

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of Insurance, in her capacity as Liquidator of LMI Insurance Company,

Plaintiff,

v.

LMI Insurance Company,

Defendant.

Case No. 00CVH03-2431

Judge Charles A. Schneider

MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING FOR THE PERIOD OF JANUARY 1, 2010 TO JUNE 30, 2010

Plaintiff, Mary Jo Hudson in her capacity as Liquidator ("Liquidator") of LMI Insurance Company ("LMI"), requests this Court to approve the Statement of Receipts and Disbursements for the period of January 1, 2010 to June 30, 2010, as set forth in the attached Exhibit A A Memorandum in Support is attached and incorporated by reference.

Respectfully submitted,

RICHARD CORDRAY
Attorney General of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



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Attorneys for Mary Jo Hudson, in her capacity as Liquidator of LMI Insurance Company

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COMMON PLEAS COURT
FRANKLIN COUNTY, OHIO
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CLERK OF COURTS

MEMORANDUM IN SUPPORT

By Order of this Court entered on May 23, 2000, the Ohio Superintendent of Insurance was appointed Liquidator of LMI Insurance Company, and was empowered, authorized and directed to liquidate all of the property and assets of LMI in accordance with the laws of Ohio and under the continuing jurisdiction of this Court. As part of the liquidation and pursuant to the Order of Liquidation and Ohio Revised Code Chapter 3903, the Liquidator undertakes to collect where reasonable all debts and moneys due to LMI, and makes payment of necessary expenses. The Liquidation Order and O.R.C. 3903.21(A)(4) provide, in pertinent part, that the Liquidator may:

Pay reasonable compensation to persons appointed and defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of the insurer.

Section 3903.42(A) of the Ohio Revised Code provides that the expenses of administration be given first priority in the distribution of assets.

The Liquidator is also required by R.C. 3903.18(E) to periodically account to the Court, throughout the pendency of LMI's liquidation proceedings, to be submitted in the form attached hereto as Exhibit A. Such accountings may assist the Court and interested persons in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in LMI's liquidation proceedings.

Since 2008, the Liquidator has made required changes in many areas aimed at preserving and utilizing estate assets for the benefit of the estate's creditors and substantially reducing and controlling costs. The Liquidator continues to take steps to reduce and control costs and continue to investigate ways to improve efficiencies in the liquidation process and implement other procedures that are aimed at conserving estate assets for distribution to LMI's policyholders and creditors.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests the Court to approve LMI's Statement of Receipts and Disbursements of the Liquidator for the period January 1, 2010 to June 30, 2010, as set forth in the attached Exhibit A.

Respectfully submitted,

RICHARD CORDRAY
Ohio Attorney General

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



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*Attorneys for Mary Jo Hudson, in her capacity as
Liquidator of LMI Insurance Company*

CERTIFICATE OF NOTICE

I hereby certify that a true and accurate copy of the foregoing Motion for Approval of the Liquidator's Periodic Accounting was posted on the Liquidator's website (www.ohliq.com) substantially contemporaneous with the filing of this Motion



