primary mortgage rate



Source: Morgan Stanley, Freddie Mac as of April 04, 2024

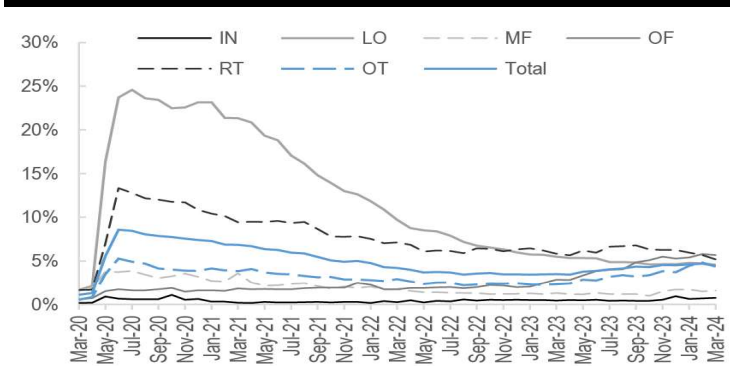
CMBS

CMBS conduit index spread by rating



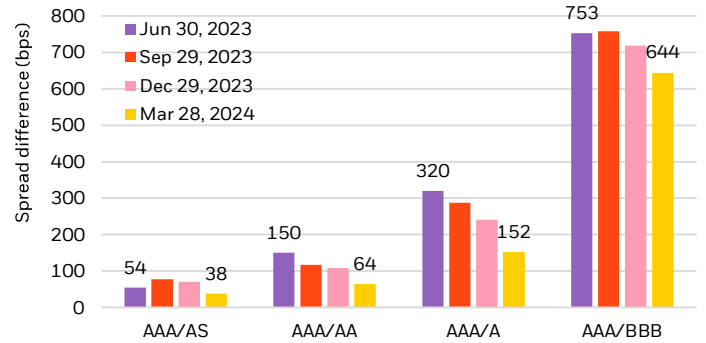
Source: JP Morgan as of March 28, 2024. JP Morgan CMBS Index

March remittance: 30-day+ delinquency rate



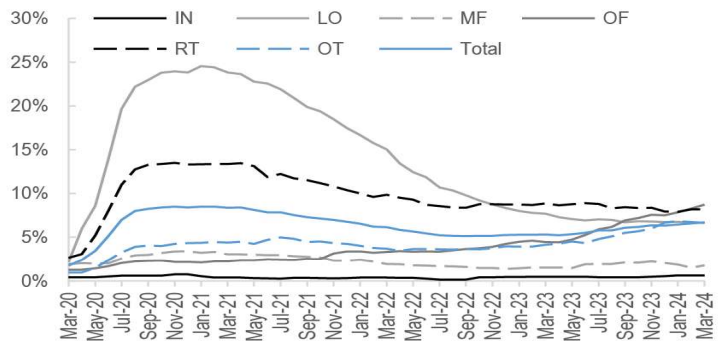
Source: Trepp, JP Morgan as of April 5, 2024

CMBS conduit index credit curve



Source: JP Morgan as of March 28, 2024. JP Morgan CMBS Index

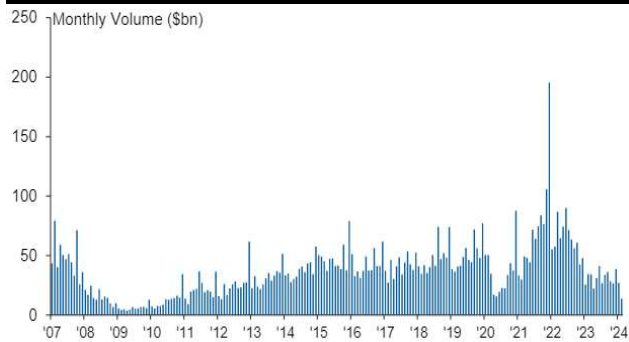
March remittance: special servicing



Source: Trepp, JP Morgan as of April 5, 2024

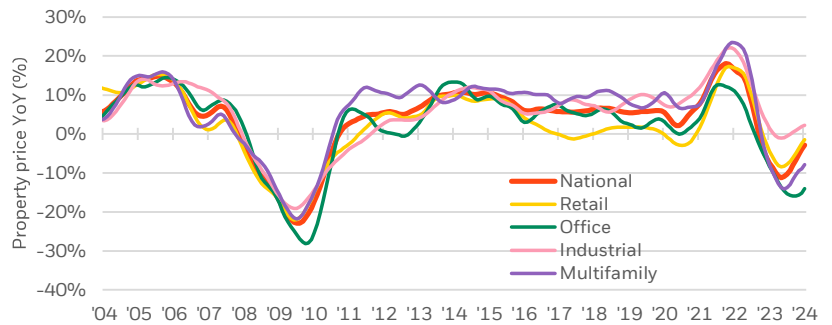
Commercial Real Estate (CRE) Fundamentals

CRE transaction volume down 60% YoY in Feb'24



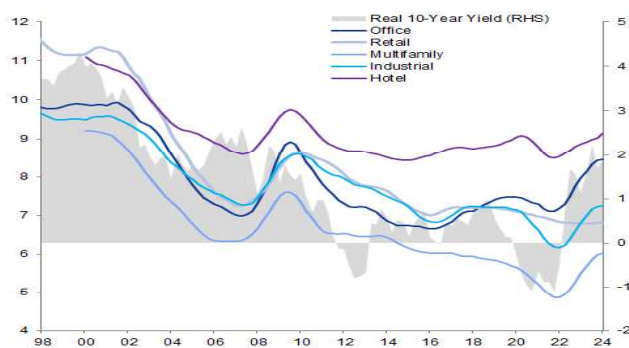
Source: RCA, Morgan Stanley Research as of April 10, 2024

National CRE property prices declined by -2.9% YoY in March



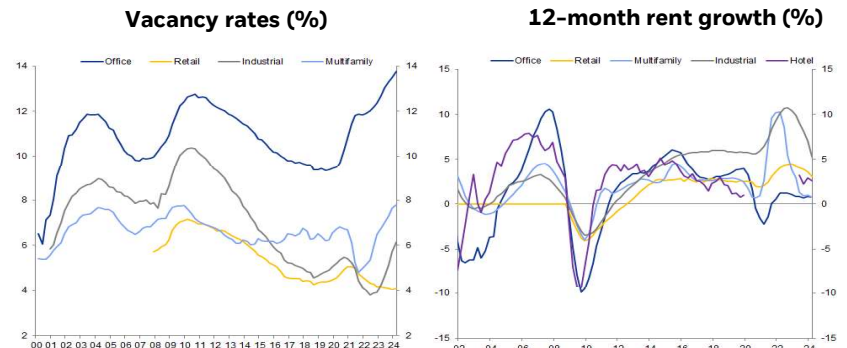
Source: Real Capital Analytics, Bloomberg as of March 28, 2024

Cap rates by property type vs 10 yr real yield (%)



Source: CoStar, Goldman Sachs Global Investment Research as of April 10, 2024

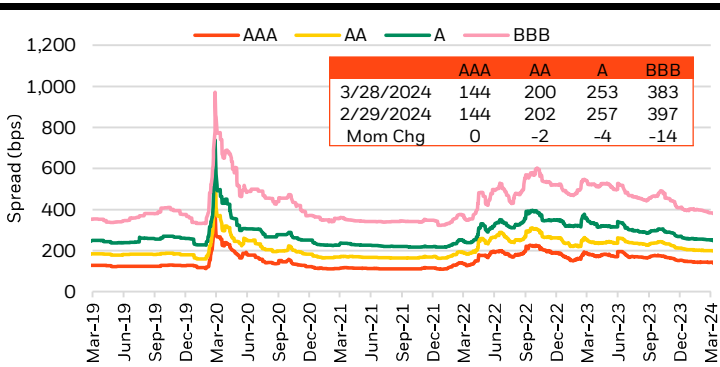
CRE year-over-year trend by property type



