# First Mutual Transportation Assurance Company
# Finance Committee Presentation
# May 22, 2017

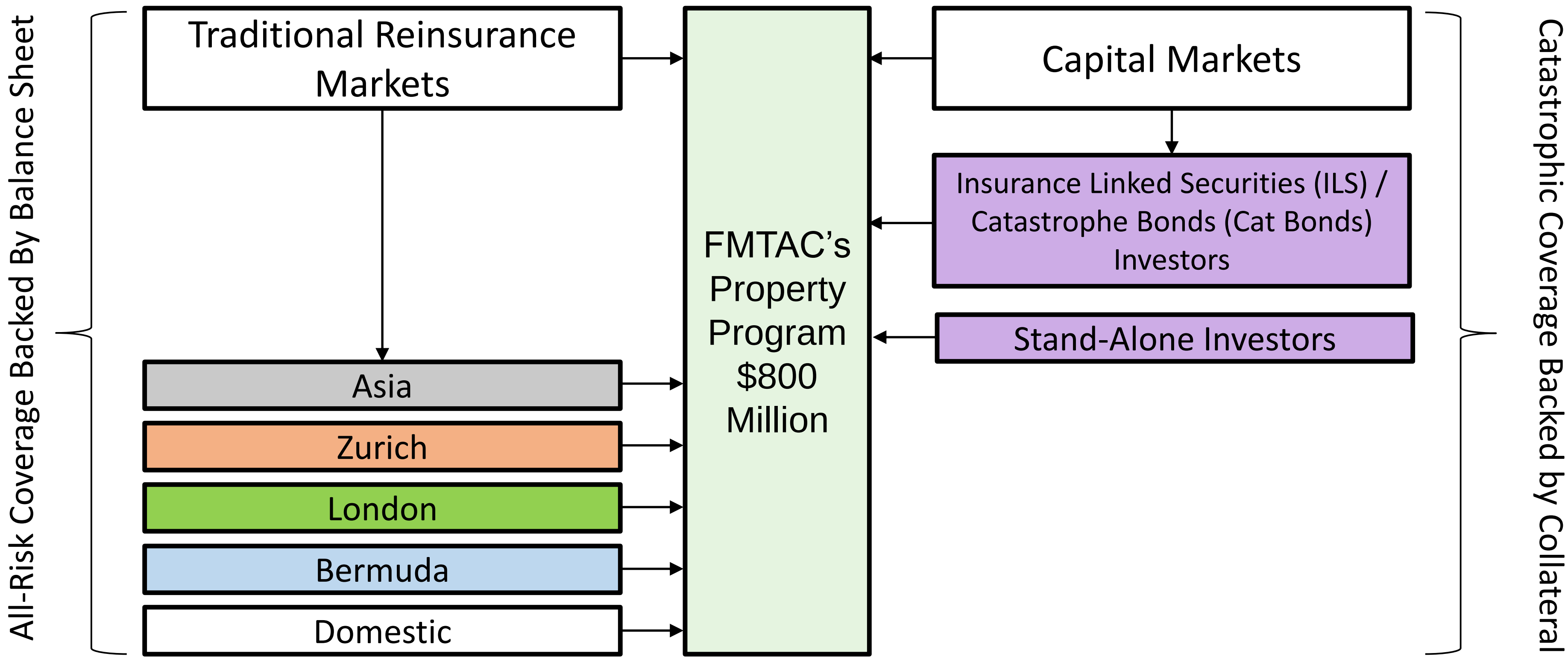
# FMTAC Overview

- FMTAC is a captive insurer whose only purpose is to provide insurance to the MTA agencies
  - Each agency has its own Self-Insured Retention (SIR):
    - For liability insurance, LIRR, NYCT, MNR and MTA Bus each have an SIR of $11 million; SIRTOA, B&T and MTA each have an SIR of $3.2 million
    - For property insurance, the SIR is $25 million for each agency
- FMTAC provides primary insurance to the agencies above their retention layer:
  - FMTAC's assets of $560 million are used almost exclusively to directly administer various liability coverage programs
  - FMTAC provides property insurance on an indirect basis by placing reinsurance in the global insurance marketplace

# FMTAC Property Program

- Property insurance is the biggest insurance program covered by FMTAC
- MTA is one of the largest purchasers of property insurance in the transportation sector
  - FMTAC purchases $800 million of property reinsurance limits on behalf of the MTA, including all-risk and catastrophe coverage
- Post Sandy, property insurance capacity available to FMTAC was significantly reduced
  - Domestic/US insurance markets' participation decreased dramatically

# Two Sources of Capital for Property Reinsurance




- Insurance marketplace is cyclical; right now we are fortunately in a declining pricing phase of the cycle
- To create additional savings above and beyond market declines, FMTAC employs a strategy of maximizing tension/competition inside each market, as well as between the two markets

# $800 Million 2017-2018 Property Reinsurance Program


- The risk of each layer increases towards the bottom of the schematic, and theoretically, so should the premium
- Each participating reinsurer has their own risk tolerance profile which can change over time, and demand for risk in various parts of the structure may result in swings in pricing that don't follow the risk curve
  - Some reinsurers want to buy risk throughout the structure, and some only have an appetite for specific layers;
  - Even within one layer, rates can vary by as much as 100 basis points;
  - Reaching out to the capital markets gives us the ability to increase competition and achieve best pricing

# 2017 Property Program Results

- This year, we obtained Board approval to pursue an ILS transaction that resulted in placing $125 million of reinsurance in the ILS market at a very attractive price
- The cost of the 2017 program is $37.0 million, as compared to the 2016 cost of $43.8 million, which resulted in $6.8 million of savings
  - The net rate-on-line for the 2017 program is 4.63%, as compared to the 2016 rate-on-line of 5.47%, a decrease of 15%
- In 2017, global risk transfer market pricing is lower by approximately 6-8% as compared to 2016, accounting for approximately 50% of the overall 15% rate reduction for the 2017 risk transfer program