One of the Attorneys for Plaintiff

EXHIBIT A
Liquidation Period
January 1, 2010 to June 30, 2010

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2010

	Current Period 1/1/2010 TO 6/30/2010	Year to Date 1/1/2010 TO 6/30/2010	CUMULATIVE FROM 6/23/2000
Beginning Cash & Invested Assets (Note 1)	16,812,893.86	16,812,893.86	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	60,393.62	60,393.62	4,871,938.05
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation	0.00	0.00	3,486,540.93
Reinsurance Recoveries (Note 3)	1,142,226.87	1,142,226.87	7,859,845.53
Proceeds from ADIC Class 5 Distribution	0.00	0.00	1,086,849.69
Refund of General Operating Expenses	0.00	0.00	37.43
Proceeds from Sale of Prudential Stock	0.00	0.00	245,760.65
Refund of Premium Tax Overpayment	0.00	0.00	37,778.62
Return of Statutory Deposits	0.00	0.00	1,692,435.50
Reimbursement of Losses Paid	0.00	0.00	70,263.63
Loc Draw Down-(REAC)	0.00	0.00	2,141.00
Insurance Recovery - Theft of Computer/Equipment	0.00	0.00	5,128.26
Recovery of Loss Adjustment Expenses	0.00	0.00	8,847.79
Recovery from NY Property Ins Underwriting Association	0.00	0.00	159,631.98
Recovery from Property & Casualty Ins Guaranty Corp (Note 4)	17,936.00	17,936.00	17,936.00
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	9,884.77	9,884.77	4,217.63
Other Income (Note 5)	0.00	0.00	397,426.42
Proceeds from Settlement with Directors & Officers	0.00	0.00	3,100,000.00
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	696.93
Recovery from NC Ins. Underwriting Assoc.	0.00	0.00	44,373.34
Return of Collateral	0.00	0.00	35,000.00
Refund of Corporate Franchise Tax	0.00	0.00	52,668.24
First Union National Bank - Reimbursement of 1995 Fraudulent Check	0.00	0.00	15,011.11
Recovery from Compensation Rating and Inspection Bureau	0.00	0.00	33,333.78
Recovery from California Fair Plan Association	0.00	0.00	204,503.00
Recovery from New Jersey Comm. Auto Insurance	0.00	0.00	49,931.00
Recovery from NJ Dept of Treasury-Proceeds From Unsatisfied Claims	0.00	0.00	358,623.96
Prudential PruPac Arbitration	0.00	0.00	13,276.22
RPNY-American Home Buyout-LAD/CLAD Buyout Files	0.00	0.00	5,153.00
Cash Transfers:			
Proceeds from ADIC Estate Closure - Operating Funds	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure - Collateral Funds	0.00	0.00	121,862.10
Proceeds - HealthFirst Estate Closure - Operating Funds	0.00	0.00	17,168.80
Proceeds - PIC Estate Closure - Operating Funds	0.00	0.00	20,233.22
Receipts - Funds Held - Closed Estates:			
Proceeds Misc. Receipts - ADIC Operating	0.00	0.00	80,364.76
Proceeds Misc. Receipts - ADIC Collateral	0.00	0.00	4,446.56
Proceeds Misc. Receipts - HealthFirst	0.00	0.00	3,104.20
Total Receipts	1,230,241.26	1,230,241.26	24,790,288.58

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2010

	Current Period 1/1/2010 TO 6/30/2010	Year to Date 1/1/2010 TO 6/30/2010	CUMULATIVE FROM 5/23/2000
Disbursements:			
Compensation:	131,703.80	131,703.80	2,897,019.59
Salaries (Note 6)	12,233.16	12,233.16	332,183.71
Employee Benefits (Note 7)	7,998.25	7,998.25	215,910.92
Payroll and Other Taxes (Note 8)			
Professional Fees:	2,157.86	2,157.86	2,034,003.97
Legal Fees (Note 9)	975.67	975.67	67,847.26
Tax Preparation and Audit Fees (Note 10)	6,162.90	6,162.90	3,089,726.51
Consulting Fees and Other Outside Contracts (Note 11)	0.00	0.00	46,528.76
Ohio Department of Insurance - Examiner Fees			
Other Expenses of Administration of Company and its Property:	29,913.70	29,913.70	486,243.54
Rent and Rent Items (Note 12)	173.34	173.34	17,662.60
Maintenance / Repair - Facility and FF & E (Note 13)	2,732.24	2,732.24	57,824.81
Travel and Travel Items (Note 14)	1,315.79	1,315.79	125,559.78
Postage, Freight, Telephone and Internet (Note 15)	394.56	394.56	28,392.92
Office Supply Expense (Note 16)	3,418.19	3,418.19	263,732.63
Data Processing (Note 17)	1,123.31	1,123.31	11,948.40
Banking and Investment Expense	0.00	0.00	81,257.31
Paid Losses Direct	0.00	0.00	108,761.17
Furniture, Fixtures & Equipment Cost	0.00	0.00	13,151.11
Moving and Relocation Costs	0.00	0.00	15,206.67
Warehouse Consolidation Project Expenses	1,477.30	1,477.30	407,844.58
Other Expenses (Note 18)			
All Other Disbursements:	0.00	0.00	49,931.00
Return of Funds to NJ Comm. Auto Insurance	0.00	0.00	40,988.29
Return of Funds - Reinsurance Overpayments	0.00	0.00	2,409.99
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	2,782,377.00
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	0.00
Federal Income Tax			
Disbursements from Funds Held For Closed Estates:	0.00	0.00	170,756.34
ADIC Estate Closure - Operating Expenses	0.00	0.00	71,717.76
ADIC Estate Closure - Reissued Distribution Checks	0.00	0.00	21,129.51
ADIC Estate Closure - Return of Collateral	0.00	0.00	181,039.21
ADIC Estate Closure - Remaining Funds to Div. of Unclaimed Funds	0.00	0.00	12,463.25
HealthFirst Estate Closure - Operating Expenses	0.00	0.00	340.13
HealthFirst Estate Closure - Warehouse Consolidation Project Expenses	0.00	0.00	447.19
PIC Estate Closure - Operating Expenses			
PIC Estate Closure-Funds Released to Other Insurance	0.00	0.00	27,255.65
Companies-Admin Exp			
Total Disbursements	201,780.07	201,780.07	13,661,661.56
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	235.18	235.18	(78,458.32)
Ending Cash & Invested Assets (Note 1)	17,841,590.23	17,841,590.23	17,841,590.23

