WTC CAPTIVE INSURANCE COMPANY, INC.

FINANCIAL STATEMENTS
December 31, 2024 and 2023

WTC CAPTIVE INSURANCE COMPANY, INC.

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CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION 13

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION 14

STATEMENTS OF CASH FLOWS 15

NOTES TO THE FINANCIAL STATEMENTS 16

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - DECEMBER 31, 2024 27

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE - DECEMBER 31, 2024 29

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - DECEMBER 31, 2024 32

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - DECEMBER 31, 2024... 33

FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS - DECEMBER 31, 2024.......... 34

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - DECEMBER 31, 2024.......... 35

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
WTC Captive Insurance Company, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WTC Captive Insurance Company, Inc. (the "Company"), included as a component unit of The City of New York, New York for financial reporting purposes, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the WTC Captive Insurance Company, Inc.'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 WTC Captive Insurance Company, Inc., as of December 31, 2024 and 2023, 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 WTC Captive Insurance Company, Inc., 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 WTC Captive Insurance Company, Inc.'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.

(Continued)

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 WTC Captive Insurance Company, Inc.'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 WTC Captive Insurance Company, Inc.'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 audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 - 12 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 audit 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.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the WTC Captive Insurance Company, Inc.'s basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2025 on our consideration of WTC Captive Insurance Company, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of WTC Captive Insurance Company, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WTC Captive Insurance Company, Inc.'s internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
March 14, 2025

The following discussion and analysis of WTC Captive Insurance Company, Inc.'s ("WTC Captive" or the "Company") financial performance provides an overview of the Company's financial activities as of and for the year ended December 31, 2024. It should be read in conjunction with the financial statements, which begin on page 13.

WTC Captive is a not-for-profit corporation formed in the State of New York in response to the events of September 11, 2001. WTC Captive was established pursuant to the Consolidated Appropriations Resolution, 2003, P.L. 108-7, signed by President George W. Bush on February 20, 2003, and corollary enabling State of New York legislation. WTC Captive was incorporated on July 1, 2004; it was funded by the Federal Emergency Management Agency ("FEMA"), licensed as a captive insurance company by the New York State Department of Financial Services ("NYSDFS") and commenced operations on December 3, 2004.

Pursuant to a liability insurance contract (the "Contract"), WTC Captive provides specified coverage against certain third-party claims made against New York City (the "City") and approximately 145 contractors and subcontractors (collectively, "Additional Named Insureds") working on the City's FEMA-funded debris removal project. WTC Captive coverage includes general liability, environmental liability, professional liability, and marine liability. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. The effective dates of the Contract are with respect to exposures occurring from September 11, 2001 (post-collapse) through August 30, 2002. This period is referred to as the "Exposure Period." This is the only insurance contract that has or will be issued by WTC Captive, and all of the Company's business activities relate to its obligations under the Contract.

The insureds of the WTC Captive were sued in numerous cases alleging some harm during the exposure period as defined by the Contract. On June 23, 2010, the Settlement Process Agreement, as Amended ("Amended SPA") was reached with attorneys representing over 10,000 plaintiffs and approved by Judge Alvin Hellerstein, and by November 2010, the WTC Captive determined, based on information provided by the Amended SPA administrator, that the minimum required 95% of plaintiffs had evidenced an intention to opt in to the agreement. The Amended SPA contained several financial components to be contributed by the WTC Captive, the last having been completed in January 2016. In total, the value of the financial components contributed by WTC Captive to the Amended SPA exceeded $700 million.

Apart from the settlement described above, the Company separately resolved approximately 100 individual claims between 2010 and 2014. Several additional claims were resolved in 2015. By the end of 2015, the sole remaining claim alleged that an Insured owed indemnity to a non-Insured for its defense of similar cases. An additional claim was filed and resolved in 2017 and another was filed in 2020 and resolved in 2021. An additional claim was filed in 2021 and resolved in 2023 and another was filed in 2022. The indemnity claim and the claim filed in 2022 remained outstanding at year end 2024.

On July 29, 2019, President Donald J. Trump signed the "Never Forget the Heroes: James Zadroga, Ray Pfeifer, and Luis Alvarez Permanent Authorization of the September 11th Victim Compensation Fund Act (H.R. 1327)" ("the Act") into law. The bill's enactment extended the VCF through 2090 and reimbursed victims whose benefits had been reduced since February 2019 because of a funding shortfall in the VCF. While the Act did not mention or specifically affect WTC Captive operations in any way, it is probable that it will significantly reduce the likelihood that WTC Captive will face considerable claims filings in the years ahead.

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Financial Highlights

The Company accounts for the Contract utilizing deposit accounting. Deposit accounting is used to account for insurance contracts that do not transfer insurance risk and its guidelines affect how certain expenditures of the Company are recognized in its financial statements. It is important for a reader of these financial statements to understand deposit accounting to appreciate fully the financial performance of the Company. Deposit accounting is explained in further detail throughout the Management's Discussion and Analysis and the notes to the audited financial statements.

Pursuant to a series of agreements, WTC Captive received funding of $999.9 million on December 3, 2004. Funds amounting to $899.9 million were recorded directly to "deposit liability." The Company's Board of Directors approved the designation of a minimum of $100 million to satisfy the capital and surplus requirements of the NYSDFS, as required by Section 7004 of the New York Insurance Law, Article 70. The designation of $100 million was based on an assessment of factors that would impact amounts designated as capital, primarily related to potential changes in the market value of the investment portfolio, which are charged directly to operations, and the potential for interest accretion and operating expenses to exceed gross investment income in a given year, as more fully described below. WTC Captive holds the amounts designated to satisfy capital and surplus as a liability, "residual liability" on its Statements of Net Position.

Amounts designated to satisfy capital and surplus requirements are held as a liability, rather than as residual net position, due to provisions of the Company's organizational documents that require the Company to return funding that remains, if any, after all obligations have been satisfied. Additionally, any net gain or loss from operations will directly impact the Company's residual liability designated to satisfy capital and surplus requirements. As such, the net operating income (loss) recorded for the years ended December 31, 2024, 2023 and 2022, respectively, have been reflected within the residual liability on the Company's Statements of Net Position. Designation of funds to satisfy capital and surplus requirements does not restrict the ability of the Company to use such funds to satisfy its obligations.

The Company reported net operating income (loss) of $10.2 million, $11.3 million, and $(14.1) million for the years ended December 31, 2024, 2023 and 2022, respectively. The net operating income (loss) for the years ended December 31, 2024, 2023 and 2022 was attributable to the total operating expenses against total investment income, net of interest accretion expense.

