



**REPORT ON EXAMINATION  
OF  
MOTOR VEHICLE ACCIDENT  
INDEMNIFICATION CORPORATION**

**AS OF DECEMBER 31, 2018**

**EXAMINER:  
DATE OF REPORT:**

**KEVIN MCNAMEE  
JANUARY 12, 2021**

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

January 23, 2024

Honorable Adrienne A. Harris  
Superintendent  
New York State Department of Financial Services  
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32016 dated November 26, 2019, attached hereto, I have made an examination into the condition and affairs of Motor Vehicle Accident Indemnification Corporation as of December 31, 2018, and submit the following report thereon.

Wherever the designation "the Corporation" appears herein without qualification, it should be understood to indicate Motor Vehicle Accident Indemnification Corporation.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

## 1. SCOPE OF EXAMINATION

The Department has performed an examination of Motor Vehicle Accident Indemnification Corporation, a single-state insurer. The previous examination was conducted as of December 31, 2013. This examination covered the five-year period from January 1, 2014 through December 31, 2018. The scope of the examination was limited to balance sheet items considered by this Department to require analysis, verification, or description. Transactions occurring subsequent to this period were reviewed when deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

- Corporation history
- Management and control
- Territory and plan of operation
- Financial statement presentation
- Loss review and analysis
- Significant subsequent events
- Summary of recommendations

A review was also made to ascertain what action was taken by the Corporation with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations, or rules, or that are deemed to require explanation or description.

## 2. DESCRIPTION OF CORPORATION

Motor Vehicle Accident Indemnification Corporation is a non-profit corporation consisting of all insurers authorized in New York State that write motor vehicle liability insurance. It was created by the New York State Legislature in 1958 by enactment of Article 17-A of the New York Insurance Law that took effect on January 1, 1959. On September 1, 1982, Article 17-A was re-codified to Article 52 of the New York Insurance Law.

The Corporation was formed to provide compensation for injuries to persons who, through no fault of their own, were involved in accidents with hit-and-run drivers, operators of stolen or unregistered vehicles, or uninsured motorists.

The Corporation is also authorized to transact the business of providing no-fault benefits for qualified persons for basic economic loss arising out of the use and operation of the following classes of motor vehicles in the state of New York as specified in Section 5201(b) of the New York Insurance Law:

- (1) uninsured motor vehicles registered in a state other than New York,
- (2) unidentified motor vehicles which leave the scene of the accident,
- (3) motor vehicles registered in this state as to which at the time of the accident there was not in effect a policy of liability insurance,
- (4) stolen motor vehicles,
- (5) motor vehicles operated without the permission of the owner,
- (6) insured motor vehicles where the insurer disclaims liability or denies coverage, and
- (7) unregistered motor vehicles.

The Corporation is also obligated to provide the protection required by Article 52 to a qualified person on account of a motor vehicle accident caused by owners or operators of motor vehicles occurring within the state as outlined in Section 5203 of the New York Insurance Law. Qualified persons are residents of the State of New York or of another state that has a similar program, and who do not own an automobile or who are not resident relatives of a household where there is an insured vehicle.

The Corporation operates as a non-profit corporation and is exempt from all taxes imposed by the State of New York or other political subdivisions except those levied on real property, as outlined in Article 52 of the New York Insurance Law.

