REPORT ON EXAMINATION

OF

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY, INC.

AS OF

DECEMBER 31, 2003

DATE OF REPORT	OCTOBER 7, 2005
EXAMINER	FRANK P. SCHIRALDI

TABLE OF CONTENTS

STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

October 7, 2005

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 22234 dated June 23, 2004, attached hereto, I have made an examination into the condition and affairs of the First Mutual Transportation Assurance Company, Inc. as of December 31, 2003, and respectfully submit the following report thereon.

This examination was conducted at the office of First Mutual Transportation Assurance Company, Inc., located at 347 Madison Avenue, New York, NY 10017-3739.

Wherever the designation “Company” or “FMTAC” appears herein without qualification, it should be understood to refer to First Mutual Transportation Assurance Company, Inc. Wherever the designations “Parent” or “MTA” appears herein without qualification, they should be understood to refer to the Metropolitan Transportation Authority.

1. SCOPE OF EXAMINATION

The purpose of this examination was to determine that the Company was operating within its by-laws, was conforming to Article 70 of the New York Insurance Law, and its plan of operation as submitted to the New York Insurance Department, hereinafter referred to as the "Department."

A review of the operations of the Company from its licensing as a New York State captive on December 5, 1997 to December 31, 2002 was performed. The examination was updated to include a review of the Company's operations through December 31, 2003. This review included an analysis of the Company's financial condition, a review of corporate records, and limited tests of various income and disbursement items as deemed necessary. This report is submitted on an "exception" basis. Comments and recommendations are limited to those items requiring financial adjustment, procedural recommendations, or instances where the Company was not conforming to the application submitted to the Department or Article 70 of the New York Insurance Law.

The report utilized work performed by the Company's independent certified public accountants to the extent considered appropriate.

2. DESCRIPTION OF COMPANY

The Company was incorporated on December 5, 1997 as a wholly-owned subsidiary of the MTA. It began operating as a captive insurance company under the laws of New York State on December 15, 1997.

A. Articles of Incorporation

The purpose of the Company, as stated in its articles of incorporation, was to form a pure captive insurance corporation as a public benefit corporation subsidiary of the Metropolitan Transportation

Authority, pursuant to the provisions of Article 70 of the New York Insurance Law and Section 1266, subdivision 5 of the Public Authorities Law of the State of New York.

B. By-Laws

The by-laws of the Company were reviewed and it was noted that the Company was operating in full conformity with its by-laws in all material respects except as noted in the board of directors section below.

C. Capital Structure

FMTAC was incorporated as a mutual captive insurance company. The initial surplus contribution was $3,000,000. The Company also reported contributed surplus of $77,668,919.

D. Corporate Records

The corporate records of the Company were reviewed and appeared to be substantially accurate and complete in all material respects except for the omission of one transaction noted in the financial statements section below.

E. Plan of Operation

During the period covered by this examination, the Company wrote commercial property and liability coverages, including excess liability coverage, for various operations of the MTA and its affiliates.

F. Reinsurance

The Company cedes and assumes reinsurance. The direct, ceded and assumed business of the Company is attached as Exhibit A – Direct Business and Ceded and Assumed Reinsurance.

G. Management and Control

(i) Management Firm

The Company is managed by Willis Management, Ltd., an insurance consultant licensed by the New York Insurance Department. The manager's duties include the following:

- Review and recommend insurance coverages for FMTAC;
- Issue direct insurance policies of FMTAC;
- Make recommendations regarding service provider performance;
- Initiate and maintain proper accounting records and make sure such records conform to the laws of New York State;
- Monitor the cash management and investment practices of the Company;
- Prepare quarterly reports for the board of directors of FMTAC;
- Monitor statutory compliance; and
- Maintain all policy, banking, corporate and other documentation of the Company.

(ii) Board of Directors

The by-laws of the Company state that the board shall consist of all those persons who from time to time hold office as chairman or members of the MTA pursuant to Section 1263 of the Public Authorities Law of the State of New York. Each member of the board shall hold office for the term established by law for members of the MTA and until his successor shall have been appointed and qualified.