Source: CoStar, Goldman Sachs Global Investment Research as of April 10, 2024

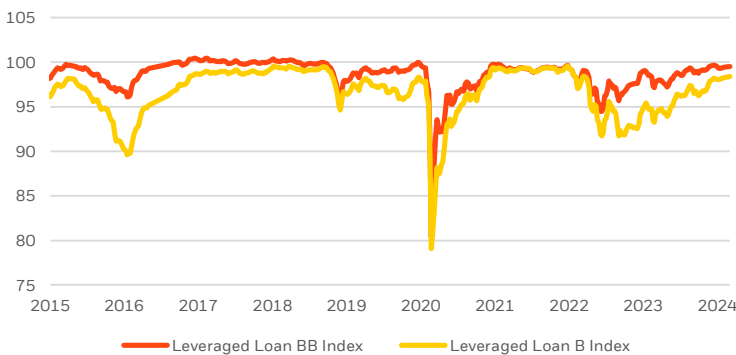
CLO

CLO index spreads by rating



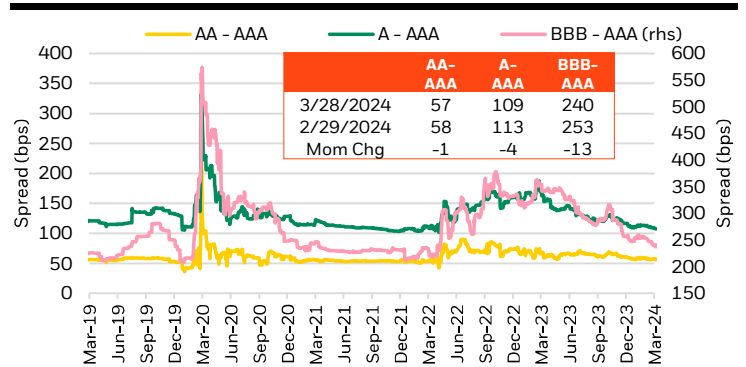
Source: Bloomberg as of March 28, 2024. JPM CLOIE Index

BB vs B bank loan prices



Source: Bloomberg as of March 31, 2024
S&P/LSTA Leveraged BB Loan Index, S&P/LSTA Leveraged B Loan Index

CLO credit curve



Source: Bloomberg as of March 28, 2024. JPM CLOIE Index

Relative Value: CLO vs Corporates



Source: Morgan Stanley Research, Bloomberg, Markit as of April 11, 2024
Note: The Z-score is calculated by measuring the number of standard deviations the current spread ratio is from the last 24-month average.

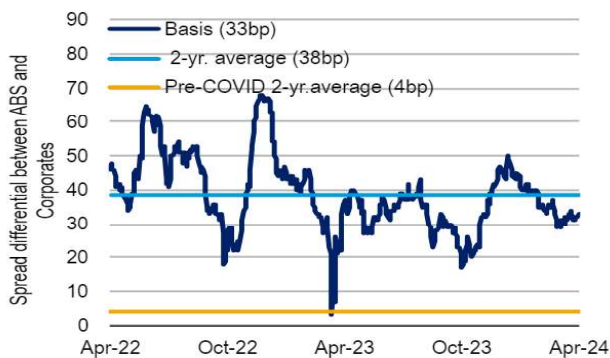
ABS

ABS Supply

\$bn	2020	2021	2022	2023	2023 YTD	2024 YTD
Credit Cards	4	17	32	23	2.8	6.4
Bank Charge	4	17	30	21	2.8	5.6
Retail	0	0	2	2	0.0	0.8
Autos	98	132	110	146	38.6	53.4
Prime Loan	46	50	50	73	16.7	25.6
Non-prime Loan	28	43	33	34	10.4	11.5
Lease	19	27	16	23	6.0	11.7
Fleet & other	6	13	11	16	5.3	4.6
Student Loans	17	26	7	7	0.6	2.1
FFELP	5	8	0	0	0.0	0.0
Private Credit	12	18	7	7	0.6	2.1
Equipment	13	19	22	21	5.0	7.2
Floorplan	4	1	1	4	0.4	2.9
Unsecured Consumer	9	17	16	14	3.4	4.2
MPL	4	8	9	8	2.9	2.1
Branch & other	5	9	7	7	0.5	2.1
Miscellaneous	34	55	56	41	13.1	15.7
Total ABS	179	267	244	256	63.9	91.8
% 144A	57%	61%	50%	56%	52%	61%
% Floating-rate	4%	5%	4%	7%	3%	10%

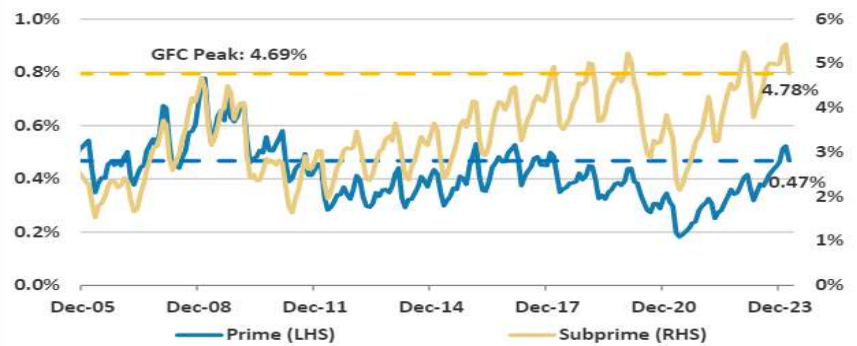
Source: JP Morgan as of April 05, 2024

Relative Value: ABS vs Corporates



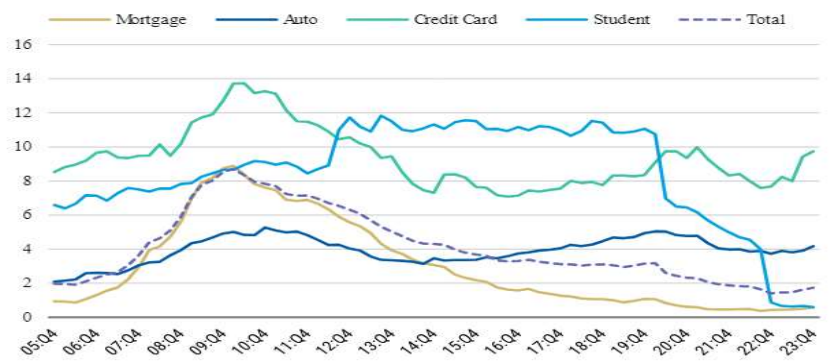
Source: BofA Global Research, ICE Data Indices, LLC as of April 05, 2024

60+ days delinquency rates for prime and subprime auto



Source: Intex, Morgan Stanley Research as of April 05, 2024

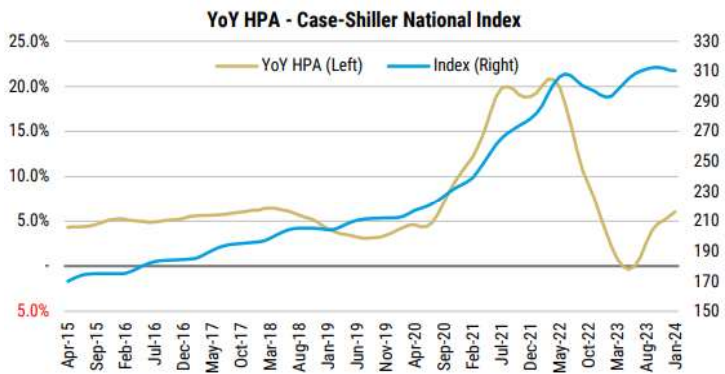
Transition into 90+ days delinquency rose in all loan types in 4Q23, albeit marginally for student loans



Source: NY Fed, Morgan Stanley Research as of April 05, 2024

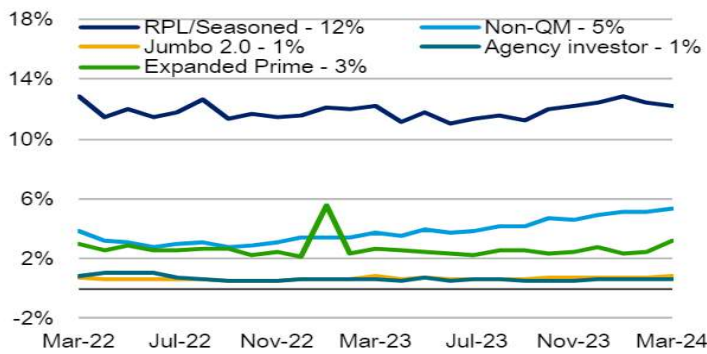
Non-Agency RMBS

CoreLogic Case-Shiller home price index accelerated from 5.6% to 6.0% YoY growth



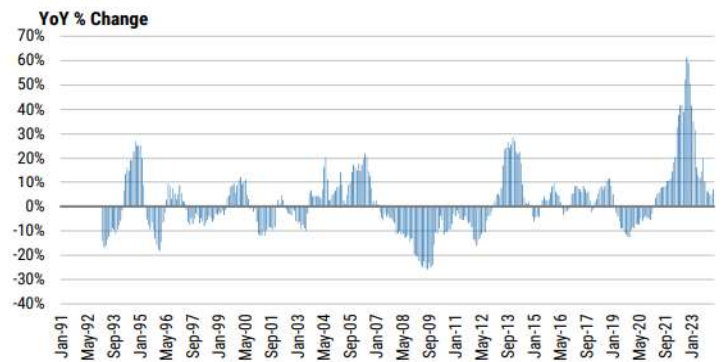
Source: S&P CoreLogic Case-Shiller, Morgan Stanley Research as of April 05, 2024

