

**IN THE COMMON PLEAS COURT  
FRANKLIN COUNTY, OHIO**

Mary Taylor, Ohio Superintendent of Insurance, in her Capacity as Liquidator of Credit General Insurance Company and Credit General Indemnity Company,	:	
	:	
	:	
	:	Case No. 00 CVH 11-9867
	:	
Plaintiff,	:	
	:	Judge Mark Serrott
v.	:	
	:	
Credit General Insurance Company, et al.,	:	
	:	
Defendants.	:	

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**REPORT ON STATUS OF LIQUIDATION**

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**I. INTRODUCTION**

This report is filed to inform the Court and claimants in the Credit General Insurance Company and Credit General Indemnity Company (collectively “Credit General”) liquidation cases of the status of the liquidations and the Liquidator’s progress on her closing plan since the last status report filed on May 7, 2012. The 2012 Report on Status of Liquidation is attached and incorporated herein as Exhibit A.

As reported in the 2012 Report, the Liquidator established a closing plan in the Credit General estates to wrap-up all policyholder level claims, whether covered by a guaranty association or not, so that she may finally determine all proofs of claim filed in the estates and make the final distribution of estate assets pursuant to the priority of distribution provisions contained in Ohio Revised Code (“R.C.”) §3903.42. The plan serves the best interests of all

claimants who will receive a distribution because it conserves estate assets and is consistent with the mandates of Ohio's insurance liquidation statutes, R.C. §§3903.01-.59. See 2012 Report at pgs. 2-3.

The Liquidator continues to pursue completion of her closing plan by the year-end 2013. Full implementation of the closing plan still requires, at a minimum, that all of the following occur: (i) the Liquidator collects all remaining reinsurance owed the estates; (ii) the Liquidator determines all remaining proofs of claims that have not yet been adjudicated; (iii) the Liquidator resolves all existing and future claims objections; and, (iv) the Liquidator obtains the required release of claims from the federal government (each being referred to herein as a "Closing Plan Pre-Condition"). See 2012 Report at pg. 2. Progress made on the closing plan since the 2012 Report is explained below. The Liquidator will continue to keep the Court and claimants informed of her progress and of any necessary adjustments to the current closing plan and timeline.

## **II. PRIORITY OF DISTRIBUTION**

The Liquidator's closing plan provides for determining the classification, validity and value of all proofs of claim and the Credit General estates' overall claims liability in relation to assets so that distributions to creditors may be made and the estates closed. In this regard, R.C. §3903.42 governs the priority of the distribution of claims from an insurer's estate. Under the statute,

The priority of distribution of claims from the insurer's estate shall be in accordance with the order in which each class of claims is set forth in this section. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment.

R.C. §3903.42 establishes nine (9) classes of claims that must be paid in priority order. Within a class, all claims are paid equal pro-rata shares if there are insufficient assets to pay the class in

full. The first priority is payment of the administrative expenses of the estate, followed by the payment of claims arising under the policies or contracts of insurance written by the company (including claims paid by the insurance guaranty funds as described more fully below). The third priority is claims of the federal government. The last priority is payment to the owners of the company.

### **III. STATUS OF ASSET RECOVERY**

As of May 28, 2013, the Credit General Insurance Company estate had \$105,418,185.81 in assets, and the Credit General Indemnity Company estate had \$8,897,368.44 in assets. As noted in Section IV.C.1, below, the Liquidator made a third partial distribution to guaranty associations on their allowed Class 1 administrative expenses in January 2013<sup>1</sup>, reducing estate assets by \$4,004,988.65 in Credit General Insurance and by \$2,543,116.46 in Credit General Indemnity.

The most significant assets collected to date in both estates remain the \$133,230,028 in reinsurance recoveries as of May 28, 2013. The majority of these recoveries have been collected since 2008. Since the 2012 Report, \$7,722,287.87 was recovered by Credit General Insurance and \$778,113.84 was recovered by Credit General Indemnity through the reinsurance billing process and court-approved reinsurance commutations. The Liquidator anticipates some additional reinsurance recoveries through the billing process, with collections to be concluded by year-end 2013. Thus, the Liquidator anticipates satisfying this Closing Plan Pre-Condition.

Additionally, since the 2012 Report, the Liquidator resolved the potential claims of the U.S. Department of Labor (“DOL”) against Credit General Insurance that resulted in the release of Credit General’s security deposit pledged as a condition of authorization to write Longshore

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<sup>1</sup> The Liquidator’s third partial pro-rata distribution to insurance guaranty associations was made on their allowed Class 1 administrative expense claims as of June 30, 2012.

insurance and to secure payment of compensation and medical benefits in the event Credit General were to default on any of its own Longshore and Harbor Workers Compensation Act (“LHWCA”) payment obligations. Following the submission of information confirming that neither the Credit General Liquidator nor the DOL has paid or will pay any LHWCA claims, the DOL agreed to release the \$1,020,000 in securities it held minus \$100,000 it will continue to hold until December, 2013. Consequently, \$920,000 was added to the general assets of Credit General Insurance in the first quarter of 2013.

