

# **Motor Vehicle Accident Indemnification Corporation**

**Financial Statements  
and Supplementary Information  
Years Ended December 31, 2020 and 2019**

# **Motor Vehicle Accident Indemnification Corporation**

---

Financial Statements and Supplementary Information  
Years Ended December 31, 2020 and 2019

# Motor Vehicle Accident Indemnification Corporation

## Contents

---

<b>Independent Auditor's Report</b>	3-4
<b>Financial Statements</b>	
Statements of Financial Position as of December 31, 2020 and 2019	5
Statements of Activities for the Years Ended December 31, 2020 and 2019	6
Statements of Cash Flows for the Years Ended December 31, 2020 and 2019	7
Notes to Financial Statements	8-26
<b>Supplementary Information</b>	
Schedules of General and Administrative Expenses for the Years Ended December 31, 2020 and 2019	28



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  
New York, New York

### ***Opinion***

We have audited the financial statements of Motor Vehicle Accident Indemnification Corporation (the Corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the [consolidated] financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### ***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 to 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 to 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*

June 9, 2021

# Motor Vehicle Accident Indemnification Corporation

## Statements of Financial Position

<i>December 31,</i>	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 8,334,233	\$ 8,947,901
Fixed maturities, at fair value	73,379,025	72,061,363
Assessment receivable	457,572	362,637
Accrued interest receivable	235,870	222,508
Prepaid expenses and other assets	276,914	476,419
Fixed assets, net	1,690,881	2,078,196
<b>Total Assets</b>	<b>\$ 84,374,495</b>	<b>\$ 84,149,024</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Deferred assessment income	\$ 2,637	\$ 38,851
Reserve for loss and allocated loss adjustment expenses	58,251,538	53,064,459
Reserve for unallocated loss adjustment expenses	17,224,663	17,224,663
Accrued pension and postretirement benefits	3,416,739	3,457,128
Deferred rent and tenant allowance	1,619,102	1,777,279
Other liabilities	531,229	456,553
<b>Total Liabilities</b>	<b>81,045,908</b>	<b>76,018,933</b>
<b>Commitments and Contingencies (Notes 7, 8, and 9)</b>		
<b>Net Assets</b>	<b>3,328,587</b>	<b>8,130,091</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 84,374,495</b>	<b>\$ 84,149,024</b>

*See accompanying notes to financial statements.*

# Motor Vehicle Accident Indemnification Corporation

## Statements of Activities

<i>Year ended December 31,</i>	2020	2019
<b>Income</b>		
Assessment income	\$ 25,743,839	\$ 39,257,553
Net investment income	2,925,183	3,195,221
<b>Total Income</b>	<b>28,669,022</b>	<b>42,452,774</b>
<b>Expenses</b>		
Losses and allocated loss adjustment expenses incurred:		
Losses paid, net of \$348,522 and \$741,850 of subrogation recoveries in 2020 and 2019, respectively	14,068,927	15,951,491
Allocated loss adjustment expenses paid	4,218,580	5,946,975
Change in reserves for losses and allocated loss adjustment expenses	5,187,079	1,425,003
<b>Losses and Allocated Loss Adjustment Expenses Incurred</b>	<b>23,474,586</b>	<b>23,323,469</b>
General and administrative expenses:		
Salaries and fringe benefits	5,735,775	6,287,216
Occupancy	975,702	900,623
Professional fees	882,729	1,013,247
Other administrative expenses	2,132,998	2,456,191
Change in unallocated loss adjustment expense	-	1,750,000
<b>Total General and Administrative Expenses</b>	<b>9,727,204</b>	<b>12,407,277</b>
<b>Total Expenses</b>	<b>33,201,790</b>	<b>35,730,746</b>
<b>Change in Net Assets, before change in pension and postretirement benefit obligation</b>	<b>(4,532,768)</b>	<b>6,722,028</b>
<b>Change in Pension and Postretirement Benefit Obligation</b>	<b>(268,736)</b>	<b>123,809</b>
<b>Change in Net Assets</b>	<b>(4,801,504)</b>	<b>6,845,837</b>
<b>Net Assets, beginning of year</b>	<b>8,130,091</b>	<b>1,284,254</b>
<b>Net Assets, end of year</b>	<b>\$ 3,328,587</b>	<b>\$ 8,130,091</b>