For all years, the Company's sole source of income was investment income derived from the amount of invested assets.

Overview of the Financial Statements

This annual financial report consists of Management's Discussion and Analysis and basic financial statements. Basic financial statements consist of: Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements. WTC Captive is subject to accounting standards promulgated by the *Governmental Accounting Standards Board*, as applied by the City.

The Statements of Net Position provide an indication of WTC Captive's financial status. These statements provide information on the ability of WTC Captive to meet its obligations, primarily related to issuance of the Contract described above. As described above, no net position has been reported by the Company due to provisions of the Company's organizational documents that require the Company to return funding that remains, if any, after all obligations have been satisfied.

(Continued)

The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the indicated time period. Any net operating gain or loss recognized is reflected in the residual liability account presented on the Statements of Net Position. WTC Captive reports information using the full accrual basis of accounting commonly used by private-sector companies.

The Statements of Cash Flows report the cash provided from and used by operating and investing activities. Sources and uses of cash are shown on a direct basis. Additionally, a reconciliation of the change in net position to net cash provided from operating activities is provided on an indirect basis.

Notes to the Financial Statements provide additional information and schedules that are essential to a complete understanding of the information provided in the financial statements, including discussion related to the Company's use of deposit accounting with respect to the Contract issued by the Company, as discussed further in Notes 2 and 4.

The following is a summary of WTC Captive's Statements of Net Position:

(Dollars in thousands)	December 31,		
	2024	2023	2022
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,626	$ 3,190	$ 1,798
Accrued investment income	2,319	2,168	1,301
Receivable for pending sales of investments	39,918	-	6,835
Prepaid expenses	66	42	39
Total current assets	44,929	5,400	9,973
Noncurrent assets:			
Investments, at fair value	308,809	297,808	289,405
Other assets	40	40	40
Right of use asset	108	211	311
Total noncurrent assets	308,957	298,059	289,756
Total assets	$ 353,886	$ 303,459	$ 299,729
LIABILITIES			
Current liabilities:			
Deposit liability	$ 425	$ 497	$ 435
Payable for pending purchases of investments	39,244	-	6,976
Lease liability	102	103	88
Accrued expenses	184	253	169
Total current liabilities	39,955	853	7,668
Noncurrent liabilities			
Deposit liability	103,300	102,045	102,661
Residual liability	210,622	200,450	189,177
Lease liability	9	111	223
Total noncurrent liabilities	313,931	302,606	292,061
Total liabilities	353,886	303,459	299,729
Net position - unrestricted	$ -	$ -	$ -

(Continued)

Nearly all of WTC Captive's assets are held as either cash or investments. As of December 31, 2024, these assets totaled approximately $311.4 million. Other assets of the Company included $2.4 million of accrued investment income. The liabilities of the Company included the deposit liability of $103.7 million, accrued expenses of $0.184 million, and a residual liability of $210.6 million. The net income (loss) from operations, amounting to $10.2 million, 11.3 million, and $(14.1) million, for the years ended December 31, 2024, 2023 and 2022, respectively, have been reflected within the residual liability. Net losses from operations reduce the residual liability of the Company, while net gains from operations increase the residual liability. This is due to the fact that the Contract and provisions of the Company's organizational documents require the Company to utilize all of its resources to satisfy obligations under the Contract, as necessary. Any funds that remain after all obligations have been satisfied must be returned as defined by and according to the terms of the organizational documents. Hence, to the extent that the Company has net gains from operations, it has additional resources either to satisfy obligations under the Contract or to return pursuant to the terms of the organizational documents.

The composition of cash, certificates of deposit and investments as of December 31, 2024, 2023 and 2022, are as follows:

(Dollars in thousands)	2024	2023	2022
Cash and cash equivalents	$ 2,626	$ 3,190	$ 1,798
Fixed maturity securities, at fair value	308,809	297,808	289,405
Total	$ 311,435	$ 300,998	$ 291,203

WTC Captive's Board of Directors' approved investment policy statement outlines the Company's investment objectives, policies and procedures, among other matters. WTC Captive's broad investment objective emphasizes the preservation of invested assets and maintenance of sufficient liquidity to meet the Company's obligations as defined by the Contract. As a secondary objective, the Company's investment policy seeks to achieve a total return that exceeds, after management fees, the benchmarks approved by its Board of Directors.

BlackRock Financial Management, Inc. ("BlackRock") serves as the Company's investment manager and they manage the Company's Short Duration portfolio. The Short Duration portfolio is benchmarked against the Bloomberg Barclays 1-5 Year U.S. Treasury Index. The Company and its investment manager believe that the portfolio currently serves the Company's needs and objectives. Notwithstanding, the Company, its investment manager, and the Board of Directors review the investment policy and portfolio structure from time to time to ensure that it continues to be suitable. In the past, such reviews have introduced or discontinued the use of a Liquidity portfolio alongside the Short Duration portfolio. When utilizing a Liquidity portfolio, our reviews evaluated the allocation of funds among the Liquidity and Short Duration portfolios. Other reviews have considered whether additional portfolio asset classes should be introduced, and whether existing target asset allocation ranges continue to be appropriate, among other questions.

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WTC Captive's 2024 investment performance was fairly consistent with that achieved in 2023, with both years reflecting a substantial improvement over the investment performance in 2022. Investment income for the year ended December 31, 2024 totaled $13.5 million compared to investment income of $14.5 million for the year ended December 31, 2023 and $(10.8) million for the year ended December 31, 2022. For the first eight months of 2024, the Federal Reserve maintained the Fed Funds target rate at a range of 5.25% to 5.50%, a rate posture adopted in July 2023. While rates were held constant during this period, the market began anticipating an easing of Federal Reserve interest rate policy, which led to a rally in fixed income markets and strong monthly investment returns from May through September. In September 2024, the Federal Reserve began reducing the Fed Funds target rate. Three reductions in the last four months of the year brought the Fed Funds target rate to a range of 4.25% to 4.50% at year end.

The following is a summary of WTC Captive's unrestricted investment securities, at fair value, as of December 31, 2024, 2023 and 2022:

(Dollars in thousands)	2024	2023	2022
U.S. government and agency securities	$ 184,977	$ 154,136	$ 157,434
Corporate and other securities	67,380	64,121	61,032
Mortgage-backed and asset-backed securities	56,452	79,551	70,939
Total	$ 308,809	$ 297,808	$ 289,405

In aggregate, these investments had an average Standard & Poor's (S&P) credit rating of "AA" and an effective duration of 2.55 years as of December 31, 2024.

