

IN THE FRANKLIN COUNTY COURT OF COMMON PLEAS

MARY JO HUDSON, Ohio Superintendent of Insurance, in her capacity as Liquidator of Credit General Insurance Company and Credit General Indemnity Company,

Plaintiff,

v.

Credit General Insurance Company, et al.,

Defendants.

Case No. 00CVH-11-9867

Judge Pfeiffer

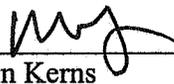
MOTION FOR APPROVAL OF LIQUIDATOR'S REPORTS OF INDEPENDENT AUDITORS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Plaintiff, Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Credit General Indemnity Company ("CGID") and Credit General Insurance Company ("CGIC"), moves this Court for an order approving her Reports of Independent Auditors for the years ended June 30, 2008 and 2007, copies of which are attached to this Motion and marked as Exhibits A and B. The grounds in support of this Motion are set forth in the accompanying Memorandum and Exhibits.

Respectfully submitted,

NANCY H. ROGERS
Attorney General State of Ohio

By Special Counsel:
KEGLER, BROWN, HILL & RITTER, CO. LPA



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Attorneys for Mary Jo Hudson, in her capacity as Liquidator of Credit General Insurance Company and Credit General Indemnity Company.

FILED
2008 DEC -2 PM 3:57
CLERK OF COURTS

MEMORANDUM IN SUPPORT OF MOTION

Pursuant to O.R.C. Section 3903.18(A), this Court's December 12, 2000 and January 5, 2001, Orders to liquidate the business of CGID and CGIC, respectively, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of CGID and CGIC and to administer those assets under the general supervision of this Court. As provided in O.R.C. Section 3903.18(E), the Orders also require the Liquidator to account to this Court at specified intervals. Accordingly, the Liquidator submits accountings to this Court on a semiannual basis for the periods ending June 30th and December 31st of the year (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the CGID and CGIC liquidation estates, for ultimate distribution to the liquidation estates' policyholders and creditors pursuant to O.R.C. Chapter 3903, under the supervision of this Court. In the process of marshaling assets, the Liquidator routinely receives and deposits cash and purchases and sells various investment securities. In order to record this activity, the Liquidator built an internal accounting department capable of tracking costs and recoveries and generating basic financial reports. The cash and investment security balances are reported by the Liquidator to this Court in the Periodic Accountings mentioned above.

In July of 1991, the Liquidator determined that it was in the best interests of all of the Ohio liquidation estates to hire an independent auditing firm to perform an annual audit of the Liquidator's internal controls relating to cash receipts and disbursements and the purchase and sale of investment securities in order to ensure the integrity of the Liquidator's accounting system. The Liquidator requested the auditing firm to render an opinion in its audit report as to the propriety of the information presented in the Periodic Accounting, as it was the Liquidator's intention to file the report with this Court to demonstrate the integrity of the Periodic Accountings.

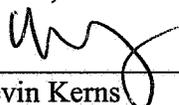
By this Motion, the Liquidator seeks this Court's approval of the Annual Reports of Independent Auditors for the years ended June 30, 2008 and 2007 (the "Reports"), attached hereto as Exhibits A and B.

Schneider Downs has completed its audit of the statements of cash and invested assets of CGID and CGIC as of June 30, 2008 and 2007 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2008 and 2007. Schneider Downs issued the Reports containing its audit findings which opine that the Liquidator's financial statements present fairly, in all material respects, both the cash and invested assets of CGID and CGIC at June 30, 2008 and 2007 and cash receipts and cash disbursements for the year ended June 30, 2008.