During the course of the examination, the minutes of the meetings of the Company's board of directors were reviewed. Such review indicated that the regular meetings of the Company's board of directors were held on a yearly basis. This appears to be in conflict with the its by-laws which provide that:

> "A regular meeting of the board shall be held without other notice than these By-laws at 9:30 A.M. on the fourth Friday of each month".

It is recommended that the Company either comply with the provisions of its by-laws or amend them relative to the frequency and scheduling of its board of directors meetings.

Subsequent to the examination date, but previous to the filing of this report, the Company agreed to amend its by-laws.

The following are the members of the captive's board of directors as of the examination date:

Name and Residence	Principal Business Affiliation
Andrew Albert New York, NY	New York City Transit Riders Council
James F. Blair New York, NY	Retired
Nancy S. Blakeman New York, NY	New England Motor Freight, Inc
Anthony J. Bottalico Lagrandeville, NY	Association of Commuter Rail Employees
Thomas J. Cassano Staten Island, NY	New York City Transit Employee
Edward B. Dunn Rye, NY	Retired
Barry Feinstein White Plains, NY	Consortium for Worker Education
Lawrence W. Gamache Greenwood Lake, NY	Retired
James H. Harding New York, NY	Director, Legislative Affairs for NYC for NYS Governor's Office
Peter S. Kalikow New York, NY	HJ Kalikow & Co, LLC

Name and Residence	Principal Business Affiliation
Susan L. Kupferman New York, NY	Mayor's Office of Operation
Mark D. Lebow New York, NY	Sokolow, Dunaud, Mecadier & Carreras
David S. Mack James L. McGovern Manhasset, NY	TD Securities
Mark Page Brooklyn, NY	New York City Office of Management & Budget
Ernest J. Salerno Pearl River, NY	Various Auto Dealerships in Westchester and Rockland Counties
Andrew M. Saul Katonah, NY	Cache, Inc
James L. Sedore, Jr. Fishkill, NY	Various Certified Public Accounting firms
James S. Simpson Staten Island, NY	Victory Van Lines
Edward A. Vrooman Garrison, NY	Aitken, Irvin, Berlin & Vrooman, LLP
Alfred E. Werner Bayport, NY	MacArthur Airport

Officers:

The by-laws of the Company state that the officers shall include a Chairman, one or more Vice-Chairmen, an Executive Director, a Counsel, Assistant Executive Directors and a Secretary. The Chairman shall be the person holding the office of chairman of the MTA. The Vice Chairman shall be elected by the board and shall serve at its pleasure. The Executive Director shall be appointed by the Board on the recommendation of the Chairman and shall serve at the board's pleasure. The Assistant Executive Directors, Counsel and the Secretary shall be appointed by the Executive Director and shall serve at his pleasure.

The following are the officers of the captive as of December 31, 2003:

Title	Name
Chairman	Peter S. Kalikow
Vice Chairman	David S. Mack
Vice Chairman	Edward B. Dunn
President	Lauren M. Gregory
Senior Vice President	Joseph A. Delaney
Vice President and Secretary	Phyllis J. Rachmuth
Executive Director	Katherine N. Lapp

H. Certified Public Accountant ("CPA") Firm and Other Outside Services

The Company was audited for the years 1997 through 2001 by the CPA firm of PriceWaterhouseCoopers LLP, 1301 Avenue of the Americas, New York, NY 10019. The Company was audited for the years 2002 and 2003 by the CPA firm of Deloitte and Touche, Two World Financial Center, New York, NY 10281.

Other firms that provide services to the Company during the examination period were:

- Claims Service Bureau of New York Inc. – claims handling services
- Deloitte Consulting LLP – actuarial services
- Metro North Railroad – TPA 1998 to 2003 MN Stations and Force Liability
- Brown Brothers Harriman – investment consultant.
- Bank of New York – custodian of bond holdings

I. Growth of Company

The following schedule sets forth the Company's significant summary financial information for the last five years:

Year	Net Premiums Earned	Net Income	Assets	Shareholders' Equity
2003	$28,985,320	$(50,566,317)	$556,293,816	$55,283,274
2002	32,904,798	9,003,939	783,466,864	28,854,345
2001	26,439,621	2,711,013	877,171,834	19,748,797
2000	21,652,888	4,957,159	193,447,259	16,746,866
1999	18,534,699	5,991,102	96,937,792	14,789,707
1998	18,690,500	5,585,616	46,195,190	8,798,605

In October 2003, the Company assumed the existing excess loss fund ("ELF") program on both a retrospective and prospective basis. The balance remaining in the fund was $77,668,919. This was transferred to FMTAC 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. This transfer was properly recorded as contributed surplus.