See Schedule A for Analysis of Increase in Cash and Invested Assets (Unencumbered)

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)
 FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 1/01/10	17,022,893.86
Increase in Cash and Invested Assets (Unencumbered)	1,028,696.37
	<u>1,028,696.37</u>
Decrease in Cash (Encumbered)	0.00
Non Cash Asset (Encumbered)	749,235.30
Actual Net Increase in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<u>1,777,931.67</u>
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<u>0.00</u>
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 12/31/09	<u><u>18,800,825.53</u></u>
* Increase in Encumbered Assets due to reclassification of NJ & DE and to report all remaining states at amortized values.	
6/30/2010-Amort value of GA, AZ, VA only	959,235.30
Difference of Pat vs amortized for GA & AZ; value of VA	<u>210,000.00</u>
	749,235.30

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

Note 1	Cash and Invested Assets	Beginning Balance 1/1/2010	Ending Balance 6/30/2010
	Unencumbered Cash & Invested Assets		
	Cash	24,814.84	35,342.41
	U.S. Government Obligations	11,691,171.02	11,691,406.20
	JP Morgan Funds - Money Market	5,096,908.00	6,114,841.62
	Total Unencumbered Cash & Invested Assets	<u>16,812,893.86</u>	<u>17,841,590.23</u>
	Encumbered Cash	<u>0.00</u>	<u>0.00</u>
	Total Cash & Invested Assets	16,812,893.86	17,841,590.23
	Encumbered Non Cash Assets:		
	Statutory Deposits (A)	<u>210,000.00</u>	<u>959,235.30</u>
	Total Encumbered Non Cash Assets	<u>210,000.00</u>	<u>959,235.30</u>
	Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets	<u>17,022,893.86</u>	<u>18,800,825.53</u>

Statutory Deposit (A)

These assets are held by various state insurance departments as statutory deposits for the benefit of creditors in their states. It is uncertain whether all or any portion of such assets will be returned to the Liquidator.

State	Cusip # Description	Where Deposited	Interest Rate	PAR	Remaining Value PAR / Amort. *
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	100,000.00	129,615.12
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.470%	15,000.00	15,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.470%	500,000.00	689,999.41
Arizona	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	110,000.00	124,820.77
Subtotal				<u>725,000.00</u>	<u>959,235.30</u>
Balance per General Ledger					959,235.30

* Increase in Encumbered Assets due to reclassification of NJ & DE and to report all remaining states at amortized values

6/30/2010-Amort value of GA, AZ, VA only	959,235.30
Difference of Par vs amortized for GA & AZ; value of VA	<u>210,000.00</u>
	749,235.30

