

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, including the implementation of closing plans in mature estates. During the period January 1, 2011 to June 30, 2011 at issue in this Motion, the Liquidator finally closed the following four liquidation estates:

The Oil & Gas Insurance Company, Case No.90CVH05-3409,
Closed February 25, 2011

Proliance Insurance Company, Case No. 00CVH12-11391,
Closed April 21, 2011

DayMed Health Maintenance Plan, Inc., Case No. 99CVH03-01866,
Closed March 24, 2011

Renaissance Health Plan, Case No. 02CVH08-9275,
Closed March 22, 2011

The closure of these separate estates is relevant to this Motion because LMI's Statement of Receipts and Disbursements for the period January 1, 2011 to June 30, 2011, as set forth in the attached Exhibit A, shows that the LMI estate received certain remaining funds ("holdback") of each of these closed estates. LMI's receipt of funds reflects a payment by each closed estate to LMI of (i) each closed estate's remaining post-closing administrative expense obligations and (ii) each closed estate's pre-payment to LMI of the funds needed for LMI to administer and pay for those obligations.¹ This is done pursuant to provisions of paragraph 3 on page 8 (Closed and Closing Estates) of the Updated Administrative Expense Operating Procedure approved most recently in this case on December 21, 2010 ("AOP"), and because the closed estates may not hold open their own bank accounts after the estate is closed and the Liquidator is discharged in order to pay for remaining administrative obligations (such as a final audit and a final tax return) that can be incurred only after the estate is closed.

Pursuant to R.C. 3903.42, R.C. 3903.46(A) and the AOP, the Court in each of the above-referenced closed liquidation cases approved, as of the time of closing, the Liquidator's pre-payment of the remaining holdback at the time of closing to LMI. The payment and receipt of these

¹ The Liquidator administers and accounts for the administrative holdback pursuant to the long standing Administrative Operating Procedure updated and approved most recently on December 21, 2010 in the this case, Case No. 00CVH03-2431 (the "updated AOP"). The process set forth in the updated AOP for Closed Estates has been in place since the early 1990s.

funds is reported in the LMI periodic accounting, but the expenditure of it is not separately tracked, accounted for or reported hereafter by any estate pursuant to the provisions of paragraph 3 on page 8 of the AOP approved by this Court on December 21, 2010 that apply to Closed and Closing Estates.

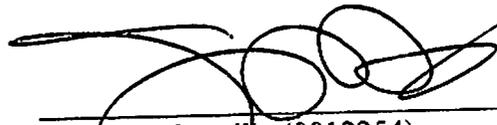
LMI's Statement of Receipts and Disbursements of the Liquidator for the period January 1, 2011 to June 30, 2011, as set forth in the attached Exhibit A, also reflects reinsurance recoveries of \$5,261,348.00. This payment is the result of a commutation (settlement) with Munich Reinsurance America. This recovery represents the substantial completion of expected asset recoveries in the LMI Liquidation Case.

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, 2011 to June 30, 2011, as set forth in the attached Exhibit A.

Respectfully submitted,

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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) under Open Liquidations - LMI Insurance Company substantially contemporaneous with the filing of this Motion.



