Motor Vehicle Accident Indemnification Corporation

Financial Statements and Supplementary Information

Years Ended December 31, 2018 and 2017

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Contents

Tel: +212 885-8000
Fax: +212 697-1299
www.bdo.com

100 Park Avenue
New York, NY 10017

Independent Auditor's Report

The Board of Directors
Motor Vehicle Accident Indemnification Corporation

We have audited the accompanying financial statements of Motor Vehicle Accident Indemnification Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 audit 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, 2018 and 2017, 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.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional 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 financial statements as a whole.

BDO USA, LLP

May 17, 2019

Motor Vehicle Accident Indemnification Corporation

Statements of Financial Position

December 31,	**2018**	2017
Assets		
Cash and cash equivalents	**$ 5,903,772**	**$ 4,530,849**
Fixed maturities, at fair value	**67,462,504**	**67,828,933**
Assessment receivable	**338,018**	**214,848**
Accrued interest receivable	**269,382**	**272,638**
Prepaid expenses and other assets	**433,096**	**417,403**
Fixed assets, net	**2,346,538**	**2,039,874**
Total Assets	**$76,753,310**	**$75,304,545**
Liabilities and Net Assets		
Liabilities:		
Deferred assessment income	**$ 64,775**	**$ 228,526**
Reserve for loss and allocated loss adjustment expenses	**51,639,455**	**51,163,229**
Reserve for unallocated loss adjustment expenses	**15,474,663**	**13,880,573**
Accrued pension and postretirement benefits	**5,842,826**	**7,389,757**
Deferred rent and tenant allowance	**1,935,455**	**2,056,468**
Other liabilities	**511,882**	**441,394**
Total Liabilities	**75,469,056**	**75,159,947**
Commitments and Contingencies (Notes 7, 8, and 9)		
Net Assets	**1,284,254**	**144,598**
Total Liabilities and Net Assets	**$76,753,310**	**$75,304,545**

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Activities

Year ended December 31,	**2018**	2017
Income:		
Assessment income	**$33,763,082**	**$30,273,056**
Net investment income	**672,528**	**971,898**
Total Income	**34,435,610**	**31,244,954**
Expenses:		
Losses paid (net of $728,678 and $1,123,988 of subrogation recoveries in 2018 and 2017, respectively)	**16,262,537**	**16,250,072**
Allocated loss adjustment expenses paid	**6,545,269**	**5,310,076**
Change in reserves for losses and allocated loss adjustment expenses	**476,227**	**2,570,135**
Losses and Allocated Loss Adjustment Expenses Incurred	**23,284,033**	**24,130,283**
General and administrative expenses:		
Salaries and fringe benefits	**6,503,340**	**6,148,262**
Occupancy	**819,004**	**800,408**
Professional fees	**1,058,084**	**1,088,204**
Other administrative expenses	**1,683,924**	**1,644,679**
Change in unallocated loss adjustment expense	**1,594,090**	**700,000**
Total General and Administrative Expenses	**11,658,442**	**10,381,553**
Total Expenses	**34,942,475**	**34,511,836**
Change in Net Assets Before Change in Pension and Postretirement Benefit Obligation	**(506,865)**	**(3,266,882)**
Change in Pension and Postretirement Benefit Obligation	**1,646,521**	**(626,546)**
Change in Net Assets	**1,139,656**	**(3,893,428)**
Net Assets, Beginning of Year	**144,598**	**4,038,026**
Net Assets, End of Year	**$ 1,284,254**	**$ 144,598**

See accompanying notes to financial statements.