*See accompanying notes to financial statements.*

# Motor Vehicle Accident Indemnification Corporation

## Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (4,801,504)	\$ 6,845,837
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in pension and postretirement unfunded benefit obligation	268,736	(123,809)
Depreciation and amortization	421,750	472,912
Net realized investment gain	(43,171)	(6,920)
Net unrealized investment gain	(1,501,647)	(1,636,404)
Amortization of bond premium and discount, net	85,486	19,789
Decrease (increase) in assets:		
Assessment receivable	(94,935)	(24,619)
Accrued interest receivable	(13,362)	46,874
Prepaid expenses and other assets	199,505	(16,318)
Increase (decrease) in liabilities:		
Deferred assessment income	(36,214)	(25,924)
Reserve for loss and allocated loss adjustment expenses	5,187,079	1,425,004
Reserve for unallocated loss adjustment expense	-	1,750,000
Accrued pension and postretirement benefits	(309,125)	(2,261,889)
Deferred rent and tenant allowance	(158,177)	(158,176)
Other liabilities	74,676	(55,329)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(720,903)</b>	<b>6,251,028</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from bonds sold, called and matured	27,366,383	36,856,054
Cost of bonds purchased	(27,224,713)	(39,858,383)
Fixed assets purchased	(34,435)	(204,570)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>107,235</b>	<b>(3,206,899)</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(613,668)</b>	<b>3,044,129</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>8,947,901</b>	<b>5,903,772</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 8,334,233</b>	<b>\$ 8,947,901</b>

*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., 2019 assessments are based on 2017 premiums written).

### 2. Summary of Significant Accounting Policies

#### *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 statements 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. Accounting Standards Update (ASU) 2016-14 (Topic 958) changed the requirements to use two classes of assets—net assets without donor restrictions and net assets with donor restrictions—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. As of December 31, 2020, there are no donated assets; hence, the Corporation is not subject to any donor-imposed restrictions.

These classes are defined as follows:

*Net Assets Without Donor Restrictions* - This class consists of the part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

*Net Assets with Donor Restrictions* - This class consists of the part of 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 can be fulfilled and removed by actions of the Corporation.

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP 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.

### *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.

### *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 activities.

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.

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

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 are 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 are 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 are 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 activities.

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,

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

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 1 of the fair value hierarchy.

### ***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 four to six years), less expected trade in value.

### ***Assessments***

The Corporation operates based on New York State statute, whereby "Uninsured Motorists Coverage" is provided. Every insurer authorized to write liability insurance in New York in connection with motor vehicles 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 two years prior to the assessment year. On an annual basis, the New York State Department of Finance sends the Corporation a listing of the insurance companies in New York State and how much businesses they write; the Corporation assesses a fee based on the business written in New York. 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 January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 as a pandemic, based on the rapid increase in exposure globally. In May, the state government imposed travel and economic restrictions, which resulted in a decrease in loss payments, and the Board of Directors made a recommendation to management to project the year-end surplus and reduce and refund the members. Management made the determination to reduce the 2020 annual assessment by 25%, a \$8,500,000 reduction, for a revised annual assessment of \$25,500,000. This reduction was accomplished through forgoing the fourth-quarter assessment billing and refunding the annual billed carriers by 25%. The members were informed of this decision in a letter signed by the President and the Board Chair, dated September 15, 2020.

As a result of the impact of COVID-19, the Corporation implemented a work-from-home policy and continues enforcement to varying degrees, based on state government regulations. The Corporation has been able to maintain its operations at very-close-to-normal levels. The outbreak of COVID-19 has significantly affected the U.S. economy and financial markets. However, the Corporation has been able to absorb the associated economic impact of the COVID-19 pandemic. The continuing

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

degree to which the COVID-19 pandemic will impact the Corporation's business is highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19 and the actions to contain it or treat its impact and the economic impact on local, regional, national and international markets.