30+ days delinquency rates across sub-sectors



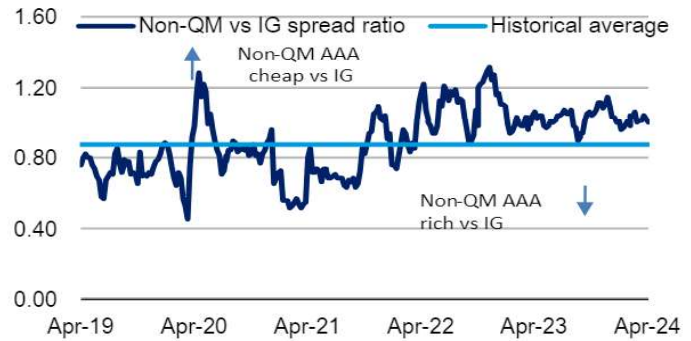
Source: Bofa Global Research, Loan performance, Bloomberg as of April 05, 2024

YoY affordability deterioration at its slowest pace since 1Q21



Source: Bloomberg, Intex, Freddie Mac, Morgan Stanley Research as of April 05, 2024

Non-QM AAA bonds are cheap vs IG based on historical spreads



Source: Bofa Global Research, Bloomberg as of April 05, 2024

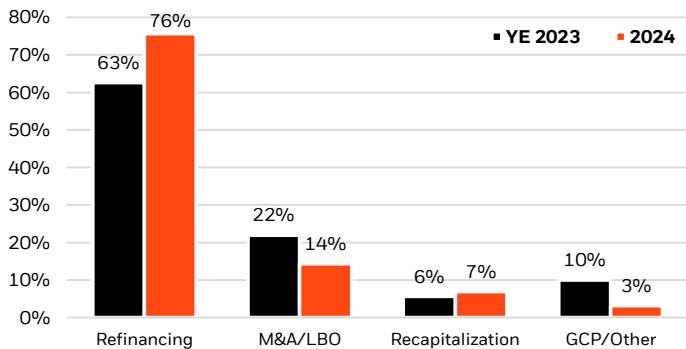
High Yield Credit

HY ended Q1 up 150bps, with much of the positive performance being driven by March returns

	March 2024	YTD 2024	Total Return 2023	Current YTW	Current OAS
Bloomberg US HY	1.2%	1.5%	13.4%	7.7%	299bps
BBB*	1.4%	-0.1%	9.5%	5.5%	110bps
BB	1.3%	1.1%	11.6%	6.5%	184bps
B	1.1%	1.4%	13.8%	7.4%	266bps
CCC	1.1%	2.1%	19.8%	11.9%	717bps

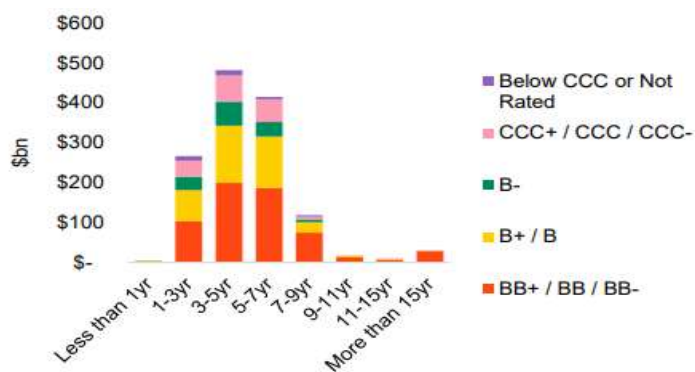
Source: BlackRock, Barclays as of March 31, 2024. **BBB numbers represented are from the Bloomberg US Corporate Investment Grade Index. Included to represent crossover names for illustrative purposes. **Past performance is not indicative of future results.**

Refinancing has continued to drive issuance, and YTD \$85.4b has been issued with 49% being secured



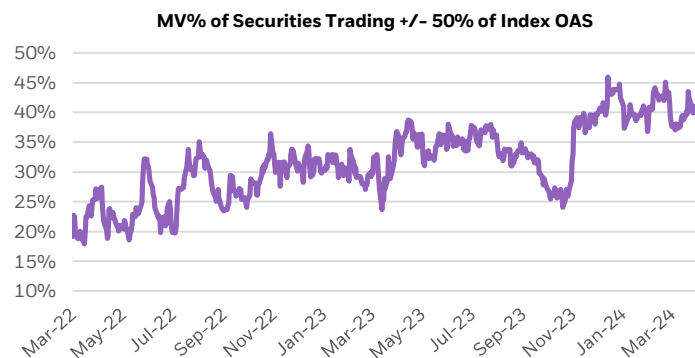
Source: LCD as of March 31, 2024.

The HY maturity walls look manageable, especially in US HY as ~21% of the bonds in the Index are scheduled to mature in the next 1-3 years



Source: BlackRock, Bloomberg as of March 24, 2024. Index referenced is the Bloomberg USD HY Corporate Index. Exclude index ineligible bonds.

Performance dispersion has increased YoY

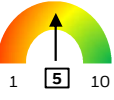
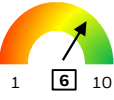
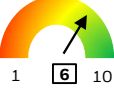
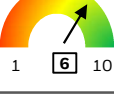
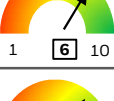
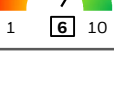


Source: BlackRock, Moody's as of March 31, 2024.

Multi-Sector Positioning Overview

March 2024 FIG Multi-Sector Positioning Overview


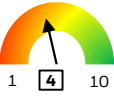
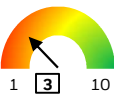
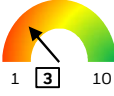
Financial Institutions Group Unconstrained Positioning*

Sector	Current Position	Sector focus & trade activity
Rates/Curve		<ul style="list-style-type: none"> ➤ The US 10-year Treasury opened the month at 4.18% and despite some intramonth volatility finished only 2 bps higher at 4.20%. The 2s10s curve finished the month at -42 while the 5s30s curve decreased by 3bps finishing at 13bps for the month of March. ➤ We maintain a neutral duration positioning as we believe the front end is overpricing rate hikes. While implementing a steepener has become a topic of conversation, the carry associated with a steeper position remains punitive.
Agency Mortgages		<ul style="list-style-type: none"> ➤ While we remain overweight agency MBS, we slightly reduced our positioning on the back of outperformance and further expected decline in rate volatility. ➤ The Agency MBS Index outperformed similar duration Treasuries by 34bp in March, bringing year-to-date excess performance to -14bp.
CLO		<ul style="list-style-type: none"> ➤ We continue to maintain an overweight to CLOs as the sector provides very attractive carry in the existing environment. We maintain a preference for AAA-rated tranches. ➤ Credit curve slightly steepened over the month but overall remained flat. The focus is on rotations, particularly in the senior part of the capital structure. Down the stack, we remain highly selective on credit and opportunistically prefer higher subordinated profiles from more liquid managers.
ABS		<ul style="list-style-type: none"> ➤ We have seen robust issuance come to market to start off the year. This issuance has been met with robust demand and the majority of deals have priced inside of guidance. Spreads were slightly tighter over the month. ➤ In March, the market priced ~\$30.8bn of new issue ABS across 49 transactions, up 43% from the ~\$21.5bn that priced in March 2023 and up 26% from the ~\$24.5bn in March 2022. Auto ABS issuance made up the bulk of supply and represented approximately 51% of total supply in March followed by other ABS issuance at 21% and floorplan at 9%.
CMBS		<ul style="list-style-type: none"> ➤ The favorable supply-demand technical has led to spreads grind tighter across higher-rated CMBS. ➤ The Bloomberg Barclays CMBS Index posted an excess return over duration-adjusted Treasuries of 37 bps with a total return of 91 bps in March, bringing year to date excess return to 145bps and YTD total return to 85bps.
NA RMBS		<ul style="list-style-type: none"> ➤ Overall, volumes have normalized while demand remains strong. The relatively low housing supply still provides a fundamentally strong backdrop. ➤ Continued positive tone and still offering attractive relative valuation among short dated assets.

* Please note, the sector strategies described above are shown for illustrative purposes only and are reflective of unconstrained mandates only and may not reflect the strategy employed in all portfolios. KRD refers to key rate durations. Green shaded area indicates an overweight, yellow shaded area indicates neutral, red shaded area indicates an underweight. Source: Bloomberg for market data and BlackRock for positioning as of March 31, 2024. Past performance is not indicative of future results. Forecasts are based on estimates and assumptions. There is no guarantee that they will be achieved.