Motor Vehicle Accident Indemnification Corporation

Statements of Cash Flows

Year ended December 31,	**2018**	2017
Cash Flows From Operating Activities:		
Change in net assets	**$ 1,139,656**	**$ (3,893,428)**
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Change in pension and postretirement unfunded benefit obligation	**(1,646,521)**	**626,546**
Depreciation and amortization	**335,228**	**314,863**
Net realized investment loss (gain)	**48,396**	**(387)**
Net unrealized investment loss	**562,938**	**70,679**
Amortization of bond premium and discount, net	**84,808**	**114,218**
(Increase) decrease in assets:		
Assessment receivable	**(123,170)**	**(10,570)**
Accrued interest receivable	**3,256**	**(24,201)**
Prepaid expenses and other assets	**(19,657)**	**(45,115)**
Increase (decrease) in liabilities:		
Deferred assessment income	**(163,751)**	**217,578**
Reserve for loss and allocated loss adjustment expenses	**476,226**	**2,570,135**
Reserve for unallocated loss adjustment expense	**1,594,090**	**700,000**
Accrued pension and postretirement benefits	**99,590**	**67,395**
Deferred rent and tenant allowance	**(121,013)**	**(68,984)**
Other liabilities	**70,488**	**150,932**
Net Cash Provided By Operating Activities	**2,340,564**	**789,661**
Cash Flows From Investing Activities:		
Proceeds from bonds sold, called and matured	**21,499,658**	**9,352,766**
Cost of bonds purchased	**(21,825,407)**	**(10,399,507)**
Fixed assets purchased	**(641,892)**	**(261,348)**
Net Cash Used In Investing Activities	**(967,641)**	**(1,308,089)**
Net Decrease in Cash and Cash Equivalents	**1,372,923**	**(518,428)**
Cash and Cash Equivalents, Beginning of Year	**4,530,849**	**5,049,277**
Cash and Cash Equivalents, End of Year	**$ 5,903,772**	**$ 4,530,849**

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., 2018 assessments are based on 2016 premiums written).

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations. 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. ASU 2016-14 changed the requirements to the use of two classes of net assets, net assets without donor restrictions, and net assets with donor restrictions, 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. Further disclosure of length and basis of description must be disclosed in the notes of the Financial Statements.

These classes are defined as follows:

(i) **Net assets without donor restrictions** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(ii) **Net assets with donor restrictions** - 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 or otherwise removed by actions of the Corporation or never expire nor be fulfilled and removed by actions of the Corporation.

(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 significantly 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 accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 320, "Investments - Debt and Equity Securities." The Company has classified its investments in fixed maturity securities, preferred stock, and common stock as available-for-sale and, accordingly, they are carried at fair value. The fair value of investments in fixed maturities and equity securities are based on quoted market prices. Unrealized gains and losses are reported as a component of net investment income in the statements of activities. If it is determined that a decline in fair value is other than temporary, the cost basis is written down and a realized loss is recognized through the statements of operations.

Short-term investments consist principally of money market instruments and are carried at cost, which approximates their fair value.

Investment purchases and sales are recorded on the trade date. Realized investment gains or losses on the sale of investments are determined on the specific identification method. The amortization of premium and accretion of discount for fixed maturity securities is computed utilizing the interest method. The effective yield utilized in the interest method is adjusted when sufficient information exists to estimate the probability and timing of prepayments. Net investment income, consisting of interest, net of investment expense, is recognized when earned. Fair values of investments are based on quoted market prices.

Other-Than-Temporary Impairment: The Corporation has a process in place to identify securities that could potentially have an impairment that is other than temporary. This process involves monitoring market events that could impact issuers' credit ratings, business climate, management changes, litigation and government actions, and other similar factors. This process also involves monitoring late payments, downgrades by rating agencies, key financial ratios, financial statements, revenue forecasts and cash flow projections as indicators of credit issues.

The Corporation considers relevant facts and circumstances in evaluating whether the impairment of a security is other than temporary. Relevant facts and circumstances considered include (1) the length of time the fair value has been below cost; (2) the financial position of the issuer including the current and future impact of any specific events; and (3) whether it is more likely than not that the Corporation will not be required to hold the security until maturity or until it recovers in value. Other-than-temporary impairments of investments are recognized as a component of net investment income included in the statements of activities.

Valuation of Investments: Financial instruments are carried at fair value in accordance with ASC 820, "Fair Value Measurement". ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Corporation classifies assets and liabilities measured at fair value based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments. Level 1 securities include highly liquid U.S. Treasury securities and cash and cash equivalents.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Most debt securities and preferred stock are model priced using observable inputs and are classified with Level 2.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Corporation does not hold any Level 3 assets.

The Corporation invests in a variety of investment securities that in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of operations.