One of the Attorneys for Plaintiff

EXHIBIT A
Liquidation Period
January 1, 2011 to June 30, 2011

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2011

	Current Period 1/1/2011 TO 6/30/2011	Year to Date 1/1/2011 TO 6/30/2011	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	18,920,750.02	18,920,750.02	6,286,534.64
Receipts:			
Recovery from Affiliates	56,401.90	56,401.90	4,989,736.88
Interest Income (Note 2)	0.00	0.00	48,031.16
Premiums Collected	6,651.88	6,651.88	3,493,192.81
Salvage & Subrogation (Note 3)	5,261,348.00	5,261,348.00	14,276,041.42
Reinsurance Recoveries (Note 4)	0.00	0.00	1,086,849.69
Proceeds from ADIC Class 5 Distribution	0.00	0.00	37.43
Refund of General Operating Expenses	0.00	0.00	245,760.65
Proceeds from Sale of Prudential Stock	0.00	0.00	37,778.62
Refund of Premium Tax Overpayment	9,073.76	9,073.76	1,701,509.26
Return of Statutory Deposits (Note 7)	0.00	0.00	70,263.63
Reimbursement of Losses Paid	0.00	0.00	2,141.00
Loc Draw Down-(REAC)	0.00	0.00	5,128.26
Insurance Recovery - Theft of Computer/Equipment	0.00	0.00	8,847.79
Recovery of Loss Adjustment Expenses	0.00	0.00	189,631.98
Recovery from NY Property Ins Underwriting Association	0.00	0.00	17,936.00
Recovery from Property & Casualty Ins Guaranty Corp	0.00	0.00	15.24
Miscellaneous Interest Income	0.00	0.00	4,217.63
Dividend Income	9,723.91	9,723.91	416,897.56
Other Income (Note 8)	0.00	0.00	3,100,000.00
Proceeds from Settlement with Directors & Officers	0.00	0.00	696.93
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	44,373.34
Recovery from NC Ins. Underwriting Assoc.	0.00	0.00	35,000.00
Return of Collateral	0.00	0.00	52,668.24
Refund of Corporate Franchise Tax	0.00	0.00	15,011.11
First Union National Bank - Reimbursement of 1995 Fraudulent Check	0.00	0.00	33,333.78
Recovery from Compensation Rating and Inspection Bureau	0.00	0.00	204,503.00
Recovery from California Fair Plan Association	0.00	0.00	49,831.00
Recovery from New Jersey Comm. Auto Insurance	0.00	0.00	358,623.96
Recovery from NJ Dept of Treasury-Proceeds From Unsatisfied Claims	0.00	0.00	13,276.22
Prudential PruPac Arbitration	0.00	0.00	5,153.00
RPNY-American Home Buyout-LAD/CLAD Buyout Files	0.00	0.00	0.00
Cash Transfers: (Note 5)	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure (Operating) - Remaining Holdback	0.00	0.00	121,862.10
Proceeds from ADIC Estate Closure (Collateral) - Remaining Holdback	0.00	0.00	17,168.80
Proceeds - HealthFirst Estate Closure - Remaining Holdback	0.00	0.00	20,233.22
Proceeds - PIC Estate Closure - Remaining Holdback	36,298.26	36,298.26	36,298.26
Proceeds - DayMed Estate Closure - Remaining Holdback	45,819.94	45,819.94	45,819.94
Proceeds - RHP Estate Closure - Remaining Holdback	333,803.89	333,803.89	333,803.89
Proceeds - Oil & Gas Estate Closure - Remaining Holdback	27,146.72	27,146.72	27,146.72
Proceeds - Proliance Estate Closure - Remaining Holdback	0.00	0.00	80,364.76
Receipts - Funds Held - Closed Estates: (Note 6)	0.00	0.00	4,446.56
Proceeds Misc. Receipts - ADIC Operating	0.00	0.00	3,104.20
Proceeds Misc. Receipts - ADIC Collateral	0.00	0.00	2.07
Proceeds Misc. Receipts - HealthFirst	2.07	2.07	0.36
Proceeds Misc. Receipts - RHP	0.36	0.36	363.77
Proceeds Misc. Receipts - DayMed	363.77	363.77	0.00
Proceeds Misc. Receipts - Proliance	0.00	0.00	0.00
Total Receipts	5,786,634.46	5,786,634.46	31,802,925.09

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2011

	Current Period 1/1/2011 TO 6/30/2011	Year to Date 1/1/2011 TO 6/30/2011	CUMULATIVE FROM 5/23/2000
Disbursements:			
Compensation:			
Salaries (Note 9)	134,014.83	134,014.83	3,112,028.94
Employee Benefits (Note 10)	11,807.14	11,807.14	360,328.09
Payroll and Other Taxes (Note 11)	9,378.27	9,378.27	228,206.67
Professional Fees:			
Legal Fees (Note 12)	26,521.86	26,521.86	2,060,998.90
Tax Preparation and Audit Fees (Note 13)	222.22	222.22	73,653.93
Consulting Fees and Other Outside Contracts (Note 14)	5,422.77	5,422.77	3,097,218.15
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 15)	43,810.21	43,810.21	562,799.65
Maintenance / Repair - Facility and FF & E (Note 16)	524.03	524.03	18,410.21
Travel and Travel Items (Note 17)	378.08	378.08	59,080.18
Postage, Freight, Telephone and Internet (Note 18)	1,719.81	1,719.81	128,556.22
Office Supply Expense (Note 19)	266.51	266.51	28,966.75
Data Processing (Note 20)	3,276.78	3,276.78	267,433.38
Banking and Investment Expense (Note 21)	2,521.23	2,521.23	16,178.09
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 22)	5,177.52	5,177.52	414,072.46
All Other Disbursements:			
Prepaid Postage (Note 23)	252.49	252.49	324.69
Ohio Bureau of Worker's Compensation Security Deposit (Note 24)	329.99	329.99	339.99
Return of Funds to NJ 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 (Note 25)	(15,681.00)	(15,681.00)	2,766,696.00
Federal Income Tax	0.00	0.00	0.00
Disbursements from Funds Hold For Closed Estates:			
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
Total Disbursements	229,942.74	229,942.74	14,038,675.64
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	235.18	235.18	(77,984.06)
Ending Cash & Invested Assets (Note 1)	24,477,676.92	24,477,676.92	24,477,676.92