The Liquidator also negotiated a settlement of long-disputed claims with a bankrupt former agent of Credit General, T.T.C. Illinois, Inc. (“TTC”). The settlement, which was approved by both this Court and the TTC Bankruptcy Court in Illinois, resolved Credit General’s claim in the TTC bankruptcy and provided for TTC’s release of all claims to subrogation recoveries held by Credit General. Consequently, \$1,163,317 was added to the general assets of Credit General Insurance and \$75,166 was added to the general assets of Credit General Indemnity in the second quarter of 2013.

#### **IV. STATUS OF CLAIMS**

##### **A. Summary of Claims Liabilities**

The Credit General Insurance Company estate has \$322,110,224.78 in total Class 2 liabilities (not including reserves) as of December 31, 2012. The Credit General Indemnity Company estate has \$69,559,516.88 in total Class 2 liabilities (not including reserves) as of December 31, 2012. These numbers will increase by year-end 2013 because the Liquidator continues to value remaining Class 2 proofs of claims, particularly the claims of the participating insurance guaranty funds regarding their claims liability. As previously reported, neither estate

has valued proofs of claims in Classes 4 through 9 because there are insufficient assets to pay Class 2 in full. See R.C. §3903.42, supra.

**B. Status of Credit General Policyholder Level Claim Files Administered By Insurance Guaranty Funds**

Since the 2012 Report, the insurance guaranty funds (“IGAs”) have continued to make progress in paying and closing policyholder level claims. As of May 28, 2013, there were a total of 366 open Credit General Insurance claims remaining at thirty-one (31) IGAs, and a total of 171 open Credit General Indemnity claims remaining at two (2) IGAs. The open IGA claims now only involve workers’ compensation claims. Compare to 2012 Report at pgs. 5-6.

**C. Status of Insurance Guaranty Funds’ Proofs of Claims**

IGAs pay policyholder claims long before resolution of the ultimate financial condition of the liquidating insurer’s estate. The IGAs also pay claims seeking the return of unearned premium (“UEP”) claims. In turn, IGAs are granted Class 1 and Class 2 priority claim status in the liquidation estate. See R.C. §3903.42. Class 1 claims include the IGAs’ reasonable expenses in handling claims. See R.C. §3903.42(A). The IGAs’ Class 2 claims include all insured loss claims paid by the IGAs and covered UEP claims. See R.C. §3903.42(B). In this case, as in others where there is guaranty fund protection, the proofs of claim filed on behalf of the IGAs are the largest claims against the estates. The Liquidator’s review of the IGAs’ proofs of claim includes confirming the claims and expenditures of the IGAs who are handling the claims after Credit General’s liquidation.

**1. IGA Class 1 Administrative Expense Claims**

As of June 30, 2012, the IGAs reported that they have collectively incurred \$28,837,476.96 in Credit General Insurance and \$6,659,076.50 in Credit General Indemnity in

Class 1 administrative expenses, which forms the basis for the IGAs' Class 1 proofs of claims against the Credit General estates. See R.C. §3903.42(A).

Since the 2012 Report, the Liquidator made her third payments to the IGAs on their Class 1 claims. In January 2013, the Liquidator paid to the IGAs an additional \$4,004,988.65 in Credit General Insurance and an additional \$2,543,116.46 in Credit General Indemnity as partial distributions on the IGAs' Class 1 claims as of June 30, 2012. These payments represented 100% of the IGAs' Class 1 claims as of June 30, 2012.

Since the January 2013 partial distributions, the IGAs have reported additional administrative expenses in the amount of \$594,930.22 in Credit General Insurance and \$172,389.38 in Credit General Indemnity. The Liquidator will not make any further interim distributions to IGAs until the final distribution in these estates.

## **2. IGA Class 2 Policyholder Level Claims: Loss and Loss Adjustment Expense**

As of December 31, 2012, the IGAs reported that they have collectively paid \$302,235,671.54 in Class 2 policyholder level claims in the Credit General Insurance estate and \$67,323,009.30 in Class 2 policyholder level claims in the Credit General Indemnity estate, which accounts for the majority of the IGAs' Class 2 claims against the Credit General estates. The Liquidator's closing plan anticipates that the Liquidator and the IGAs will reach agreement on the value of the open claims, which will allow the Liquidator to finally adjudicate and determine the estates' liability to the IGAs on the remaining open claim files.

## **3. IGA Class 2 Policyholder Level Claims: Unearned Premium ("UEP")**

Since the 2012 Report, the Liquidator has worked with the IGAs to reconcile their Class 2 policyholder level claims for UEP. As of May 28, 2013, the total amount of the UEP liability

reported in Credit General Insurance was \$8,291,595.72 and in Credit General Indemnity was \$1,157,565.47.

