Motor Vehicle Accident Indemnification Corporation

Financial Statements and Supplemental Schedule
Years Ended December 31, 2011 and 2010

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Financial Statements and Supplemental Schedule

Years Ended December 31, 2011 and 2010

Motor Vehicle Accident Indemnification Corporation

Contents

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Independent Auditors' Report

The Board of Directors
Motor Vehicle Accident Indemnification Corporation

We have audited the accompanying statements of financial position of Motor Vehicle Accident Indemnification Corporation (the "Corporation") as of December 31, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Motor Vehicle Accident Indemnification Corporation as of December 31, 2011 and 2010 and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in the schedule of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO USA, LLP

April 10, 2012

Motor Vehicle Accident Indemnification Corporation

Statements of Financial Position

December 31,	**2011**	2010
Assets		
Cash and cash equivalents	**$ 4,852,270**	$ 3,316,182
Fixed maturities, at fair value	**55,467,439**	55,589,270
Assessment receivable	**-**	12,517
Accrued interest receivable	**375,639**	394,741
Other assets	**165,537**	166,622
Fixed assets, net	**179,083**	231,043
Total Assets	**$61,039,968**	$59,710,375
Liabilities and Net Asset Deficit		
Liabilities:		
Amounts held for uncashed checks	**$ 231,626**	$ 44,021
Deferred assessment income	**63,025**	98,120
Reserve for losses and loss adjustment expenses	**59,696,174**	59,680,205
Accrued pension and postretirement benefits	**7,028,412**	4,521,973
Other liabilities	**239,478**	299,510
Total Liabilities	**67,258,715**	64,643,829
Commitments and Contingencies (Notes 7, 8, and 9)		
Net Asset Deficit - Unrestricted	**(6,218,747)**	(4,933,454)
Total Liabilities and Net Asset Deficit	**$61,039,968**	$59,710,375

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Activities

Year ended December 31,	**2011**	2010
Income:		
Assessment income	**$28,292,446**	$20,244,978
Net investment income	**1,675,368**	2,316,518
Other income	**-**	1,098,609
Total Income	**29,967,814**	23,660,105
Expenses:		
Losses paid (net of $1,348,207 and $1,048,677 of subrogation recoveries in 2011 and 2010, respectively)	**16,630,686**	19,586,709
Loss adjustment expenses paid	**4,753,058**	3,612,313
Change in reserves for losses and loss adjustment expenses	**15,969**	1,166,765
Losses and Loss Adjustment Expenses Incurred	**21,399,713**	24,365,787
General and administrative expenses:		
Salaries and fringe benefits	**4,981,203**	4,552,716
Occupancy	**1,081,772**	1,063,685
Professional fees	**556,622**	553,997
Other administrative expenses	**1,059,983**	1,079,384
Total General and Administrative Expenses	**7,679,580**	7,249,782
Total Expenses	**29,079,293**	31,615,569
Change in Net Assets (Deficit) Before Change in Pension and Postretirement Unfunded Benefit Obligation	**888,521**	(7,955,464)
Change in Pension and Postretirement Unfunded Benefit Obligation	**(2,173,814)**	(470,527)
Change in Unrestricted Net Asset Deficit	**(1,285,293)**	(8,425,991)
Net Assets (Deficit) - Unrestricted, Beginning of Year	**(4,933,454)**	3,492,537
Net Asset Deficit - Unrestricted, End of Year	**$ (6,218,747)**	$ (4,933,454)

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Cash Flows

Year ended December 31,	**2011**	2010
Cash Flows From Operating Activities:		
Change in unrestricted net asset deficit	**$ (1,285,293)**	$ (8,425,991)
Adjustments to reconcile change in unrestricted net asset deficit to net cash provided by (used in) operating activities:		
Bad debt expense	**37,417**	-
Pension and postretirement unfunded benefit obligation	**2,173,814**	470,527
Depreciation and amortization	**130,772**	172,042
Net realized investment gain	**(154,734)**	(51,154)
Net unrealized investment loss (gain)	**237,319**	(61,441)
Amortization of bond premium and discount, net	**268,948**	253,533
(Increase) decrease in assets:		
Assessment receivable	**(24,900)**	(12,517)
Accrued interest receivable	**19,102**	70,396
Other assets	**1,085**	(81,259)
Increase (decrease) in liabilities:		
Amounts held for uncashed checks	**187,605**	(1,132,876)
Deferred assessment income	**(35,095)**	(26,802)
Reserve for losses and loss adjustment expense	**15,969**	1,166,765
Accrued pension and postretirement benefits	**332,625**	204,735
Other liabilities	**(60,032)**	15,821
Net Cash Provided By (Used In) Operating Activities	**1,844,602**	(7,438,221)
Cash Flows From Investing Activities:		
Proceeds from bonds sold or matured	**21,790,413**	24,716,533
Cost of bonds purchased	**(22,020,115)**	(16,959,904)
Fixed assets purchased	**(78,812)**	(133,167)
Net Cash Provided By (Used In) Investing Activities	**(308,514)**	7,623,462
Net Increase in Cash and Cash Equivalents	**1,536,088**	185,241
Cash and Cash Equivalents, Beginning of Year	**3,316,182**	3,130,941
Cash and Cash Equivalents, End of Year	**$ 4,852,270**	$ 3,316,182