On October 9, 2020, the Board of Directors approved assessments of \$32,000,000 for fiscal year 2021.

### ***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 represent estimates of ultimate net cost of all losses and LAE incurred but unpaid at December 31, 2020 and December 31, 2019. 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 incurred but not reported (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.

### ***Concentration of Credit Risk***

Financial instruments that 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.

### ***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 statements of financial position. Changes in actuarial gains and losses, prior-service costs and transitional obligation are recognized as changes in unrestricted net assets.

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

### *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 not to be a “private foundation” within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2020 and 2019.

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, 2020 and 2019, 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, 2020 and 2019, 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.

### *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.

### *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. On April 8, 2020, the FASB voted to defer the effective date for ASC 842 for private companies and certain not-for-profit entities (NFPs) for one year. For private companies and private NFPs, the leasing standard will be effective for fiscal years beginning after December 15, 2021. The Corporation is currently evaluating the impact of the pending adoption of ASU 2016-02.

#### *Defined Benefit Plans Disclosure (Topic 715)*

In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments are effective for annual reporting periods ending after December 15, 2021. Early adoption is permitted. The Corporation is currently evaluating the impact of the pending adoption of ASU 2018-14.

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

### 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 is 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:

#### *December 31, 2020*

	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)
<b>Assets</b>				
Fixed maturities:				
U.S. Treasury securities	\$ 15,680,427	\$ 15,680,427	\$ -	\$ -
Corporate bonds	29,245,666	-	29,245,666	-
Mortgage and asset-backed securities	28,452,932	-	28,452,932	-
<b>Total Fixed Maturities</b>	<b>73,379,025</b>	<b>15,680,427</b>	<b>57,698,598</b>	<b>-</b>
Cash equivalents:				
Money market	184,747	184,747	-	-
U.S. Treasury securities	4,999,857	-	4,999,857	-
<b>Total Cash Equivalents</b>	<b>\$ 5,184,604</b>	<b>\$ 184,747</b>	<b>\$ 4,999,857</b>	<b>\$ -</b>

#### *December 31, 2019*

	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)
<b>Assets</b>				
Fixed maturities:				
U.S. Treasury securities	\$ 21,793,011	\$ 10,136,515	\$ 11,656,496	\$ -
Corporate bonds	27,463,091	-	27,463,091	-
Mortgage and asset-backed securities	22,805,261	-	22,805,261	-
<b>Total Fixed Maturities</b>	<b>72,061,363</b>	<b>10,136,515</b>	<b>61,924,848</b>	<b>-</b>
Cash equivalents:				
Money market	136,812	136,812	-	-
U.S. Treasury securities	5,248,551	-	5,248,551	-
<b>Total Cash Equivalents</b>	<b>\$ 5,385,363</b>	<b>\$ 136,812</b>	<b>\$ 5,248,551</b>	<b>\$ -</b>

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

### 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, 2020

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 15,523,807	\$ 156,620	\$ -	\$ 15,680,427
Corporate bonds	27,872,527	1,377,054	(3,915)	29,245,666
Mortgage and asset-backed securities	27,873,926	579,868	(862)	28,452,932
	\$ 71,270,260	\$ 2,113,542	\$ (4,777)	\$ 73,379,025

#### December 31, 2019

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 21,733,182	\$ 62,098	\$ (2,269)	\$ 21,793,011
Corporate bonds	27,116,389	350,565	(3,863)	27,463,091
Mortgage and asset-backed securities	22,601,217	265,884	(61,840)	22,805,261
	\$ 71,450,788	\$ 678,547	\$ (67,972)	\$ 72,061,363

The amortized cost and fair value of fixed-maturity securities, 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, 2020

	Amortized Cost	Fair Value
Due in one year or less	\$ 13,811,303	\$ 13,958,624
Due after one year through five years	26,042,683	27,082,104
Due after five years through ten years	3,542,337	3,885,364
Mortgage and asset-backed securities	27,873,937	28,452,933
<b>Total</b>	<b>\$ 71,270,260</b>	<b>\$ 73,379,025</b>