Along with the assumption of the remaining fund balances, the Company also recorded the remaining risk associated with the program. Thus, a $48,000,000 incurred loss was transferred to FMTAC with the assumption of the ELF program. This assumption was the major portion of the net loss reported during 2003 as shown above.

3. **FINANCIAL STATEMENTS**

The financial statements of the Company are presented in conformity with generally accepted accounting principles. The financial position of the Company as presented and accepted for the period examined follows:

BALANCE SHEET
AS OF DECEMBER 31, 2003

Assets	
Bonds	$170,867,271
Cash	24,252,495
Savings and certificates of deposit	(81,650)
Investment income due and accrued	881,011
Accounts and premiums receivable	37,089,295
Reinsurance recoverable on Unpaid	200,000,000
Prepaid reinsurance premiums	23,360,417
Deposits with reinsurers	95,356,129
Deferred policy acquisition costs	1,228,847
Paid loss deposit fund	3,340,000
Total assets	$556,293,816

Liabilities and Shareholder's Equity

Liabilities		
Losses		$307,210,854
Loss adjustment expenses		24,388,143
Reinsurance payable on paid losses		787,817
Commissions, expenses and fees		1,500,821
Unearned premium		46,282,406
Reinsurance balances Payable		27,670,000
Accrued expenses		204,661
Deferred loss and safety incentive award payable		92,965,837
Total Liabilities		$501,010,541
Shareholder's Equity		
Paid In capital (par value)	$3,000,000	
Contributed surplus	77,668,919	
Unrealized gain (loss) on Investments	5,720	
Surplus (accumulated earnings)	(25,391,36)	
Total assets and shareholders' equity		55,283,274
Total assets and shareholders' equity		$556,293,816

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2005

Underwriting income		
Net premiums earned		$ 28,985,320
Underwriting Expense		
Net losses incurred	$64,648,185	
Net loss adjustments expenses incurred	15,927,885	
Commissions and brokerage	3,237,464	
General and administrative	266,209	
Total underwriting expenses		84,079,744
Underwriting profit (loss)		$(55,094,424)
Investment income		4,528,107
Net income		$(50,566,317)
Changes in Capital and Surplus Account		
Capital and surplus at December 31, 2002		$28,854,345
Net income		(50,566,317)
Net unrealized capital gains or losses		(673,673)
Capital changes paid in		77,668,919
Capital and Surplus at December 31, 2003		$55,283,274

4. LOSS AND LOSS ADJUSTMENT EXPENSES

The Company's actuary at December 31, 2003 was Jan A. Lommele of Deloitte Consulting LLP, City Place I, Hartford, CT 06103.

The examination liability of $331,598,997 is the same as reported by the Company and the actuarial opinion as of December 31, 2003.

The examination reserves were calculated in accordance with generally accepted actuarial principles and practices and were based on statistical information contained in the Company's filed annual statements and their internal statistics.

5. ARTICLE 70 COMPLIANCE

Article 70 of the New York State Insurance Law is the governing law for the formation and continued operation of Captive Insurance Companies in New York State. No evidence of non-compliance with Article 70 was found during the course of this examination.