See accompanying notes to financial statements.

1. Nature of Business

The Motor Vehicle Accident Indemnification Corporation (the "Corporation"), which began business on January 1, 1959, operates as a not-for-profit corporation. The Corporation was established to pay certain claims of innocent victims of New York motor vehicle accidents caused by uninsured motorists occurring on and after January 1, 1959. Since December 1, 1997, the Corporation also pays no-fault benefits technically referred to as Personal Injury Protection ("PIP").

In June 1995, the New York State Legislature amended Section 1, Paragraph 1, of subsection (F) of Section 3420 of the Insurance Law to increase the New York Financial Responsibility limits from $10,000 per person and $20,000 per accident to $25,000 per person and $50,000 per accident, respectively. These limits are equally applicable to uninsured claims submitted to the Corporation. This law was effective for accidents occurring after January 1, 1996.

Every insurer authorized to write liability insurance in New York in connection with motor vehicles, as a condition precedent thereto, is required to be a member of the Corporation. Each member's total assessment for the year is determined by the Board of Directors of the Corporation and is based upon the member's net written automobile premium in New York State for the year two years prior to the assessment year (i.e., 2011 assessments are based on 2009 premiums written).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Corporation have been prepared on an accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts of each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Corporation.

(ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

The Corporation considers all short-term investments with a maturity date at purchase of three months or less to be cash equivalents, which principally consist of commercial paper.

(d) Investments

The Corporation reports its investments in fixed maturity securities at fair value with realized and unrealized gains and losses included in the accompanying statements of activities and changes in surplus.

Realized gains and losses on sales of investments are determined on the basis of the specific identification method. Investment income is recognized when earned. Premiums and discounts on purchased investments are amortized to stated maturity.

(e) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed to allocate the cost of those assets over their expected useful lives on the straight-line method.

Capitalized software costs are limited to purchased software and enhancement to the Corporation’s information systems. The useful lives of computers and capitalized software costs are between three to five years.

(f) Assessments

Assessments are periodically made of members to fund the Corporation’s operations. Assessments are recorded as income when due. Assessments receivable over 90 days past due are fully reserved. Reserves for assessments receivable were $8,583 at December 31, 2010. On December 3, 2011, the Board of Directors approved assessments of $29 million for fiscal year 2012.

(g) Reserve for Losses and Loss Adjustment Expenses

The reserve for losses and loss adjustment expenses (“LAE”) includes case basis estimates for reported claims and estimates for losses “incurred but not reported”. Reserves for LAE are estimates of future expenses to be incurred in investigating and settling all claims incurred prior to year-end, and are established based on recommendations of the actuarial committee of the Board of Directors. This liability is determined using case-basis evaluations and statistical analyses and represents estimates of ultimate net cost of all losses and LAE incurred but unpaid at the balance sheet date. This liability is subject to the impact of future changes in claims severity and frequency, as well as numerous other factors. Management believes that the liability is adequate, but the ultimate net cost of settling this liability may vary from the estimated amounts. Accordingly, these estimates are continually reviewed and adjustments, if any, are reflected in current operations.

If the Corporation's actual future claims experience develops adversely to the currently estimated ultimate liability and the Corporation's surplus at that time is not adequate to provide for such adverse development, the Corporation may increase prospective assessments from its members in order to provide for such adverse claim development.

(h) Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentration of credit risk consist primarily of temporary cash investments. The Corporation has cash deposits at financial institutions which exceed the FDIC insurance limit.

