

## THE BOND BUYER

# New York MTA plans return to cat bond market with \$125M deal

By Paul Burton

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New York's Metropolitan Transportation Authority intends to return to the catastrophe bond market for \$125 million of insurance protection.

Its board approved the measure last week.



New York's MTA intends to return to the catastrophe bond market in a strategy it initiated after Hurricane Sandy. [Bloomberg News](#)

MTA, one of the largest municipal issuers with roughly \$36.5 billion of debt, bought a \$200 million catastrophe bond in mid-2013, less than a year after Hurricane Sandy struck the region.

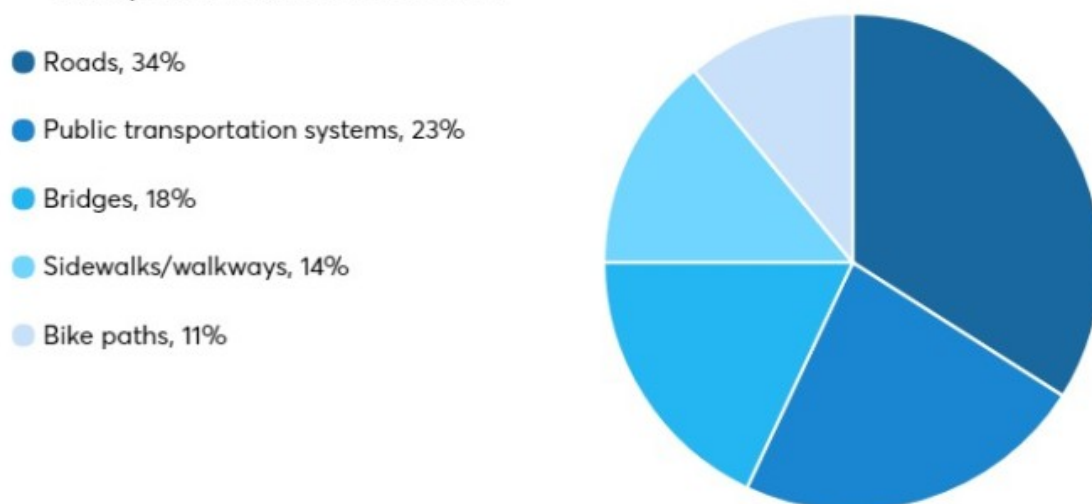
The transaction, through MTA subsidiary First Mutual Transportation Assurance Co., enabled the MTA to enhance its overall reinsurance portfolio.

"The ability to obtain capital markets-based reinsurance has proven to be an economically successful alternative for FMTAC because it is no longer solely dependent on traditional reinsurance brokers for its reinsurance needs," MTA chief financial officer Robert Foran told board members in a memo.

According to Foran, the inaugural transaction covered storm surge over three years and expired last July.

## You make the call

How would you divide spending of available funds to improve transportation infrastructure?



Source: HNTB Corp., "America Thinks" nationwide public transportation survey

"They want the ability to reinsure through other capital markets means. Green bonds, for example, is the way to do it," said storm financing expert Alan Rubin. "This is giving them the ability to spread risk. That's really what they're doing."

Hurricane Sandy has forced many water-exposed municipal issuers to fortify their communities.

New York Mayor Bill de Blasio two weeks ago released preliminary guidelines for incorporating projected effects from climate change into design process of city facilities.

De Blasio is also dedicating \$100 million in capital funds to the New York City Economic Development Corp. to fill in one of the last gaps in the Manhattan waterfront greenway, a pedestrian promenade and bicycling path around the island.

On Sunday, parts of a sea wall directly behind the mayor's Gracie Mansion residence crumbled into the East River.

Foran said FMTAC's second MetroCat transaction would cover windstorm, storm surge and earthquake catastrophic risks, augmenting coverage through traditional property reinsurance markets.

"The transaction is also estimated to result in rate-on-line savings for the MTA," said Foran.

The board authorized FMTAC to contract with Bermuda-based Eclipse Re Ltd., which would write collateralized insurance and reinsurance contracts and to issue notes supporting those contracts. Eclipse Re, according to the

MTA memo, places these notes through Rewire Securities LLC.

Established in 2014, Rewire has structured and placed natural catastrophe deals on behalf of AIG, USAA, Ace Ltd. and other primary insurers.