A description of the valuation techniques applied to the Corporation's major categories of assets and liabilities measured at fair value is as follows:

Fixed Income

The Corporation has investments in fixed income securities. The Corporation's custodian prices these investments using nationally-recognized pricing services. The Corporation's fixed income investments include U.S. government and agency securities and corporate bonds and debentures, high-yield bonds, asset-backed securities and collateralized securities. Since fixed income securities other than U.S. Treasury securities generally do not trade, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications which include available relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2 of the fair value hierarchy. U.S. Treasury securities are valued using quoted market prices and are categorized as Level I of the fair value hierarchy.

(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.

Vehicles are depreciated over the expected life of the particular vehicle purchased, (typically 4- 6 years) less expected trade in value.

(f) Assessments

Assessments are periodically made of members to fund the Corporation's operations. Assessments are recorded as income when due on a quarterly and annual basis. On October 26, 2018, the Board of Directors approved assessments of $39,000,000 for fiscal year 2019.

(g) Reserve for Losses and Loss Adjustment Expenses (Allocated and Unallocated)

The reserve for losses and loss adjustment expenses ("LAE") includes case basis estimates for reported claims and estimates for losses incurred but not reported less anticipated subrogation recoveries. Reserves for LAE are estimates of future expenses to be incurred in investigating and settling all claims incurred prior to year-end. These reserves are 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. These reserves are 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.

Reserves for unallocated loss adjustment expenses ("ULAE") are management's estimate of future administrative costs of managing claims, and are established based on a historical relationship of paid ULAE as a percentage of paid losses applied to case and IBNR reserves.

If the Corporation's actual future claims experience develops adversely to the currently estimated ultimate liability and the Corporation's net assets 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 cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits. At various times during the year, the Corporation may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

(i) Pension and Post-Retirement Plans

In accordance with 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 2018 and 2017.

Under ASC 740, an organization must recognize the financial statement effects of a tax position taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination. The Corporation does not believe it has taken any material uncertain tax positions and, accordingly, it has 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, 2018 and 2017, there were no interest or penalties recorded or included in the statements of activities.

The Corporation is subject to routine audit by a taxing authority. As of December 31, 2018, and 2017, the Corporation was not subject to any examination by a taxing authority. The Corporation believes it is no longer subject to income tax examinations for the years prior to 2013.

(k) Deferred Rent

The Corporation recognizes rent expense based on a straight-line amortization of all rental payments, including fixed rent increases, less any rental abatements, over the term of the lease. Tenant allowances for leasehold improvements are amortized over the life of the lease on a straight-line basis as an offset to rent expense. The difference between rent expense and the actual lease payments is reflected as deferred rent and tenant allowance in the accompanying statements of financial position.

(l) Recently Issued Accounting Pronouncements

Accounting for Leases (Topic 842)

On February 25, 2016, the FASB issued ASU 2016-02, "Leases," which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019 and the Corporation is currently evaluating the impact of the pending adoption of ASU 2016-02.

3. Fair Value Measurements

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 are measured on a recurring basis at December 31, 2018 and 2017, respectively:

December 31, 2018

		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	**$10,212,200**	**$10,212,200**	**$ -**	**$ -**
Corporate bonds	**30,436,230**	**-**	**30,436,230**	**-**
Mortgage and asset-backed securities	**21,615,487**	**-**	**21,615,487**	**-**
Non U.S. government debt	**5,198,587**	**-**	**5,198,587**	**-**
Total fixed maturities	**$67,462,504**	**$10,212,200**	**$57,250,304**	**$ -**
Cash equivalents:				
Money market	**$ 1,593,258**	**$ 1,593,258**	**$ -**	**$ -**

December 31, 2017

		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	**$13,212,531**	**$13,212,531**	**$ -**	**$ -**
Corporate bonds	**29,311,727**	**-**	**29,311,727**	**-**
Mortgage and asset-backed securities	**23,827,130**	**-**	**23,827,130**	**-**
Non U.S. government debt	**1,477,545**	**-**	**1,477,545**	**-**
Total fixed maturities	**$67,828,933**	**$13,212,531**	**$54,616,402**	**$ -**
Cash equivalents:				
Money market	**$ 371,380**	**$ 371,380**	**$ -**	**$ -**