(i) Pension and Post-Retirement Plans

In accordance with Accounting Standards Codification ("ASC") 715, "Compensation – Retirement Benefits", the Corporation recognized the overfunded or underfunded status of its defined benefit pension and postretirement plans in the statement of financial position. Changes in actuarial gains and losses, prior service costs and transitional obligation are recognized as changes in unrestricted net assets.

(j) Income Taxes

The Corporation is a not-for-profit organization that is exempt from Federal, state and local income taxes under Section 501(c)(6) of the Internal Revenue Code (the "Code"), and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Corporation has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2011 and 2010.

Under ASC 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. The Corporation does not believe there are any material uncertain tax positions and, accordingly, they have not recognized any liability for unrecognized tax benefits. The Corporation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. For the years ended December 31, 2011 and 2010, there were no interest or penalties recorded or included in the statements of activities. Management believes that the Corporation is no longer subject to income tax examinations for years prior to 2008.

3. Fair Value Measurements

Financial instruments are carried at fair value. ASC 820, "Fair Value Measurements and Disclosures", clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and expands disclosures about the use of fair value measurements. The disclosure of fair value estimates in the ASC 820 hierarchy is based on whether the significant inputs into the valuation are observable. The three levels of hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted market prices for similar assets or liabilities in active markets.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect an entity's own assumptions about assumptions that market participants would use.

Valuation of Investments

The Corporation utilizes the valuation services provided by its investment manager to estimate fair values for its investment portfolio. The investment manager receives the quoted market prices from third-party nationally recognized pricing services. The investment manager evaluates the inputs, models and processes used by the pricing services to determine the appropriate ASC 820 pricing hierarchy.

Fair Value Hierarchy

The fair value estimates of most fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimates of fair value for such fixed maturities, other than U.S. Treasury securities, provided by the pricing services are included in the Level 2 disclosures. The estimated fair value of U.S. Treasury securities are included in the amount disclosed in Level 1 as the estimates are based on unadjusted market prices.

The following tables present the level within the fair value hierarchy at which the Corporation's financial assets and financial liabilities are measured on a recurring basis at December 31, 2011 and 2010, respectively:

December 31, 2011

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Fixed maturities:				
U.S. Treasury securities	**$ 1,761,696**	**$1,761,696**	**$ -**	**$-**
Corporate bonds	**24,532,918**	**-**	**24,532,918**	**-**
Mortgage and asset-backed securities	**29,172,825**	**-**	**29,172,825**	**-**
Total fixed maturities	**$55,467,439**	**$1,761,696**	**$53,705,743**	**$-**
Cash equivalents:				
Money market	**$ 1,527,468**	**$1,527,468**	**$ -**	**$-**

December 31, 2010

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Fixed maturities:				
U.S. Treasury securities	$ 2,664,505	$2,664,505	$ -	$-
Corporate bonds	18,329,532	-	18,329,532	-
Mortgage and asset-backed securities	34,595,233	-	34,595,233	-
Total fixed maturities	$55,589,270	$2,664,505	$52,924,765	$-
Cash equivalents:				
Money market	$ 1,062,350	$1,062,350	$ -	$-

4. Investments

Fair values are based on quoted market prices. The amortized cost and carrying values of investments in fixed maturity securities are as follows:

December 31, 2011

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	**$ 1,710,223**	**$ 51,472**	**$ -**	**$ 1,761,695**
Corporate bonds	**24,124,952**	**544,642**	**(136,676)**	**24,532,918**
Mortgage and asset-backed securities	**27,934,748**	**1,238,081**	**(3)**	**29,172,826**
	$53,769,923	**$1,834,195**	**$(136,679)**	**$55,467,439**

December 31, 2010

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 2,613,686	$ 53,438	$ (2,619)	$ 2,664,505
Corporate bonds	17,681,024	661,149	(12,641)	18,329,532
Mortgage and asset-backed securities	33,359,724	1,320,272	(84,763)	34,595,233
	$53,654,434	$2,034,859	$(100,023)	$55,589,270

The amortized cost and fair value of fixed maturity securities at December 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

December 31, 2011

	Amortized Cost	Fair Value
Due in one year or less	**$ 4,855,366**	**$ 4,961,345**
Due after one year through five years	**28,669,268**	**29,331,970**
Mortgage and asset-backed securities	**20,245,289**	**21,174,124**
Total	**$53,769,923**	**$55,467,439**

The investment income earned during the years ended December 31, 2011 and 2010 is comprised of:

Year ended December 31,	**2011**	2010
Interest and dividends	**$1,906,771**	$2,359,968
Realized gains	**154,732**	51,154
	2,061,503	2,411,122
Unrealized gains	**(237,319)**	61,441
Investment fees	**(148,816)**	(156,045)
Net investment income	**$1,675,368**	$2,316,518

Gross realized gains and (losses) from the sale of debt securities were $162,593 and $(7,861) for 2011 and $187,775 and $(136,621) for 2010, respectively.