A. Corporate Governance

Pursuant to the Corporation's charter and by-laws, management of the Corporation is vested in a board of directors consisting of nine members. Seven directors are representatives of motor vehicle liability insurers and two directors are appointed by the Superintendent to represent broad segments of the public ("Public Members"). One Public Member shall be a duly licensed insurance agent or broker and the other shall have no affiliation with insurers or insurance producers. The board meets four times during each calendar year. At December 31, 2018, the board of directors was comprised of the following nine members:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Maura Clancy Williston Park, New York	Public Member President, Clancy & Clancy Brokerage, Ltd.
Stephanie Collins Ballston Spa, New York	Claims Manager, State Farm Insurance Company
Dan Frey Hartford, Connecticut	Senior Vice President and Chief Financial Officer of Personal Lines, Travelers Insurance Company
Michael Hales Albany, New York	New York Medical Claims Manager, Progressive Insurance Company
Margo Palermo Malverne, New York	Senior Claims Field Director, Allstate Insurance Company
Alex Rey Woodbury, New York	No-Fault Director, New York State, GEICO Insurance Company
Tim Trueworthy Hamilton, New York	Senior Vice President, Claims, New York Central Mutual Fire Insurance Company
Bernard Turi New Hartford, New York	Senior Vice President, General Counsel, General Auditor and Chief Risk Officer, Utica National Insurance Group
Isaac Zamdas Long Beach, New York	Public Member Retired - New York State Department of Financial Services

As of December 31, 2018, the principal officers of the Corporation were as follows:

<u>Name</u>	<u>Title</u>
Fred Fossett	President and Secretary
Christina Frazzitta	Vice President and Human Resources Manager

Fred Fossett passed away on November 19, 2019. Effective February 12, 2020, Jason Dooley was promoted to President. Mr. Dooley was previously the claims manager for the Corporation's no-fault department. The Board has not appointed a corporate secretary.

B. Territory and Plan of Operation

The Corporation is authorized to provide compensation for basic economic loss arising out of the use and operation of motor vehicles in the State of New York to qualified persons who, through no fault of their own, were involved in accidents with hit-and-run drivers, operators of stolen or unregistered vehicles, or uninsured motorists as specified in Section 5201(b) of the New York Insurance Law.

The Corporation has no paid-in-capital, minimum surplus, or contributed surplus. The Corporation has no underwriting function and does not collect premiums. It is funded through assessments of member companies. Every insurer authorized to write motor vehicle liability insurance in New York State and certain self-insurers permitted under §316 and §370 of the New York State Vehicle and Traffic Law, as a condition precedent thereto, is required to be a member of the Corporation. Each insurer 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 direct written automobile premium on policies insuring against legal liability arising out of the ownership, operation, or maintenance of motor vehicles which are principally garaged in New York State, as a proportion of such net direct written automobile premium of all members in the state in the last complete calendar year shown in the records of the Superintendent. The assessment for the year 2018 is based upon such member's net direct premium written in 2016.

The Corporation provides similar benefits to residents of other states or countries if those localities provide comparable coverage to New York residents injured in their jurisdiction as defined in Section 5202(b) (ii) of the New York Insurance Law. As of December 31, 2018, the Corporation has reciprocity agreements with the following jurisdictions:

- New Jersey
- Michigan
- Ontario, Canada
- England / United Kingdom
- Israel
- South Korea

C. Significant Ratios

The following operating ratio has been computed as of December 31, 2018, based upon the results of this examination:

<u>Operating Ratios</u>	<u>Result</u>
Adjusted liabilities to liquid assets	102.5%

Underwriting Ratios

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	<u>Amount</u>	<u>Ratio</u>
Losses and loss adjustment expenses incurred	\$109,451,366	68.26%
Operating expenses	48,051,586	29.97%
Net underwriting gain	<u>2,841,466</u>	<u>1.77%</u>
Assessments earned	<u>\$160,344,418</u>	<u>100.00%</u>



### 3. FINANCIAL STATEMENTS

#### A. Balance Sheet

The following shows the assets, liabilities and net assets as of December 31, 2018, as reported by the Corporation:

##### Assets

Bonds	\$67,462,504
Cash, cash equivalents and short-term investments	5,903,772
Prepaid expenses and other assets	433,096
Investment income due and accrued	269,382
Assessments receivable	338,018
Fixed assets, net	<u>2,346,538</u>
Total assets	<u>\$76,753,310</u>

##### Liabilities and Net Assets

Losses and loss adjustment expenses	\$67,114,118
Accrued pension and postretirement benefits	5,842,826
Other liabilities	511,882
Assessment income deferred	64,775
Deferred rent and tenant allowance	<u>1,935,455</u>
Total liabilities	\$75,469,056
Net assets	<u>1,284,254</u>
Total liabilities and net assets	<u>\$76,753,310</u>

Note: The Corporation is exempt from federal and state income taxes.