**D. Non-IGA Class 2 Policyholder Level Claims**

As reported in the 2012 Report at pg. 9, there are Class 2 policyholder claims that are not covered in whole or in part by IGAs (“non-IGA Class 2 claims”). The Liquidator has the responsibility to administer and adjudicate non-IGA Class 2 claims arising under Credit General insurance policies or bonds. Thus, in addition to the Class 2 liability to IGAs, the Credit General Insurance estate has \$11,582,977.52 in allowed non-IGA Class 2 claims as of December 31, 2012. The Credit General Indemnity estate has \$1,078,942.11 in allowed non-IGA Class 2 claims as of December 31, 2012. Together, these liabilities equal \$12,661,919.63 as of December 31, 2012.

The non-IGA Class 2 claims for both estates include \$2,633,004.08 in UEP claims determined as of December 31, 2012. Since the 2012 Report, the Liquidator has determined almost, but not all, of the over 5,000 UEP claims filed in these estates. Consequently, the total non-IGA Class 2 claims liability is not yet known, but will be by year-end 2013.

**E. Status of Proofs of Claim Administered by the Liquidator**

Since the 2012 Report, the Liquidator received court approval of her First Final Report of Claims in Classes 2 and 4 through 9, and her Second Final Report of Claims in Classes 2 and 5, filed pursuant to R.C. § 3903.43 in the Credit General estates.<sup>2</sup> See 2012 Report at pg. 8.

Based upon these Final Reports of Claims, the Liquidator has reported to this Court a total of 11,559 finalized proofs of claim in the Credit General Insurance estate, and a total of 1,867 finalized proofs of claim in the Credit General Indemnity estate. An additional 3,725

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<sup>2</sup> The First Final Report of Claims in Classes 2 and 4 through 9 was filed on May 7, 2012 and court-approved on July 24, 2012. The Second Final Report of Claims in Classes 2 and 5 was filed on October 5, 2012 and court-approved on October 22, 2012.

proofs of claim in Credit General Insurance and 641 proofs of claim in Credit General Indemnity have been adjudicated/determined and finalized through the issuance of determination letters pursuant to R.C. §3903.35, et seq., but have not yet reported to the Court pursuant to R.C. §3903.43. There are 702 proofs of claim in Credit General Insurance and 80 proofs of claim in Credit General Indemnity that the Liquidator is in the process of adjudicating. The majority of these outstanding proofs of claim are unearned premium claims for which the Liquidator has issued determination letters to the claimants, but the 60-day objection period has not yet run. On or near July 30, 2013, the Liquidator will file her third final report of claims regarding these adjudicated/determined proofs of claim where no timely objection is filed.

The remaining outstanding proofs of claim are those filed by the IGAs, the federal government, and a few other creditors. The Liquidator is actively working on the adjudication/determination and finalization of those claims as part of the closing plan for these estates.

The Liquidator and the IGAs have worked aggressively to reconcile the IGAs' unearned premium claims, and the Liquidator has almost completed the adjudication/determination of the remaining UEP proofs of claim filed in the estates. Unfortunately, due to some unforeseen events that came up during the reconciliation process the IGAs and the Liquidator undertook, it was not possible to achieve the December 31, 2012 completion date set forth in the 2012 Report, for the completion of all UEP claims. The Liquidator spent a significant amount of time providing additional information that the IGAs needed in order to make payments on the estates' UEP claims. In addition, many of the IGAs were required under their governing statutes to contact the claimants before releasing a payment, and some IGAs required claimants to fill out additional

forms (i.e. net worth, claim forms) before payments would be processed. One IGA required a court order prior to issuing checks to UEP claimants in its state.

Given the status of the Liquidator's progress on UEP claims, the Liquidator anticipates satisfying this Closing Plan Pre-Condition by December 31, 2013.

**F. Status of Class 3 Claims of the Federal Government and the Federal Release**

Since the 2012 Report, on May 15, 2013, the Liquidator filed a Supplemental affidavit with the United States Department of Justice ("DOJ") regarding Credit General Insurance's resolution of potential federal claims with several federal agencies direct. Additionally, the Liquidator has scheduled a meeting in late June with the DOJ to review the status of the Liquidator's application for a federal release in both estates. The Liquidator's goal is to resolve the two proofs of claim filed by the United States against the Credit General Insurance estate and the one proof of claim filed against the Credit General Indemnity estate, and obtain a release from the United States prior to making any final distributions.<sup>3</sup> Once the federal government's review is complete, the Liquidator and the United States will enter into a standard Release Agreement to facilitate distributions and ultimate closure of the estates. The Release Agreement provides for a release of the Liquidator and the liquidation estate from any and all liability under §31 U.S.C. §3713(b), subject to the terms and conditions therein.

