

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,	:	Case No. 00-CV-002431
	:	
v.	:	Judge Charles A. Schneider
	:	
LMI Insurance Company,	:	
	:	
Defendant.	:	

MOTION FOR THE APPROVAL OF LIQUIDATOR’S PERIODIC ACCOUNTING FOR THE PERIOD OF JANUARY 1, 2014 TO JUNE 30, 2014

Plaintiff, Mary Taylor, Ohio Superintendent of Insurance, in her capacity as Liquidator (“Liquidator”) of LMI Insurance Company (“LMI”), requests this Court to approve the Liquidator’s Statement of Receipts and Disbursements for the period of January 1, 2014 through June 30, 2014, as set forth in Exhibit A, which is attached and incorporated by reference.

The reasons in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler
 Dennis J. Concilla (0012254)
dconcilla@cpmlaw.com
 Carl A. Aveni, II (0070664)
caveni@cpmlaw.com
 Scott R. Mergenthaler (0012869)
smergenthaler@cpmlaw.com
 366 East Broad Street
 Columbus, Ohio 43215
 Telephone: (614) 228-6135
 Facsimile: (614) 221-0216
*Attorneys for Mary Taylor, in her capacity as
 Liquidator of LMI Insurance Company*

MEMORANDUM IN SUPPORT

This motion is brought by the Liquidator requesting that this Court approve the Liquidator's Statement of Receipts and Disbursements for LMI Insurance Company ("LMI") for the period of January 1, 2014 through June 30, 2014 (the "Statement"). The Statement is set forth in Exhibit A, which is attached and incorporated by reference.

By Order of this Court entered on May 23, 2000, the Ohio Superintendent of Insurance and successors was appointed Liquidator of LMI Insurance Company ("LMI"), 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 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 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.

For the reasons outlined above, the Liquidator respectfully requests the Court to approve the Statement of Receipts and Disbursements of the Liquidator for the period January 1, 2014 to June 30, 2014, as set forth in the attached Exhibit A.

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler

Dennis J. Concilla (0012254)

dconcilla@cpmlaw.com

Carl A. Aveni, II (0070664)

caveni@cpmlaw.com

Scott R. Mergenthaler (0012869)

smergenthaler@cpmlaw.com

366 East Broad Street

Columbus, Ohio 43215

Telephone: (614) 228-6135

Facsimile: (614) 221-0216

*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 Insurance Companies – Open - LMI Insurance Company substantially contemporaneous with the filing of this Motion.

/s/ Scott R. Mergenthaler

Scott R. Mergenthaler (0012869)

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2014

	Current Period 1/1/2014 TO 6/30/2014	Year to Date 1/1/2014 TO 6/30/2014	CUMULATIVE FROM 5/23/00
Beginning Cash & Invested Assets (Note 1)	15,014,838.55	15,014,838.55	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	5,001.11	5,001.11	5,159,791.03
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation	0.00	0.00	3,578,412.48
Reinsurance Recoveries	0.00	0.00	14,638,789.90
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	1,826,130.03
Reimbursement of Losses Paid	0.00	0.00	145,263.63
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	0.00	35,847.00
Miscellaneous Interest Income	0.00	0.00	56.13
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 3)	4,001.75	4,001.75	430,915.99
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) - Remaining Holdback	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure (Collateral) - Remaining Holdback	0.00	0.00	121,862.10
Proceeds - HealthFirst Estate Closure - Remaining Holdback	0.00	0.00	17,168.80
Proceeds - PIC Estate Closure - Remaining Holdback	0.00	0.00	20,233.22
Proceeds - DayMed Estate Closure - Remaining Holdback	0.00	0.00	36,298.26
Proceeds - RHP Estate Closure - Remaining Holdback	0.00	0.00	45,819.94
Proceeds - Oil & Gas Estate Closure - Remaining Holdback	0.00	0.00	333,803.89
Proceeds - Proliance Estate Closure - Remaining Holdback	0.00	0.00	27,146.72
Proceeds - Guarantee Title & Trust Estate Closure - Remaining Holdback	0.00	0.00	21,404.80
Proceeds - Physicians Assurance Corp Estate Closure - Remaining Holdback	0.00	0.00	19,411.67
Proceeds - Acceleration National Insurance Estate Closure - Remaining Holdback	0.00	0.00	15,901.55
Proceeds - Home Value Insurance Estate Closure - Remaining Holdback	0.00	0.00	18,168.9
Proceeds - American Chambers Life Insurance Estate Closure - Remaining Final Reserve	0.00	0.00	16,546.59
Proceeds - Credit General Indemnity Estate Closure - Remaining Final Reserve	0.00	0.00	23,707.00
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
Proceeds Misc. Receipts - RHP	0.00	0.00	2.07
Proceeds Misc. Receipts - DayMed	0.00	0.00	0.36
Proceeds Misc. Receipts - Proliance	0.00	0.00	363.77
Total Receipts	9,002.86	9,002.86	32,767,678.99

