

Motor Vehicle Accident Indemnification Corporation

Financial Statements and Supplemental Schedule

Years Ended December 31, 2012 and 2011

**Motor Vehicle Accident
Indemnification Corporation**

Financial Statements and Supplemental
Schedule

Years Ended December 31, 2012 and 2011

Motor Vehicle Accident Indemnification Corporation

Contents

Independent Auditor's Report	3
Financial Statements:	
Statements of Financial Position as of December 31, 2012 and 2011	4
Statements of Activities for the Years Ended December 31, 2012 and 2011	5
Statements of Cash Flows for the Years Ended December 31, 2012 and 2011	6
Notes to Financial Statements	7-21
Independent Auditor's Report on Supplemental Schedule	22
Supplemental Schedule:	
Schedule of General and Administrative Expenses for the Years Ended December 31, 2012 and 2011	23



Independent Auditor's 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 as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Motor Vehicle Accident indemnification Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 15, 2013

Motor Vehicle Accident Indemnification Corporation

Statements of Financial Position

<i>December 31,</i>	2012	2011
Assets		
Cash and cash equivalents	\$ 5,273,003	\$ 4,852,270
Fixed maturities, at fair value	53,984,787	55,467,439
Assessment receivable	27,102	-
Accrued interest receivable	318,593	375,639
Other assets	2,001,531	165,537
Fixed assets, net	2,886,321	179,083
Total Assets	\$64,491,337	\$61,039,968
Liabilities and Net Deficit		
Liabilities:		
Amounts held for uncashed checks	\$ 25,115	\$ 231,626
Deferred assessment income	73,299	63,025
Reserve for losses and loss adjustment expenses	59,682,841	59,696,174
Accrued pension and postretirement benefits	7,637,128	7,028,412
Deferred rent and tenant allowance	2,076,211	-
Other liabilities	800,669	239,478
Total Liabilities	70,295,263	67,258,715
Commitments and Contingencies (Notes 7, 8, and 9)		
Net Deficit - Unrestricted	(5,803,926)	(6,218,747)
Total Liabilities and Net Deficit	\$64,491,337	\$61,039,968

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Activities

<i>Year ended December 31,</i>	2012	2011
Income:		
Assessment income	\$29,270,516	\$28,292,446
Net investment income	1,758,144	1,675,368
Total Income	31,028,660	29,967,814
Expenses:		
Losses paid (net of \$1,465,032 and \$1,348,207 of subrogation recoveries in 2012 and 2011, respectively)	17,093,943	16,630,686
Loss adjustment expenses paid	4,874,461	4,753,058
Change in reserves for losses and loss adjustment expenses	(13,334)	15,969
Losses and Loss Adjustment Expenses Incurred	21,955,070	21,399,713
General and administrative expenses:		
Salaries and fringe benefits	5,298,586	4,981,203
Occupancy	1,487,794	1,081,772
Professional fees	667,845	556,622
Other administrative expenses	1,099,892	1,059,983
Total General and Administrative Expenses	8,554,117	7,679,580
Total Expenses	30,509,187	29,079,293
Change in Net Assets Before Change in Pension and Postretirement Unfunded Benefit Obligation	519,473	888,521
Change in Pension and Postretirement Unfunded Benefit Obligation	(104,652)	(2,173,814)
Change in Unrestricted Net Assets (Deficit)	414,821	(1,285,293)
Net Deficit - Unrestricted, Beginning of Year	(6,218,747)	(4,933,454)
Net Deficit - Unrestricted, End of Year	\$ (5,803,926)	\$ (6,218,747)

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Cash Flows

<i>Year ended December 31,</i>	2012	2011
Cash Flows From Operating Activities:		
Change in unrestricted net assets (deficit)	\$ 414,821	\$ (1,285,293)
Adjustments to reconcile change in unrestricted net assets (deficit) to net cash provided by operating activities:		
Bad debt expense	-	37,417
Pension and postretirement unfunded benefit obligation	104,652	2,173,814
Depreciation and amortization	100,342	130,772
Net realized investment gain	(227,572)	(154,734)
Net unrealized investment (gain) loss	(11,811)	237,319
Amortization of bond premium and discount, net	275,225	268,948
(Increase) decrease in assets:		
Assessment receivable	(27,102)	(24,900)
Accrued interest receivable	57,046	19,102
Other assets	(1,835,994)	1,085
Increase (decrease) in liabilities:		
Amounts held for uncashed checks	(206,511)	187,605
Deferred assessment income	10,274	(35,095)
Reserve for losses and loss adjustment expense	(13,333)	15,969
Accrued pension and postretirement benefits	504,064	332,625
Deferred rent and tenant allowance	2,076,211	-
Other liabilities	561,191	(60,032)
Net Cash Provided By Operating Activities	1,781,503	1,844,602
Cash Flows From Investing Activities:		
Proceeds from bonds sold or matured	17,937,427	21,790,413
Cost of bonds purchased	(16,490,617)	(22,020,115)
Fixed assets purchased	(2,807,580)	(78,812)
Net Cash Used In Investing Activities	(1,360,770)	(308,514)
Net Increase in Cash and Cash Equivalents	420,733	1,536,088
Cash and Cash Equivalents, Beginning of Year	4,852,270	3,316,182
Cash and Cash Equivalents, End of Year	\$ 5,273,003	\$ 4,852,270