Unfortunately, due to circumstances beyond the Liquidator's control, which includes the length of time it takes for the DOJ to review the Liquidator's release application and coordinate with the various federal agencies regarding claims against the estates, the Liquidator is not able to execute and file a federal release for court approval by June 30, 2013. At this point, the Liquidator is not sure how much of an extension of time, if any, of the December 31, 2013 deadline will be necessary to satisfy this Closing Plan Pre-Condition.

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<sup>3</sup> All receivers or liquidators of insolvent U.S. insurers follow this process as a best practice.

### **G. Status of Objections**

The Liquidator has issued determination letters at various points in time on and prior to this report. Thus, the objection periods vary, on a rolling basis as determination letters are issued. As of the filing of this report, all timely objections have been resolved without the need to set a hearing. The Liquidator's goal is to request that this Court set dates for objection hearings under R.C. §3903.39 for any unresolved timely objection she receives prior to December 31, 2013. Although the timely filing of an objection is beyond the Liquidator's control, the Liquidator's goal is to satisfy this Closing Plan Pre-Condition by December 31, 2013.

### **V. CLOSING THE ESTATE**

As reported in the 2012 Report, the liquidation process often takes fifteen years or more when the liabilities include long tail claims and when there is significant asset recovery litigation. The Liquidator cannot determine the estate's exact claims liability or the corresponding distribution percentage until all remaining claims and other active matters in the liquidation are finally resolved. The Liquidator has made great strides in expediting closure of the Credit General estates.

The Liquidator also makes an effort to try to provide claimants with good faith estimates of the time in which the Liquidator hopes to close a mature estate and make a final distribution to claimants other than IGAs and, when possible, a preliminary distribution percentage estimate based on current projections of assets and liabilities. This newer practice of posting good faith estimates in mature estates when appropriate is part of this Liquidator's commitment to the creditors of the estates we manage. This information is provided because it might be useful to consumers or lead to more informed consumer decisions, such as for example, in the event consumers are approached by claims buyers. In all circumstances, however, all persons receiving

this information must be aware that the good faith estimates are estimates, and that the estimates are based upon information and the circumstances known at the precise time they were made, which is subject to change. The underlying facts and circumstances upon which the good faith estimates are based are subject to change. Therefore, the good faith estimates and the actual distribution percentages that will be made are subject to change.

As of and effective May 28, 2013, the Liquidator estimates in good faith that she will file a motion for authority to make one final distribution to claimants in or after 2013, depending on the time in which the Liquidator can complete the tasks outlined above, many of which involve other parties the Liquidator does not control, and her other obligations. The Liquidator further presently estimates in good faith that she will pay 100% of allowed claims in Class 1 and that, based on information available today, she could pay a small percentage of allowed Class 2 claims. At this particular time, the Liquidator does not expect to make any distributions to claimants in Classes 3 through 9. These good faith estimates are expected to change prior to the actual distribution and closing of the Credit General estates. The actual pro-rata distributions will be reflected in the Liquidator's Motion for Order Approving Final Report of Claims to be filed at or near the time of the final distribution of assets of the Credit General estates. Interested persons may check the Liquidator's website [www.ohliq.com](http://www.ohliq.com) → Insurance Companies → Open → Credit General Insurance Company → Public Documents, and [www.ohliq.com](http://www.ohliq.com) → Insurance Companies → Open → Credit General Indemnity Company → Public Documents to see key documents and monitor these liquidation cases.

Respectfully submitted,

MIKE DEWINE  
Attorney General of Ohio

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Credit General Insurance Company and Credit General  
Indemnity Company

**CERTIFICATE OF SERVICE**

I hereby certify that a true and accurate copy of the foregoing Report on Status of Liquidation was posted on the Liquidator's website ([www.ohliq.com](http://www.ohliq.com)) substantially contemporaneous with the filing of this Report. The undersigned hereby certifies that a true and accurate copy of the foregoing Report on the Status of Liquidation was emailed to the persons on the attached CGIC Courtesy Copy E-Mail List and served upon the following via Regular Mail, postage prepaid, on this 6<sup>th</sup> day of June, 2013:

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**CREDIT GENERAL COURTESY COPY E-MAIL LIST**

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EXHIBIT A

**IN THE COMMON PLEAS COURT OF FRANKLIN COUNTY, OHIO**

<b>MARY TAYLOR, Ohio Superintendent of Insurance, in her capacity as Liquidator of Credit General Insurance Company and Credit General Indemnity Company,</b>	:	
	:	
<b>Plaintiff,</b>	:	
	:	
<b>v.</b>	:	<b>Case No. 00CVH-11-9867</b>
	:	
<b>Credit General Insurance Company, et al.</b>	:	<b>Judge Mark Serrott</b>
	:	
<b>Defendants.</b>	:	

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**REPORT ON STATUS OF LIQUIDATION**

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**I. INTRODUCTION**

The Liquidator files this report to apprise the Court and claimants in the Credit General Insurance Company and Credit General Indemnity Company (collectively "Credit General") liquidation cases of the status of the liquidations and the Liquidator's progress on her closing plan. The Liquidator filed her last status report on June 24, 2011.