March 2024 FIG Multi-Sector Positioning Overview

Financial Institutions Group Unconstrained Positioning*

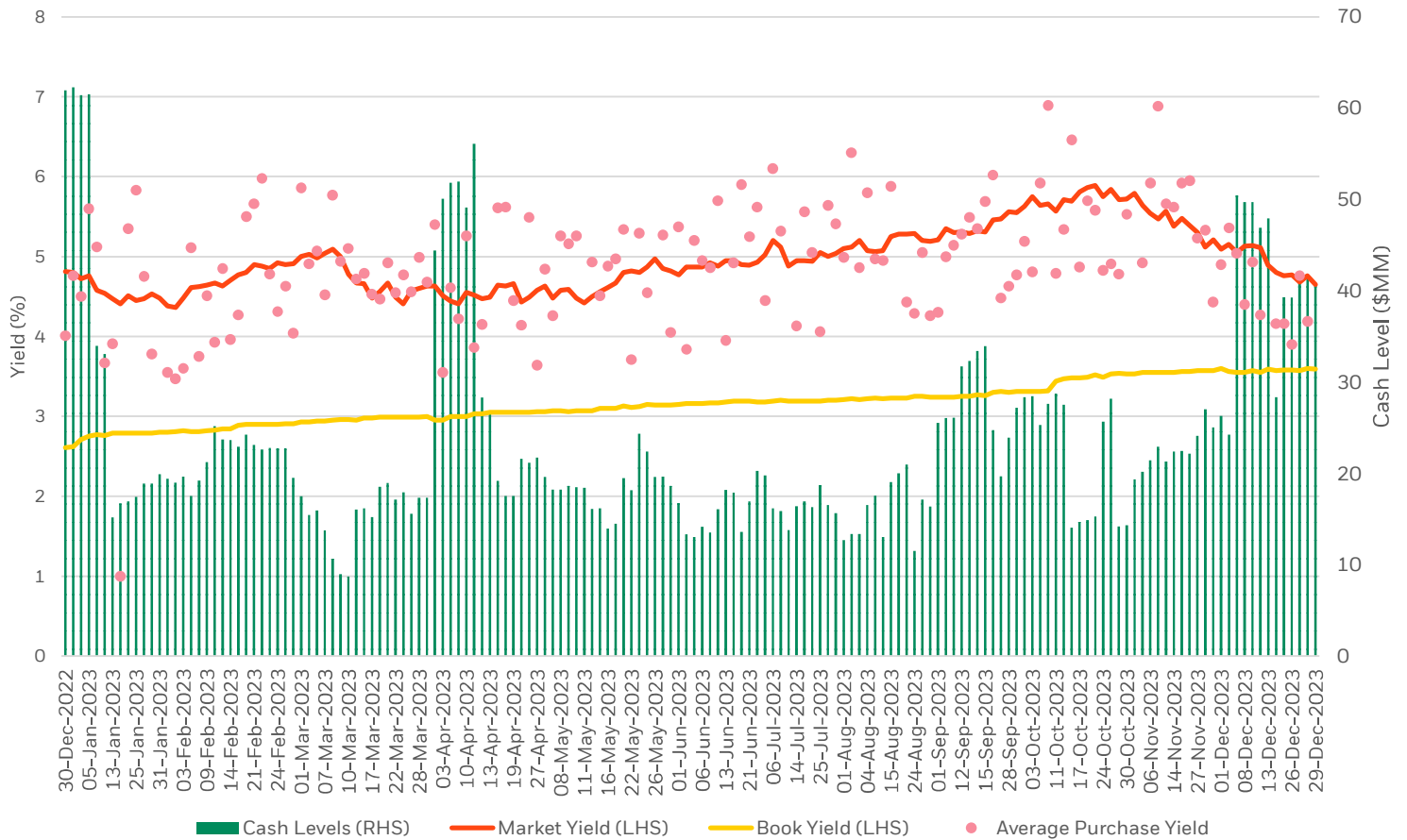
Sector	Current Position	Sector focus & trade activity
EM / Sovereign		<ul style="list-style-type: none"> ➤ The sector showed surprising resilience in 2023 amidst a backdrop of tight monetary policy, geopolitical conflict, and economic uncertainty. Fundamental in both sovereigns and corporates are relatively strong and have demonstrated that they are able to withstand a higher interest rate environment. That said, there remain significant tailwinds for the sector. While China has shown signs of slight improvement, the growth outlook remains weak, especially when compared to the expectations set forth following its emergence from zero COVID. A strong dollar and a broader global economic slowdown will also negatively impact the sector. We would expect EM to perform poorly in our base-case economic scenario.
Corporates		<ul style="list-style-type: none"> ➤ IG fundamentals remain solid, with Q4 earnings showing companies growing EBITDA and moderately improving leverage. While interest coverage continues to decline on the margin, the terming out of debt in 2020/21 has left IG companies relatively resilient to higher rates. Margins have also been improving the last several quarters, reversing the decline from 2022 and early 2023. While we do see clouds on the horizon with respect to Inflation, Fed Policy, and the Election, IG should remain more resilient compared to other sectors further down the cap stack ➤ Some cracks starting to form in the technical environment for IG, mainly due to exceptionally heavy supply, which set a Q1 record this year. Demand environment remains strong, with robust inflows, but heavy supply days/weeks are now more consistently resulting in softer spreads
High Yield		<ul style="list-style-type: none"> ➤ Fundamentals in high yield are weakening from a strong starting point. Leverage is rising off a low base as earnings decline while issuance is increasing this year. Interest Coverage is also declining from the highest level in over a decade as the impact of higher rates starts to impact. A downgrade cycle is underway, albeit slowing. The face amount of downgrades has outpaced upgrades over the last 12 months. Defaults are inflecting upwards as the funding environment begins to bite and as economic growth slows. However, given the general fundamental strength of the asset class entering this phase of the cycle, we expect the default rate will see a lower peak than the ~10% level that is typical of recessions. ➤ Decelerating US growth, elevated geopolitical concerns and tight financial conditions should keep volatility elevated in the asset class moving forward. HY spreads continue to trade tight relative to IG spreads on a long run basis.
Municipals		<ul style="list-style-type: none"> ➤ The Bloomberg Taxable Municipal (U.S. Aggregate Eligible) Index returned 1.20% with 27 basis points of excess performance, bringing the year-to-date total return to -0.44% with 153 basis points of excess performance. ➤ Taxable municipal issuance waned for the fifth consecutive month to just \$1.4 billion, a 10% month-over-month decline. At the same time, demand was evident as the \$1.7 billion CommonSpirit Health deal garnered over \$5 billion in total orders and the \$245 million Idaho Housing deal was 3 times oversubscribed, bringing the year-to-date average subscription level to 5.2 times.

* Please note, the sector strategies described above are shown for illustrative purposes only and are reflective of unconstrained mandates only and may not reflect the strategy employed in all portfolios. KRD refers to key rate durations. Green shaded area indicates an overweight, yellow shaded area indicates neutral, red shaded area indicates an underweight. Source: Bloomberg for market data and BlackRock for positioning as of March 31, 2024. Past performance is not indicative of future results. Forecasts are based on estimates and assumptions. There is no guarantee that they will be achieved.