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

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., 2012 assessments are based on 2010 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.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

(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.

Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

(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. On December 13, 2012, the Board of Directors approved assessments of \$32 million for fiscal year 2013.

(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.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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 2012 and 2011.

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, 2012 and 2011, 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 2009.

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.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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, 2012 and 2011, respectively:

December 31, 2012

	Total	Fair Value Measurements Using		
		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	\$ 1,808,625	\$1,808,625	\$ -	\$-
Corporate bonds	20,600,792	-	20,600,792	-
Mortgage and asset-backed securities	31,575,370	-	31,575,370	-
Total fixed maturities	\$53,984,787	\$1,808,625	\$52,176,162	\$-
Cash equivalents:				
Money market	\$ 576,047	\$ 576,047	\$ -	\$-

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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	\$ -	\$-

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, 2012

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 1,758,599	\$ 50,026	\$ -	\$ 1,808,625
Corporate bonds	19,864,856	737,512	(1,576)	20,600,792
Mortgage and asset-backed securities	30,652,004	933,844	(10,478)	31,575,370
	\$52,275,459	\$1,721,382	\$(12,054)	\$53,984,787

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

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

The amortized cost and fair value of fixed maturity securities at December 31, 2012, 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, 2012

	Amortized Cost	Fair Value
Due in one year or less	\$ 2,004,895	\$ 2,068,861
Due after one year through five years	17,831,378	18,488,633
Due after five years through ten years	1,787,182	1,851,923
Mortgage and asset-backed securities	30,652,004	31,575,370
Total	\$52,275,459	\$53,984,787

The investment income earned during the years ended December 31, 2012 and 2011 is comprised of:

<i>Year ended December 31,</i>	2012	2011
Interest and dividends	\$1,669,497	\$1,906,771
Realized gains	227,572	154,732
	1,897,069	2,061,503
Unrealized gains (losses)	11,811	(237,319)
Investment fees	(150,736)	(148,816)
Net investment income	\$1,758,144	\$1,675,368

Gross realized gains and (losses) from the sale of debt securities were \$227,572 and \$-0- for 2012 and \$162,593 and \$(7,861) for 2011, respectively.

5. Fixed Assets, Net

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

<i>December 31,</i>	2012	2011
Computer equipment	\$ 275,719	\$ 252,299
Computer software	554,522	460,266
Leasehold improvements	2,091,649	-
Furniture	386,535	-
Architect fees	227,891	16,171
	3,536,316	728,736
Less: Accumulated depreciation	(649,995)	(549,653)
Fixed assets, net	\$2,886,321	\$ 179,083

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

Tenant allowances have been recorded as leasehold improvements and a liability for deferred rent and tenant allowance. As part of the lease agreement with the landlord, the Corporation was provided with a tenant allowance of up to \$1,661,201 which was used towards the funding of the leasehold improvements.

Depreciation expense for the years ended December 31, 2012 and 2011 was \$100,342 and \$130,772, respectively.

6. Reserve for Loss and Loss Adjustment Expenses

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

	2012	2011
Balance at January 1	\$ 59,696,174	\$ 59,680,205
Incurred related to:		
Current year	25,395,676	24,856,302
Prior years	(3,440,606)	(3,456,589)
	21,955,070	21,399,713
Paid related to:		
Current year	(3,312,665)	(3,679,922)
Prior years	(18,655,738)	(17,703,822)
	(21,968,403)	(21,383,744)
Balance, at December 31	\$ 59,682,841	\$ 59,696,174

For the years ended December 31, 2012 and 2011, incurred loss and loss adjustment expense reserves attributable to insured events for prior years decreased by approximately \$3.5 million 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

(a) *Defined Benefit Plan*

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.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

Net periodic pension cost included the following components:

<i>Year ended December 31,</i>	2012	2011
Service cost - benefits earned during the year	\$ 212,117	\$ 203,470
Interest cost on projected benefit obligation	273,884	274,109
Expected return on plan assets	(213,507)	(293,274)
Net amortization and deferral	136,931	1,558
Net periodic pension cost	\$ 409,425	\$ 185,863