Deposit Accounting

For reasons described below, the Contract between WTC Captive, the City and the Additional Named Insureds did not transfer "insurance risk" to the Company, as that term is defined in applicable accounting guidance. Accordingly, the transfer of funds to the Company was accounted for using "deposit accounting." Deposit accounting is applied when no insurance risk or timing risk is present in a contract. When considered in its entirety, the Contract contains neither underwriting risk nor timing risk, two elements fundamental to the transfer of insurance risk.

Under deposit accounting, which focuses primarily on the Statements of Net Position, all financial activity related to the Contract is recorded through a "deposit liability" on the Statements of Net Position. The deposit liability represents the accrual for loss and loss adjustment expenses to be paid under the Contract. This liability is increased to the extent funds are received subject to the terms of the Contract, less the $100 million minimum originally designated to meet capital and surplus requirements held as a residual liability. Notwithstanding, the designation of funds to satisfy capital and surplus requirements does not restrict the ability of the Company to use such funds to satisfy its obligations.

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Given the establishment of the deposit liability, no further recognition of loss or loss adjustment expense occurs. The deposit liability is reduced to the extent that loss and loss adjustment expenses are paid. Payment of such expenses does not impact the Statements of Revenues, Expenses and Changes in Net Position. The deposit liability is adjusted upward for "interest accretion" at each reporting date. Interest accretion enables the Company to recognize additional liability that will be recorded by the Company over the period of its estimated life (pursuant to the Contract) in excess of the original deposit amount. The deposit liability is accreted based on the Contract's internal rate of return ("IRR"). The IRR is the estimated rate required to discount amounts that will be paid under the Contract back to the original deposit amount. The accretion of the deposit liability is designed to match interest accretion expense against related investment income attributable to the deposit liability, thereby limiting recognition of income derived from the Contract.

As a result of a review conducted by the Company and certain of its service providers in 2020, the Company changed to an IRR of 1.5%. The Company used this rate in its financial calculations for the years ended December 31, 2024, 2023, and 2022, and made appropriate historical adjustments for 2004 through 2019, as required under its accounting model. The Company used an IRR of 2.5% from 2011 through 2019. It is expected that the IRR will always be less than the expected return on invested assets due to the cost of operating the Company that impacts the Contract limits (i.e., operating expenses are not payments under the Contract). Additionally, interest accretion is calculated only on the deposit liability, while investment yield is derived from all invested assets. The IRR is subject to significant uncertainty due to changes in the timing and amount of future cash flows, the cyclicality of general economic conditions, and fluctuations in the rate of return achieved with respect to the investment portfolio. The IRR estimate of 1.5% as of December 31, 2024 was based on a number of scenarios developed at investment rates of return ranging from 0.07% to 3.41%, given varying payout patterns, settlement structures, and other factors. The IRR estimate of 1.5% as of December 31, 2023 was based on a number of scenarios developed at investment rates of return ranging from 0.10% to 3.39%, given varying payout patterns, settlement structures, and other factors. The IRR estimate of 1.5% as of December 31, 2022 was based on a number of scenarios developed at investment rates of return ranging from 0.08% to 3.33%, given varying payout patterns, settlement structures, and other factors.

An interest rate accretion expense of $1.6 million was recognized for the year ended December 31, 2024. An interest rate accretion expense of $1.5 million was recognized for the year ended December 31, 2023. An interest rate accretion expense of $1.5 million was recognized for the year ended December 31, 2022.

Activity within the deposit liability, including interest accretion and payments made from the deposit for the years ended December 31, 2024, 2023 and 2022, respectively, are summarized in the table below:

(Dollars in thousands)	2024	2023	2022
Liability at beginning of year	$ 102,542	$ 103,096	$ 101,924
Interest accretion	1,551	1,542	1,538
LAE - adjusting paid	(84)	(85)	(84)
LAE - all other paid	(284)	(611)	(282)
Indemnity payments	-	(1,400)	-
Liability at end of year	$ 103,725	$ 102,542	$ 103,096

Loss Reserves and Estimated Ultimate Losses

Management of WTC Captive has engaged an independent actuarial consulting firm to provide support in calculating the interest accretion expense described previously and to provide a projection of ultimate loss when more meaningful information becomes available, among other things. The ultimate liability for loss and loss adjustment expenses has not been estimated as of December 31, 2024, 2023 and 2022.

No estimate for losses incurred but not reported ("IBNR") has been developed to date. There would be no differences to the deposit liability recorded by the Company or other related balances had an actuarial study been completed with respect to December 31, 2024, 2023 and 2022, because of the use of deposit accounting discussed above.

Any future estimate of ultimate loss and loss adjustment expenses may be uncertain due to the potential for new claims to seek remedy within the U.S. Government's Victim Compensation Fund, limited historical reference data, uncertainty related to potential judicial decisions, the developing science surrounding the alleged injuries, the latent manifestation periods that may apply to such alleged injuries, changes in interest rates, general economic conditions and other uncertainties.

WTC Captive establishes case reserves on all open claims as they become probable and reasonably estimable. Under this methodology, reserves totaled $0.5 million as of December 31, 2024. However, it is important to recognize that given the structure and terms of both the Contract and the Company's organizational documents, together with the Company's use of deposit accounting, case reserves do not carry the importance that they do for typical insurance company operations. Of note in this regard, case reserves are not reflected in any of the Company's basic financial statements. Furthermore, case reserves do not necessarily provide any indication as to the resources of the Company available to satisfy claims covered under the Contract. Ultimately, the entirety of the financial resources of the Company is available to meet the Company's obligations under the Contract.

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Statements of Revenues, Expenses and Changes in Net Position

The following is a summary of WTC Captive's Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2024, December 31, 2023 and December 31, 2022:

(Dollars in thousands)	2024	2023	2022
Investment income and operating revenue			
Investment income (losses) before interest accretion	$ 13,492	$ 14,541	$ (10,794)
Interest accretion on deposit liability	(1,551)	(1,542)	(1,538)
Net investment income (loss) and operating revenue	11,941	12,999	(12,332)
Operating expenses			
Professional and management fees	620	617	636
Personnel expenses	695	623	619
General and administrative expenses	454	486	497
Total operating expenses	1,769	1,726	1,752
Net operating income (loss)	10,172	11,273	(14,084)
Nonoperating revenue:			
Transfer (to) from residual liability	(10,172)	(11,273)	14,084
Change in net position - unrestricted	-	-	-
Net position - unrestricted, beginning of year	-	-	-
Net position - unrestricted, end of year	$ -	$ -	$ -

Investment Income

Investment income consists of interest earned on the Company's money market account and investment portfolio and realized and unrealized gains (losses) on the Company's marketable securities. Investment income totaled $13.5 million, $14.5 million, and $(10.8) million for the years ended December 31, 2024, 2023 and 2022, respectively. These investment returns are gross of accretion expense, and equate to annualized returns of approximately 4.4%, 4.9%, and (3.7)%, for the years ended December 31, 2024, 2023 and 2022 respectively.