6. ORGANIZATIONAL STRUCTURE

The MTA, a public benefit corporation of the State of New York, has the responsibility for developing and implementing a unified mass transportation policy for the City of New York and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester. The following are the subsidiaries of MTA:

- The Long Island Rail Road Company
- Metro-North Commuter Railroad Company
- Staten Island Rapid Transit Operating Authority
- Metropolitan Suburban Bus Authority
- MTA Capital Construction Company
- First Mutual Transportation Assurance Company

The following are affiliates of the MTA:

- Triborough Bridge and Tunnel Authority
- New York City Transit Authority and its subsidiary, the Manhattan and Bronx Surface Transit Operating Authority

7. INSURANCE PROGRAM

Certain insurance coverages for the MTA and its related entities are provided by FMTAC as listed below:

Property and Terrorism Coverage

The Company insured property exposures of the MTA and its subsidiaries and affiliates, as follows:

- Prior to October 31, 2001, the Company insured Property losses in excess of $15 million per occurrence and $30 million annual aggregate.
- For the period October 31, 2001 to January 31, 2002, the above coverage was subject to a limit of $500 million per occurrence.
- For the period February 1, 2002 to October 31, 2003, the per-occurrence limit was increased to $900 million.
- Effective October 31, 2003, the coverage was changed to losses in excess of $25 million per occurrence and $75 million annual aggregate, limit $1 billion per occurrence.

The Company reinsured the majority of its property risks above the $25 million retention.

The above coverage excludes coverage for acts of terrorism. Effective November 1, 2001, a stand-alone policy was purchased to cover sabotage and terrorism up to $70 million in excess of a $30 million self-insured retention. On November 26, 2002, with enactment of the Terrorism Risk Insurance Act of 2002 (“TRIA”), any endorsements excluding certified acts of terrorism were void if the act of terrorism is covered by TRIA. Effective November 1, 2003, a stand-alone terrorism policy was structured to provide $100 million of coverage in excess of the $25 million self-insured retention for all acts of terrorism or 10% of $1 billion for those acts covered by TRIA.

Stations and Force Liability

Prior to December 15, 2002, ACE USA ("ACE") provided coverage ("ACE property insurance agreement") for the first $7 million of losses, per occurrence, for the Long Island Railroad Company ("LIRR") and Metro North Commuter Railroad Company ("MNCR"). Effective on that date, the Company assumed 100% of the outstanding liabilities under the ACE property insurance agreement. Additionally, the Company entered into an aggregate stop loss agreement with ACE, which provides that ACE will be liable for any losses and allocated loss adjustment expenses assumed by the Company under the ACE property insurance agreement for the year ended December 31, 2002 in excess of $45 million, up to a limit of $10 million. Any losses above the $10 million stop-loss protection are retained by the Company.

Effective December 15, 2002 the Company replaced ACE as the direct insurer for the above program.

All Agency Protective Liability

Effective May 1, 2000, the Company issued a policy to cover MTA's all agency protective liability program ("AAPL"). The AAPL program is designed to protect the MTA and its agencies against the potential liability arising from independent contractors working on capital and non-capital projects. The initial policy was extended by one month to expire on June 1, 2001. The net retention to the Company is estimated at $2 million per occurrence with $4 million in the aggregate using reinsurance to cap the Company's risk. With no change in the net retained premium, effective June 1, 2003, the Company renewed its agreements for $2.3 million.

ParaTransit

Effective July 1, 2003, the Company extended its deductible reimbursement policy, insuring the auto liability on the NYCT Paratransit operations, to expire on March 1, 2004. The Company is responsible for the first $500,000 per occurrence of every claim up to a $15.9 million aggregate for the eight-month extension period covered under the USF&G ("Discover Re") policy. The annual aggregate for the original policy period of was $19 million. The Discover Re policy provides a per occurrence limit of liability of $3 million combined single limit.

The Company capped its exposure by purchasing reinsurance from Scor Re with limits $250,000 excess of $250,000 per occurrence. The premium paid for the reinsurance coverage for the original period and the extension was $900,000 and $659,000, respectively. The Company will retain $5.1 million and $4.2 million for the original and extension periods respectively to fund for losses and claims handling charges.

Non-Revenue

Effective March 1, 2003, the Company issued a deductible reimbursement policy, insuring the auto liability for the MTA and some of its agencies for the non-revenue fleet. The Company is responsible for the first $500,000 per occurrence of every claim up to a $6.75 million aggregate covered under the USF&G (Discover Re) policy. The Discover Re policy provides a per occurrence limit of liability of $7 million combined single limit.