Appendix

Performance and Attribution

Yield and Cash Level Summary



First Mutual Transportation Assurance Company – Performance Review

Performance Summary by Portfolio – December 31 2023

Portfolio Full Name	1 Month			3 Month			1 YR			3 YR *			5 YR *			ITD *		
	Port	Index	Active	Port	Index	Active	Port	Index	Active	Port	Index	Active	Port	Index	Active	Port	Index	Active
General Operating Account	4.01	3.83	0.18	6.91	6.82	0.10	5.91	5.53	0.38	-3.11	-3.31	0.21	1.77	1.10	0.67	1.85	1.27	0.58
Excess Loss Fund	3.05	2.97	0.08	5.49	5.50	-0.01	5.63	5.18	0.45	-1.77	-2.06	0.29	1.61	1.14	0.47	1.69	1.31	0.39
Ace American Trust	2.07	2.18	-0.11	4.09	4.26	-0.17	4.96	4.77	0.19	-1.36	-1.72	0.36	1.65	1.30	0.35	1.86	1.55	0.32
Liberty Trust '06 NY Transit Authority	2.19	2.20	0.00	4.29	4.28	0.00	5.19	4.81	0.38	-1.16	-1.71	0.55	1.96	1.32	0.63	2.11	1.57	0.53
Star Indemnity	2.09	2.18	-0.10	4.10	4.26	-0.16	4.74	4.77	-0.03	-1.31	-1.72	0.41	1.51	1.30	0.20	1.75	1.55	0.20
Liberty Trust East Side Access	2.20	2.20	0.00	4.30	4.28	0.01	5.17	4.81	0.36	-1.28	-1.71	0.43	1.86	1.32	0.53	2.01	1.57	0.44
Master Builders' Risk	3.99	3.83	0.16	6.90	6.82	0.08	6.01	5.53	0.49	-3.19	-3.31	0.13	1.61	1.10	0.50	1.72	1.28	0.44
Discovery Re Trust	0.55	0.70	-0.15	1.47	1.79	-0.31	5.03	4.74	0.29	1.93	1.21	0.72	1.85	1.68	0.18	1.88	1.74	0.15

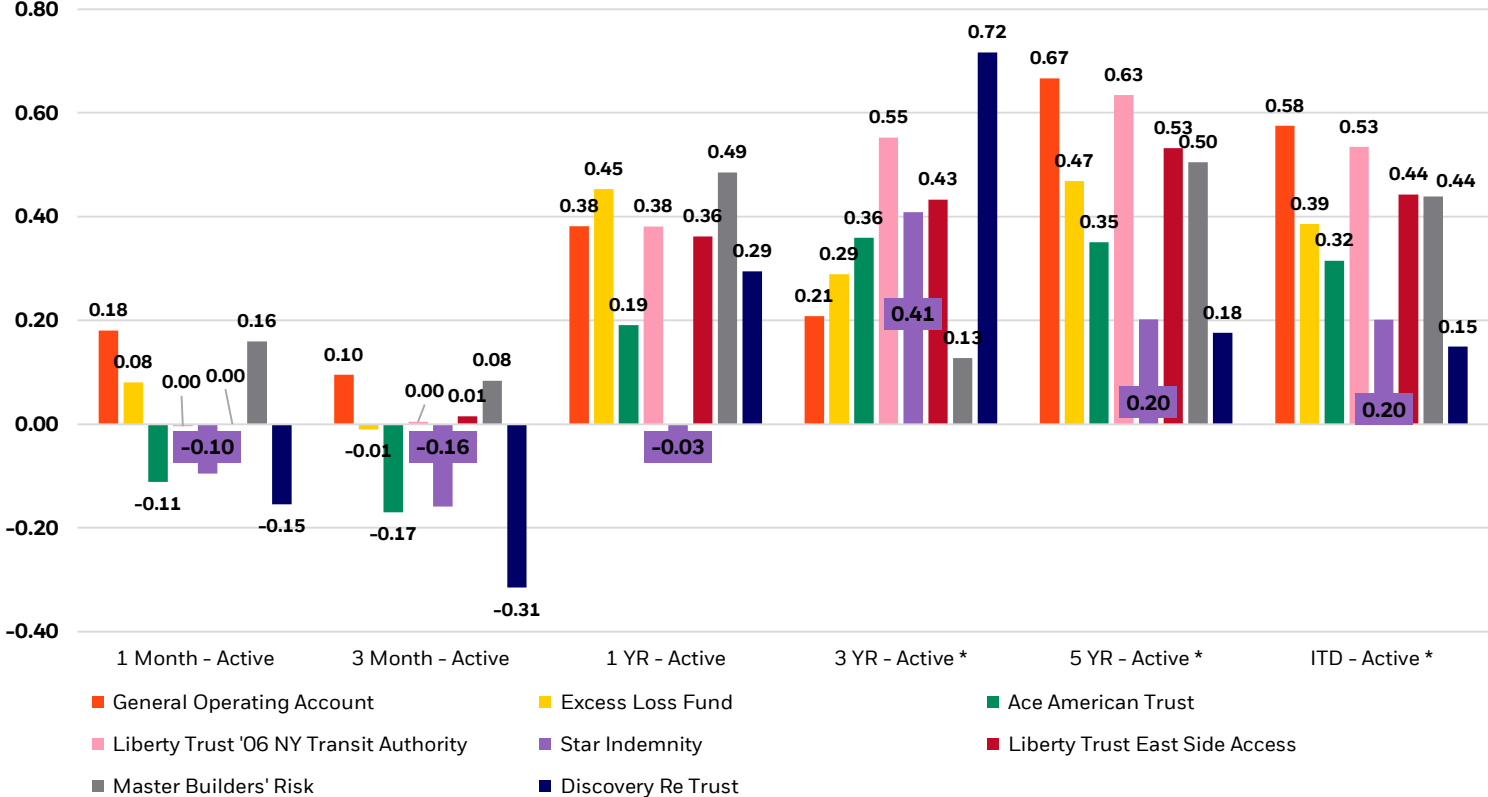
Portfolio and Benchmark Summary – December 31 2023

Portfolio	NAV	Portfolio Full Name	Index Full Name	Primary Objective
FMT-GOA	\$272,789,783	General Operating Account	BBG U.S. Aggregate Index	Total Return
FMT-ELF	\$189,247,329	Excess Loss Fund	BBG Intermediate Aggregate Index	Total Return
FMT-AAT	\$87,498,212	Ace American Trust	BBG Intermediate Gov/Credit A or Higher Index	Book Yield / Income
FMT-LTNY	\$19,786,506	Liberty Trust '06 NY Transit Authority	BBG US Aggregate Intermediate A3/A- or better Index	Book Yield / Income
FMT-STAR	\$74,886,234	Star Indemnity	BBG Intermediate Gov/Credit A or Higher Index	Book Yield / Income
FMT-LTESA	\$87,087,926	Liberty Trust East Side Access	BBG US Aggregate Intermediate A3/A- or better Index	Book Yield / Income
FMT-MBR	\$75,493,979	Master Builders' Risk	BBG U.S. Aggregate Index	Total Return
FMT-DRT	\$73,695,235	Discovery Re Trust	ICE BofA 1 Yr US Treasury Note Index	Cash Sleeve / Principal Protection
Total	\$880,485,204			

- Data as of 12/31/2023 and numbers may not tie due to rounding
- Performance holiday: 02/23/18 - 04/30/18
- * Performance for 3 YR, 5 YR, and ITD (Inception to Date) are annualized
- Inception date: 2/23/2018
- Source: BlackRock Aladdin

Active Performance Summary

Active Performance Summary



- Data as of 12/31/2023 and numbers may not tie due to rounding
 - Performance holiday: 02/23/18 - 04/30/18
 - * Performance for 3 YR and ITD (Inception to Date) are annualized
 - Inception date: 2/23/2018
 - Source: BlackRock Aladdin

Important Notes

This document contains general information only and does not take into account an individual's financial circumstances. An assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a professional adviser before making an investment decision.

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Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions. Outlook and strategies are subject to change without notice.

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Index

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FMTAC PARTNERS - SERVICE PROVIDERS



Captive Manager

About Davies Group



Specialist in global professional services and technology firm serving insurance and other highly regulated markets.



>7,000
global colleagues

>\$10bn
live reserves

>1,500
clients

>80
global locations

Davies North America

Claims and insurance services delivered by >1,800 desk staff and >10,000 field resources across the US and Canada

Davies UK and Ireland

Claims and legal solutions delivered by >3,500 staff throughout the UK and Ireland

Davies Global Solutions

Consulting, technology and insurance services delivered by >1,000 staff around the world

About Davies Captive Management



Our global top seventh ranked captive management business was initially formed in Bermuda over 40 years ago and has now expanded to provide technical solutions to captives in Europe, the U.S., Latin America, Canada, Asia, Guernsey, Australasia, and the UK.

The Complete Solution

We create innovative and market leading solutions for clients' specific insurance requirements. Our vast experience and unparalleled network of contacts across the industry enables us to create the right solution for our clients whether it be captive or rent-a-captive/segregated account and also determine the risks and layers that should be retained.



About Davies Insurance Services

Intermediary Services

The go-to partner for entrepreneurs and businesses looking to start new MGA or Broking platforms, having supported the launch and host of >70 Appointed Representatives.

Market Services

Recognised by (re)insurers, MGA's, brokers and intermediaries, as one of the leading specialist providers of insurance operations and consulting solutions for start-up, live and legacy partners.

Captive Management

Our global top seventh ranked captive business delivers the full range of support from feasibility and incorporation to ongoing management and exit solutions.

Lloyd's Managing Agency

Our Lloyd's business, Asta, is the leading third-party managing agent and has helped over 35 syndicates launch successfully in the UK and overseas.

We work with Lloyd's syndicates, insurers, reinsurers, MGAs, brokers and international captive owners to drive cost efficiency and effectiveness.