As in all nearly all liquidations, estate liabilities exceed assets. Assets will continue to shrink because asset recovery is nearly complete. Even with the Liquidator's implementation of drastic cost-reduction and cost-containment initiatives since 2008, the near-zero percent interest rate that the Liquidator has been earning on her conservative investments cannot offset the ongoing necessary expenses of estate administration. It is in the best interest of policyholders, creditors and the estates to close these estates as promptly as possible.

To that end, the Liquidator established a closing plan under which she hopes to file before the end of 2013, a motion requesting authority to make one final distribution and then the

EXHIBIT A

closing of these estates. The Liquidator's closing plan is ambitious, notwithstanding that these cases have been pending since 2000. The closing plan is ambitious because the liquidation process often takes 15 years or more where the liabilities include long tail claims and where significant asset recovery litigation occurs. Yet, the plan serves the best interests of all claimants who will receive a distribution because it conserves estate assets and is consistent with the mandates of the Ohio Insurance Liquidation Statutes, Ohio Revised Code ("R.C.") §§3903.01-.59.

Substantial progress has been made, and continues to be made, toward the closing plan by the Liquidator, participating insurance guaranty associations, the Court and others. However, it appears at this time that full implementation of the closing plan by the current target dates requires, at a minimum, that all of the following occur by June 30, 2013: 1. the Liquidator collects all remaining reinsurance owed the estates; 2. the Liquidator determines all remaining proofs of claims that have not yet been adjudicated; 3. all existing and future claims objections are resolved; and, 4. the Liquidator obtains the required release of claims from the federal government. These and other items are explained more fully throughout this report. The Liquidator will continue to keep the Court and claimants apprised of her progress and of any necessary adjustments to the current closing plan and timeline.

**II. BACKGROUND**

On December 12, 2000, this Court ordered Credit General Indemnity Company liquidated. On January 5, 2001, this Court ordered Credit General Insurance Company liquidated. At that time, the Liquidator issued notices of liquidation pursuant to R.C. 3903.22 and the Liquidation Orders (The "Notices"). The Notices notified all potential claimants in Credit General that January 31, 2002 was the deadline for filing timely proofs of claims against

EXHIBIT A

Credit General (the "Bar Date"). In 2008, the Court established an Absolute Final Bar Date of March 31, 2009. An Absolute Final Bar Date is, by its terms, not a modification or extension of the Bar Date. Rather, the Absolute Final Bar Date is a new date that represents the date after which the Liquidator will not receive any new proofs of claims (including late filed claims) or allow claimants to substantiate previously unspecified or "blanket" proofs of claims. The establishment of the Absolute Final Bar Date is one of the tools available to the Liquidator for determining the classification, validity and value of the totality of the proofs of claims and the estates' overall claims liability in relation to assets so that distributions to creditors can be made and the estates closed.

In this regard, R.C. §3903.42 governs the priority of the distribution of claims from an insurer's estate. Under the statute:

The priority of distribution of claims from the insurer's estate shall be in accordance with the order in which each class of claims is set forth in this section. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment.

R.C. § 3903.42 establishes nine (9) classes of claims that must be paid in priority order. Within a class, all claims are paid equal pro-rata shares if there are insufficient assets to pay the class in full. The classes are fully defined in R.C. § 3903.42. To highlight some examples, the first priority is payment of the administrative expenses of the estate; followed by the payment of claims arising under the policies or contracts of insurance written by the company (including claims paid by the insurance guaranty associations as described more fully below). The third priority is claims of the federal government. The last priority is payment to the owners of the company.

EXHIBIT A

**III. STATUS OF ASSET RECOVERY**

As of December 31, 2011, the Credit General Insurance Company Estate had \$102,679,220.78 in assets. As of December 31, 2011, the Credit General Indemnity Company Estate had \$10,939,462.64 in assets. The largest assets collected to date in both Estates remain over \$124,729,626 in reinsurance recoveries, the majority of which was collected after 2008, as well as \$22,982,631 in premiums and \$11,783,725.80 collectively under various settlement agreements.

Although the Liquidator has collected the vast majority of assets in the Credit General Estates, the Liquidator has not completed all asset recovery. The Liquidator is still engaged in pursuing certain reinsurance recoveries, which must be completed before any final distribution of assets to claimants in the liquidation may occur.

**IV. STATUS OF CLAIMS**

**A. Summary of Claims Liabilities**

The Credit General Insurance Company Estate has \$313,059,673.43 in total Class 2 liabilities (not including reserves) as of December 31, 2011. The Credit General Indemnity Company Estate has \$67,016,697.26 in total Class 2 liabilities (not including reserves) as of December 31, 2011. These numbers will increase because the Liquidator continues to value Class 2 proofs of claims, in particular the claims of the participating insurance guaranty funds, and the insurance guaranty funds continue to pay claims. Neither Estate has valued proofs of claims in Classes 4 through 9 because there are insufficient assets to pay Class 2 in full. *See* R.C. §3903.42, *supra*.