Owner-Controlled Insurance Programs

The MTA purchases owner-controlled insurance programs ("OCIP") under which all contractors working on a construction project are covered by insurance purchased by the owner of the project. When the coverage is provided on a group basis, it permits the purchase of broader coverage with higher limits and avoids duplication and gaps in the coverage. In addition, since the contractors do not put the cost of insurance in the work bid, the MTA is able to reduce the cost of the project.

First Mutual is used by the MTA to provide the collateral required by the OCIP fronting carriers to cover the deductible amounts for the contractors. First Mutual records in the OCIP liability account the amount paid by the MTA for the program. The interest earned is not recognized in the statement of operation. Instead, the interest earned is recorded as deferred incentive award payable, a portion of which First Mutual uses to pay safety incentive award payments to contractors with favorable loss experience.

OCIP liability consists of the following at December 31, 2003 and 2002 (000 omitted):

	2003	2002
NYCTA lines structures/shops, yards and depots renovation projects	$ 2,712	$ 4,700
LIRR/MNCR 2000-2004 capital improvement program	7,850	8,016
NYCTA 2000-2004 lines structures/shops, yards and depots capital improvements program	51,985	52,074
NYCTA 2000-2004 stations and escalators/elevators capital improvements program	22,496	23,000
Totals	$ 85,043	$ 87,790

The MTA entered into an agreement whereby contractors working on NYCTA's line structures/shops/yards and depots renovation projects are insured by National Union Fire Insurance Company ("AIG") under an OCIP, which was effective March 1, 1999. The $4.7 million collateral requirement for the OCIP is invested by AIG with interest returning to the Company at a guaranteed annual rate of return. Inception to date interest earned is $1,048,000 of which, $46,000 was earned in 2003. The interest earned will be used to make safety incentive award program payments to contractors with favorable loss experience. In 2003, the OCIP began to make claims payments. The total claims payments recorded in 2003 is $1,988,000. This OCIP is estimated to last seven years.

Effective December 1, 1998, the MTA entered into an OCIP for the NYCTA's station/escalators and elevators projects with an expected completion date of December 2004.

The Company entered into three agreements covering portions of the 2000-2004 MTA capital plan under an OCIP with AIG, which was effective October 1, 2000. The combined collateral requirements of $83,725,000 including the LIRR/MNCR 2000-2004 capital improvement program ($8,016,000); the NYCTA 2000-2004 lines structures/shops, yards and depots capital improvement program ($52,709,000); and the NYCTA 2000-2004 stations and escalators/elevators capital improvement program ($23 million) were reinvested until October 31, 2002, at which time the rate changed to 2.4 percent. The Company earned $2,195,000 during the year ended December 31, 2003 and has earned $10,714,000 since inception. The interest earned will be used to make the contractor safety Iincentive program payments to contractors with favorable loss experience. As of December 31, 2003, the Company has paid $5.56 million in safety and loss control. Any monies not used to pay losses or utilized for the contractor safety incentive program will be returned to the agencies at the end of the OCIPs.

As part of the initial agreement and as amended, in 2003, the Company was required to make additional contributions of $635,000 to NYCTA 2000-2004 lines, structures/shops, yards and depots capital improvement program. The Company began making claims payments, the total 2003 claims payments recorded by the Company was $1,395,000.

The activity of all funds held by the OCIP reinsurer consists of the following for 2002 and 2003 (000 omitted):

	2003	2002
Funds held by OCIP insurers at beginning of year	$ 97,312	$ 94,165
Interest income	2,242	2,948
Reimbursement to the Company for Safety and Loss Control	(1,450)	-
Claims Payments	(3,383)	-
NYCTA 2000-2004 lines structures/shops, yards and depots capital improvement program	635	199
Totals	$ 95,356	$ 97,312

East Side Access Project ("ESA")

In 2000, the Company entered into a multi-year reinsurance agreement with Liberty Mutual, the insurer of the MTA/LIRR ESA owner controlled insurance program, whereby the Company will hold the collateral and loss funding for the first $500,000 per occurrence resulting from workers' compensation and general liability losses while constructing the LIRR East Side Access Project.