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As shown in the previous table, interest accretion is netted against gross investment income to yield net investment income. As discussed under Deposit Accounting, the rate used to calculate interest accretion was changed in 2020 to 1.5%. The $1.6 million in interest accretion expense for 2024, the $1.5 million in interest accretion expense for 2023 and $1.5 million in interest accretion expense for 2022 includes interest accretion on the deposit liability at 1.5%.

Professional and Management Fees

Professional and management fees include the expenses of third party service providers that assist in the general operation of the Company. For example, the expenses of the Company's auditor, actuary, captive manager, investment manager, custodian and corporate counsel, among others, are included in this category.

Personnel Expenses

Personnel expenses include the salaries, benefits and payroll taxes for the Company's employees.

General and Administrative Expenses

General and administrative expenses include other costs of operating the Company. Insurance, rent, office supplies, computer and telecommunications expenses are included in this category.

For Further Information

This financial report is designed to provide a general overview of WTC Captive's finances for various stakeholders of the Company. Questions concerning any of the information provided in this report should be addressed to WTC Captive Insurance Company, Inc., 225 Broadway, Suite 1870, New York, NY 10007.

WTC CAPTIVE INSURANCE COMPANY, INC.
STATEMENTS OF NET POSITION
December 31, 2024 and 2023
(In Thousands)

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,626	$ 3,190
Accrued investment income	2,319	2,168
Receivable for pending sales of investments	39,918	-
Prepaid expenses	66	42
Total current assets	44,929	5,400
Noncurrent assets:		
Investments, at fair value	308,809	297,808
Other assets	40	40
Right of use asset	108	211
Total noncurrent assets	308,957	298,059
Total assets	$ 353,886	$ 303,459
LIABILITIES		
Current liabilities:		
Deposit liability	$ 425	$ 497
Payable for pending purchases of investments	39,244	-
Lease liability	102	103
Accrued expenses	184	253
Total current liabilities	39,955	853
Noncurrent liabilities:		
Deposit liability	103,300	102,045
Residual liability	210,622	200,450
Lease liability	9	111
Total noncurrent liabilities	313,931	302,606
Total liabilities	353,886	303,459
NET POSITION		
Net position - unrestricted	$ -	$ -

The accompanying notes are an integral part of these financial statements.

WTC CAPTIVE INSURANCE COMPANY, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Investment income and operating revenue:		
Investment income before interest accretion	$ 13,492	$ 14,541
Interest accretion expense on deposit liability	(1,551)	(1,542)
Net investment income and operating revenue	11,941	12,999
Operating expenses:		
Professional and management fees	620	617
Personnel expenses	695	623
General and administrative expenses	454	486
Total operating expenses	1,769	1,726
Net operating income	10,172	11,273
Nonoperating revenue:		
Transfer to residual liability	(10,172)	(11,273)
Change in net position - unrestricted	-	-
Net position - unrestricted, beginning of year	-	-
Net position - unrestricted, end of year	$ -	$ -

The accompanying notes are an integral part of these financial statements.

WTC CAPTIVE INSURANCE COMPANY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023
(In Thousands)

	2024	2023
Cash flows from operating activities		
Cash paid for employee salaries and benefits	$ (695)	$ (623)
Losses and loss adjustment expenses paid	(369)	(2,096)
Professional and management fees paid	(689)	(533)
General and administrative expenses paid	(454)	(486)
Cash received related to other assets	(24)	(3)
Interest income collected	12,342	9,540
Net cash flows provided by operating activities	10,111	5,799
Cash flows from investing activities		
Purchase of investments and certificates of deposit	(847,456)	(623,158)
Sales and maturities of investments and certificates of deposit	836,781	618,751
Net cash flows used in investment activities	(10,675)	(4,407)
Increase in cash and cash equivalents	(564)	1,392
Cash and cash equivalents, beginning of year	3,190	1,798
Cash and cash equivalents, end of year	$ 2,626	$ 3,190
Reconciliation of net operating income to net cash flows from operating activities:		
Net operating income	$ 10,172	$ 11,273
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Realized loss on sales of investments	209	7,016
Change in unrealized gain on investments	(1,209)	(11,150)
Changes in operating assets and liabilities:		
Accrued investment income	(151)	(867)
Prepaid expenses and other assets	(24)	(3)
Accrued expenses	(69)	84
Deposit liability	1,183	(554)
Net cash from operating activities	$ 10,111	$ 5,799

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

WTC Captive Insurance Company, Inc. ("WTC Captive" or the "Company") is a not-for-profit corporation formed in the State of New York in response to the events of September 11, 2001. WTC Captive was established pursuant to the Consolidated Appropriations Resolution, 2003, P.L. 108-7, signed by President George W. Bush on February 20, 2003, and corollary enabling State of New York legislation. WTC Captive was incorporated on July 1, 2004; it was funded by the Federal Emergency Management Agency ("FEMA"), licensed as a captive insurance company by the New York State Department of Financial Services ("NYSDFS") and commenced operations on December 3, 2004.

Pursuant to a liability insurance contract, WTC Captive provides specified coverage against certain third-party claims made against New York City (the "City") and approximately 145 contractors and subcontractors (collectively, "Additional Named Insureds") working on the City's FEMA-funded debris removal project. WTC Captive coverage includes general liability, environmental liability, professional liability and marine liability. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage.

WTC Captive employs a President who also serves as Chief Executive Officer and as General Counsel. Additionally, a Treasurer/Secretary/Chief Financial Officer is employed by the Company. WTC Captive engages several independent service providers, under the direction of the President/CEO, Officers and the Board of Directors, to carry out various functions of the Company. Such services include third party administrative claims management, accounting, regulatory compliance, investment management, actuarial consulting, corporate legal and claims/defense counsel, among others.