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, 2018

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	**$10,277,807**	**$ 10,608**	**$ (76,215)**	**$10,212,200**
Corporate bonds	**31,000,263**	**707**	**(564,741)**	**30,436,229**
Mortgage and asset-backed securities	**21,933,477**	**70,902**	**(388,891)**	**21,615,488**
Non U.S. government debt	**5,249,790**	**-**	**(51,203)**	**5,198,587**
	$68,461,337	**$ 82,217**	**$ (1,081,050)**	**$67,462,504**

December 31, 2017

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	**$13,313,558**	**$ -**	**$(101,027)**	**$13,212,531**
Corporate bonds	**29,412,200**	**61,346**	**(161,819)**	**29,311,727**
Mortgage and asset-backed securities	**24,045,616**	**83,039**	**(301,525)**	**23,827,130**
Non U.S. government debt	**1,497,420**	**-**	**(19,875)**	**1,477,545**
	$68,268,794	**$ 144,385**	**$(584,246)**	**$67,828,933**

The amortized cost and fair value of fixed maturity securities at December 31, 2018, 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, 2018

	Amortized Cost	Fair Value
Due in one year or less	**$15,046,160**	**$14,923,614**
Due after one year through five years	**29,236,116**	**28,769,537**
Due after five years through ten years	**2,245,584**	**2,153,865**
Due after ten years through fifteen years	**-**	**-**
Mortgage and asset-backed securities	**21,933,477**	**21,615,488**
Total	**$68,461,337**	**$67,462,504**

The net investment income earned during the years ended December 31, 2018 and 2017 is comprised of:

Year ended December 31,	**2018**	2017
Interest and dividends	**$1,459,560**	**$1,219,421**
Realized (losses) gains, net	**(48,396)**	**387**
	1,411,164	**1,219,808**
Unrealized losses, net	**(562,938)**	**(70,679)**
Investment fees	**(175,698)**	**(177,231)**
Net investment income	**$ 672,528**	**$ 971,898**

Gross realized gains and (losses) from the sale of debt securities were $308 and $(48,705) for 2018 and $623 and $(236) for 2017, respectively.

5. Fixed Assets, Net

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

December 31,	**2018**	2017
Computer equipment	**$ 915,826**	**$ 542,368**
Computer software	**249,074**	**225,440**
Leasehold improvements	**2,389,069**	**2,389,069**
Furniture	**437,974**	**431,864**
Vehicle	**26,545**	**26,545**
	4,018,488	**3,615,286**
Less: Accumulated depreciation	**(1,671,950)**	**(1,575,412)**
Fixed assets, net	**$2,346,538**	**$2,039,874**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $335,228 and $314,863 respectively.

6. Reserve for Loss and Allocated Loss Adjustment Expenses

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

	2018	2017
Balance at January 1	$ 51,163,229	$ 48,593,093
Incurred related to:		
Current year	25,291,044	24,306,071
Prior years	(2,007,011)	(175,787)
	23,284,033	24,130,284
Paid related to:		
Current year	(4,237,337)	(4,191,525)
Prior years	(18,570,470)	(17,368,623)
	(22,807,807)	(21,560,148)
Balance, at December 31	$ 51,639,455	$ 51,163,229

For the years ended December 31, 2018 and 2017, incurred loss and allocated loss adjustment expense reserves attributable to insured events for prior years decreased by approximately $2,007,000 and $176,000 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.

The following is information about incurred and paid claims and claims adjustment expenses development for the year ended December 31, 2018, as well as cumulative claim frequency and the total of incurred but not reported liabilities plus expected development on reported claims included within the incurred claims amounts. The information about incurred and paid claims development for the years ended December 31, 2008 to 2017, is presented as unaudited supplementary information.