Key Personnel



Christopher Russin

Assistant Director of Captive Insurance Accounting

Chris oversees the day-to-day accounting for the Captive and directly supervises the assigned Account Manager. He performs the detailed review of all financial statements and all regulatory filings required of your captive.

Email – christopher.russin@davies-group.com

Key Personnel



Jonathan Habart

Director of Captive Insurance Accounting

Jonathan is responsible for oversight of all Davies Captive Management clients. He is involved in any high priority issues and changes to the program. He periodically performs a peer review of the financials once the detailed review is completed by the Assistant Director. He also assists with any inquiries requiring a higher level of understanding of, insurance operations, GAAP accounting or New York regulation.

Email – Jonathan.Habart@davies-group.com



Oliver Wyman Actuarial Consulting, Inc.

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- 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 300 credentialed actuaries in our 550+ colleague staff, making it one of the largest actuarial practices in the United States. Over 180 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. Oliver Wyman Actuarial Consulting, Inc. specializes 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 thirteen 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 James D. Coyle, FCAS, MAAA. Mr. McKinnon and Mr. Coyle are senior members of Oliver Wyman Actuarial Consulting, Inc. and have over 35 years of combined experience in the insurance and risk management industry. Mr. McKinnon is a Senior Principal and manages the Melville office. He is the primary consultant for a large number of clients with New York State workers compensation exposure and has extensive experience with the complexities of dealing with the changing New York State workers compensation environment. Mr. McKinnon has two decades 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. Coyle assists with project management and peer review of the actuarial work prepared by Mr. McKinnon for FMTAC.

FMTAC DISASTER RESPONSE PLAN AND BUSINESS CONTINUITY PLAN

DISASTER RESPONSE PLAN

First Mutual Transportation Assurance Company (“Company”)

NAIC# 11787

EFFECTIVE: MAY 20, 2024

Introduction

This Disaster Response Plan (“Plan”) is designed to help ensure that key business processes of the Company will continue during a disaster or at least have high potential to be restored within a reasonable period of time following a disaster with the main objective of being able to continue to meet policyholder and claimant expectations despite the disaster. The Company needs to periodically review for potential threats of disaster and devise plans to ensure timely recovery. These efforts will include periodically conducting a Risk Based Analysis (“RBA”) of the Company’s capacity to assist its insureds when affected by a disaster, and subsequently to modify this Plan if indicated. The RBA involves review of the risks faced by the insureds that are covered by the insurance programs offered by the Company and factoring the mitigating and remedial actions possible given the different types and extent of disaster. This Plan is organized as a plan outline followed by an Appendix containing specific role assignments, Notification Lists, etc., referred to in actions of the Plan.

The Company is a Captive Insurance Company and as such does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network. Instead, the Company relies on the Metropolitan Transportation Authority (“MTA”) the parent of the Company, and affiliates and subsidiaries of the MTA (“affiliates”), and on robust third party service provider (“TPSP”) vetting, particularly related to the Company’s management company, including reasonable efforts to confirm those entities have appropriate Disaster Response and Business Continuity Plans in place related to Company operations. Please refer to the Company’s Third Party Service Provider Security Policy for additional detail on the protocols the Company follows related to engaging, monitoring, and contracting with TPSPs. As a captive insurance company, the Company is licensed to insure only risks related to its parent and affiliates and their operations.

The rest of this document provides key steps to be taken to maximize the chance of timely recovery of the Company’s operations and continuity of delivery of policyholder services in the event of a disaster. These processes and procedures are not meant to be all-inclusive, and actual processes may include variations and additional steps as dictated by the scope and consequences of the disaster and impact to affiliates and TPSPs of the Company. The specifics of the situation will need to be taken into consideration. In all cases, though, this document should be referred to at the onset of a potential or actual disaster and be factored into decisions as disaster response activities dictate and progress.

Roles & Responsibilities

The Business Continuity Coordinator (“BCC”) oversees compliance with this Plan and has responsibility for:

1. ensuring a RBA is conducted at least annually;
2. having overall responsibility for the Company’s response to a disaster;
3. ensuring overall maintenance of this Plan including ensuring this plan is reviewed at least once annually, approved by the Company’s Board at least once annually, and updated as required;

First Mutual Transportation Assurance Company

DISASTER RESPONSE PLAN

4. working with the Company's affiliates, management company, and other critical TPSPs to ensure compliance with this Plan;
5. working with the Company's affiliates, management company, and other critical TPSPs to guide the Company through the Disaster Response if a disaster occurs;
6. ensuring this Plan is distributed any time a material change is made but at least once annually to key stakeholders including: BCC, Backup to the BCC, appropriate representatives of affiliates of the Company, and the management company;
7. acting in the capacity of liaison for the Company with any applicable regulatory authority including as provided for in any statute, regulation or other binding requirements; and
8. activating, deactivating and monitoring the Plan.

Lines of authority, succession of management & delegation of authority

The BCC has overall responsibility for the Plan but because the Company does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network, the expectation is that operational authority will be delegated to employees of affiliates, management company, or other TPSPs, as deemed appropriate by the Board, including an employee of one of these entities potentially serving as the Company BCC, and that the Company's ability to respond to a disaster necessarily rests primarily with TPSPs and/or affiliates of the Company.

Risk Based Analysis

The BCC shall ensure the Company performs a RBA at least annually. The analysis shall emphasize the capacity of the Company to assist customers affected by a disaster and shall use the results to maintain and periodically update this Plan as indicated by the analysis efforts.

Interaction with external business entities, including TPSPs

As explained in the introduction of this document, the Company is a captive insurance company and does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network. Accordingly, the Company relies primarily on robust third party service provider ("TPSP") vetting, a management company, and the Company's affiliates to conduct Company operations. Notification of a disaster will more likely than not come to the attention of the BCC via a declaration from a TPSP that they have experienced a disaster or from the Company's management company, advising receipt of notice of a disaster by a TPSP that conducts important Company operations.

It is also possible that the Company's parent or another affiliate could experience a disaster that impacts their employees, systems, applications, buildings, equipment, or network, resulting in impairment of processing of Company activity and an associated impact on the Company's ability to assist the Company's insureds when affected by a disaster. One beneficial side effect of the distributed way the Company conducts its operations is the low probability that all major aspects of the Company's processing will be affected simultaneously. For example, TPSPs of the Company are located across multiple states and in the case of the management company, has operations in multiple countries.

Disaster Declaration and Response

A “Disaster Declaration” is a formal notification process that accomplishes two main objectives:

1. It formally sets the restoration and recovery processes in motion; and
2. It notifies and activates the recovery teams that they need to assist the Company through a disaster.

The BCC will be the primary point of contact, make the disaster declaration, coordinate with regulators, and ensure timely notification is delivered to appropriate members of the Notification List(s) in the appendix to this Plan, using best available means under the circumstances, with priority on using email or text messaging communications if available. The BCC will also provide guidance regarding procedural changes in effect during the disaster, updates on disaster remediation, etc., at appropriate points as indicated by the specifics of the disaster, but no less frequently than once daily to entities listed in Notification List 1 of the Appendix unless otherwise agreed at the time of the disaster. The BCC is also responsible for guiding the Company and coordinating TPSPs as to any requirements related to disaster response and efforts to return the Company to normal operations and for revoking the Disaster Declaration when the disaster is over.

The BCC shall make the Disaster Declaration decision based on all available information but with top priority placed on the impact on the Company’s ability to meet policyholder obligations. If as a result of a disaster there is significant potential for impact to the Company’s ability to meet policyholder obligations, then that should be viewed as strong evidence that a Disaster Declaration should be made. In addition, a disaster impacting a critical service provider of the Company should also be viewed as strong evidence that a Disaster Declaration should be made by the Company.

Regulatory Compliance

This Plan may also serve the purpose of satisfying any regulatory requirements applicable to the Company related to disaster response. Accordingly, the BCC should be familiar with applicable requirements and ensure those requirements are factored into this Plan, including arranging updates to the Plan from time-to-time as indicated from such review and monitoring.