The net investment income earned is comprised of:

Year ended December 31,	2020	2019
Interest and dividends	\$ 1,588,856	\$ 1,728,057
Realized gains, net	43,171	6,920
	1,632,027	1,734,977
Unrealized gains, net	1,501,647	1,636,404
Investment fees	(208,491)	(176,160)
<b>Net Investment Income</b>	<b>\$ 2,925,183</b>	<b>\$ 3,195,221</b>

Gross realized gains and (losses) from the sale of debt securities were \$43,999 and \$(828) for 2020 and \$9,308 and \$(2,388) for 2019, respectively.



# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

### 5. Fixed Assets, Net

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

<i>December 31,</i>	2020	2019
Computer equipment	\$ 1,093,489	\$ 1,059,054
Computer software	310,416	310,416
Leasehold improvements	2,389,069	2,389,069
Furniture	437,974	437,974
Vehicle	26,545	26,545
	4,257,493	4,223,058
Less: accumulated depreciation	(2,566,612)	(2,144,862)
<b>Fixed Assets, Net</b>	<b>\$ 1,690,881</b>	<b>\$ 2,078,196</b>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$421,750 and \$472,912, 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:

	2020	2019
<b>Balance, January 1</b>	<b>\$ 53,064,459</b>	<b>\$ 51,639,455</b>
Incurred related to:		
Current year	22,255,124	22,258,150
Prior years	1,219,462	1,065,319
	23,474,586	23,323,469
Paid related to:		
Current year	(3,132,653)	(3,470,218)
Prior years	(15,154,854)	(18,428,247)
	(18,287,507)	(21,898,465)
<b>Balance, December 31</b>	<b>\$ 58,251,538</b>	<b>\$ 53,064,459</b>

For the years ended December 31, 2020 and 2019, incurred loss and allocated loss adjustment expense reserves attributable to insured events for prior years was \$1,219,462 and \$1,065,319, respectively. This change 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, 2020, 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, 2010 to 2016, is presented as unaudited supplementary information.

## Motor Vehicle Accident Indemnification Corporation

### Notes to Financial Statements

#### **Bodily Injury Protection (Tort)**

Incurred claims and allocated claims adjustment expenses are as follows (dollars in thousands, except cumulative number of reported claims):

Year ended December 31, Accident Year	Unaudited											Year Ended December 31, 2020	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Incurred but Not Reported Liabilities	Cumulative Number of Reported Claims	
2011	\$ 4,997	\$ 8,406	\$ 8,491	\$ 8,637	\$ 8,942	\$ 8,961	\$ 8,746	\$ 8,616	\$ 8,590	\$ 8,583	\$ -	951	
2012	-	5,233	7,753	7,272	7,806	8,043	7,961	7,954	7,876	7,910	-	910	
2013	-	-	6,484	7,785	7,939	8,270	8,381	8,268	8,216	8,118	-	1,018	
2014	-	-	-	4,260	7,085	7,450	7,993	7,538	7,707	7,686	-	903	
2015	-	-	-	-	2,938	7,126	7,840	7,730	7,741	7,722	-	826	
2016	-	-	-	-	-	5,459	8,661	8,526	8,500	8,405	83	852	
2017	-	-	-	-	-	-	9,047	9,317	8,600	8,408	121	751	
2018	-	-	-	-	-	-	-	8,937	9,700	9,259	954	758	
2019	-	-	-	-	-	-	-	-	9,000	9,311	990	698	
2020	-	-	-	-	-	-	-	-	-	8,863	4,254	314	
<b>Total</b>										<b>\$ 84,265</b>			

Cumulative paid claims and allocated claims adjustment expense are as follows (dollars in thousands):

