

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

MARY TAYLOR, 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

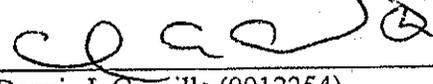
**MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING FOR THE PERIOD OF JULY 1, 2010 TO DECEMBER 31, 2010**

Plaintiff, Mary Taylor 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 July 1, 2010 to December 31, 2010, as set forth in the attached Exhibit A. A Memorandum in Support is attached and incorporated by reference.

Respectfully submitted,

MIKE DEWINE  
Attorney General of Ohio

By Special Counsel:  
CARLILE PATCHEN & MURPHY LLP



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FILED  
COMMON PLEAS COURT  
FRANKLIN COUNTY, OHIO  
2011 MAR -3 AM 10:48  
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.

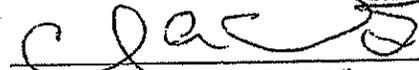
As reported previously, in the first half of 2010, the Liquidator secured the recovery of \$1,142,226.87 in reinsurance outside of litigation. In the second half of 2010, the Liquidator secured an additional \$1,154,847.89 in reinsurance recoveries.

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 July 1, 2010 to December 31, 2010, as set forth in the attached Exhibit A.

Respectfully submitted,

MIKE DEWINE  
Ohio Attorney General

By Special Counsel:  
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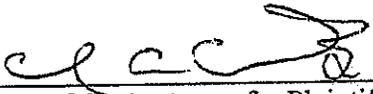
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*Attorneys for Mary Taylor, in her capacity as  
Liquidator of LMI Insurance Company*

**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](http://www.ohliq.com)) substantially contemporaneous with the filing of this Motion

  
\_\_\_\_\_  
One of the Attorneys for Plaintiff

**EXHIBIT A**  
**Liquidation Period**  
*July 1, 2010 to December 31, 2010*

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2010

	Current Period 7/1/2010 TO 12/31/2010	Year to Date 1/1/2010 TO 12/31/2010	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	17,841,590.23	16,812,883.66	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	61,396.93	121,790.55	4,933,334.98
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation	0.00	0.00	3,486,540.93
Reinsurance Recoveries (Note 3)	1,154,847.89	2,297,074.76	9,014,693.42
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	0.00	17,936.00	17,936.00
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 4)	9,747.23	19,432.00	407,173.65
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	36,000.00
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	1,225,992.05	2,456,233.31	26,016,290.63



LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2010

	Current Period 7/1/2010 TO 12/31/2010	Year to Date 1/1/2010 TO 12/31/2010	CUMULATIVE FROM 5/23/2000
<b>Disbursements:</b>			
<b>Compensation:</b>			
Salaries (Note 5)	80,994.52	212,698.32	2,978,014.11
Employee Benefits (Note 6)	16,337.24	28,570.40	348,520.95
Payroll and Other Taxes (Note 7)	2,917.48	10,915.73	218,828.40
<b>Professional Fees:</b>			
Legal Fees (Note 8)	473.07	2,630.93	2,034,477.04
Tax Preparation and Audit Fees (Note 9)	5,584.45	6,560.12	73,431.71
Consulting Fees and Other Outside Contracts (Note 10)	2,068.87	8,231.77	3,091,795.38
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
<b>Other Expenses of Administration of Company and Its Property:</b>			
Rent and Rent Items (Note 11)	32,745.90	62,659.60	518,989.44
Maintenance / Repair - Facility and FF & E (Note 12)	223.58	396.92	17,866.18
Travel and Travel Items (Note 13)	877.29	3,609.53	58,702.10
Postage, Freight, Telephone and Internet (Note 14)	1,276.63	2,592.42	126,836.41
Office Supply Expense (Note 15)	307.32	701.88	28,700.24
Data Processing (Note 16)	423.97	3,842.16	264,156.60
Banking and Investment Expense (Note 17)	1,708.46	2,831.77	13,656.86
Paid Losses Direct	0.00	0.00	81,257.31
Furniture, Fixtures & Equipment Cost	0.00	0.00	108,761.17
Moving and Relocation Costs	0.00	0.00	13,151.11
Warehouse Consolidation Project Expenses	0.00	0.00	15,206.67
Other Expenses (Note 18)	1,050.36	2,527.66	408,894.94
<b>All Other Disbursements:</b>			
Prepaid Postage (Note 19)	72.20	72.20	72.20
Ohio Bureau of Worker's Compensation Security Deposit (Note 20)	10.00	10.00	10.00
Return of Funds to N.J. Comm. Auto Insurance	0.00	0.00	49,931.00
Return of Funds - Reinsurance Overpayments	0.00	0.00	40,988.29
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	2,409.99
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	2,782,377.00
Federal Income Tax	0.00	0.00	0.00
<b>Disbursements from Funds Held For Closed Estates:</b>			
ADIC Estate Closure - Operating Expenses	0.00	0.00	170,756.34
ADIC Estate Closure - Reissued Distribution Checks	0.00	0.00	71,717.76
ADIC Estate Closure - Return of Collateral	0.00	0.00	21,129.51
ADIC Estate Closure - Remaining Funds to Div. of Unclaimed Funds	0.00	0.00	181,039.21
HealthFirst Estate Closure - Operating Expenses	0.00	0.00	12,463.25
HealthFirst Estate Closure - Warehouse Consolidation Project Expenses	0.00	0.00	340.13
PIC Estate Closure - Operating Expenses	0.00	0.00	447.19
PIC Estate Closure-Funds Released to Other Insurance Companies-Admin Exp	0.00	0.00	27,255.65
<b>Total Disbursements</b>	<b>147,071.34</b>	<b>348,851.41</b>	<b>13,808,732.90</b>
Recovery of Statutory Deposit (US Treas. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	239.08	474.26	(78,219.24)
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>18,920,750.02</b>	<b>18,920,750.02</b>	<b>18,920,750.02</b>