Respectfully submitted,

NANCY H. ROGERS
Attorney General State of Ohio

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Company and Credit General Indemnity Company.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion and Accompanying Memorandum was served via first class ordinary U.S. Mail, postage prepaid, this 2^d day of December, 2008 upon all parties on the attached Service List:



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Exhibit A

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

Columbus, Ohio

Financial Statements
For the years ended June 30, 2008 and 2007
and Independent Auditors' Report Thereon



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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
Credit General Insurance Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of Credit General Insurance Company, in Liquidation (Estate) as of June 30, 2008 and 2007 and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008. These financial statements are the responsibility of the Estate. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of Credit General Insurance Company, in Liquidation, pursuant to the accounting practices prescribed or permitted by the Ohio Department of Insurance and Franklin County Court of Common Pleas, described in Note 1, and is not intended to be a complete presentation of the Company's assets and liabilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Credit General Insurance Company, in Liquidation as of June 30, 2008 and 2007, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Office of the Ohio Insurance Liquidator and the Franklin County Court of Common Pleas and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co. Inc.

Columbus, Ohio
October 29, 2008

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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash and Encumbered Assets	\$ 1,696,731	\$ 1,583,327
Invested Assets	<u>44,712,163</u>	<u>35,950,493</u>
	<u>\$ 46,408,894</u>	<u>\$ 37,533,820</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Cash and Encumbered Assets at July 1, 2007	\$ 1,583,327
Cash Receipts:	
Investment proceeds	763,000
Interest and dividend income (including interest paid on bonds)	1,508,835
Collected premium	1,512,320
Reinsurance recoveries	8,333,955
Salvage and subrogation recoveries	89,477
Reimbursement of paid claims	5,170
Recovery of CGIC/PRS net 2000 tax refund	318,221
Recovery from settlement agreements	3,000,000
Proceeds from directors and officers	72,000
Other income	17,615
Recovery of unearned commissions	125,000
Recoveries under high deductible policies	275,000
Proceeds from closure of Ohio General Estate - prepaid operating expenses	38,192
Proceeds from closure of BCEBAT Estate - prepaid operating expenses	11,133
Transfer of funds from CGIC cash collateral to CGIC operating	17,417
Interest and dividend income - CGIC/TTC/CGO - (Encumbered Assets)	53,727
Recovery of regional restaurant equipment - CGIC cash collateral - (Encumbered Assets)	5,301
Recovery of C. Meinken bankruptcy - CGIC cash collateral - (Encumbered Assets)	10,773
Recovery of F.A.C.E bond construction services - CGIC cash collateral - (Encumbered Assets)	5,185
TTC salvage and subrogation recoveries - - TTC cash collateral - Donald Keen - (Encumbered Assets)	124,800
Total Cash Receipts	<u>16,287,121</u>
Cash Disbursements:	
Investment purchases in Repo agreements	9,518,000
Investment purchases	759
Salaries, wages and employee benefits	1,763,182
Professional fees	3,646,163
Moving and relocation costs	142,164
General and administrative expenses	612,159
Transfer of funds to cash collateral account (includes interest earned)	21,258
Settlement expense	100,000
Return of LMI funds paid to CGIC in error (includes interest earned)	5,428
Transfer of CGIND portion of premium settlement recoveries (includes interest earned)	221,012
Account service charge - CGIC/TTC - (Encumbered Assets)	80
Pacific Secured Equities LOC drawdown - (monies transferred to CGIC operating, applied as Reinsurance recovery - includes interest earned)	134,917
Closing of operating account - CGIC/PRS bankruptcy trust - (Encumbered Assets)	1
Total Cash Disbursements	<u>16,165,123</u>
Other Disbursements:	
Net purchases in ancillary security deposits	<u>8,594</u>
Cash and Encumbered Assets at June 30, 2008	<u>\$ 1,696,731</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - BACKGROUND AND BASIS OF PRESENTATION

Pursuant to the Ohio Revised Code (Code), the Superintendent of the Ohio Department of Insurance is appointed as Liquidator of domestic insurance companies, which have been determined by the Franklin County Court of Common Pleas, State of Ohio (Court), to be insolvent as specified in the Code.

The Liquidator marshals the assets of the insurance company and liquidates such assets and administers the business affairs of the Company as approved by the Court. The Liquidator is empowered by the Code to employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as considered necessary to assist in the liquidation.