WTC Captive was funded on December 3, 2004 with $999.9 million in funds. These funds originated from FEMA pursuant to the Consolidated Appropriations Resolution, 2003, P.L. 108-7. FEMA disbursed these funds to the State of New York pursuant to a grant agreement ("FEMA Grant Agreement") between FEMA and the New York State Department of Homeland Security and Emergency Services ("DHSES"). DHSES then transferred the funds to the City pursuant to a sub-grant agreement ("DHSES Sub-Grant Agreement"). Finally, the City transferred the funding to WTC Captive pursuant to an agreement (the "City/Captive Agreement"). WTC Captive used this funding to support issuance of an insurance contract (the "Contract"), the policyholders of which are the City and the Additional Named Insureds, as more fully described in Notes 2 and 4.

Funds amounting to $899.9 million were recorded directly to "deposit liability," on the Statements of Net Position, as more fully described below. The Company's Board of Directors approved the designation of $100 million to satisfy the capital and surplus requirements of the NYSDFS, as required by Section 7004 of the New York Insurance Law, Article 70. The designation of $100 million was based on an assessment of factors that would impact amounts designated as capital, primarily related to potential changes in the market value of the investment portfolio, which are charged directly to operations, and the potential for interest accretion and general and administrative expenses to exceed gross investment income in a given year, as more fully described below. WTC Captive holds the amounts designated to satisfy capital and surplus as a liability, "residual liability" on its Statements of Net Position. Amounts designated to satisfy capital and surplus requirements are held as a liability, rather than as residual net position, due to provisions of the Company's organizational documents that require the Company to return funding that remains, if any, after all obligations have been satisfied, as defined by and according to the terms of the organizational documents. Designation of funds to satisfy capital and surplus requirements does not restrict the ability of the Company to use such funds to satisfy its obligations, as more fully described in Note 4.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

Any net gain or loss from operations will directly impact the Company's residual liability designated to satisfy capital and surplus requirements. As such, the net operating income recorded for the years ended December 31, 2024 and 2023, respectively, has been reflected within the residual liability on the Company's Statements of Net Position. The Company records non-operating income as a transfer to or from the Company's residual liability on the Statements of Revenues, Expenses, and Changes in Net Position, to offset the net income from operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of WTC Captive have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental entities. WTC Captive is subject to accounting standards promulgated by the *Governmental Accounting Standards Board* ("GASB"), as applied by the City. GASB is recognized as the accepted standard-setting body for the promulgation of accounting and financial reporting principles applicable to U.S. state and local governmental entities. WTC Captive is included as a component unit of the City for financial reporting purposes.

Cash and Cash Equivalents: WTC Captive considers all cash and highly liquid instruments with original maturities of three months or less to be cash equivalents. This includes cash and money market accounts. Cash and cash equivalents held at December 31, 2024 and 2023 were as follows:

(In thousands)	2024	2023
Cash and Cash Equivalents:		
Cash - checking and operating accounts	$ 120	$ 177
Cash - money market funds	2,506	3,013
Total cash and cash equivalents	$ 2,626	$ 3,190

Investments: In accordance with GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" ("Statement No. 31"), WTC Captive presents all investments at fair value. All investment income, including changes in the market value of investments, is recognized in the Statements of Revenues, Expenses and Changes in Net Position. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the costs of the investments sold.

Investments held by WTC Captive as of December 31, 2024 and 2023 included U.S. government and agency securities, corporate debt securities, mortgage-backed and asset-backed securities. The calculation of realized gains and losses is with respect to securities sold in the current year. This calculation is independent of the calculation of the change in the unrealized gains or losses of investments. Realized gains and losses on investments that are held in more than one year and sold in the current year are included as a change in the unrealized gains or losses of investments reported in the prior year(s). Investments are stated at fair value based on quoted market prices. The receivable for pending sales balance and payable for pending purchases balance represent investment trades pending settlement. For the year ended December 31, 2024, the receivable for pending sales amounted to $39,918 and the payable for pending purchases amounted to $39,244. There were no pending receivables or sales for the year ended December 31, 2023.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Derivatives: U.S. Treasury-linked futures contracts are recognized at fair value on the statement of net position at the trade date. Changes in the fair value of these contracts are recorded in earnings as they do not qualify for hedge accounting treatment under GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*" ("Statement No. 53"). The Company utilizes quoted market prices from active exchanges to determine the fair value of these instruments. The fair value of the future contracts was $0 as of December 31, 2024. (See Note 3).

Deposit Accounting: As more fully described in Note 4, the Contract between WTC Captive, the City and the Additional Named Insureds did not transfer "underwriting risk or timing risk" to the Company, as that term is defined in applicable accounting guidance. Accordingly, the transfer of funds to the Company was accounted for using "deposit accounting." Deposit accounting is applied when no insurance risk is present in a contract. When considered in its entirety, the Contract contains neither underwriting risk nor timing risk, two elements fundamental to the transfer of insurance risk.

Under deposit accounting, which focuses primarily on the balance sheet, all financial activity related to the Contract is recorded through a "deposit liability" on the Statements of Net Position. The deposit liability represents the accrual for loss and loss adjustment expenses to be paid under the Contract. This liability is increased to the extent funds are received subject to the terms of the Contract, less the $100 million originally designated to meet capital and surplus requirements held as a residual liability. Notwithstanding, the designation of funds to satisfy capital and surplus requirements does not restrict the ability of the Company to use such funds to satisfy its obligations. Given the establishment of the deposit liability, no further recognition of loss or loss adjustment expenses occurs. The deposit liability is reduced to the extent that loss and loss adjustment expenses are paid. Payment of such expenses does not impact the Statements of Revenues, Expenses and Changes in Net Position. The deposit liability is adjusted upward for "interest accretion" at each reporting date. Interest accretion enables the Company to recognize additional liability that will be recorded by the Company over the period of its estimated life (pursuant to the Contract) in excess of the original deposit amount. The deposit liability is accreted based on the Contract's internal rate of return ("IRR"). The IRR is the estimated rate required to discount amounts that will be paid under the Contract back to the original deposit amount. The accretion of the deposit liability is designed to match interest expense against related investment income attributable to the deposit liability, thereby limiting recognition of income derived from the Contract.