5. Fixed Assets, Net

Fixed assets, net, stated at cost, consist of the following:

December 31,	**2011**	2010
Computer equipment	**$ 252,299**	$ 255,073
Computer software	**460,266**	429,889
Leasehold improvements	**16,171**	-
	728,736	684,962
Less: Accumulated depreciation	**(549,653)**	(453,919)
Fixed assets, net	**$ 179,083**	$ 231,043

Depreciation expense for the years ended December 31, 2011 and 2010 was $130,772 and $172,042, respectively.

6. Reserve for Loss and Loss Adjustment Expenses

Activity in the reserve for loss and loss adjustment expenses is summarized as follows:

	2011	2010
Balance at January 1	**$ 59,680,205**	$ 58,513,440
Incurred related to:		
Current year	**24,856,302**	25,485,337
Prior years	**(3,456,589)**	(1,119,550)
	21,399,713	24,365,787
Paid related to:		
Current year	**(3,679,922)**	(4,840,916)
Prior years	**(17,703,822)**	(18,358,106)
	(21,383,744)	(23,199,022)
Balance, at December 31	**$ 59,696,174**	$ 59,680,205

For the years ended December 31, 2011 and 2010, incurred loss and loss adjustment expense reserves attributable to insured events for prior years decreased by approximately $3.5 million and $1.1 million, respectively, as actual claim emergence was favorable to what was contemplated at the previous year-end. This decrease is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

7. Employee Benefits

The Corporation has in effect a noncontributory defined benefit pension plan (the “Pension Plan”) covering substantially all of its employees. The Pension Plan takes part in an Immediate Participation Guarantee (“IPG”) type funding vehicle under which there is direct participation by the Pension Plan in the fund’s mortality and investment experience.

Net periodic pension cost included the following components:

Year ended December 31,	**2011**	2010
Service cost – benefits earned during the year	**$ 203,470**	$ 194,657
Interest cost on projected benefit obligation	**274,109**	274,483
Expected return on plan assets	**(293,274)**	(269,998)
Net amortization and deferral	**1,558**	4,657
Net periodic pension cost	**$ 185,863**	$ 203,799

An analysis of change in fair value of plan assets is as follows:

December 31,	**2011**	2010
Fair value of plan assets at beginning of the year	**$4,220,498**	$3,823,027
Actual return on plan assets	**244,951**	346,718
Employer contributions	**105,026**	200,000
Benefits disbursed from plan assets (including expense charges)	**(339,626)**	(149,247)
Fair value of plan assets at the end of the year	**$4,230,849**	$4,220,498

The following table sets forth the changes in the Pension Plan's benefit obligations and related amounts:

December 31,	**2011**	2010
Change in projected benefit obligation:		
Benefit obligation, beginning of year	**$5,350,560**	$4,823,903
Service cost	**203,478**	194,657
Interest cost	**274,109**	274,483
Actuarial gain	**1,039,587**	206,764
Benefits paid	**(339,626)**	(149,247)
Benefit obligation, end of year	**$6,528,100**	$5,350,560
Accumulated benefit obligation	**$5,609,066**	$4,633,726
Vested benefit obligation	**$5,595,358**	$4,615,549

The funded status of the Pension Plan is as follows:

December 31,	**2011**	2010
Benefit obligation	**$(6,528,100)**	$(5,350,560)
Fair value of Plan assets	**4,230,849**	4,220,498
Accrued pension obligation	**$(2,297,251)**	$(1,130,062)

Amounts recognized in unrestricted net assets consist of:

December 31,	**2011**	2010
Actuarial loss	**$(1,886,562)**	$(800,210)
	$(1,886,562)	$(800,210)

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

Year ended December 31,	
2012	$ 201,204
2013	199,130
2014	226,298
2015	244,291
2016	277,519
2017-2022	1,774,474