EXHIBIT A**B. Status of Credit General Policyholder Level Claim Files Administered By Insurance Guaranty Funds**

Prior to liquidation, Credit General wrote various lines of business throughout the United States, including principally long-tail workers' compensation insurance. As a result, Credit General's liquidation proceedings have actively involved insurance guaranty funds ("IGAs") from all 50 of the United States, each of which became statutorily obligated upon liquidation to administer, process and pay Credit General's Class 2 (policyholder level) claims up to each IGA's applicable statutory limits. In turn, the IGAs have Class 1 and Class 2 claims against the Credit General Liquidation Estates. See R.C. §3903.42(A).

In nearly all states, the IGA coverage limit is \$300,000 with some states having higher limits. However, there are generally no statutory caps and policy limits whatsoever on workers' compensation claims. As a result, Credit General's liquidation process is extended and complicated in part by numerous long tail workers' compensation claims that necessarily remain at the IGAs that are paying the claims. Some of these workers' compensation claims are for catastrophic injury and lifetime awards.

As of the time of this Report, the IGAs have made substantial progress in paying and closing policyholder level claims. As of February 29, 2012, there were a total of 404 open Credit General Insurance Company claims remaining at thirty-five (35) IGAs, and a total of 198 open Credit General Indemnity Company claims remaining at two (2) IGAs. Except for four (4) open claims in Credit General Insurance Company, the open IGA claims involve workers' compensation claims. The number of open claims will shrink as claim files are closed by the IGAs and returned to the Liquidator. This will in turn allow the Liquidator to resolve associated proofs of claim on a rolling basis. Together, the 602 open policyholder level claim files in both Estates (down from 644 as of June 21, 2011) represent only 2.2% of the claim files open at the

EXHIBIT A

time the liquidations. Thus, the Liquidator and the IGAs have fully and finally resolved over 97% of policyholder level claims.

**C. Status of Insurance Guaranty Funds' Proofs of Claims**

As referenced above, IGAs pay policyholder claims long before resolution of the ultimate financial condition of the liquidating insurer's estate. The IGAs also pay claims seeking the return of unearned premium ("UEP Claims"). In turn, IGAs are granted Class 1 and Class 2 priority claim status in the liquidation estate. *See* R.C. §3903.42. Class 1 claims include the IGAs' reasonable expenses in handling claims. *See* R.C. §3903.42(A). The IGAs' Class 2 claims include all insured loss claims paid by the IGAs and covered UEP claims. *See* R.C. §3903.42(B). In this case, as in others where there is guaranty fund protection, the proofs of claim filed on behalf of the IGAs are the largest claims against the estates. The Liquidator reviews these proofs of claim, which review includes confirming the claims and expenditures of the IGAs who are handling the claims after Credit General's liquidation.

**1. IGA Class 1 Administrative Expense Claims**

As of December 31, 2011, the IGAs reported that they have collectively incurred \$28,086,317.10 in Credit General Insurance Company and \$6,364,407.38 in Credit General Indemnity Company in Class 1 administrative expenses, which forms the basis for the IGAs' Class 1 proofs of claims against the Credit General estates. *See* R.C. §3903.42(A).

In 2010, the Credit General Liquidator made her first payments to the IGAs on these claims. In July 2010 and December 2010, the Liquidator paid to the IGAs a total of \$24,832,488.31 in Credit General Insurance Company and \$4,115,960.04 in Credit General Indemnity Company as partial distributions on the IGAs' Class 1 claims. These payments represented 100% of the IGAs Class 1 claims as of December 31, 2009.

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An additional \$5,502,276.13 in IGA administrative expenses have been reported since the 2010 partial distributions. The Liquidator hopes to make an additional payment to the IGAs on their Class 1 claims in or around October 2012.

**2. IGA Class 2 Proofs of Claims – Policyholder Level Loss and Allocated LAE**

As of December 31, 2011, the IGAs reported that they have collectively paid \$295,825,972.83 in Class 2 (policyholder level) claims (loss and allocated LAE) in the Credit General Insurance Company estate and \$65,166,344.37 in Class 2 (policyholder level) claims (loss and allocated LAE) in the Credit General Indemnity Company estate, which forms the basis for the IGAs' Class 2 proofs of claims against the Credit General estates. However, this amount will increase as the IGAs continue to pay claims and expenses where they still have open claims. The Liquidator recently discussed with the IGAs a plan that would permit the Liquidator and the IGAs to reach agreement on the value of the open claims, with the goal to finalize the Liquidator's liability to the IGAs on the remaining 2% of open claim files and facilitate the Credit General closing plan.