As a result of a review of the Company's investment portfolio and forecasted future cash flows related to its deposit liability conducted by the Company's management, investment advisor and actuary in 2020, the Company changed to an IRR of 1.5%. The Company used this rate in its financial calculations for the years ended December 31, 2024 and 2023, and made appropriate historical adjustments for 2004 through 2019, as required under its accounting model. The Company used an IRR of 2.5% for 2019 and prior years from 2011, based on reviews conducted by the Company and certain of its service providers in each of those years. It is expected that the IRR will be less than the expected return on invested assets due to the cost of operating the Company that will impact the Contract limits (i.e., operating expenses are not payments under the Contract). Additionally, interest accretion is calculated only on the deposit liability, while investment yield is derived from all invested assets. The IRR is subject to significant uncertainty due to changes in the timing and amount of future cash flows, the cyclicality of general economic conditions, and fluctuations in the rate of return achieved with respect to the investment portfolio. The IRR estimate of 1.5% as of December 31, 2024 was based on a number of scenarios developed at investment rates of return ranging from 0.07% to 3.41%, given varying payout patterns, settlement structures, and other factors. The IRR estimate of 1.5% as of December 31, 2023 was based on a number of scenarios developed at investment rates of return ranging from 0.10% to 3.39%, given varying payout patterns, settlement structures, and other factors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An interest accretion expense of $1.6 million was recognized for the year ended December 31, 2024. An interest accretion expense of $1.5 million was recognized for the year ended December 31, 2023.

Interest accretion expense is presented as a component of net investment income as detailed in Note 3. Activity within the deposit liability, including interest accretion and payments made from the deposit, is detailed in Note 4.

Management of WTC Captive has engaged an independent actuarial consulting firm to support in calculating the interest accretion expense described above and to provide a projection of ultimate loss when more meaningful information becomes available, among other things. No estimate for losses incurred but not reported ("IBNR") has been developed to date. There would be no difference to the deposit liability recorded by the Company or other related balances had an actuarial study been completed at December 31, 2024 and 2023, because of the use of deposit accounting as discussed above.

Taxes: WTC Captive has been exempted from Federal tax pursuant to section 501(c)(4) of the Internal Revenue Code and from filing any annual or other information returns. Additionally, by statute, the Company is not subject to any New York State or local taxes or fees.

Employee Benefits: WTC Captive offers medical, dental, short-term and long-term disability, life insurance and a 401(k) defined contribution plan (the Plan) to all employees. Contributions to the Plan by WTC Captive were $0.02 million for both years ended December 31, 2024 and 2023, respectively, and are included within personnel expenses on the Statements of Revenues, Expenses and Changes in Net Position. The Company does not offer any other post-employment benefits. The Plan covers all classes of employees of the Company. Total employees covered under the Plan are three employees. The Board of Directors has the governing authority to amend the Plan.

Non-operating Activities: Activities not related to the Company's primary purpose are considered non-operating. Investment income and the interest accretion expense on the deposit liability are considered operating activities. Non-operating activities consist solely of the transfer from the residual liability.

Leases: The Company is a lessee for a lease of property. The Company recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the Company initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Use of Estimates and Assumptions: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could materially impact the amounts reported and disclosed herein.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Standard: In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, Compensated Absences. This statement updates the accounting and financial reporting guidance for compensated absences by requiring that leave benefits be recognized as a liability when the benefits are earned and unused, rather than when they are due and payable. GASB 101 replaces the previous guidance under GASB Statement No. 16 and establishes a more uniform approach to measuring and recognizing compensated absence liabilities.

Under GASB 101, the liability for compensated absences includes leave that has been earned but not yet used, leave that is more likely than not to be used for time off or settled through payment and an updated measurement approach based on expected usage patterns.

This statement is effective for reporting periods beginning after December 15, 2023. There was no financial impact for the Company upon adoption on January 1, 2024 and for the year ended December 31, 2024.

Subsequent Events: WTC Captive has evaluated subsequent events for disclosure and recognition through March 14, 2025, the date the financial statements were available to be issued, and there were no material events that required disclosure.

NOTE 3 - INVESTMENTS

The amortized cost and fair value of unrestricted investments in debt securities, as of December 31, 2024, are as follows:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities:				
U.S. government and agency securities	$ 185,658	$ 17	$ (698)	$ 184,977
Corporate and other securities	66,645	855	(120)	67,380
Mortgage-backed and asset-backed securities	56,991	440	(979)	56,452
Total	$ 309,294	$ 1,312	$ (1,797)	$ 308,809

The amortized cost and fair value of unrestricted investments in debt securities as of December 31, 2023, are as follows:

(In thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities:				
U.S. government and agency securities	$ 153,965	$ 969	$ (798)	$ 154,136
Corporate and other securities	64,090	566	(535)	64,121
Mortgage-backed and asset-backed securities	81,352	449	(2,250)	79,551
Total	$ 299,407	$ 1,984	$ (3,583)	$ 297,808

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The amortized cost and fair value of investments held as of December 31, 2024, by expected maturities, are shown below. Actual maturities may vary from expected maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(In thousands)	Amortized Cost	Fair Value
December 31, 2024		
Due in one year or less	$ 1,058	$ 1,088
Due after one year through five years	244,254	244,278
Due after five years	6,991	6,991
Mortgage-backed and asset-backed securities	56,991	56,452
Total	$ 309,294	$ 308,809

WTC Captive's Board of Directors' approved investment policy statement outlines the Company's investment objectives, policies and procedures, among other matters. WTC Captive's broad investment objective emphasizes the preservation of invested assets and maintenance of sufficient liquidity to meet the Company's obligations, as defined by the Contract. As a secondary objective, the Company's investment policy seeks to achieve a total return that exceeds, after management fees, the benchmarks approved by the Board of Directors.

The table below summarizes the average Standard & Poor's ("S&P") credit rating and effective duration by investment type, as of December 31, 2024:

(In thousands)	Fair Value	S&P Rating	Effective Duration
U.S. government and agency securities	$ 184,977	AA+	2.89
Corporate and other securities	67,380	A	2.33
Mortgage-backed and asset-backed securities	56,452	AAA	1.66
Total	$ 308,809		

The table below summarizes the average Standard & Poor's ("S&P") credit rating and effective duration by investment type, as of December 31, 2023:

(In thousands)	Fair Value	S&P Rating	Effective Duration
U.S. government and agency securities	$ 154,136	AA+	1.97
Corporate and other securities	64,121	A	1.42
Mortgage-backed and asset-backed securities	79,551	AAA	1.96
Total	$ 297,808		

WTC Captive follows the disclosure requirements of GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" (GASB 40), and accordingly, WTC Captive has assessed the Credit Risk, Custodial Credit Risk, the Concentration of Credit Risk and the Interest Rate Risk of its cash, cash equivalents and investments.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

Credit Risk: As of December 31, 2024 and 2023, the investments in the tables above, in aggregate, had average S&P credit ratings of “AA” in both years.