B. Statement of Income

The net income for the examination period as reported by the Corporation was \$6,659,350, as detailed below:

Underwriting Income

Assessment income earned		\$160,344,418
Deductions:		
Loss and loss adjustment expenses incurred	\$109,451,366	
Operating expenses	<u>48,051,586</u>	
Total underwriting deductions		<u>157,502,952</u>
Net underwriting gain or (loss)		\$ 2,841,466

Investment Income

Net investment income earned	\$ <u>3,817,884</u>	
Net investment gain or (loss)		<u>3,817,884</u>
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		\$ 6,659,350
Dividends to policyholders		<u>0</u>
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		\$ 6,659,350
Federal and foreign income taxes incurred		<u>0</u>
Net income		\$ <u>6,659,350</u>

C. Capital and Surplus

Net assets increased \$7,111,849 during the five-year examination period January 1, 2014 through December 31, 2018 as reported by the Corporation, detailed as follows:

Net deficit as reported by the Corporation as of December 31, 2013		\$(5,827,595)
Net income	\$6,659,350	
Transferred to capital - Change in pension and postretirement unfunded benefit obligation	<u>452,499</u>	
Total gains		<u>7,111,849</u>
Net assets as reported by the Corporation as of December 31, 2018		<u>\$1,284,254</u>

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of \$67,114,118 is the same as reported by the Corporation as of December 31, 2018. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, and Statement of Statutory Accounting Principles No. 55.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared an outbreak of a novel coronavirus (“COVID-19”) pandemic. The pandemic presented significant uncertainty to the U.S. and global insurance and reinsurance industry, with the full effect of COVID-19 still unknown. The Department has been in communication with the Corporation regarding the impact of COVID-19 on its operations and financial position.

## 6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained four recommendations as follows (page numbers refer to the prior report):

<u>ITEM</u>	<u>PAGE NO.</u>
A.	
i. It was recommended that the Corporation adhere to the provisions of Section 5204(a) of the New York Insurance Law and appoint the required number of directors.	5
The Corporation has complied with this recommendation.	
ii. It was recommended that the Corporation report its board's composition correctly as of December 31st of the reporting year in its annual report.	6
The Corporation has complied with this recommendation.	
iii. It was recommended that the Corporation adhere to the provisions of Section 312(b) of the New York Insurance Law and maintain signed statements from each board member acknowledging the report on examination has been received and read.	6
The Corporation has complied with this recommendation.	
iv. It was recommended that the Corporation maintain an executed copy of the by-laws in their records.	6
The Corporation has complied with this recommendation.	

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

This report on examination does not contain any comments or recommendations.

Respectfully submitted,

\_\_\_\_\_/S/  
Kevin McNamee  
Associate Insurance Examiner

STATE OF NEW YORK    )  
  )ss:  
COUNTY OF NEW YORK )

Kevin McNamee, being duly sworn, deposes and says that the foregoing report, subscribed by him is true to the best of his knowledge and belief.

\_\_\_\_\_/S/  
Kevin McNamee

Subscribed and sworn to before me

this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, Linda A. Lacewell, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

**Kevin McNamee**

as a proper person to examine the affairs of the

**Motor Vehicle Accident Indemnity Corporation**

and to make a report to me in writing of the condition of said

**COMPANY**

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name  
and affixed the official Seal of the Department  
at the City of New York

this 26th day of November, 2019

LINDA A. LACEWELL  
Superintendent of Financial Services



By:

*Joan Riddell*

Joan Riddell  
Deputy Bureau Chief