First Mutual Transportation Assurance Company
DISASTER RESPONSE PLAN

APPENDIX A

Business Continuity Coordinator (Disaster Liaison or Disaster Leader) Name	Christopher Russin
Business Continuity Coordinator (Disaster Liaison or Disaster Leader) - Address\Email\Phone(s)	101 Park Avenue New York, New York 10178 Office 212-603-0200 Christopher.Russin@Davies-Group.com (Davies Captive Management c/o Alliant Insurance Services)
Backup to Business Continuity Coordinator (Disaster Liaison or Disaster Leader) Name	Claudia Reuben
Backup to Business Continuity Coordinator (Disaster Liaison or Disaster Leader) -Address\Email\Phone(s)	2 Broadway New York, New York 10004 Office 212-878-7361 Claudia.reuben@mtahq.org
Company domicile	New York
Company headquarters address	c/o Metropolitan Transportation Authority 2 Broadway, NY 10004
Company administrative office(s) for claims, policy and contract changes, processing premium payments, other services (list multiple locations and function if more than one)	Davies Captive Management c/o Alliant Insurance Services, 101 Park Avenue, New York, NY 10036 c/o Metropolitan Transportation Authority 2 Broadway, NY 10004
Kinds of insurance products sold	<u>Direct Primary & Excess:</u> <ul style="list-style-type: none"> - Property - Terrorism - General Liability (Premise, All Agency Protective Liability, Stations & Force) - Excess Liability - Casualty (Owner Controlled Insurance Programs) - Builders Risk <p>The policies listed above are indemnity form policies issued by the Company to affiliates. The Company does not have a duty to defend or an obligation to pay on behalf of affiliates although the Company may choose to do so from time-to-time for administrative convenience. All public-facing activities, including claims adjustments and payments, are handled by an underlying or an excess commercial carrier and a TPA or by a TPA appointed by an affiliate. The indemnity policies issued by the Company require it pay claims to</p>

	<p>the affiliates after the claims are adjusted by a TPA appointed by an affiliate or a commercial carrier as the case may be.</p> <p><i>Risk Evaluation:</i> <i>No impact to public-facing activity, even if there are several months of inactivity at the Company. After 3+ months of inactivity there may be a minimal impact to affiliates (also see Business Impact Analysis)</i></p> <p><u>Reinsurance Assumed:</u></p> <ul style="list-style-type: none">- Automobile Allocated Loss Adjustment Expenses (Paratransit/Non-Revenue) <p>The Company assumes from a commercial carrier a portion or a layer of risk related to an affiliate that is first insured by a commercial insurance company. All public-facing activities, including claims adjustments and payments, are handled by the commercial carrier and/or a TPA. The Company does not have a duty to defend – the Company simply pays the ceding company for the Company’s assumed portion of the losses.</p> <p><i>Risk Evaluation:</i> <i>No impact to public-facing activity, even if there is a several months of inactivity by the Company. After 3+ months of inactivity there may be a minimal impact to the ceding company or affiliates (also see Business Impact Analysis)</i></p> <p><u>Deductible Reimbursement Insurance:</u></p> <ul style="list-style-type: none">- Automobile (Paratransit/Non-Revenue)- Casualty (Owner Controlled Insurance Programs)- Builders Risk <p>The Company provides deductible reimbursement coverage to affiliates for the above lines where the Company reimburses the affiliates for the losses they experience in the deductible layer under their commercial insurance program(s). All public-facing activities, including claims adjustments, defense and payments are handled by a commercial carrier and/or a Third Party claims Administrator (“TPA”). The commercial insurance policy with the affiliates</p>
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First Mutual Transportation Assurance Company
DISASTER RESPONSE PLAN

	<p>provides for the affiliates to reimburse the carrier for the deductible layer. The Company does not have a duty to defend or an obligation to pay on behalf of affiliates although the Company may choose to do so from time-to-time for administrative convenience – the Company only reimburses deductible losses incurred by affiliates.</p> <p>Risk Evaluation: <i>No impact to public-facing activity, even if there are several months of inactivity by the Company. After 3+ months of inactivity there may be a minimal impact to affiliates (also see Business Impact Analysis)</i></p>
<p>Notification List 1 – Parent, Affiliate and TPSP primary contacts responsible for conducting Company operations (entities critical to the Company’s ongoing operations)</p>	<p>PARENT CONTACT Claudia Reuben c/o Metropolitan Transportation Authority 2 Broadway, New York, NY 10004 Claudia.reuben@mtahq.org 212 878 7361</p>
<p>Notification List 2 – policyholders and other key TPSPs not already scheduled in Notification List 1</p>	<p>INSURED CONTACT</p> <p>(1) Laudwin Pemberton c/o Metropolitan Transportation Authority 2 Broadway, New York, NY 10004 LPEMBERT@mtahq.org 646 252 1427</p> <p>LEGAL CONTACT Paige Graves c/o Metropolitan Transportation Authority 2 Broadway, New York, NY 10004 Paige.Graves@mtahq.org 212 878-7000</p> <p>PARENT BROKER Lauren Gregory c/o Alliant Insurance Services 101 Park Avenue New York, NY Lauren.Gregory@alliant.com 631.235.1590</p>

First Mutual Transportation Assurance Company
DISASTER RESPONSE PLAN

	<p>REGULATOR George Babu New York State Department of Financial Services 1 State Street New York, NY 10004-1511 george.babu@dfs.ny.gov 212-480-2046</p>
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BUSINESS CONTINUITY PLAN

First Mutual Transportation Assurance Company (“Company”)

EFFECTIVE: MAY 20, 2024

Introduction

This Business Continuity Plan (“Plan”) is designed to help ensure that key business processes of the Company will continue during a disaster or at least have high potential to be restored within a reasonable period of time following a disaster and that restoration proceeds in logical order based on priorities planned for in advance. The Company needs to periodically review for potential threats of disaster and devise plans to ensure timely recovery. These efforts will include, at least annually, conducting a Business Impact Analysis (“BIA”) and subsequent modification to this Plan and/or the Company’s Disaster Response Plan if indicated by the BIA. The BIA shall be designed with the emphasis on predicting the consequences of disruption of a key business functions and processes as a result of a disaster, and to gather information needed to develop recovery and/or mitigation strategies.

This Plan is organized as a plan outline followed by two Appendices, the first containing specific role assignments referred to in the Plan (Appendix A), and the second containing the most recent BIA (Appendix B).

The Company is a Captive Insurance Company and as such does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network. Instead, the Company relies on the Metropolitan Transportation Authority (“MTA”) the parent of the Company, and affiliates and subsidiaries of the MTA (“affiliates”), and on robust third party service provider (“TPSP”) vetting, particularly related to the Company’s management company, including reasonable efforts to confirm those entities have appropriate Disaster Response and Business Continuity Plans in place related to Company operations. Please refer to the Company’s Third Party Service Provider Security Policy for additional detail on the protocols the Company follows related to engaging, monitoring, and contracting with TPSPs. As a captive insurance company, the Company is licensed to insure only risks related to its parent and affiliates and their operations.

The rest of this document provides key steps to be taken to document Company processes in order to better understand the impact of disruption to specific Company processes in order to maximize the chance of timely recovery of the Company’s operations in the event that Company operations are impacted. These processes and procedures are not meant to be all-inclusive, and actual processes may include additional steps as dictated by the findings of other efforts detailed herein.

Roles & Responsibilities

The Business Continuity Coordinator (“BCC”) oversees compliance with this Plan and has responsibility for:

1. ensuring a BIA is conducted at least annually;
2. the overall maintenance of this Plan including ensuring the Plan is reviewed at least once annually, approved by its Board at least once annually, and updated as required;
3. holding and leading a meeting at least once annually to review the Business Continuity and Disaster Response Plans of the Company;

First Mutual Transportation Assurance Company
BUSINESS CONTINUITY PLAN

4. working with the Company's affiliates, management company, and other critical TPSPs to ensure maintenance of this Plan as well as mitigations and/or other staging actions designed to ensure timely recovery from a disaster are undertaken and maintained; and
5. ensuring this Plan is distributed any time a material change is made but at least once annually to key stakeholders including: BCC, Backup to the BCC, appropriate representatives of affiliates of the Company, and the management company.

Lines of Authority, Succession of Management & Delegation of Authority

The BCC has overall responsibility for the Plan. The Company does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network and therefore the expectation is that operational authority will be delegated to employees of affiliates, management company, or other TPSPs, as deemed appropriate by the BCC and/or the Board, including an employee of one of these entities potentially serving as the Company's BCC. The Company's ability to maintain a state of readiness to be able to promptly and effectively respond to a disaster necessarily rests primarily with TPSPs and/or affiliates of the Company. The priority of delegation of authority based on availability will be: 1) BCC, 2) lead management company representative, 3) lead parent company representative, all as detailed in the Company's Disaster Response Plan.

Business Impact Analysis

The BCC shall ensure the Company performs a BIA at least annually. This analysis shall emphasize the capacity of the Company to continue its normal business operations during and immediately after a disaster. The BCC will lead the development and review of the BIA and will ensure mitigations and/or recovery strategies are put in place to minimize the operational and financial impact of disruption. The BIA shall include identification of major business processes and recovery point objectives. See attached Appendix B for current BIA.