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2014

	Current Period 1/1/2014 TO 6/30/2014	Year to Date 1/1/2014 TO 6/30/2014	CUMULATIVE FROM 5/23/00
Disbursements:			
Compensation:			
Salaries (Note 4)	96,222.82	96,222.82	3,715,704.19
Employee Benefits (Note 5)	10,001.27	10,001.27	432,116.29
Payroll and Other Taxes (Note 6)	7,610.54	7,610.54	277,859.37
Professional Fees:			
Legal Fees (Note 7)	2,096.38	2,096.38	2,079,206.98
Tax Preparation and Audit Fees (Note 8)	7,700.00	7,700.00	166,108.93
Consulting Fees and Other Outside Contracts (Note 9)	5,598.49	5,598.49	3,128,965.79
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 10)	6,766.06	6,766.06	764,800.78
Maintenance / Repair - Facility and FF & E (Note 11)	38.73	38.73	19,532.61
Travel and Travel Items (Note 12)	282.01	282.01	61,843.89
Postage, Freight, Telephone and Internet (Note 13)	2,214.06	2,214.06	138,623.56
Office Supply Expense (Note 14)	33.08	33.08	30,012.11
Data Processing (Note 15)	932.20	932.20	279,571.51
Banking and Investment Expense (Note 16)	801.52	801.52	24,563.54
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
Reorganization & Consolidation of Records (Note 17)	57.28	57.28	2,468.02
Secure Records & Property Storage Expense (Note 18)	3,538.96	3,538.96	5,706.03
Other Expenses (Note 19)	1,129.13	1,129.13	440,944.43
All Other Disbursements:			
Prepaid Postage	0.00	0.00	324.69
Ohio Bureau of Worker's Compensation Security Deposit	0.00	0.00	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	0.00	0.00	12,042,899.24
Interim Distribution to Class 2 Claimants-Non IGA	0.00	0.00	159,285.74
Federal Income Tax	0.00	0.00	0.00
Disbursements from Funds Held 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	145,022.53	145,022.53	24,614,261.03
Recovery of Statutory Deposit (US Treas. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	2,807.88	2,807.88	(63,202.73)
Ending Cash & Invested Assets (Note 1)	14,881,626.76	14,881,626.76	14,881,626.76
			0.00

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 2014 THROUGH JUNE 30, 2014

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 1/1/14	15,014,838.55
Increase(Decrease) in Cash and Invested Assets (Unencumbered)	(133,211.79)
	<hr style="width: 100%; border: 0.5px solid black;"/> (133,211.79)
Non Cash Asset (Encumbered)	0.00
Actual Net Decrease in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<hr style="width: 100%; border: 0.5px solid black;"/> (133,211.79)
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 6/30/14	<hr style="width: 100%; border: 0.5px solid black;"/> 14,881,626.76

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JANUARY 1 2014 THROUGH JUNE 30, 2014

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 12/31/2013	Ending Balance 6/30/2014
Unencumbered Cash & Invested Assets			
	Cash	72,643.66	67,902.44
	Certificate of Deposits	250,000.00	0.00
	U.S. Government Obligations	14,339,776.51	14,342,584.39
	JP Morgan Funds - Money Market	352,418.38	471,139.93
	Total Unencumbered Cash & Invested Assets	<u>15,014,838.55</u>	<u>14,881,626.76</u>
	Encumbered Cash	<u>0.00</u>	<u>0.00</u>
	Total Cash & Invested Assets	15,014,838.55	14,881,626.76
Encumbered Non Cash Assets:			
	Statutory Deposits (A)	0.00	0.00
	Total Encumbered Non Cash Assets	<u>0.00</u>	<u>0.00</u>
	Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets	<u>15,014,838.55</u>	<u>14,881,626.76</u>

Statutory Deposit (A)

The remaining statutory deposit was released by the Georgia Department of Insurance to Georgia Insurers Insolvency Pool ("GIIP") in July 2013.