Interest Rate Risk: Effective duration is a measure of the price volatility of fixed-maturity investments to changes in interest rates, expressed in years and calculated as the time-weighted present value of future cash flows. The calculation of effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows for investments that are highly sensitive to interest rate changes, such as mortgage-backed securities and callable bonds. As of December 31, 2024 and 2023, the investments in the tables above had an effective duration of 2.55 and 1.85 years, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Company will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Company was not subject to custodial credit risk because it did not have any uninsured and unregistered securities held by a counterparty or by its trust department or agent that were not in the name of the Company as of December 31, 2024 and 2023. As of December 31, 2024 and 2023, the carrying amount of WTC Captive’s bank deposits and bank balances was $0.161 million and $0.177 million, respectively. These amounts are covered by the federal deposit insurance as of December 31, 2024 and 2023, respectively.

Concentration of Credit Risk: Concentration of credit risk is assumed to arise when the amount of investments with one issuer exceeds 5 percent or more of the total value of investments. Outside of obligations of the U.S. Treasury, totaling $185.0 million and $154.1 million in U.S. government and agency securities, there were no investments with one issuer exceeding 5 percent or more, as of December 31, 2024 and 2023, respectively.

Gross realized gains on sales of investments amounted to $5.9 million and $4.7 million for the years ended December 31, 2024 and 2023, respectively. Gross realized losses on sales of investments amounted to $6.4 million and $11.7 million for the years ended December 31, 2024 and 2023, respectively. Realized gains and losses on sales of investments are included as a component of investment income before interest accretion on the Statements of Revenue, Expenses and Changes in Net Position.

Investment income recorded for the years ended December 31, 2024 and 2023, is detailed as follows:

(In thousands)	2024	2023
Interest income	$ 12,492	$ 10,407
Net realized losses on sales of investments	(209)	(7,016)
Change in unrealized gains on investments	1,209	11,150
Investment income before accretion expense	13,492	14,541
Interest accretion expense	(1,551)	(1,542)
Total	$ 11,941	$ 12,999

WTC Captive estimates of fair value for financial assets are based on the framework established in GASB 72 “*Fair Value Measurement and Application*.” The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance hierarchy is based on whether the significant inputs into the valuation are observable.

NOTE 3 - INVESTMENTS (Continued)

In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Company's significant market assumptions.

The three levels of the hierarchy are as follows:

Level 1 - Inputs to the valuation methodology are quoted prices for identical assets traded in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market corroborated inputs.

Level 3 - Inputs to the valuation methodology are unobservable for the asset and are significant to the fair value measurement.

The following table presents the levels, within the fair value hierarchy, at which the Company's financial assets are measured on a recurring basis, as of December 31, 2024:

(In thousands)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government and agency securities	$ -	$ 184,977	$ -	184,977
Corporate and other securities	-	67,380	-	67,380
Mortgage-backed and asset-backed securities	-	56,452	-	56,452
Total debt securities	-	308,809	-	308,809
Investment derivatives:				
Futures contracts	-	-	-	-
Total	$ -	$ 308,809	$ -	$ 308,809

The Company has classified futures contracts as derivatives. Futures contracts are contracts to buy or sell units of an index on a specified future date at a price agreed upon when the contract is originated. The Company had futures exposure constituting $17 million of notional value as of December 31, 2024. This amount represented 5.50% of the total portfolio. The Company uses the futures contracts to adjust the effective duration of its investment portfolio. The futures contracts held by the company as of December 31, 2024 increased the effective duration of its investment portfolio from 2.55 year to 2.74 year.

(Continued)

NOTE 3 - INVESTMENTS (Continued)

The following table lists the futures contracts held by WTC Captive as of December 31, 2024:

(In thousands)	Number of Contracts	Face Value	Notional Contract Value
10 year treasury notes	31	$ 100	$ 3,100
5 year treasury notes	61	100	6,100
2 year treasury notes	39	200	7,800
			$ 17,000

The following table presents the levels, within the fair value hierarchy, at which the Company's financial assets are measured on a recurring basis, as of December 31, 2023:

(In thousands)	Level 1	Level 2	Level 3	Total
Debt securities:				
U.S. government and agency securities	$ -	$ 154,136	$ -	$ 154,136
Corporate and other securities	-	64,121	-	64,121
Mortgage-backed and asset-backed securities	-	79,551	-	79,551
Total	$ -	$ 297,808	$ -	$ 297,808

Debt securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4 - INSURANCE ACTIVITY

Pursuant to a liability insurance contract (the "Contract"), WTC Captive provides a wide range of coverage against third-party claims made against the City and the Additional Named Insureds. WTC Captive coverage includes general liability, environmental liability, professional liability and marine liability. Coverage is provided on both an excess of loss and first dollar basis, depending on the line of coverage. The policy effective dates are from September 11, 2001 (post-collapse) through August 30, 2002. This period is referred to as the "Exposure Period." This is the only insurance contract that has or will be issued by WTC Captive and all of the Company's business activities relate to its obligations under the Contract.

NOTE 4 - INSURANCE ACTIVITY (Continued)

The coverage limits contained in the Contract have been defined and are limited by an “experience account” that by design is expected to fluctuate with the Company’s resources. The experience account consists of funding received, plus investment returns, less loss and loss adjustment expenses and all costs associated with operating the Company. As such, these coverage limits are subject to significant uncertainty due to the amount and timing of future cash flows, investment returns achieved in the investment portfolio and other factors outside the Company’s control. The policy contains sub-limits applicable to certain classes of claims, which are subject to adjustment. Additionally, the policy contains “non-acceptance of claims” and “reduced claim payment” terms. These terms serve to limit the obligation of the Company once the experience account is reduced to predetermined levels as defined in the Contract.

On June 23, 2010, the Settlement Process Agreement, as Amended (“Amended SPA”) was reached with attorneys representing over 10,000 plaintiffs and approved by Judge Alvin Hellerstein, and by November 2010, the WTC Captive determined, based on information provided by the Amended SPA administrator, that the minimum required 95% of plaintiffs had evidenced an intention to opt in to the agreement. The Amended SPA contained several financial components to be contributed by the WTC Captive, the last having been completed in January 2016. In total, the value of the financial components contributed by WTC Captive to the Amended SPA exceeded $700 million.