Interaction with External Business Entities, Including TPSPs

As explained in the Introduction to this Plan, the Company is a captive insurance company and does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network. Accordingly, the Company relies primarily on robust third party service provider ("TPSP") vetting, a management company, and the Company's affiliates to conduct Company operations. Notification of a disaster will more likely than not come to the attention of the BCC via a declaration from a TPSP that they have experienced a disaster or from the Company's management company, advising receipt of notice of a disaster by a TPSP that conducts important Company operations.

It is also possible that the MTA or an affiliate or subsidiary could experience a disaster that impacts their employees, systems, applications, buildings, equipment, or network, resulting in impairment of processing of Company activity. One beneficial side effect of the distributed way the Company conducts its operations, and a component of the Company's business continuity strategy, is the low probability that all major aspects of the Company's processing will be affected simultaneously. For example, Company operations are distributed across multiple entities; TPSPs of the Company have operations

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located across multiple states and in the case of the management company, has operations in multiple countries.

Disaster Declaration and Response

A “Disaster Declaration” is a formal notification process that accomplishes two main objectives:

1. It formally sets the restoration and recovery processes in motion;
2. It notifies and activates the recovery teams that they need to assist the Company through the disaster.

The BCC will be the primary point of contact, make the disaster declaration, coordinate with regulators, and ensure timely notification is delivered to appropriate members of the Notification List(s) detailed in the appendix to the Company’s Disaster Response Plan, using best available means under the circumstances, with priority on using email communications if available. The BCC will also provide guidance regarding procedural changes in effect during the disaster, updates on disaster remediation, etc., at appropriate points as indicated by the specifics of the disaster, but no less frequently than once daily to entities listed in Notification List 1 of the Appendix to the Company’s Disaster Response Plan unless otherwise agreed at the time of the disaster. The BCC is also responsible for guiding the Company and coordinating TPSPs as to any requirements related to disaster response and efforts to return the Company to normal operations and for revoking the Disaster Declaration when the disaster is over.

The BCC shall make the Disaster Declaration decision based on all available information but with top priority placed on the impact on the Company’s ability to meet policyholder obligations. If as a result of a disaster there is significant potential for impact to the Company’s ability to meet policyholder obligations, then that should be viewed as strong evidence that a Disaster Declaration should be declared. In addition, a disaster impacting a critical service provider of the Company should also be viewed as strong evidence that a Disaster Declaration should be declared by the Company.

Business Processes, Information Technology and Data

It is important that the Company be able to continue its normal business processes in the event of a disaster. As mentioned in the Introduction to this Plan, the Company is a captive insurance company and as such does not have employees, systems, applications, buildings, equipment, nor does the Company maintain a network. Instead, the Company relies on the affiliates of the Company and on robust TPSP vetting, particularly related to the Company’s management company. This vetting will include reasonable efforts to periodically confirm those entities have appropriate Disaster Response and Business Continuity Plans in place related to Company operations. The TPSPs are located across multiple states and in the case of the management company, has operations in multiple countries, and has made representations that critical Company data are replicated to an offsite location at regular intervals during the workday and that physical backups are made and securely stored offsite daily. The expectation is that these factors will mean minimal interruption to Company operations, and rapid recovery of data if required, in the event of a disaster impacting Company operations.

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The distributed way the Company conducts its operations and its reliance on TPSPs makes for a low probability that all major aspects of the Company's processing will be affected simultaneously. However, in the event of a major event that impacts multiple locations, the Company aims to commence near normal business processes with access to information systems and data within a reasonable time, factoring the BIA. Depending on the severity of the event, 'reasonable time' could vary from 48 hours to two weeks as prescribed in the BIA.

Training & Testing

The BCC shall periodically -- at least once every three years -- host a formal meeting with employees of an appropriate affiliate or affiliates of the Company as well as employees of the Company's management Company to walk through this Plan, with an emphasis on recovery strategies, recovery point objectives and business processes identified as critical as a result of the BIA. During this process the BCC shall secure updated representations regarding disaster response and business continuity plans in place at these entities related to Company operations. The meeting shall be documented in Company files and any findings suggesting amendments to this Plan or the Disaster Response Plan of the Company shall be actioned for timely remediation.

Regulatory Compliance

This Plan may also serve the purpose of satisfying any regulatory requirements applicable to the Company related to business continuity and disaster response. Accordingly, the BCC should be familiar with applicable requirements and ensure those requirements are factored into this Plan, including arranging updates to the Plan from time-to-time as indicated from such review and monitoring.

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APPENDIX A

Business Continuity Coordinator (Disaster Liaison or Disaster Leader) Name	Christoher Russin
Business Continuity Coordinator (Disaster Liaison or Disaster Leader) - Address\Email\Phone(s)	101 Park Avenue New York, New York 10178 Office 212-603-0200 Christopher.Russin@Davies-Group.com (Davies Captive Management c/o Alliant Insurance Services)
Backup to Business Continuity Coordinator (Disaster Liaison or Disaster Leader) Name	Claudia Reuben
Backup to Business Continuity Coordinator (Disaster Liaison or Disaster Leader) - Address\Email\Phone(s)	2 Broadway New York, New York 10004 Office 212-878-7361 Claudia.reuben@mtahq.org

APPENDIX B

BUSINESS IMPACT ANALYSIS

As of

Process	Description	Point in time the BI has a greater impact	Amount of time before the BI has operational or financial impact	Operational / Financial Impact of a BI Event	Resources needed to continue operations at varying levels of disruption	Potential for dissatisfaction or defection by customers
Insurance policy issuance	Policies are issued annually using the same policy forms as expiring coordinated by an officer, Parent's insurance broker or by Davies; signed by an authorized person	Annually: Paratransit/Non-Revenue - March 1 Property/Terrorism - May 1 All Agency Protective Liability - June 1 All Agency Excess Liability - October 31 Premises - December 7 Stations & Force - December 15	Minimal if any impact as the policy issuance can be deferred	Delay in evidencing coverage to parent/affiliate, although no significant impact since the ultimate risk remains with parent/affiliate, with or without a captive policy	Process could be coordinated by an officer of the Company working for parent/affiliate or its broker or Colleagues from another Davies office at a different location within a short period	No impact as the insured is the parent/affiliates

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		<p>Combined Capital Construction OCIP – June 30, 2025</p> <p>LIRR 3rd Track OCIP – January 1, 2024</p> <p>OCIP Excess Casualty – April 1, 2023</p> <p>Builders Risk Combined Capital Construction June 30, 2025</p> <p>Builders Risk LIRR 3rd Track – January 1, 2024</p> <p>OCIP – Mini RFP – June 30, 2028 Builders Risk – Mini RFP – June 30, 2028</p>				
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Claims Handling	Company does not have a duty to defend. All public-facing activity is handled by a commercial insurer and/or a TPA and non-public facing claims are by the parent and a TPA	NA	NA	NA	NA	NA
Cash and Treasury function	Not a high volume activity. This is carried out by the treasury team at the parent/affiliate, after Davies and an Officer initiate payment requests	No special periods but there are a few deadlines driven by policy renewals and periodical claim reimbursement.	Varies by type of payment, but generally 3+ months	<p>Claims Payable: Delay in claims payments may have moderate to high impact</p> <p>Claims receivable (reinsurance): Little to no activity. Payments coordinated by parent/affiliate can be made electronically by reinsurer.</p> <p>Operating Expenses: Usually monthly quarterly payments. Delays have no significant impact</p> <p>Written Premium: Minimal if any impact. Timing can be changed & is paid by</p>	Parent/affiliate's treasury function can likely maintain payments using loan funds or Company funds until normal operations are restored. Parent/affiliate's treasury functions are critical part of their own operations which has its own BCP and has multiple offices to operate from. Colleagues from another Davies office can help meet the needs.	No impact to the Customer or Insured

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				the parent to captive electronically. Ceded Premium: There are a few payments that are due by a certain date which may have a moderate to high impact		
Regulatory Reporting	Davies prepares the regulatory reports, approved by Officers prior to submission	During February and March	A delay of 3+ months may be impactful	Regulators will likely grant extensions, especially after a disaster. Delayed filings could result in penalties and/or reputational damage	Davies has multiple offices in multiple locations with its own BCP that can be activated and the work distributed to other offices.	No impact to the Customer or Insured
Accounting and financial reporting	Davies prepares monthly financials for submission to Parent	Low to medium impact monthly or quarterly. Medium impact at year-end	Low to medium impact monthly or quarterly if delayed more than 2 months Medium to high impact at year-end if delayed more than 2 months	1-2 months or more resulting in delays in consolidating Company financials with parent	Parent/affiliate accounting team with knowledge of Company financials can help. Colleagues from another Davies office can help meet the needs.	No impact to the Customer or Insured

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.