Year ended December 31, Accident Year	Unaudited										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
2011	\$ 953	\$ 4,347	\$ 5,514	\$ 6,451	\$ 7,027	\$ 7,480	\$ 7,921	\$ 8,174	\$ 8,319	\$ 8,358	
2012	-	957	3,817	4,979	5,711	6,329	6,883	7,346	7,469	7,579	
2013	-	-	1,449	4,320	5,174	5,903	6,510	7,186	7,427	7,474	
2014	-	-	-	1,278	3,643	4,752	5,411	6,067	6,499	6,612	
2015	-	-	-	-	1,065	4,050	4,931	5,494	6,062	6,277	
2016	-	-	-	-	-	1,734	4,449	5,581	6,184	6,571	
2017	-	-	-	-	-	-	1,677	4,284	5,208	5,696	
2018	-	-	-	-	-	-	-	1,647	4,581	5,676	
2019	-	-	-	-	-	-	-	-	1,268	4,075	
2020	-	-	-	-	-	-	-	-	-	1,147	
<b>Total</b>										<b>\$ 59,465</b>	
<b>All Outstanding Liabilities Before 2011</b>										<b>\$ 800</b>	
<b>Liabilities for Claims and Allocated Claims Adjustment Expenses</b>										<b>\$ 25,600</b>	

**Motor Vehicle Accident Indemnification Corporation**

**Notes to Financial Statements**

**Personal Injury Protection (PIP)**

Incurred claims and allocated claims adjustment expenses are as follows (dollars in thousands, except cumulative number of reported claims):

Year ended December 31, Accident Year	Unaudited											Year Ended December 31, 2020	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Incurred but Not Reported Liabilities	Cumulative Number of Reported Claims	
2011	\$ 5,641	\$ 11,585	\$ 13,274	\$ 14,261	\$ 14,924	\$ 15,096	\$ 15,529	\$ 15,774	\$ 16,000	\$ 15,990	\$ 236	950	
2012	-	4,968	10,790	11,933	12,785	12,993	13,579	13,738	13,825	13,842	281	910	
2013	-	-	6,441	11,771	13,729	14,356	15,287	15,534	15,625	15,654	467	1,018	
2014	-	-	-	5,080	10,870	13,324	15,026	15,381	15,400	15,336	586	903	
2015	-	-	-	-	4,319	9,932	13,272	14,159	14,000	13,943	700	826	
2016	-	-	-	-	-	5,383	13,936	15,667	15,425	15,591	1,070	852	
2017	-	-	-	-	-	-	10,085	16,224	15,000	15,107	1,732	751	
2018	-	-	-	-	-	-	-	14,347	15,750	15,670	2,746	757	
2019	-	-	-	-	-	-	-	-	14,000	14,640	4,685	699	
2020	-	-	-	-	-	-	-	-	-	14,652	10,543	314	
<b>Total</b>										<b>\$ 150,425</b>			

Cumulative paid claims and allocated claims adjustment expense are as follows (dollars in thousands):

Year ended December 31, Accident Year	Unaudited										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
2011	\$ 4,083	\$ 10,597	\$ 12,545	\$ 13,625	\$ 14,368	\$ 14,796	\$ 15,106	\$ 15,427	\$ 15,643	\$ 15,691	
2012	-	3,810	9,827	11,146	12,072	12,540	12,947	13,248	13,427	13,517	
2013	-	-	4,918	10,676	12,473	13,486	14,149	14,662	14,934	15,033	
2014	-	-	-	3,717	9,568	11,881	13,147	13,820	14,338	14,528	
2015	-	-	-	-	3,534	8,265	10,194	11,656	12,482	12,823	
2016	-	-	-	-	-	3,886	9,220	11,290	12,987	13,722	
2017	-	-	-	-	-	-	3,638	8,455	10,711	12,142	
2018	-	-	-	-	-	-	-	3,319	9,066	10,939	
2019	-	-	-	-	-	-	-	-	2,944	7,715	
2020	-	-	-	-	-	-	-	-	-	2,331	
<b>Total</b>										<b>\$ 118,441</b>	
<b>All Outstanding Liabilities Before 2011</b>										<b>\$ 667</b>	
<b>Liabilities for Claims and Allocated Claims Adjustment Expenses</b>										<b>\$ 32,651</b>	