Investment Policy

The Pension Plan assets are intended, over time, to satisfy the obligation of the Corporation to provide retirement benefits in accordance with the plan's terms. The Corporation's portfolio is invested in a Guaranteed Deposit Fund ("GDF"), issued by Prudential Retirement Insurance and Annuity Company ("PRIAC"). GDF is designed to provide liquidity and safety of the principal with a competitive rate of return. Principal and accumulated interest is fully guaranteed by PRIAC. GDF invests in a broadly diversified fixed income portfolio within PRIAC's general account which is primarily invested in public bonds, commercial mortgages and private placement bonds. The value of the GDF is based on contributions received, distributions and other deductions, and interest credited to the account. The market value of the GDF is determined by applying the composite market value factor, which is calculated, based on discounted cash flow methodology, to the book value. At December 31, 2011 and 2010 the book value was $3,972,158 and $3,998,209, respectively.

The assets and liabilities of the Corporation's Pension Plan are recorded at fair value hierarchy in accordance with ASC 820. See Note 3 for a discussion of the Corporation's policy regarding this hierarchy. The following tables present the level within the fair value hierarchy at which the Corporation's Pension Plan assets are measured on a recurring basis at December 31, 2011 and 2010:

December 31, 2011

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Guaranteed deposit fund	**$4,230,849**	**$-**	**$-**	**$4,230,849**

December 31, 2010

		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Guaranteed deposit fund	$4,220,498	$-	$-	$4,220,498

The following tables set forth a summary of changes in the Pension Plan's assets measured at fair value using Level 3 inputs on a recurring basis:

Year ended December 31, 2011

	Guaranteed Account
Balance, beginning of year	**$4,220,498**
Employer contributions	**105,026**
Benefit payments	**(247,917)**
Administrative charges	**(91,708)**
Net investment income	**208,548**
Unrealized gain	**36,402**
Balance, end of year	**$4,230,849**

Year ended December 31, 2010

	Guaranteed Account
Balance, beginning of year	$3,823,027
Employer contributions	200,000
Benefit payments	(149,248)
Administrative charges	(46,692)
Net investment income	199,908
Unrealized gain	193,503
Balance, end of year	$4,220,498

Assumptions used in calculations included the following:

	2011	2010
Discount rate used to determine the projected benefit obligation	**4.25%**	5.50%
Discount rate used to determine net periodic pension cost	**5.50**	6.00
Rate of compensation increase	**4.00**	4.00
Expected long-term rate of return on assets	**7.00**	7.00

The expected long-term rate of return on plan assets assumption of 7% was selected using the "historical return" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 – Selection Economic Assumptions for Measuring Pension Obligations.

In addition, the Corporation has in effect a contributory defined contribution plan covering substantially all of its employees. The Corporation matches up to 3% of their salaries for employees with less than five years of service and a maximum of 5% of their salaries with five or more years of service. For the years ended December 31, 2011 and 2010, the Corporation's contributed portion was $38,392 and $31,988 and the employees' contributed portion was $120,661 and $105,181, respectively.

8. Postretirement Benefits

In addition to the Corporation's pension plan, the Corporation sponsors a defined benefit health care plan that provides postretirement medical benefits to retired employees.

As of April 1, 2005, the Corporation ceased to sponsor retiree benefits to new employees. As of this date, employees aged 55 or above are eligible for these benefits with 5 years of service and employees aged 54 or younger require 15 years of service. In addition, the employees must be aged 62 and must be active employees at the time of retirement to qualify for these benefits. The Corporation's policy is to fund the cost of medical benefits. The plan contains cost-sharing features such as deductible items and coinsurance. The Corporation accrues the costs of postretirement benefits during the years that employees render service.

The Corporation's unfunded liability as of December 31, 2011 was $4,731,161, which was calculated using a weighted-average discount rate of 5.50%. The initial transition obligation of $959,000 is being amortized over the plan participants' future service periods (19.8 years). The gain or initial liability is $1,162,000 which is amortized over 12.1 years.