Bodily Injury Protection (Tort)

Incurred claims and allocated claims adjustment expenses ($ in '000s, except cumulative number of reported claims)

	For the years Ended December 31,										As of the year ended December 31, 2018	
	Unaudited											
Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Incurred but not Reported Liabilities	Cumulative number of reported claims
2009	4,407	7,646	7,885	8,243	8,502	8,543	8,545	8,499	8,507	$ 8,509	(50)	986
2010	-	5,175	8,241	8,271	8,754	8,707	8,999	8,882	8,830	8,758	(66)	1,037
2011	-	-	4,997	8,406	8,491	8,637	8,942	8,961	8,746	8,616	14	949
2012	-	-	-	5,233	7,753	7,272	7,806	8,043	7,961	7,954	(50)	907
2013	-	-	-	-	6,484	7,785	7,939	8,270	8,381	8,268	(66)	1017
2014	-	-	-	-	-	4,260	7,085	7,450	7,993	7,538	(136)	903
2015	-	-	-	-	-	-	2,938	7,126	7,840	7,730	(131)	825
2016	-	-	`-	-	-	-	-	5,459	8,661	8,526	590	832
2017		-	-	-	-	-	-	-	9,047	9,317	1,507	701
2018	-		-	-	-	-	-	-	-	8,937	3,071	408
Total										$83,974		

Cumulative paid claims and allocated claims adjustment expense ($ in '000s)

	For the year Ended December 31,									
	Unaudited									
Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	1,286	4,279	5,560	6,609	7,130	7,442	7,812	7,961	8,152	$ 8,293
2010	-	1,252	4,125	5,311	6,042	6,669	7,261	7,696	8,107	8,336
2011	-	-	953	4,347	5,514	6,451	7,027	7,480	7,921	8,174
2012	-	-	-	957	3,817	4,979	5,711	6,329	6,883	7,346
2013	-	-	-	-	1,449	4,320	5,174	5,903	6,510	7,186
2014	-	-	-	-	-	1,278	3,643	4,752	5,411	6,067
2015	-	-	-	-	-	-	1,065	4,050	4,931	5,494
2016	-	-	-	-	-	-	-	1,734	4,449	5,581
2017	-	-	-	-	-	-	-	-	1,677	4,284
2018	-	-	-	-	-	-	-	-	-	1,647
Total										$62,408
All outstanding liabilities before 2008										549
Liabilities for claims and allocated claims adjustment expenses										$22,115

Personal Injury Protection (PIP)

Incurred claims and allocated claims adjustment expenses ($ in ‘000s, except cumulative number of reported claims)

	For the years Ended December 31,										As of the year ended December 31, 2018	
	Unaudited											
Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Incurred but not Reported Liabilities	Cumulative number of reported claims
2009	$5,885	$12,383	$13,878	$14,577	$15,059	$15,353	$15,568	$15,725	$15,934	$ 16,042	84	989
2010	-	7,574	12,275	13,912	15,121	15,432	16,148	16,449	16,733	16,906	127	1036
2011	-	-	5,641	11,585	13,274	14,261	14,924	15,096	15,529	15,774	176	948
2012	-	-	-	4,968	10,790	11,933	12,785	12,993	13,579	13,738	313	907
2013	-	-	-	-	6,441	11,771	13,729	14,356	15,287	15,534	530	1017
2014	-	-	-	-	-	5,080	10,870	13,324	15,026	15,381	952	903
2015	-	-	-	-	-	-	4,319	9,932	13,272	14,159	1,540	825
2016	-	-	-	-	-	-	-	5,383	13,936	15,667	2,787	832
2017	-	-	-	`-	-	-	-	-	10,085	16,224	5,740	701
2018	-		-	-	-	-	-	-	-	14,347	9,196	408
Total										$153,772		

Cumulative paid claims and allocated claims adjustment expense ($ in ‘000s)

	For the year Ended December 31,									
	Unaudited									
Accident year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2009	$4,095	$10,857	$12,584	$13,693	$14,577	$15,018	$15,330	$15,574	$15,753	$ 15,930
2010	-	4,637	10,983	12,698	14,106	14,914	15,602	16,109	16,384	16,692
2011	-	-	4,083	10,597	12,545	13,625	14,368	14,796	15,106	15,427
2012	-	-	-	3,810	9,827	11,146	12,072	12,540	12,947	13,248
2013	-	-	-	-	4,918	10,676	12,473	13,486	14,149	14,662
2014	-	-	-	-	-	3,717	9,568	11,881	13,147	13,820
2015	-	-	-	-	-	-	3,534	8,265	10,194	11,656
2016	-	-	-	-	-	-	-	3,886	9,220	11,290
2017	-	-	-	-	-	-	-	-	3,638	8,455
2018	-	-	-	-	-	-	-	-	-	3,319
Total										$124,499
All outstanding liabilities before 2009										251
Liabilities for claims and allocated claims adjustment expenses										$29,524