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 JULY 1, 2010 THROUGH DECEMBER 31, 2010

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 7/01/10	18,800,825.53
Increase in Cash and Invested Assets (Unencumbered)	1,079,159.79
	<u>1,079,159.79</u>
Decrease in Cash ( Encumbered )	0.00
Non Cash Asset (Encumbered)	(123,743.48)
Actual Net Increase in Cash ( Unencumbered & Encumbered ) and Invested Assets (Encumbered)	<u>955,416.31</u>
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<u>0.00</u>
Ending Cash ( Unencumbered & Encumbered ) and Non Cash (Encumbered) Assets as of 12/31/10	<u><u>19,766,241.84</u></u>
* Decrease in Encumbered Assets due to reclassification of AZ Special Deposit.	

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2010 THROUGH DECEMBER 31, 2010

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 7/1/2010	Ending Balance 12/31/2010
<b>Unencumbered Cash &amp; Invested Assets</b>			
	Cash	35,342.41	71,326.19
	U.S. Government Obligations	11,691,406.20	11,691,645.28
	JP Morgan Funds - Money Market	6,114,841.62	7,157,778.55
	<b>Total Unencumbered Cash &amp; Invested Assets</b>	<u>17,841,590.23</u>	<u>18,920,750.02</u>
	<b>Total Cash &amp; Invested Assets</b>	17,841,590.23	18,920,750.02
<b>Encumbered Non Cash Assets:</b>			
	Statutory Deposits (A)	959,235.30	835,491.82
	<b>Total Encumbered Non Cash Assets</b>	<u>959,235.30</u>	<u>835,491.82</u>
	<b>Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets</b>	<u>18,800,825.53</u>	<u>19,756,241.84</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.

<u>State</u>	<u>Cusip # Description</u>	<u>Where Deposited</u>	<u>Interest Rate</u>	<u>PAR</u>	<u>Remaining Value PAR / Amort *</u>
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	100,000.00	125,618.34
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	690,873.48
Subtotal				<u>615,000.00</u>	<u>835,491.82</u>
<b>Balance per General Ledger</b>					<u>835,491.82</u>

\* The Encumbered Assets were reduced. The AZ IGA took over the proceeds of the Special Deposit.

**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2009**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JULY 1, 2010 THROUGH DECEMBER 31, 2010**

<b>Note 2</b>	<b><u>Interest Income</u></b>	
	Interest on Bonds	58,460.00
	Interest on Money Market	2,936.93
		<u>61,396.93</u>
<b>Note 3</b>	<b><u>Reinsurance Recoveries</u></b>	
	Frankona Reinsurance Co.	20.00
	General Security/Sorema	1,761.21
	Munich Reinsurance America	1,153,066.68
		<u>1,154,847.89</u>
<b>Note 4</b>	<b><u>Other Income</u></b>	
	Equipment Income	9,747.23
		<u>9,747.23</u>
<b>Note 5</b>	<b><u>Salaries</u></b>	
	Chief Deputy Liquidator	8,699.65
	Deputy Liquidators	15,202.43
	Liquidation Office Employees	57,092.44
		<u>80,994.52</u>
<b>Note 6</b>	<b><u>Employee Benefits</u></b>	
	Salaries - 401K Contrib	1,754.99
	Employee Insurance Benefits	12,876.83 *
	Employee Related Expense - Other	1,705.42
		<u>16,337.24</u>
	<p>*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.</p>	
<b>Note 7</b>	<b><u>Payroll &amp; Other Taxes</u></b>	
	Workers Comp Insurance	146.42
	State Unemployment Tax	2.05
	Federal Unemployment Tax	0.00
	FICA Tax	2,769.01 *
		<u>2,917.48</u>
	<p>*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.</p>	