The components of postretirement benefit costs for the years ended December 31, 2011 and 2010 included the following:

	2011	2010
Service cost	**$108,142**	$ 98,158
Interest cost	**199,844**	171,324
Amortization of initial liability and actuarial gain	**49,000**	(10,964)
Total	**$356,986**	$258,518

The components of the accumulated postretirement benefit obligation ("APBO") as of December 31, 2011 and 2010 included the following:

	2011	2010
Assets	**$ -**	$ -
Accumulated postretirement benefit obligation:		
Retirees	**1,846,489**	1,429,337
Actives	**2,884,672**	1,962,574
Accrued liability	**$4,731,161**	$3,391,911

Impact of change in health care inflation rates is as follows:

	Trend + 1%	Trend - 1%
Service and interest cost	$ 59,566	$ 47,493
APBO	796,069	638,962

The reconciliation of change in accumulated postretirement benefit obligation ("APBO") is as follows:

	2011	2010
APBO, beginning of year	**$3,391,911**	$2,895,837
Service cost	**108,142**	98,158
Interest cost	**199,844**	171,324
Actuarial (gain) loss	**1,136,462**	334,176
Claims paid	**(105,198)**	(107,584)
APBO, end of year	**$4,731,161**	$3,391,911

Amounts recognized in unrestricted net assets consist of:

December 31,	**2011**	2010
Actuarial gain (loss)	**$(690,045)**	$446,417
Transition obligation	**(175,000)**	(224,000)
	$(865,045)	$222,417

The following is a summary of projected benefit payments in future years:

Year ended December 31,	
2012	$ 117,089
2013	121,650
2014	131,110
2015	140,540
2016	151,479
2017-2022	1,010,946

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.25% and 5.5% at December 31, 2011 and 2010, respectively. The weighted average discount rate used in determining the net periodic postretirement expense was 5.50% and 6.0% at December 31, 2011 and 2010, respectively. The healthcare cost trend rate used at December 31, 2011 and 2010 was 7.0% and 8.0%, respectively, and was assumed to decrease gradually to 5.0% in 2013 and remain at that level thereafter.

On December 8, 2003, the President signed into law the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act"). The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a Federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The Corporation will not be seeking a subsidy for 2011 and 2010. The impact of the Act is not reflected in the liabilities.

9. Commitments and Contingencies

During 1997, the Corporation entered into a noncancellable operating lease for office space. This lease was amended, effective October 10, 2000, and the termination date was extended to January 31, 2013. The Corporation also has several equipment leases for terms expiring through February 2015.

Minimum lease payments (excluding escalation clause) under these leases at December 31, 2011 are as follows:

Year ended December 31,	
2012	$ 825,379
2013	137,236
2014	60,240
2015	37,850
	$1,060,705

Total rent expense for the years ended December 31, 2011 and 2010 amounted to $746,419.

The Corporation is subject to various forms of litigation in the normal course of business. It is the opinion of management that the outcome of such litigation will not have a material effect on the Corporation's financial statements.

10. Subsequent Events

The Corporation's management has performed subsequent event procedures through April 10, 2012 which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustments to the financial statements or disclosures as stated herein.

Independent Auditors' Report on Supplemental Schedule

Our audits of the basic financial statements included in the preceding section of this report were performed for the purpose of forming an opinion on those statements taken as a whole. The supplemental material presented in the following section of this report 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 audits 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO USA, LLP

Certified Public Accountants

New York, New York

April 10, 2012

Motor Vehicle Accident Indemnification Corporation

Schedule of General and Administrative Expenses

Year ended December 31,	**2011**	2010
General and Administrative Expenses:		
Salaries and fringe benefits:		
Salaries	**$3,424,247**	$3,225,047
Employee relations and welfare	**1,287,911**	1,075,328
Payroll taxes	**269,045**	252,341
	4,981,203	4,552,716
Occupancy:		
Rent and related costs	**1,081,772**	1,063,685
Professional fees:		
Auditing	**125,064**	271,740
Network expense	**169,176**	135,008
Legal and consulting	**262,382**	147,249
	556,622	553,997
Other administrative expenses:		
Postage	**104,510**	86,770
Telephone	**37,978**	39,112
Printing, stationery and periodicals	**36,351**	47,643
Furniture and equipment expense	**60,913**	72,138
DMV search	**110,000**	100,000
Outside service	**22,210**	17,804
Miscellaneous	**18,084**	28,304
Special investigations unit	**36,290**	19,613
Legal Department	**173,014**	88,938
Bad debt expense	**37,417**	-
Repairs and maintenance	**39,809**	43,860
Depreciation expense	**130,772**	172,042
Insurance	**80,296**	97,875
Bank fees	**8,256**	-
Travel and related items	**19,911**	21,220
Arbitration fees	**144,172**	244,066
	1,059,983	1,079,384
Total General and Administrative Expenses	**$7,679,580**	$7,249,782