Incurred claims and allocated claim adjustment expenses, show how the initial estimate of incurred claims develop for each of the past 10 accident years. Incurred but not reported liabilities, by accident year are estimates that are based on the difference between the reported claims and the estimate of the ultimate paid claims and claims adjustment expenses for known and unknown claims. These estimates involve actuarial and statistical projections at a given point in time of what we expect the cost of the ultimate settlement and administration of known and unknown claims. The process reflects the uncertainties and significant judgmental factors inherent in estimating future results of both known and unknown claims, and as such, the process is inherently complex and imprecise. We utilize a third party actuarial firm to assist us in the estimation process.

The reconciliation of the net incurred and paid claims and claims adjustment expenses development tables to the liability for claims and claims adjustment expenses in the statement of financial position as of December 31, 2018 is as follows ($ in '000s):

December 31, 2018	
Net outstanding liabilities:	
Bodily Injury Protection (Tort)	$22,115
Personal Injury Protection (PIP)	29,524
Unpaid claims and allocated claims adjustment expenses	$51,639
Unallocated claims adjustment expenses	15,475
Unpaid claims and claims adjustment expenses	$67,114

The following is supplementary information about the average annual percentage payout of incurred claims by age, for the year ended December 31, 2018 (amounts are unaudited).

Years	1	2	3	4	5	6	7	8	9	10
Bodily Injury	15.8%	33.9%	12.1%	7.8%	5.1%	3.5%	2.5%	1.1%	0.7%	0.2%
Personal Injury	27.6%	41.7%	11.8%	6.3%	3.4%	1.9%	1.1%	0.7%	0.4%	0.1%

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.

Net periodic pension cost included the following components:

Year ended December 31,	**2018**	2017
Service cost – benefits earned during the year	**$ 105,538**	**$ 113,801**
Interest cost on projected benefit obligation	**290,190**	**300,754**
Expected return on plan assets	**(152,955)**	**(117,928)**
Net amortization and deferral	**217,345**	**164,769**
Net periodic pension cost	**$ 460,118**	**$ 461,396**

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

December 31,	**2018**	2017
Fair value of plan assets at beginning of the year	**$5,051,522**	**$4,451,936**
Actual return on plan assets	**(235,373)**	**361,016**
Employer contributions	**462,275**	**470,000**
Benefits disbursed from plan assets	**(260,096)**	**(231,430)**
Fair value of plan assets at the end of the year	**$5,018,328**	**$5,051,522**

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

December 31,	**2018**	2017
Change in projected benefit obligation:		
Benefit obligation, beginning of year	**$8,339,377**	**$7,576,019**
Service cost	**105,538**	**113,801**
Interest cost	**290,190**	**300,754**
Actuarial (gain) loss	**(561,489)**	**580,233**
Benefits paid	**(260,096)**	**(231,430)**
Benefit obligation, end of year	**$7,913,520**	**$8,339,377**
Accumulated benefit obligation	**$7,557,754**	**$7,914,985**
Vested benefit obligation	**$7,557,754**	**$7,914,985**

The funded status of the Pension Plan is as follows:

December 31,	**2018**	2017
Benefit obligation	**$(7,913,520)**	**$(8,339,377)**
Fair value of Plan assets	**5,018,328**	**5,051,522**
Accrued pension obligation	**$(2,895,192)**	**$(3,287,855)**

Amounts recognized in unrestricted net assets consist of:

December 31,	**2018**	2017
Actuarial loss	**$(1,569,280)**	**$(1,959,786)**

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

Year ending December 31,	
2019	$ 360,000
2020	360,000
2021	410,000
2022	420,000
2023	450,000
2024-2028	2,430,000

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, 2018 and 2017 the book value was $1,640,757 and $1,727,938, respectively. The mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation’s Pension Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Corporation’s Pension Plan are deemed to be actively traded.