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2010 THROUGH DECEMBER 31, 2010

Note 8	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	457.57
	Subtotal Legal Fees	<u>457.57</u>
	 <u>Attorney General Contracted Legal Expenses</u>	
	Carlile, Patchen & Murphy LLP	15.50
	Subtotal Legal Expenses	<u>15.50</u>
	 Total Attorney General Contracted Fees & Expenses	 <u><u>473.07</u></u>
Note 9	<u>Tax Preparation and Audit Fees</u>	
	Schneider Downs and Company, Inc. - Tax & Audit Fees	5,584.45
	Schneider Downs and Company, Inc. - Tax & Audit Expenses	<u>0.00</u>
	Total Tax Preparation & Audit Fees/Expenses	<u><u>5,584.45</u></u>
Note 10	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Process Liquidation Office Payroll	350.46
	RASP Consulting, Inc. - IT Consultant	<u>1,718.41</u>
		<u><u>2,068.87</u></u>
Note 11	<u>Rent and Rent Items</u>	
	Rent on Leased Properties - Columbus Office Space	21,271.32
	Rent on Leased Properties - 1450 Dublin Rd Warehouse	4,589.68
	Rent on Leased Properties - Fireproof Records Center	2,664.48
	Rent Other - National City Safety Deposit Box	20.20
	Furniture, Fixtures, & Equipment Rent	4,109.90
	Trash/Recycling	<u>90.32</u>
		<u><u>32,745.90</u></u>
Note 12	<u>Maintenance / Repair: Facility and FF &amp; E</u>	
	Columbus Time Recorder	10.66
	Gordon Flesch Co	<u>212.92</u>
		<u><u>223.58</u></u>
Note 13	<u>Travel and Travel Items</u>	
	Travel/Accommodation-Transportation	770.72
	Travel Expenses and Meals	<u>106.57</u>
		<u><u>877.29</u></u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2010 THROUGH DECEMBER 31, 2010

Note 14	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	266.83
	Express & Freight	74.18
	Telephone & Fax	417.86
	Internet Fees	517.76
		1,276.63
Note 15	<u>Office Supply Expense</u>	
	Office Supplies	307.32
		307.32
Note 16	<u>Data Processing</u>	
	Computer Supplies	104.52
	Software Expense Purch/Maint	319.46
		423.97
Note 17	<u>Banking &amp; Investment Expense</u>	
	Banking & Investment Expense	1,708.46
		1,708.46
Note 18	<u>Other Expenses</u>	
	P/R City Income Tax	(74.84) A
	P/R Miscellaneous	(463.91) A
	Employee Health Insurance Co Pay	(1,753.71) A
	Amount Withheld Supplemental Insurance	(1,076.20) A
	Training & Seminars	43.78
	Advertising & Publications	2.48
	Insurance - Building Liability	(35.47)
	Professional and D & O / EPLIC Liability Insurance	4,174.23
	Registration & Dues	13.04
	Storage Retrieval	12.85
	FF & E and IT - Non Capitalized Purchases	36.70
	Books & Periodicals	32.98
	Contract Printing and Copying ( Projects )	138.29
	Temporary Help	0.14
		1,050.36

Note A: Per the Administrative Costs and Expenses Procedures, the Employer Estate Payroll Liabilities shall transition from Oil & Gas to LMI. Effective January 1, 2011, the LMI Insurance Company shall be responsible for the issuance of pay checks and payment of all employer payroll taxes and withholding and remittance of employees' taxes, employer 401K and HSA contributions for services provided to one or more of the Estates.

Note 19	<u>Prepaid Postage Expense</u>	
	Prepaid Postage Expense - Buyout of Oil & Gas prepaid postage	72.20
		72.20
Note 20	<u>Bureau of Worker's Compensation Deposit</u>	
	Ohio Bureau of Worker's Compensation Security Deposit	10.00
		10.00