Credit General Insurance Company (Company) was placed in liquidation on January 4, 2001, by the Court and it became Credit General Insurance Company, in Liquidation (Estate).

As is common with entities placed in fiduciary control, the Liquidator has prepared the accompanying financial statements on the cash-basis of accounting, whereby, the statement of cash and invested assets includes only the cash and invested assets of the Estate, and the statement of cash receipts and cash disbursements reflects only cash transactions; consequently, all other assets and liabilities of the Estate are not included in the statement of cash and invested assets, and uncollected revenues and unpaid expenses are not included in the statement of cash receipts and cash disbursements. Changes in market values and amortization of bond premiums and discounts are reflected in invested assets, however, these amounts are not reflected in the statement of cash receipts and disbursements as they are non-cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and accordingly, the statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

NOTE 2 - CASH AND ENCUMBERED ASSETS

Cash includes \$1,619,682 and \$1,554,895 of encumbered assets held in separate bank accounts as of June 30, 2008 and 2007, respectively. Some portion of these encumbered assets may be due to various third parties, and thus, these are not part of the general assets of the Estate.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 3 - INVESTED ASSETS

Invested assets consist of those assets that are under the complete and direct control of the Liquidator and are being specifically held as investments (see Note 4).

United States Government obligations are valued at amortized cost, common stocks are valued at fair value, and repurchase agreements and short-term investments valued at cost, all of which approximate fair value.

At June 30, 2008 and 2007, invested assets and their approximate values consisted of the following:

	2008	2007
	<u>Carrying Value</u>	<u>Carrying Value</u>
Repurchase agreements	\$ 44,702,000	\$ 35,184,000
Short-term investments	10,042	9,283
Common stock	120	120
United States Government obligations	-	757,089
Income note	<u>1</u>	<u>1</u>
	<u>\$ 44,712,163</u>	<u>\$ 35,950,493</u>

NOTE 4 - STATUTORY DEPOSITS AND ESCROW ACCOUNT

In the normal course of writing insurance in various states, the Company was required by state statute to deposit funds with various state insurance departments. When the Estate entered liquidation, the statutory deposits were impounded by the various state insurance departments for the protection of policyholders within their jurisdiction. Since the Liquidator does not have direct control over those assets held by state insurance departments or related entities, and it is uncertain whether all or a portion of such assets will be available to the Liquidator in satisfying the obligations of the liquidation proceedings, they are not considered invested assets by the Liquidator until complete and direct control over them is established. The amount of statutory deposits as of June 30, 2008 and 2007 were \$7,206,730 and \$7,520,773, respectively.

NOTE 5 - LITIGATION

In liquidating the Estate, the Liquidator may initiate legal action to clarify claims, recover reinsurance proceeds and determine legal responsibilities of the Liquidation. The Liquidator believes that none of these actions will adversely affect the value of cash and invested assets. The determination and priority of claims, and any distribution thereof, is defined pursuant to Ohio Revised Code Section 3903, et seq.

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Exhibit B

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INDEMNITY COMPANY,
IN LIQUIDATION
Columbus, Ohio

Financial Statements
For the years ended June 30, 2008 and 2007
and Independent Auditors' Report Thereon



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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INDEMNITY COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
Credit General Indemnity Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of Credit General Indemnity Company, in Liquidation (Estate) as of June 30, 2008 and 2007 and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008. These financial statements are the responsibility of the Estate. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of Credit General Indemnity Company, in Liquidation, pursuant to the accounting practices prescribed or permitted by the Ohio Department of Insurance and Franklin County Court of Common Pleas, described in Note 1, and is not intended to be a complete presentation of the Company's assets and liabilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Credit General Indemnity Company, in Liquidation as of June 30, 2008 and 2007, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Office of the Ohio Insurance Liquidator and the Franklin County Court of Common Pleas and is not intended to be and should not be used by anyone other than these specified parties.