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

Incurred claims and allocated claims adjustment expenses show how the initial estimate of incurred claims develop for each of the past ten 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 the Corporation expects 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. The Corporation utilizes a third-party actuarial firm to assist it 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 statements of financial position is as follows (dollars in thousands):

### *December 31, 2020*

Net outstanding liabilities:		
Bodily Injury Protection (Tort)	\$	25,600
Personal Injury Protection (PIP)		32,651
<b>Unpaid Claims and Allocated Claims Adjustment Expenses</b>		<b>58,251</b>
Unallocated claims adjustment expenses		17,225
<b>Unpaid Claims and Claims Adjustment Expenses</b>	<b>\$</b>	<b>75,476</b>

The following is supplementary information about the average annual percentage payout of incurred claims by age (amounts are unaudited):

	Years									
	1	2	3	4	5	6	7	8	9	10
Bodily Injury (%)	15.6	30.6	10.1	5.8	4.3	2.9	1.5	0.5	0.3	-
Personal Injury (%)	24.0	32.8	10.12	5.9	2.7	1.5	0.7	0.4	0.2	-

## 7. Employee Benefits

### *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 includes the following components:

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
Service cost - benefits earned during the year	\$ 95,421	\$ 84,214
Interest cost on projected benefit obligation	281,439	317,074
Expected return on plan assets	(377,357)	(166,454)
Net amortization and deferral	204,729	160,398
<b>Net Periodic Pension Cost</b>	<b>\$ 204,232</b>	<b>\$ 395,232</b>

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

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
<b>Fair Value of Plan Assets</b> , beginning of year	\$ 8,266,077	\$ 5,018,328
Actual return on plan assets	921,502	768,151
Employer contributions	-	2,732,000
Benefits disbursed from plan assets	(332,071)	(252,402)
<b>Fair Value of Plan Assets</b> , end of year	<b>\$ 8,855,508</b>	<b>\$ 8,266,077</b>

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

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Change in projected benefit obligation:		
Benefit obligation, beginning of year	\$ 9,139,595	\$ 7,913,520
Service cost	95,421	84,214
Interest cost	281,439	317,074
Actuarial loss	691,988	1,077,189
Benefits paid	(332,071)	(252,402)
<b>Benefit Obligation</b> , end of year	<b>\$ 9,876,372</b>	<b>\$ 9,139,595</b>
<b>Accumulated Benefit Obligation</b>	<b>\$ 9,876,372</b>	<b>\$ 8,717,933</b>
<b>Vested Benefit Obligation</b>	<b>\$ 9,876,372</b>	<b>\$ 8,717,933</b>

The funded status of the Pension Plan is as follows:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Benefit obligation	\$ (9,876,372)	\$ (9,139,595)
Fair value of Pension Plan assets	8,855,508	8,266,077
<b>Accrued Pension Obligation</b>	<b>\$ (1,020,864)</b>	<b>\$ (873,518)</b>

Amounts recognized in unrestricted net assets consist of:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Actuarial loss	\$ (691,988)	\$ (1,077,189)

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

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

*Year ending December 31,*

2021	\$	460,000
2022		440,000
2023		450,000
2024		470,000
2025		490,000
2026-2028		2,570,000

### *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, 2020 and 2019, the book value was \$1,456,627 and \$1,546,438, 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 Net Asset Value (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:

*December 31, 2020*

	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)
<b>Assets</b>				
Mutual funds:				
Large U.S. equity	\$ 2,947,903	\$ 2,947,903	\$ -	\$ -
International equity	688,656	688,656	-	-
Short-term fixed income	279,549	279,549	-	-
Fixed income	3,364,125	3,364,125	-	-
Guaranteed deposit fund	1,575,275	-	-	1,575,275
<b>Total Assets at Fair Value</b>	<b>\$ 8,855,508</b>	<b>\$ 7,280,233</b>	<b>\$ -</b>	<b>\$ 1,575,275</b>