Apart from the settlement described above, the Company separately resolved approximately 100 individual claims between 2010 and 2014. Several additional claims were resolved in 2015. By the end of 2015, the sole remaining claim alleged that an Insured owed indemnity to a non-Insured for its defense of similar cases. An additional claim was filed and resolved in 2017 and another was filed in 2020 and resolved in 2021. An additional claim was filed in 2021 and resolved in 2023 and another was filed in 2022. The indemnity claim and the claim filed in 2022 remained outstanding at year end 2024.

On July 29, 2019, President Donald J. Trump signed the “Never Forget the Heroes: James Zadroga, Ray Pfeifer, and Luis Alvarez Permanent Authorization of the September 11th Victim Compensation Fund Act (H.R. 1327)” (“the Act”) into law. The bill’s enactment extended the VCF through 2090 and reimbursed victims whose benefits had been reduced since February 2019 because of a funding shortfall in the VCF. While the Act did not mention or specifically affect WTC Captive operations in any way, it is probable that it will significantly reduce the likelihood that WTC Captive will face considerable claims filings in the years ahead.

Loss adjustment expenses (“LAE”) have been categorized into two groups. “LAE - adjusting” represents loss adjustment expenses related to claims adjusting and handling. “LAE - all other” includes all fees, costs and expenses allocable to any specific claim or claims that are incurred by the Company in the litigation, defense, appeal or settlement of a specific claim or claims. Deposit liability activity for the years ended December 31, 2024 and 2023, is summarized in the table below:

(In thousands)	2024	2023
Liability at beginning of year	$ 102,542	$ 103,096
Interest accretion	1,551	1,542
LAE - adjusting paid	(84)	(85)
LAE - all other paid	(284)	(611)
Indemnity payments	-	(1,400)
Liability at end of year	$ 103,725	$ 102,542

(Continued)

NOTE 5 - REGULATORY REQUIREMENTS

WTC Captive was formed pursuant to New York Insurance Law, Article 70, Captive Insurance Companies. The laws of the State of New York require WTC Captive to maintain minimum policyholders' surplus (net position) of $250,000. As described in Note 1, the Company has designated a minimum of $100 million to satisfy the capital and surplus requirements of the NYSDFS. Amounts designated to satisfy capital and surplus requirements are held as a liability, rather than as residual net position, due to provisions of the Company's organizational documents that require the Company to return any funding that remains, if any, after all obligations have been satisfied. Additionally, any net gain or loss from operations will directly impact the Company's residual liability designated to satisfy capital and surplus requirements. WTC Captive's residual liability, designated to satisfy capital and surplus requirements, amounted to $210.6 million and $200.5 million at December 31, 2024 and 2023, respectively.

There are no differences between net position and net income as reported in these financial statements and the corresponding amounts reported in the 2024 and 2023 New York Captive Insurance Company Annual Statements.

NOTE 6 - LEASES AND RELATED LONG TERM LIABILITIES

Leases: The Company holds a lease agreement for office space. The lease interest is 4.18% and is scheduled to mature through 2026.

A schedule of changes in lease assets for the year ended December 31, 2024 is shown below:

	Balance January 1, 2024	Additions and Transfers	Deletions and Transfers	Balance December 31, 2024
Lease assets:				
Building	$ 311	$ -	$ -	$ 311
Total, at cost	311	-	-	311
Accumulated lease amortization for buildings	(100)	-	(103)	(203)
Total accumulated lease amortization	(100)	-	(103)	(203)
Total lease assets, net	$ 211	$ -	$ (103)	$ 108

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities other than the deposit liability and residual liability for the fiscal year ended December 31, 2024 is shown below:

	Balance January 1, 2024	Additions	Deletions	Balance December 31, 2024
Other long-term liabilities:				
Lease liabilities	$ 111	$ -	$ (102)	$ 9
Total long term liabilities	$ 111	$ -	$ (102)	$ 9

(Continued)

NOTE 6 - LEASES AND RELATED LONG TERM LIABILITIES (Continued)

The annual requirements to amortize the leases outstanding as of December 31, 2024, are as follows:

	Principial	Interest	Total
2025	102	3	105
2026	9	-	9
	$ 111	$ 3	$ 114

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
WTC Captive Insurance Company, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the WTC Captive Insurance Company, Inc., included as a component unit of The City of New York, New York for financial reporting purposes, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the WTC Captive Insurance Company's basic financial statements, and have issued our report thereon dated March 14, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WTC Captive Insurance Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WTC Captive Insurance Company's internal control. Accordingly, we do not express an opinion on the effectiveness of WTC Captive Insurance Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether WTC Captive Insurance Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
March 14, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
WTC Captive Insurance Company, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited WTC Captive Insurance Company, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of WTC Captive Insurance Company, Inc.'s major federal program for the year ended December 31, 2024. WTC Captive Insurance Company, Inc.'s major federal program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, WTC Captive Insurance Company, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of WTC Captive Insurance Company, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of WTC Captive Insurance Company, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable WTC Captive Insurance Company, Inc.'s federal program.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on WTC Captive Insurance Company, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about WTC Captive Insurance Company, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 WTC Captive Insurance Company, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of WTC Captive Insurance Company, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of WTC Captive Insurance Company, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Fort Lauderdale, Florida
March 14, 2025

WTC CAPTIVE INSURANCE COMPANY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures (in thousands)
Department of Homeland Security:		
Other pass-through entities for Federal Awards (see Note 1)		
Federal Emergency Management Agency		
New York State Office of Emergency Management		
New York City:		
Program Title: Debris Removal Insurance	97.064	$ 2,137
Total Expenditures of Federal Awards		$ 2,137

See Accompanying Note to the Schedule of Expenditures of Federal Awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the WTC Captive under a program of the federal government for the year ended December 31, 2024 . The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the WTC Captive, it is not intended to and does not present the financial position, changes in net position, or cash flows of the WTC Captive.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Company has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

The following is a detailed listing of the components of the total expenditures of federal awards.

(In thousands)

Professional and management fees	$	620
Personnel expenses		695
General and administrative expenses		454
LAE - adjusting payments		84
LAE - all other payments		284
Settlement indemnity payments		-
Total expenditures of Federal Award	$	2,137

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditors' report issued:			Unmodified	
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Expenditures (in thousands)
97.064	Debris removal insurance	$ 2,137

Dollar threshold used to distinguish between type A and type B programs (in thousands):			$ 750	
Auditee qualified as low-risk auditee?	X	Yes		No

Section II - Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Auditing Standards and Government Auditing Standards

No findings were reported.

Section III - Federal Award Findings and Questioned Costs

No findings or questioned costs were reported for the current year.

No findings or questioned costs were reported in the prior year.

No findings or questioned costs were reported in the prior year.