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October 29, 2008

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IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash	\$ 30,021	\$ 6,656
Invested Assets	<u>6,533,000</u>	<u>5,878,000</u>
	<u>\$ 6,563,021</u>	<u>\$ 5,884,656</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INDEMNITY COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Cash at July 1, 2007	\$ 6,656
Cash Receipts:	
Interest and dividend income (including interest paid on bonds)	227,574
Premiums collected	293,703
Reimbursement of paid claims per Conex settlement agreement	422,352
Total Cash Receipts	<u>943,629</u>
Cash Disbursements:	
Investment purchases in repurchase agreements	655,000
Salaries, wages and employee benefits	171,681
Professional fees	28,920
General and administrative expenses	60,872
Moving and relocation costs	3,791
Total Cash Disbursements	<u>920,264</u>
Cash at June 30, 2008	<u><u>\$ 30,021</u></u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INDEMNITY COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - BACKGROUND AND BASIS OF PRESENTATION

Pursuant to the Ohio Revised Code (Code), the Superintendent of the Ohio Department of Insurance is appointed as Liquidator of domestic insurance companies, which have been determined by the Franklin County Court of Common Pleas, State of Ohio (Court), to be insolvent as specified in the Code.

The Liquidator marshals the assets of the insurance company and liquidates such assets and administers the business affairs of the Company as approved by the Court. The Liquidator is empowered by the Code to employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as considered necessary to assist in the liquidation.

Credit General Indemnity Company (Company) was placed in liquidation on December 12, 2000 by the Court and it became Credit General Indemnity Company, in Liquidation (Estate).

As is common with entities placed in fiduciary control, the Liquidator has prepared the accompanying financial statements on the cash-basis of accounting, whereby, the statement of cash and invested assets includes only the cash and invested assets of the Estate, and the statement of cash receipts and cash disbursements reflects only cash transactions; consequently, all other assets and liabilities of the Estate are not included in the statement of cash and invested assets, and uncollected revenues and unpaid expenses are not included in the statement of cash receipts and cash disbursements. Changes in market values and amortization of bond premiums and discounts are reflected in invested assets, however, these amounts are not reflected in the statement of cash receipts and disbursements as they are non-cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and accordingly, the statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

NOTE 2 - INVESTED ASSETS

Invested assets consist of those assets that are under the complete and direct control of the Liquidator and are being specifically held as investments (see Note 3).

Repurchase agreements are valued at cost which approximates fair value.

At June 30, 2008 and 2007, invested assets and their approximate values consisted of the following:

	<u>2008</u> <u>Carrying Value</u>	<u>2007</u> <u>Carrying Value</u>
Repurchase agreements	\$ <u>6,533,000</u>	\$ <u>5,878,000</u>

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
CREDIT GENERAL INDEMNITY COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 3 - STATUTORY DEPOSITS AND ESCROW ACCOUNT

In the normal course of writing insurance in various states, the Company was required by state statute to deposit funds with various state insurance departments. When the Estate entered liquidation, the statutory deposits were impounded by the various state insurance departments for the protection of policyholders within their jurisdiction. Since the Liquidator does not have direct control over those assets held by state insurance departments or related entities, and it is uncertain whether all or a portion of such assets will be available to the Liquidator in satisfying the obligations of the liquidation proceedings, they are not considered invested assets by the Liquidator until complete and direct control over them is established. The amount of statutory deposits as of June 30, 2008 and 2007 were \$2,780,047 and \$2,780,187, respectively.

NOTE 4 - LITIGATION

In liquidating the Estate, the Liquidator may initiate legal action to clarify claims, recover reinsurance proceeds and determine legal responsibilities of the Liquidation. The Liquidator believes that none of these actions will adversely affect the value of cash and invested assets. The determination and priority of claims, and any distribution thereof, is defined pursuant to Ohio Revised Code Section 3903, et seq.

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