**3. IGA Class 2 Proofs of Claims – Unearned Premium**

Since the last status report, the Liquidator completed her review and certification to the IGAs of all remaining unearned premium claims in February 2012. At that time, the Liquidator certified an additional \$2,226,287.84 in unearned premium claims against Credit General Insurance Company and an additional \$314,481.49 in unearned premium claims against Credit General Indemnity Company, for a total of \$2,540,769.33. As of December 31, 2011, the IGAs reported that they have collectively paid \$6,265,376.86 in Class 2 UEP claims in the Credit General Insurance estate and \$815,876.80 in Class 2 UEP claims in the Credit General Indemnity estate during the life of the liquidations. This amount will increase as the IGA's review of the

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Liquidator's recent certifications and reports of expenses and payments of those UEP claims continues.

**D. Status of Class 2 Proofs of Claims Administered by the Liquidator**

In total, the Liquidator's Claims Department records show that in the Credit General Insurance Company liquidation proceeding, the Liquidator received 15,939 proofs of claims from various classes of claimants as of the Absolute Final Bar Date, of which 12,387 were timely filed. To date, the Liquidator has adjudicated/determined through the issuance of determination letters 12,667 of the 15,939 total proofs of claims pursuant to R.C. §3903.35, *et seq.*

In total, the Liquidator's Claims Department records show that in the Credit General Indemnity Company liquidation proceeding, the Liquidator received 2,584 proofs of claims from various classes of claimants as of the Absolute Final Bar Date, of which 2,436 were timely filed. To date, the Liquidator has adjudicated/determined through the issuance of determination letters 2,074 of the 2,584 total proofs of claims pursuant to R.C. §3903.35, *et seq.*

**1. Liquidator Class 2 Proofs of Claims – Policyholder Level Loss and Allocated LAE**

Many of the Class 2 policyholder level proofs of claims are "claim file related," which means they arise out of a pre-liquidation Class 2 policyholder level claim. As explained in Section IV.B. *supra*, virtually all of the remaining open IGA claims in the Credit General liquidation are workers' compensation claims that will be handled by the IGAs<sup>1</sup> and not the Liquidator. Other Class 2 proofs of claim are unearned premium claims and are discussed further in Section IV.D.2, *infra*.

In November 2011, the Liquidator issued determination letters to claimants with workers' compensation related proofs of claims notifying them that their Class 2 proofs of claims in the

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<sup>1</sup> Coverage and payment of the claim is the responsibility of the applicable IGA.

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Credit General liquidation were being denied and valued at zero (\$0) because the coverage and payment of their workers' compensation claims is the responsibility of the IGA instead of the Liquidator. The Liquidator did not receive any objections to these denials.

There are some Class 2 policyholder claims that, for one reason or another, are not covered in whole or in part by IGAs ("non-IGA Class 2 claims"). The Liquidator has the responsibility to administer and adjudicate non-IGA Class 2 claims arising under Credit General insurance policies or bonds. In addition to the Class 2 liability to IGAs, the Credit General Insurance Company Estate has \$9,071,887.91 in allowed non-IGA Class 2 (policyholder level) claims (loss and allocated LAE) as of December 31, 2011. The Credit General Indemnity Estate has \$964,947.23 in allowed non-IGA Class 2 (policyholder level) claims (loss and allocated LAE) as of December 31, 2011. Together, these liabilities equal \$10,036,835.14 as of December 31, 2011.

**2. Liquidator Class 2 Unearned Premium, Other Return Premium Claims**

As referenced above, IGAs cover most unearned premium ("UEP") claims and, in turn, have Class 2 claims against the estates for the amounts of the claims paid. As with loss claims, however, there are circumstances under which an IGA does not cover and pay, in whole or in part, a UEP claim. In those circumstances, the claim is returned to the Liquidator to administer, adjudicate and determine under R.C. §3903.42. The IGAs are still in process of reviewing the Liquidator's certifications of UEP claims and determining which of those claims are covered by the IGAs and which of those claims should be returned to the Liquidator. Once that process is complete, the Liquidator will begin to issue determination letters of the UEP proofs of claims. The total liability for UEP claims (IGA and non-IGA) will be known at the point in time when the 60-day statutory objection period for the Liquidator's determinations of UEP claims expires

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and/or all timely objections are resolved. The IGAs and the Liquidator are aggressively working toward a December 31, 2012 completion date for the completion of all UEP proofs of claim. However, unforeseen events may require an extension of the completion date. An extension of the December 31, 2012 completion date will materially impact the current closing plan and likely extend it past 2013.