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, 2011 THROUGH JUNE 30, 2011

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 1/1/2011	19,756,241.84
Increase in Cash and Invested Assets (Unencumbered)	5,556,926.90
	<hr/> 5,556,926.90
Decrease in Cash (Encumbered)	0.00
Non Cash Asset (Encumbered)	456.30
Actual Net Increase in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<hr/> 5,557,383.20
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<hr/> 0.00
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 6/30/11	<hr/> <hr/> 25,313,625.04

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2011 THROUGH JUNE 30, 2011

	Beginning Balance 1/1/2011	Ending Balance 6/30/2011
Note 1		
Cash and Invested Assets		
Unencumbered Cash & Invested Assets		
Cash	71,326.19	19,158.21
Certificate of Deposits	0.00	250,000.00
U.S. Government Obligations	11,691,645.28	19,188,880.46
JP Morgan Funds - Money Market	7,157,778.55	5,019,638.25
Total Unencumbered Cash & Invested Assets	18,820,750.02	24,477,676.92
Encumbered Cash	0.00	0.00
Total Cash & Invested Assets	18,820,750.02	24,477,676.92
Encumbered Non Cash Assets:	835,491.82	835,948.12
Statutory Deposits (A)	835,491.82	835,948.12
Total Encumbered Non Cash Assets	835,491.82	835,948.12
Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets	19,756,241.84	25,313,625.04

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	Custodian Description	Where Deposited	Interest Rate	PAR	Remaining Value PAR / Amort. *
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	100,000.00	129,485.57
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	691,462.55
Subtotal				615,000.00	835,948.12
Balance per General Ledger					835,948.12

Note 2	Interest Income	
	Interest on Bonds	58,460.00
	Interest Paid on Bonds	(2,926.52)
	Interest on CD	82.20
	Interest on Money Market	788.22
		<u>56,401.90</u>

Note 3	Salvage & Subrogation	
	GAB Robins	6,467.88
	Vengroff Williams & Associates	164.00
		<u>6,651.88</u>

Note 4	Reinsurance Recoveries	
	American Re-Insurance/Munich Re Commutation	5,261,348.00
		<u>5,261,348.00</u>

Note 5	Transfer Remaining Holdback Proceeds from Estate Closure	
	Remaining Holdback Transfer from DayMed Health Maintenance Plan, Inc	36,298.26
	Remaining Holdback Transfer from Renaissance Health Plan, Inc	45,819.94
	Remaining Holdback Transfer from Oil & Gas Insurance Co *	333,803.89
	Remaining Holdback Transfer from Proliance Insurance Co **	27,146.72
		<u>443,068.81</u>

* Per Shareholder's agreement dated 2/11/2011.
** Per Shareholder's agreement dated 4/12/2011.

Note 6	Receipts from Estate Closure	
	Reclassified Postage Charged to RHP-s/b GTT	1.69
	Proliance proceeds- Kreiner & Peters	363.77
	RHP proceeds - MMK Closing Interest	0.38
	DayMed proceeds - MMK Closing Interest	0.36
		<u>366.20</u>

Note 7	Return of Special Deposit	
	Return of Unallocated Admin Expense/Exp Resv - SC P&C IGA	9,073.76

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2011 THROUGH JUNE 30, 2011

		<u>9,073.76</u>
Note 8	<u>Other Income</u>	
	Misc Income	112.65
	Proceeds from Sale of Assets	38.68
	Equipment Income	<u>9,572.58</u>
		<u>9,723.91</u>