Builders Risk

Effective October 1, 2001, FMTAC renegotiated the terms and conditions of the reinsurance coverage it purchased from Zurich for the builders' risk insurance program provided to cover the following 2000-2004 OCIP's capital program:

- Long Island Rail Road/Metro North Rail Road capital improvement program
- NYCT's lines structures/shops/yards & depots capital improvement program
- NYCT's stations & elevators capital improvement program

FMTAC will now assume a $100,000 per occurrence deductible (increased from $25,000) for a premium of approximately $950,000.

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 million per occurrence with $50 million annual aggregate. The balance of the ELF, $77 million 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.

Excess and Professional/Environmental

Kemper Insurance Company ("Kemper") issued excess and professional/environmental liability policies to the MTA and LIRR, on behalf of work performed on the ESA. The original policies issued by Kemper had effective dates of April 1, 1999 through December 31, 2010 and were cancelled effective June 30, 2003. Through novation and assumption agreements, effective June 30, 2003, the Company assumed 100 percent of the liabilities for the period of April 1, 1999 through June 30, 2003, from Kemper for the two insurance policies referenced above. The first policy issued has limits of $48 million excess of $2 million for liability coverage on an occurrence basis and the second policy is for professional and environmental coverage with limits of $50 million on a claims made basis. The Company retained no premium for these programs, since it will seek reimbursement from the original insured if a claim arises.

8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM	PAGE NO.
It is recommended that the Company either amend its by-laws or comply with them and have regular monthly meetings	7

First Mutual Transportation Assurance Company (FMTAC)

Insurance Schedule

as of 12/31/03

Type Policy	Coverage	Direct or Assumed	Reinsurance Purchased	Reinsurer	Limits	Period Covered	Premium
All Agency Excess Liability (Primary) (ELF)	Covers excess third party liability including employee liability for occurrences arising out of or incidental to Agencies' operations.	Direct	No	N/A	$50,000,000 excess of $7,000,000 Retention for LIRR, MNR & NYCT, $2,000,000 Retention for LI Bus & $1,400,000 for B&T & MTA	10/31/03-10/31/2006	$4,000,000 for Policy Term
All-Agency Protective Liability (AAPL)	Covers Agencies' liability resulting from contractors' work on capital projects.	Direct	Yes	ACE & Lloyds	$2,000,000 per occurrence $4,000,000 Annual Aggregate	6/1/03-6/1/2004	$2,711,771
All-Agency Protective Excess Liability	Excess liability coverage resulting from contractors' work on capital, maintenance and operating projects.	Direct	Yes	ACE & Lloyds	$5,000,000 excess of $2,000,000	6/1/03-6/1/2004	$349,229
All-Agency Property Insurance Program	All-owned property. Includes direct damage, Extra Expense and Business Interruption.	Direct	Yes	Various	$1,000,000,000 per occurrence, excess of $25,000,000 SIR per occurrence, $75,000,000 annual aggregate	10/31/03-10/31/2004	$18,750,000
All Agency Property Sabotage & Terrorism	All-owned property. Includes direct damage - excludes Business Interruption for all Agencies with the exception of Bridges and Tunnels.	Direct	Yes	Berkshire Hathaway	Non Certified: $ 100,000,000 per occurrence, Certified: 10% of $1 Billion excess of $25,000,000 SIR per occurrence	10/31/2003-12/31/2005	$19,716,666

First Mutual Transportation Assurance Company (FMTAC)