<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%	<u>100,000.00</u>	<u>0.00</u>
Subtotal				100,000.00	0.00
Balance per General Ledger					<u>0.00</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JANUARY 1 2014 THROUGH JUNE 30, 2014

Note 2	<u>Interest Income</u>	
	Interest on Bonds	4,963.12
	Interest on CD	16.44
	Interest on Money Market	21.55
		<u>5,001.11</u>
Note 3	<u>Other Income</u>	
	Sale of Office Furniture & Equipment	3,945.30
	Insurance - Building Liab - Return premium audit	56.45
		<u>4,001.75</u>
Note 4	<u>Salaries</u>	
	Chief & Deputy Liquidators	39,273.56
	Liquidation Office Employees	56,949.26
		<u>96,222.82</u>
Note 5	<u>Employee Benefits</u>	
	Salaries - 401K Contrib	1,275.42
	Employee Insurance Benefits	6,155.57
	401k Plan Expenses - Form 5310 Filing Fees	2,000.00
	Employee Related Expense - Other	570.28
		<u>10,001.27</u>
Note 6	<u>Payroll & Other Taxes</u>	
	Workers Comp Insurance	221.94
	State Unemployment Tax	1,117.64
	Federal Unemployment Tax	273.86
	FICA Tax	5,997.10
		<u>7,610.54</u>
Note 7	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	540.13
	Kohrman, Jackson, & Krantz PLL	1,556.25
		<u>2,096.38</u>
	Total Attorney General and Non-Attorney General Fees & Expenses	<u>2,096.38</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1 2014 THROUGH JUNE 30, 2014

Note 8	<u>Tax Preparation and Audit Fees</u>	
	Maloney + Novotny LLC - 2013 120PC Tax Returns	7,700.00
		<u>7,700.00</u>
Note 9	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Payroll Processing	408.95
	RASP Consulting, Inc. - IT Consultant	5,189.54
		<u>5,598.49</u>
Note 10	<u>Rent and Rent Items</u>	
	Rent on Leased Properties - 1450 Dublin Rd Warehouse	3,592.39
	Rent on Leased Properties - Fireproof Records Center	3,024.72
	Trash/Recycling	148.95
		<u>6,766.06</u>
Note 11	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co	38.73
		<u>38.73</u>
Note 12	<u>Travel and Travel Items</u>	
	Travel/Accommodation-Transportation	259.18
	Travel Expenses and Meals	22.83
		<u>282.01</u>
Note 13	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	55.08
	Express & Freight	231.45
	Telephone & Fax	703.27
	Internet Fees	1,224.26
		<u>2,214.06</u>
Note 14	<u>Office Supply Expense</u>	
	Office Supplies	33.08
		<u>33.08</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JANUARY 1 2014 THROUGH JUNE 30, 2014

Note 15	<u>Data Processing</u>	
	Computer Software Lease	8.82
	Software Expense Purch/Maint	923.38
		<u>932.20</u>
Note 16	<u>Banking & Investment Expense</u>	
	Banking & Investment Expense	801.52
		<u>801.52</u>
Note 17	<u>Reorganization & Consolidation of Records</u>	
	Employee Mileage Reimbursement	47.34
	Storage Retrieval - Gas for Truck Rental	4.29
	Office Supplies	5.65
		<u>57.28</u>
Note 18	<u>Secure Records & Property Storage Expense</u>	
	Secure Records & Property Storage Expense	3,538.96
		<u>3,538.96</u>
Note 19	<u>Other Expenses</u>	
	Prepaid Postage Expense	(34.93)
	Intercompany payroll expenses	(658.91) A
	Employee Health Insurance Co Pay	890.00 A
	Amt W/Held 401K Loan	(591.32) A
	Amount Withheld Supplemental Insurance	(314.30) A
	Amt W/H 401K Contribution	(1,505.64) A
	Petty Cash - Seed money for Dock Sale	50.00
	Insurance - Building Liability	1,383.60
	Registration & Dues	67.34
	Destruction of Records - Proliance	1,843.29
		<u>1,129.13</u>

Note A: Per the Administrative Costs and Expenses Procedures effective January 1, 2011, the LMI Insurance Company became responsible for the issuance of pay checks and payments of all employer payroll taxes and withholding and remittance of employees' taxes, employer 401K and HSA contributions to services provided to one or more of the Estates (i.e. the Employer Estate Payroll Liabilities).