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

December 31, 2019

	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)
<b>Assets</b>				
Mutual funds:				
Large U.S. equity	\$ 2,520,767	\$ 2,520,767	\$ -	\$ -
International equity	627,133	627,133	-	-
Short-term fixed income	255,959	255,959	-	-
Fixed income	3,238,174	3,238,174	-	-
Guaranteed deposit fund	1,624,044	-	-	1,624,044
<b>Total Assets at Fair Value</b>	<b>\$ 8,266,077</b>	<b>\$ 6,642,033</b>	<b>\$ -</b>	<b>\$ 1,624,044</b>

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,	2020	2019
	Guaranteed Account	
<b>Balance</b> , beginning of year	\$ 1,624,044	\$ 1,643,784
Benefit payments	(112,416)	(119,504)
Administrative charges	(26,330)	(25,769)
Net investment income	48,936	50,954
Unrealized gain	41,041	74,579
<b>Balance</b> , end of year	<b>\$ 1,575,275</b>	<b>\$ 1,624,044</b>

Assumptions used in calculations included the following:

	2020 (%)	2019 (%)
Discount rate used to determine the projected benefit obligation	2.40	3.15
Discount rate used to determine net periodic pension cost	3.15	4.10
Rate of compensation increase	4.00	4.00
Expected long-term rate of return on assets	5.50	5.15

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.

### 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

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

Plan. For the years ended December 31, 2020 and 2019, the Corporation's contributed portion was \$120,808 and \$109,501, respectively.

### **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 Code. The last participant of this plan reached 100% vested benefits and a payment was made to the beneficiary of the plan in January 2020 in the amount of \$229,504. The plan was then closed and no longer exists as a benefit offering by the Corporation.

Net periodic pension cost included the following components:

<i>Year ended December 31,</i>	<b>2020</b>		<b>2019</b>	
Service cost	\$	1,500	\$	35,393
Interest cost		-		24,409
Net amortization and deferral		-		17,273
<b>Net Periodic Pension Cost</b>	<b>\$</b>	<b>1,500</b>	<b>\$</b>	<b>77,075</b>

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

<i>December 31,</i>	<b>2020</b>		<b>2019</b>	
Change in projected benefit obligation:				
Benefit obligation, beginning of year	\$	229,504	\$	595,336
Service cost		1,500		35,393
Interest cost		-		24,409
Beneficiary payment - gross		(229,504)		-
Actuarial gain		(1,500)		(425,634)
<b>Projected Benefit Obligation, end of year</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>229,504</b>
<b>Accumulated Benefit Obligation</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

The funded status of the Plan is as follows:

<i>December 31,</i>	<b>2020</b>		<b>2019</b>	
Benefit obligation	\$	-	\$	(229,504)
Fair value of Plan assets				-
<b>Accrued Pension Obligation</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(229,504)</b>

Assumptions used in calculations included the following:

<i>December 31,</i>	<b>2020 (%)</b>		<b>2019 (%)</b>	
Discount rate used to determine the projected benefit obligation		N/A		3.43
Discount rate used to determine net periodic pension cost		N/A		4.10
Rate of compensation increase		N/A		5.00



# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

### 8. Postretirement Benefits

In addition to the Corporation's pension plan, the Corporation sponsors a defined benefit healthcare 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 five 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, 2020 was \$2,395,875, which was calculated using a weighted-average discount rate of 2.80%. 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 included the following:

<i>Year ended December 31,</i>	<b>2020</b>	<b>2019</b>
Service cost	\$ 17,557	\$ 19,101
Interest cost	80,663	103,719
Amortization of initial liability and actuarial gain	(283,177)	(259,669)
<b>Net Periodic Benefit Cost</b>	<b>\$ (184,957)</b>	<b>\$ (136,849)</b>

The components of the accumulated postretirement benefit obligation (APBO) included the following:

<i>December 31,</i>	<b>2020</b>	<b>2019</b>
Assets	\$ -	\$ -
Accumulated postretirement benefit obligation:		
Retirees	1,295,931	1,359,065
Actives	1,099,944	995,041
<b>Accrued Liability</b>	<b>\$ 2,395,875</b>	<b>\$ 2,354,106</b>

Impact of change in healthcare inflation rates is as follows: No longer required under U.S. GAAP ASU 2018-14.