Note 9	<u>Salaries</u>	
	Chief Deputy Liquidator	9,289.52
	Deputy Liquidators	23,114.53
	Liquidation Office Employees	<u>101,610.78</u>
		<u>134,014.83</u>

Note 10	<u>Employee Benefits</u>	
	Salaries - 401K Contrib	3,162.91
	Employee Insurance Benefits	6,759.31
	Employee Related Expense - Other	<u>1,884.92</u>
		<u>11,807.14</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 11	<u>Payroll & Other Taxes</u>	
	Workers Comp Insurance	272.58
	State Unemployment Tax	843.50
	Federal Unemployment Tax	192.92
	FICA Tax	<u>8,059.27</u>
		<u>9,378.27</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 12	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carfite, Patchen & Murphy LLP	773.05
	Keith McNamara	<u>25,690.00</u>
	Subtotal Legal Fees	<u>26,463.05</u>
	<u>Attorney General Contracted Legal Expenses</u>	
	Carfite, Patchen & Murphy LLP	23.91
	Keith McNamara	<u>34.90</u>
	Subtotal Legal Expenses	<u>58.81</u>
	Total Attorney General Contracted Fees & Expenses	<u>26,521.86</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2011 THROUGH JUNE 30, 2011

Note 13 **Tax Preparation and Audit Fees**

Schneider Downs and Company, Inc. - Tax & Audit Fees	222.22
Total Tax Preparation & Audit Fees/Expenses	<u><u>222.22</u></u>

Note 14 **Consulting Fees and Other Outside Contracts**

1099 Connection - Governmental Reporting	10.48
ADP-Process Liquidation Office Payroll	403.51
Advanced Technology - IT Consultant	506.50
RASP Consulting, Inc. - IT Consultant	4,430.34
Thin Solutions - IT Consultant	71.94
	<u><u>5,422.77</u></u>

Note 15 **Rent and Rent Items**

Rent on Leased Properties - Columbus Office Space	26,754.24
Rent on Leased Properties - 1450 Dublin Rd Warehouse	4,254.98
Rent on Leased Properties - Fireproof Records Center	8,185.56
Furniture, Fixtures, & Equipment Rent	4,490.90
Trash/Recycling	124.53
	<u><u>43,810.21</u></u>

Note 16 **Maintenance / Repair Facility and FF & E**

CDW Direct	124.36
Dell Hardware Support	202.90
Columbus Time Recorder	13.57
Gordon Flasch Co	183.20
	<u><u>524.03</u></u>

Note 17 **Travel and Travel Items**

Travel/Accommodation-Transportation	327.04
Travel Expenses and Meals	51.04
	<u><u>378.08</u></u>

Note 18 **Postage, Freight, Telephone and Internet**

Postage	367.20
Express & Freight	69.13
Telephone & Fax	575.82
Internet Fees	707.66
	<u><u>1,719.81</u></u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2011 THROUGH JUNE 30, 2011

Note 19	<u>Office Supply Expense</u>	
	Office Supplies	266.51
		<u>266.51</u>
Note 20	<u>Data Processing</u>	
	Computer Supplies	51.07
	Software Expense Purch/Maint	3,225.71
		<u>3,276.78</u>
Note 21	<u>Banking & Investment Expense</u>	
	Banking & Investment Expense	2,521.23
		<u>2,521.23</u>
Note 22	<u>Other Expenses</u>	
	P/R Miscellaneous	463.91 A
	Employee Health Insurance Co Pay	1,753.71 A
	Amount Withheld Supplemental Insurance	78.24 A
	Insurance - Building Liability	1,456.19
	Registration & Duos	32.17
	Storage Retrieval	76.25
	FF & E and IT - Non Capitalized Purchases	1,097.35
	Contract Printing and Copying (Projects)	114.70
	Miscellaneous Expense	75.00
	Collection Expense	30.00
		<u>5,177.52</u>
	<p>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.</p>	
Note 23	<u>Prepaid Postage Expense</u>	
	Prepaid Postage Expense	252.49
		<u>252.49</u>
Note 24	<u>Bureau of Worker's Compensation Deposit</u>	
	Ohio Bureau of Worker's Compensation Security Deposit	329.99
		<u>329.99</u>
Note 25	<u>Return of Early Access Overpayment</u>	
	Return of Unallocated Admin Expense - SC P&C IGA	(15,681.00)
		<u>(15,681.00)</u>