The assets and liabilities of the Corporation’s Pension Plan are recorded at fair value hierarchy in accordance with ASC 820. See Note 2 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, 2018 and 2017:

December 31, 2018

		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:				
Mutual funds:				
Large U.S. equity	**$ 1,207,320**	**$ 1,207,320**	**$ -**	**$ -**
International equity	**267,361**	**267,361**	**-**	**-**
Short-term fixed income	**149,765**	**149,765**	**-**	**-**
Fixed income	**1,750,098**	**1,750,098**	**-**	**-**
Guaranteed deposit fund	**1,643,784**	**-**	**-**	**1,643,784**
Total assets at fair value	**$5,018,328**	**$3,374,544**	**$ -**	**$1,643,784**

December 31, 2017

		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:				
Mutual funds:				
Large U.S. equity	**$ 1,138,500**	**$ 1,138,500**	**$ -**	**$ -**
International equity	**328,698**	**328,698**	**-**	**-**
Short-term fixed income	**139,214**	**139,214**	**-**	**-**
Fixed income	**1,660,832**	**1,660,832**	**-**	**-**
Guaranteed deposit fund	**1,784,278**	**-**	**-**	**1,784,278**
Total assets at fair value	**$5,051,522**	**$3,267,244**	**$ -**	**$1,784,278**

The following table sets 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,	**2018**	2017
	Guaranteed Account	
Balance, beginning of year	**$1,784,278**	**$1,870,447**
Benefit payments	**(118,178)**	**(124,082)**
Administrative charges	**(24,182)**	**(24,574)**
Net investment income	**55,178**	**68,382**
Unrealized loss	**(53,312)**	**(5,895)**
Balance, end of year	**$1,643,784**	**$1,784,278**

Assumptions used in calculations included the following:

	2018	2017
Discount rate used to determine the projected benefit obligation	**4.10%**	**3.55%**
Discount rate used to determine net periodic pension cost	**3.55**	**4.05**
Rate of compensation increase	**4.00**	**4.00**
Expected long-term rate of return on assets	**4.90**	**4.75**

The expected long-term return on plan assets assumption was developed as a weighted average rate based on the target asset allocation of the plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including, but not limited to, historical analysis, stock valuation models such as dividend discount models and earnings yields models, expected economic growth outlook, and market yields analysis.

(b) 401(k) Plan

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, 2018 and 2017, the Corporation's contributed portion was $104,624 and $93,774 and the employees' contributed portion was $218,029 and $186,439 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,	**2018**	2017
Service cost	**$31,003**	**$26,044**
Interest cost	**17,224**	**15,292**
Net amortization and deferral	**17,273**	**15,183**
Net periodic pension cost	**$65,500**	**$56,519**

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

December 31,	**2018**	2017
Fair value of Plan assets at beginning of year	**$ -**	$ -
Employer contributions	**-**	-
Benefits paid	**-**	-
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,	**2018**	2017
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$485,179**	**$377,589**
Service cost	**31,003**	**26,044**
Interest cost	**17,224**	**15,292**
Actuarial loss (gain)	**61,930**	**66,254**
Benefits paid	**-**	**-**
Projected benefit obligation, end of year	**$595,336**	**$485,179**
Accumulated benefit obligation	**$ 74,419**	**$ 61,345**

The funded status of the Plan is as follows:

December 31,	**2018**	2017
Benefit obligation	**$(595,336)**	**$(485,179)**
Fair value of Plan assets	**-**	**-**
Accrued pension obligation	**$(595,336)**	**$(485,179)**

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

Year ending December 31,	
2019	$ -
2020	-
2021	120,000
2022	-
2023	-
2024-2027	-

Assumptions used in calculations included the following:

December 31,	**2018**	2017
Discount rate used to determine the projected benefit obligation	**3.55%**	**3.55%**
Discount rate used to determine net periodic pension cost	**4.05**	**4.05**
Rate of compensation increase	**4.00**	**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, 2018 was $2,352,298, which was calculated using a weighted-average discount rate of 4.50%. 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, 2018 and 2017 included the following:

	2018	2017
Service cost	**$ 36,334**	**$ 30,201**
Interest cost	**124,407**	**125,517**
Amortization of initial liability and actuarial gain	**-**	**(23,811)**
Net periodic benefit cost	**$160,741**	**$131,907**

The components of the accumulated postretirement benefit obligation ("APBO") as of December 31, 2018 and 2017 included the following:

	2018	2017
Assets	$ -	$ -
Accumulated postretirement benefit obligation:		
Retirees	1,416,469	2,468,898
Actives	935,829	1,147,825
Accrued liability	$2,352,298	$3,616,723

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

December 31, 2018

	Trend + 1%	Trend - 1%
Service and interest cost	$ 24,795	$ (20,202)
APBO	333,259	(261,197)

December 31, 2017

	Trend + 1%	Trend - 1%
Service and interest cost	$ 23,978	$ (19,540)
APBO	568,601	(443,293)

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

	2018	2017
APBO, beginning of year	$3,616,723	$3,194,144
Service cost	36,334	30,201
Interest cost	124,407	125,517
Actuarial (gain) loss	(1,300,672)	379,288
Claims paid	(124,494)	(112,427)
APBO, end of year	$2,352,298	$3,616,723

Amounts recognized in unrestricted net assets consist of:

December 31,	2018	2017
Actuarial loss	$(1,364,454)	$(63,782)
Prior service credit	-	-
	$(1,364,454)	$(63,782)

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

Year ending December 31,	
2019	$ 94,851
2020	109,102
2021	116,397
2022	122,325
2023	133,565
2024-2028	730,966

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.50% and 3.50% at December 31, 2018 and 2017, respectively. The weighted average discount rate used in determining the net periodic postretirement expense was 4.50% and 3.50% at December 31, 2018 and 2017, respectively. The healthcare cost trend rate used at December 31, 2018 and 2017 was 5.00%.

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 2018 and 2017. The impact of the Act is not reflected in the liabilities.

In March 2010, the Patient Protection and Affordable Care Act ("PPACA") was enacted. The key aspect of the PPACA affecting the Corporation's cost of providing retiree medical benefits is the excise ("Cadillac") tax on high-cost plans.

The Corporation's medical plans are expected to be subject to the tax beginning in 2022. Based on the Corporation's cost-sharing policy for medical benefits, 85% of the tax is assumed to be payable by the Corporation. The inclusion of the excise tax increases the plan's benefit obligations by $5,000.

Employer contributions expected to be paid in 2019 are $94,851

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, 2018 and 2017, $957,769 and $974,957, respectively, of deferred rent and $977,686 and $1,081,511, respectively, of construction allowance is included in deferred rent and tenant allowance on the statements of financial position.

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

Year ending December 31,	
2019	$ 869,622
2020	869,622
2021	869,622
2022	869,622
2023	921,651
Thereafter	4,234,762
Total	$8,634,901

Total rent expense for the years ended December 31, 2018 and 2017 amounted to $766,465 and $773,010, 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 May 17, 2019, 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.

Supplementary Information

Motor Vehicle Accident Indemnification Corporation

Schedules of General and Administrative Expenses

Year ended December 31,	**2018**	2017
General and Administrative Expenses:		
Salaries and fringe benefits:		
Salaries	**$ 4,378,563**	**$ 4,258,062**
Employee relations and welfare	**1,805,682**	**1,574,999**
Payroll taxes	**319,095**	**315,201**
	6,503,340	**6,148,262**
Occupancy:		
Rent and related costs	**819,004**	**800,408**
Professional fees:		
Auditing	**111,660**	**96,000**
Network expense	**576,965**	**546,437**
Legal and consulting	**369,459**	**445,767**
	1,058,084	**1,088,204**
Other administrative expenses:		
Postage	**152,297**	**163,490**
Telephone	**59,166**	**65,654**
Printing, stationery and periodicals	**38,880**	**42,008**
Furniture and equipment expense	**54,266**	**49,423**
DMV search	**165,000**	**154,900**
Outside service	**32,783**	**38,645**
Miscellaneous	**9,037**	**25,759**
Special investigations unit	**27,662**	**44,323**
Legal Department	**102,862**	**103,099**
Repairs and maintenance	**63,361**	**68,367**
Depreciation and amortization expense	**335,228**	**314,863**
Insurance	**145,118**	**135,837**
Bank fees	**15,125**	**19,004**
Travel and related items	**47,337**	**39,407**
Arbitration fees	**435,802**	**379,900**
	1,683,924	**1,644,679**
Change in unallocated loss adjustment expense	**1,594,090**	**700,000**
Total General and Administrative Expenses	**$11,658,442**	**$10,381,553**