The reconciliation of change in APBO is as follows:

	<b>2020</b>	<b>2019</b>
<b>APBO, beginning of year</b>	<b>\$ 2,354,106</b>	<b>\$ 2,352,298</b>
Service cost	17,557	19,101
Interest cost	80,663	103,719
Actuarial (gain)	42,445	(26,161)
Claims paid	(98,896)	(94,851)
<b>APBO, end of year</b>	<b>\$ 2,395,875</b>	<b>\$ 2,354,106</b>

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

Amounts recognized in unrestricted net assets consist of:

<i>December 31,</i>	2020	2019
Actuarial loss	\$ (805,324)	\$ (1,130,946)
Prior-service credit	-	-
	<u>\$ (805,324)</u>	<u>\$ (1,130,946)</u>

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

<i>Year ending December 31,</i>	
2021	\$ 95,100
2022	111,504
2023	116,937
2024	119,601
2025	120,959
2026-2028	656,282

The weighted-average discount rate used in determining the APBO was 2.80% and 3.50% at December 31, 2020 and 2019, respectively. The weighted-average discount rate used in determining the net periodic postretirement expense was 2.80% and 3.50% at December 31, 2020 and 2019, respectively. The healthcare cost trend rate used at December 31, 2020 and 2019 was 6.25% and 6.50%.

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 2020 and 2019. 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.

On December 20, 2019, the President of the United States signed into law the full repeal of the Cadillac tax, along with other PPACA taxes.

Employer contributions expected to be paid in 2021 are \$95,100.

### 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 of 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 are expensed on a straight-line basis over the life of the lease. At December 31, 2020 and 2019, \$853,596 and \$907,947, respectively, of deferred rent and \$765,506 and \$869,332, respectively, of construction allowance is included in deferred rent and tenant allowance on the statements of financial position.

# Motor Vehicle Accident Indemnification Corporation

## Notes to Financial Statements

---

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

*Year ending December 31,*

2021	\$	869,622
2022		869,622
2023		921,651
2024		958,814
2025		958,814
Thereafter		2,317,134
<b>Total</b>	<b>\$</b>	<b>6,895,657</b>

Total rent expense for the years ended December 31, 2020 and 2019 amounted to \$819,954 and \$786,388, 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 events procedures through June 9, 2021, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

## Supplementary Information

---

# Motor Vehicle Accident Indemnification Corporation

## Schedules of General and Administrative Expenses

<i>Year ended December 31,</i>	2020	2019
<b>General and Administrative Expenses</b>		
Salaries and fringe benefits:		
Salaries	\$ 4,405,531	\$ 4,709,182
Employee relations and welfare	987,555	1,242,598
Payroll taxes	342,689	335,436
	<b>5,735,775</b>	<b>6,287,216</b>
Occupancy:		
Rent and related costs	975,702	900,623
Professional fees:		
Auditing	172,115	112,285
Network expense	381,101	521,891
Legal and consulting	329,513	379,071
	<b>882,729</b>	<b>1,013,247</b>
Other administrative expenses:		
Postage	114,877	143,238
Telephone	55,764	58,895
Printing, stationery and periodicals	41,008	46,649
Furniture and equipment expense	62,244	50,198
DMV search	130,000	167,500
Outside service	35,553	33,509
Bill review	447,050	504,152
Miscellaneous	5,561	33,623
Special investigations unit	33,490	37,226
Legal Department	76,351	102,738
Repairs and maintenance	36,484	87,382
Depreciation and amortization expense	421,750	472,912
Insurance	188,794	155,027
Bank fees	28,036	2,532
Travel and related items	5,528	45,130
Arbitration fees	450,508	515,480
	<b>2,132,998</b>	<b>2,456,191</b>
Change in unallocated loss adjustment expense	-	1,750,000
<b>Total General and Administrative Expenses</b>	<b>\$ 9,727,204</b>	<b>\$ 12,407,277</b>