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

Note 2	<u>Interest Income</u>	
	Interest on Bonds	58,460.00
	Interest on Money Market	1,933.62
		<u>60,393.62</u>
Note 3	<u>Reinsurance Recoveries</u>	
	American States Insurance Company	121.67
	Employer's Re	1,161.18
	First Excess/Ge Re Corp	6,615.25
	Frankona Reinsurance Co.	381.49
	General Security/Sorema	44,760.35
	Generali (US Branch)	48.67
	Munich Reinsurance America	688,752.26
	Nationwide Mutual Ins Co	365.00
	Swiss Re	400,000.00
	Zenith Insurance Company	1.00
		<u>1,142,226.87</u>
Note 4	<u>Recovery from Property & Casualty Ins Guaranty Corp</u>	
	Property & Casualty Ins Guaranty Corp-1998 Assessment refund	17,936.00
		<u>17,936.00</u>
Note 5	<u>Other Income</u>	
	Sale of Surplus Office Equipment	41.96
	Equipment Income	9,642.81
		<u>9,684.77</u>
Note 6	<u>Salaries</u>	
	Chief Deputy Liquidator	8,167.66
	Deputy Liquidators	27,283.61
	Liquidation Office Employees	96,252.53
		<u>131,703.80</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

Note 7

Employee Benefits

Salaries - 401K Contrib	2,866.18
Employee Insurance Benefits	7,515.95 *
Employee Related Expense - Other	1,851.03
	<u>12,233.16</u>

*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax.

Note 8

Payroll & Other Taxes

Workers Comp Insurance	193.58
State Unemployment Tax	538.94
Federal Unemployment Tax	240.11
FICA Tax	7,025.62 *
	<u>7,998.25</u>

*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax.

Note 9

Legal Fees

<u>Attorney General Contracted Legal Fees</u>	<u>2,133.36</u>
Carlile, Patchen & Murphy LLP	2,133.36
Subtotal Legal Fees	<u>2,133.36</u>

<u>Attorney General Contracted Legal Expenses</u>	<u>24.50</u>
Carlile, Patchen & Murphy LLP	24.50
Subtotal Legal Expenses	<u>24.50</u>

Total Attorney General Contracted Fees & Expenses	<u>2,157.86</u>
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Note 10

Tax Preparation and Audit Fees

Schneider Downs and Company, Inc. - Tax & Audit Fees	964.61
Schneider Downs and Company, Inc. - Tax & Audit Expenses	11.06
Total Tax Preparation & Audit Fees/Expenses	<u>975.67</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

Note 11	<u>Consulting Fees and Other Outside Contracts</u>	
	1099 Connection - Governmental Reporting	2.78
	ADP-Process Liquidation Office Payroll	365.45
	Aktion Associates-IT Consultant	985.47
	RASP Consulting, Inc. - IT Consultant	4,737.17
	Thoroughbred Technologies-IT Consultant	72.03
		<u>6,162.90</u>
Note 12	<u>Rent and Rent Items</u>	
	Rent on Leased Properties	25,740.89
	Furniture, Fixtures, & Equipment Rent	4,098.34
	Trash/Recycling	74.47
		<u>29,913.70</u>
Note 13	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co	173.34
		<u>173.34</u>
Note 14	<u>Travel and Travel Items</u>	
	Travel/Accommodation-Transportation	2,455.73
	Travel Expenses and Meals	276.51
		<u>2,732.24</u>
Note 15	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	609.54
	Express & Freight	54.18
	Telephone & Fax	352.65
	Internet Fees	299.42
		<u>1,315.79</u>
Note 16	<u>Office Supply Expense</u>	
	Office Supplies	394.56
		<u>394.56</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2010 THROUGH JUNE 30, 2010

Note 17	<u>Data Processing</u>	
	Computer Maintenance	777.93
	Computer Supplies	187.09
	Software Expense Purch/Maint	2,453.17
		<u>3,418.19</u>
Note 18	<u>Other Expenses</u>	
	Training & Seminars	144.88
	Insurance - Building Liability	1,200.35
	Registration & Dues	86.94
	FF & E and IT - Non Capitalized Purchases	44.51
	Miscellaneous Expense	0.62
		<u>1,477.30</u>