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

<i>December 31,</i>	2012	2011
Fair value of plan assets at beginning of the year	\$4,230,849	\$4,220,498
Actual return on plan assets	63,457	153,242
Employer contributions	-	105,026
Benefits disbursed from plan assets	(167,508)	(247,917)
Fair value of plan assets at the end of the year	\$4,126,798	\$4,230,849

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

<i>December 31,</i>	2012	2011
Change in projected benefit obligation:		
Benefit obligation, beginning of year	\$6,528,100	\$5,350,560
Service cost	212,117	203,470
Interest cost	273,884	274,109
Actuarial gain	265,474	947,878
Benefits paid	(167,508)	(247,917)
Effect of curtailment	(316,927)	-
Benefit obligation, end of year	\$6,795,140	\$6,528,100
Accumulated benefit obligation	\$6,231,298	\$5,609,066
Vested benefit obligation	\$6,231,295	\$5,595,358

The funded status of the Pension Plan is as follows:

<i>December 31,</i>	2012	2011
Benefit obligation	\$(6,795,140)	\$(6,528,100)
Fair value of Plan assets	4,126,798	4,230,849
Accrued pension obligation	\$(2,668,342)	\$(2,297,251)

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

Amounts recognized in unrestricted net assets consist of:

<i>December 31,</i>	2012	2011
Actuarial loss	\$(1,848,228)	\$(1,886,562)
	\$(1,848,228)	\$(1,886,562)

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

<i>Year ending December 31,</i>	
2013	\$ 200,000
2014	230,000
2015	250,000
2016	270,000
2017	290,000
2018-2022	1,820,000

Investment Policy and Fair Value Measurements

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 mutual funds held in a variable annuity account and 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, 2012 and 2011 the book value was \$1,986,642 and \$3,972,158, respectively. The fair values of mutual funds are based on the net asset value reported by the insurance company that holds the variable annuity account.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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, 2012 and 2011:

December 31, 2012

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Mutual funds:				
Large U.S. equity	\$ 484,151	\$-	\$ 484,151	\$ -
International equity	104,950	-	104,950	-
Short-term fixed income	96,076	-	96,076	-
Fixed income	1,252,908	-	1,252,908	-
Guaranteed deposit fund	2,188,713	-	-	2,188,713
Total assets at fair value	\$4,126,798	\$-	\$1,938,085	\$2,188,713

December 31, 2011

	Total	Fair Value Measurements Using		
		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

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, 2012

	Guaranteed Account
Balance, beginning of year	\$4,230,849
Benefit payments	(167,508)
Administrative charges	(76,788)
Withdrawals	(1,915,000)
Net investment income	173,780
Unrealized loss	(56,620)
Balance, end of year	\$2,188,713

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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

Assumptions used in calculations included the following:

	2012	2011
Discount rate used to determine the projected benefit obligation	4.00%	4.25%
Discount rate used to determine net periodic pension cost	4.25	5.50
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 7.0% in 2012 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.

(b) 401(k) Plan

In addition, the Corporation has in effect a contributory defined contribution plan covering substantially all of its employees. The Corporation matches up to 4.5% of salaries for all employees not in the pension plan. For the years ended December 31, 2012 and 2011, the Corporation's contributed portion was \$43,724 and \$38,392 and the employees' contributed portion was \$130,458 and \$120,661, respectively.

(c) Supplemental Executive Retirement Plan

The Corporation sponsors an unfunded supplemental executive retirement plan (the "Plan") covering certain members of senior management. The Plan provides a minimum level of benefits based upon years of experience and also provides benefits that may be subject to certain limitations imposed by the Internal Revenue Code.

Net periodic pension cost included the following components:

Year ended December 31, 2012

Service cost	\$ 94,644
Interest cost	16,342
Net amortization and deferral	23,853
Net periodic pension cost	\$134,839

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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

December 31, 2012

Fair value of Plan assets at beginning of year	\$ -
Employer contributions	40,100
Benefits paid	(40,100)
Fair value of Plan assets at the end of year	\$ -

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

December 31, 2012

Change in projected benefit obligation:	
Benefit obligation at beginning of year	\$369,726
Service cost	94,644
Interest cost	16,342
Actuarial gain	(8,659)
Benefits paid	(40,100)
Benefit obligation, end of year	\$431,953
Accumulated benefit obligation	\$ 36,499

The funded status of the Plan is as follows:

December 31, 2012

Benefit obligation	\$(431,953)
Fair value of Plan assets	-
Accrued pension obligation	\$(431,953)

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

Year ending December 31,

2013	\$ 40,000
2014	-
2015	-
2016	-
2017	-
2018-2022	810,000

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

Assumptions used in calculations included the following:

	2012
Discount rate used to determine the projected benefit obligation	4.00%
Discount rate used to determine net periodic pension cost	4.42
Rate of compensation increase	4.00

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, 2012 was \$4,536,933, which was calculated using a weighted-average discount rate of 4.00%. 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, 2012 and 2011 included the following:

	2012	2011
Service cost	\$144,167	\$108,142
Interest cost	198,586	199,844
Amortization of initial liability and actuarial gain	76,287	49,000
Total	\$419,040	\$356,986

The components of the accumulated postretirement benefit obligation ("APBO") as of December 31, 2012 and 2011 included the following:

	2012	2011
Assets	\$ -	\$ -
Accumulated postretirement benefit obligation:		
Retirees	1,787,496	1,846,489
Actives	2,749,437	2,884,672
Accrued liability	\$4,536,933	\$4,731,161

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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

	Trend + 1%	Trend - 1%
Service and interest cost	\$ 29,565	\$ 32,472
APBO	611,332	503,582

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

	2012	2011
APBO, beginning of year	\$4,731,161	\$3,391,911
Service cost	144,167	108,142
Interest cost	198,586	199,844
Actuarial (gain) loss	(426,713)	1,136,462
Claims paid	(110,268)	(105,198)
APBO, end of year	\$4,536,933	\$4,731,161

Amounts recognized in unrestricted net assets consist of:

<i>December 31,</i>	2012	2011
Actuarial gain (loss)	\$(236,045)	\$(690,045)
Transition obligation	(126,000)	(175,000)
	\$(362,045)	\$(865,045)

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

<i>Year ending December 31,</i>	
2013	\$ 126,113
2014	146,568
2015	156,833
2016	167,751
2017	184,448
2018-2023	1,157,388

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.00% and 4.25% at December 31, 2012 and 2011, respectively. The weighted average discount rate used in determining the net periodic postretirement expense was 4.25% and 5.50% at December 31, 2012 and 2011, respectively. The healthcare cost trend rate used at December 31, 2012 and 2011 was 6.0% and 7.0%, respectively, and was assumed to decrease gradually to 5.0% in 2013 and remain at that level thereafter.

Motor Vehicle Accident Indemnification Corporation

Notes to Financial Statements

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 2012 and 2011. The impact of the Act is not reflected in the liabilities.

Employer contributions expected to be paid in 2013 are \$126,113.

9. Commitments and Contingencies

In May 2012, the Corporation entered into a new 15 year lease for office space. Under the lease, the Corporation received an incentive of one year free rent starting at the inception of the lease, along with a construction allowance of \$1,661,201 for leasehold improvements. Base rent and the construction allowance is expensed on a straight-line basis over the life of the lease. At December 31, 2012, \$475,575 of deferred rent and \$1,600,636 of construction allowance is included in deferred rent and tenant allowance on the statement of financial position.

Future minimum annual rental payments for office and several equipment leases are as follows:

<i>Year ending December 31,</i>	
2013	\$ 950,719
2014	883,911
2015	860,956
2016	815,271
2017	815,271
Thereafter	8,492,402
	<hr/>
	\$12,818,530

Total rent expense for the years ended December 31, 2012 and 2011 amounted to \$1,184,204 and \$746,419, respectively.

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 15, 2013, 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 Auditor's 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

New York, New York

April 15, 2013

Motor Vehicle Accident Indemnification Corporation

Schedule of General and Administrative Expenses

<i>Year ended December 31,</i>	2012	2011
General and Administrative Expenses:		
Salaries and fringe benefits:		
Salaries	\$3,588,558	\$3,424,247
Employee relations and welfare	1,423,117	1,287,911
Payroll taxes	286,911	269,045
	5,298,586	4,981,203
Occupancy:		
Rent and related costs	1,487,794	1,081,772
Professional fees:		
Auditing	89,000	125,064
Network expense	175,357	169,176
Legal and consulting	403,488	262,382
	667,845	556,622
Other administrative expenses:		
Postage	104,293	104,510
Telephone	39,968	37,978
Printing, stationery and periodicals	35,262	36,351
Furniture and equipment expense	60,004	60,913
DMV search	112,000	110,000
Outside service	26,794	22,210
Miscellaneous	21,099	18,084
Special investigations unit	30,857	36,290
Legal Department	175,597	173,014
Bad debt expense	-	37,417
Repairs and maintenance	45,245	39,809
Depreciation expense	100,342	130,772
Insurance	156,215	80,296
Bank fees	16,863	8,256
Travel and related items	24,105	19,911
Arbitration fees	151,248	144,172
	1,099,892	1,059,983
Total General and Administrative Expenses	\$8,554,117	\$7,679,580