**3. Status of Class 3 Claims of the Federal Government and the Federal Release**

Among the various classes of claims established under R.C. §3903.42, “Class 3” claims are limited to claims of the federal government. *See* R.C. §3903.42(C). The United States filed two proof of claim forms against the Credit General Insurance Company Estate and one proof of claim form against the Credit General Indemnity Company Estate, including one “blanket” (unspecified and unstated) proof of claim in an unstated amount in each of the Credit General Estates. In all liquidation cases, the Liquidator obtains a release from the United States prior to making any final distributions.<sup>2</sup> To review the Liquidator’s request for a federal release, the United States requires that the Liquidator prepare a comprehensive “release submission package,” including an affidavit and other documents, for its review and determination as to whether it has any specific claims against the liquidation estate. Once the federal government’s review is complete, the Liquidator and the United States enter into a standard Release Agreement to facilitate distributions and ultimate closure of the estate. The Release Agreement provides for a release of the Liquidator and the liquidation estate from any and all liability under §31 U.S.C. §3713(b), subject to the terms and conditions therein.

The Liquidator submitted her federal release submission packages in this case to the United States Department of Justice on April 27, 2012. The Release Agreement must be executed and filed for court approval no later than June 30, 2013 in order for the Liquidator to

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<sup>2</sup> All receivers or liquidators of insolvent U.S. insurers follow this process as a best practice.

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file a motion requesting approval to make a final distribution to allowed claimants and proceed to close the estates.

**E. Status of Proofs of Claims in Classes 4 through 9**

The Liquidator issued determination letters at various points in time on and prior to March 30, 2012, to the vast majority of claimants with proofs of claims Classes 4 through 9, as defined in R.C. §3903.42. Objection periods vary, but all of the objection periods on Determination Letters issued prior to March 30, 2012 will expire by the end of May 2012.

On or near June 30, 2012, the Liquidator will file her first report under R.C. §3903.43 of proofs of claims where no timely objection to the classification is filed. At that time, the Liquidator will also request that this Court set dates for objection hearings under R.C. §3903.39 for any unresolved timely objection she has already received or that she receives prior to the latest statutory objection date in May.

There are a handful of remaining proofs of claims in Classes 4 through 9 that are simply not ripe for adjudication (for example, because the claim is in run-off or in issue in separate bankruptcy proceedings). The Liquidator hopes to be able to issue determination letters on those remaining proofs of claims within the current closing plan.

**V. CLOSING THE ESTATE**

The liquidation process often takes 15 years or more when the liabilities include long tail claims and when significant asset recovery litigation occurs. Although the Liquidator cannot precisely determine the Estate's exact claims liability and correspondingly the exact distribution percentage until all remaining claims and other active matters in the liquidation are finally resolved, the Liquidator is making an effort to expedite closure of the Credit General estates. The Liquidator is also making efforts to try to provide claimants with good faith estimates of the

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time in which the Liquidator hopes to close the mature estates and make a final distribution to claimants other than IGAs and, when possible, a preliminary distribution percentage estimate based on current projections of assets and liabilities. This new practice of posting good faith estimates in mature estates when appropriate is part of this Liquidator's commitment to the creditors of the estates we manage. This information is provided because it might be useful to consumers or lead to more informed consumer decisions, such as, for example, in the event consumers are approached by claims buyers. In all circumstances, however, all persons receiving this information must be aware that the good faith estimates are estimates, and that they are based upon information and the circumstances known at the precise time they were made which is subject to change. The underlying facts and circumstances upon which the good faith estimates are based, and therefore the good faith estimates and the actual distribution percentages that will be made years from now, are subject to change.

As of and effective April 30, 2012, the Liquidator estimates in good faith that she will file a motion for authority to make one final distribution to claimants in or after 2013, depending on the time in which the Liquidator can complete the tasks outlined above, many of which involve other parties the Liquidator does not control and her other obligations. The Liquidator further *presently estimates* in good faith that she will pay 100% of allowed claims in Class 1 and that, based on information available today she could pay a small percentage of allowed Class 2 claims. At this particular time, the Liquidator does not expect to make any distributions to claimants in classes 3 through 9. These good faith estimates *are expected to change* prior to the actual distribution and closing of the Credit General estates. The actual pro-rata distributions will be reflected in the Liquidator's Motion for Order Approving Final Report of Claims to be filed at or near the time if the final distribution of assets of Credit General. Interested persons

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may check the Liquidator's website [www.ohliq.com](http://www.ohliq.com) -> Open Liquidations -> Credit General  
Ins Co-> Documents and [www.ohliq.com](http://www.ohliq.com) -> Open Liquidations -> Credit General Ind Co.->  
Documents to see key documents and monitor these liquidation cases.

Respectfully submitted,

MIKE DEWINE  
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By Outside Counsel:  
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*/c/ Valoria C. Hoover*

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*Attorneys for Mary Taylor, in her capacity as Liquidator of  
Credit General Insurance Company and Credit General  
Indemnity Company*

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and accurate copy of the foregoing Report on the Status of Liquidation was emailed to the persons on the attached CGIC Courtesy Copy E-Mail List and served upon the following via Regular Mail, postage prepaid, on this 7th day of May, 2012:

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