Insurance Schedule

as of 12/31/03

Type Policy	Coverage	Direct or Assumed	Reinsurance Purchased	Reinsurer	Limits	Period Covered	Premium
Comprehensive Automobile Liability (Non-Revenue Fleet)	Covers liability arising out of use of company nonrevenue automobiles including non-owned, hired cars. Policy covers LIRR, MNR NYS MTA Police, MTA Headquarters, SIRTOA vehicles as well as LI Bus & MNR Guaranteed Ride Home.	Direct	No	N/A	$500,000 per occurrence deductible	7/01/02-3/01/04	$4,812,000 10 month extension
LIRR PROGRAMS							
Station Liability- LIRR	Covers third party liability, bodily injury and property damage and personal injury at passenger stations, includes moving train hazards while confined to station area, includes elevators, escalators, platforms appurtenances, land, approaches, and parking lots.	Direct	No	N/A	$7,000,000 per occurrence CSL-B.I. & P.D.	12/15/03-12/15/04	$5,353,547 Payable in quarterly installments
Force Account - LIRR	F.E.L.A. Third Party Liability, Physical Damage and medical payments on force account work reimbursed by others.	Direct	No	N/A	$7,000,000 Combined Single Limit	12/15/03-12/15/04	$7,815,584 Payable in quarterly installments
MNR PROGRAMS							
Station Liability- MNR	Covers third party liability, bodily injury and property damage and personal injury at passenger stations, includes moving train hazards while confined to station area, includes elevators, escalators, platforms, appurtenances, land, approaches, and parking.	Direct	No	N/A	$7,000,000 per occurrence CSL- B.I. & P.D.	12/15/03-12/15/04	$3,010,231 Payable in quarterly installments

First Mutual Transportation Assurance Company (FMTAC)

Insurance Schedule

as of 12/31/03

Type Policy	Coverage	Direct or Assumed	Reinsurance Purchased	Reinsurer	Limits	Period Covered	Premium
Force Account - MNR	F.E.L.A. Third Party Liability, Physical Damage and medical payments on force account work reimbursed by others.	Direct	No	N/A	$7,000,000 Combined Single Limit	12/15/03- 12/15/04	$6,051,200 Payable in quarterly installments
MTA HDQTRS. PROGRAM							
Premises Liability	Covers liability arising out of the ownership, maintenance and use of various MTA locations: 341/345/347 Madison Ave., the use of and IG's lease of space at 111 West 40th Street, NYC and 2 Broadway.	Direct	No	N/A	$1,000,000 each occurrence $1,000,000 Aggregate	12/7/03- 12/7/04	$250,000
NYCT PROGRAM							
Paratransit (Access-A-Ride)	Covers third-party liability arising out of wheelchair lift-equipped vans and sedans. Service is provided by contractors/operators under contract with NYCT.	Direct	Yes	Scor re	$500,000 per occurrence Deductible $250,000 xs of $250,000	7/1/2003- 10/1/04	$4,812,415
OWNER CONTROLLED INSURANCE PROGRAM (OCIP)							
Builders Risk	Covers the 2000-2004 Capital Program LIRR, MN,& NYCT	Direct	Yes	Zurich	$50,000,000 per occurrence subject to $100,000 deductible	10/1/2000- 10/1/05	$5,611,829

First Mutual Transportation Assurance Company (FMTAC)

Insurance Schedule

as of 12/31/03

Type Policy	Coverage	Direct or Assumed	Reinsurance Purchased	Reinsurer	Limits	Period Covered	Premium
WC & GL (RCAMP)	Covers the 2000-2004 Capital Program LIRR, MN, NYCT, & NYCT Structure 1999	Assumed	Yes	AIG	$500,000 per occurrence (SIR)	10/1/2000-10/1/08	$88,425,536
WC & GL	Covers the East Side Access Project for LIRR Capital Program	Assumed	No	N/A	$500,000 per occurrence Deductible	4/1/99-4/1/2010	$19,000,000 Collateral $35,000,000 Loss Fund

Respectfully submitted,

_________/S/_________________
Frank P. Schiraldi
Senior Insurance Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

FRANK P. SCHIRALDI, being duly sworn, deposes and says that the foregoing report submitted to by him is true to the best of his knowledge and belief

Subscribed and sworn to before me
this ______day of _______________2006.

____________/S/_______________
Frank P. Schiraldi

Appointment No *22234*

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, GREGORY V. SERIO, *Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:*

Frank Schiraldi

as proper person to examine into the affairs of the

FIRST MUTUAL TRANSPORTATION ASSURANCE COMPANY

and to make a report to me in writing of the condition of the said

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York,

this 23rd day *of June, 2004*

GREGORY V. SERIO
Superintendent of Insurance