

**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,	:	
	:	
Plaintiff,	:	Case No. 00 CVH 11-9867
	:	
v.	:	Judge Mark Serrott
Credit General Insurance Company, et al.,	:	
	:	
Defendants.	:	

**MOTION FOR APPROVAL OF LIQUIDATOR’S REPORT OF INDEPENDENT AUDITORS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

Mary Taylor, Ohio Superintendent of Insurance, in her capacity as Liquidator of Credit General Insurance Company (“CGIC”), requests this Court to approve her Report of Independent Auditors for the years ended June 30, 2014 and 2013, which is attached as Exhibit A and incorporated by reference into this Motion.

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:

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*Attorney for Mary Taylor, in her capacity as Liquidator of Credit General Insurance Company*

**MEMORANDUM IN SUPPORT OF MOTION**

Pursuant to R.C. Section 3903.18(A), this Court's January 5, 2001 Order to liquidate the business of Credit General Insurance Company ("CGIC") appointed Plaintiff, Ohio Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of CGIC and to administer those assets under the general supervision of this Court. As provided in R.C. Section 3903.18(E), the Order also requires 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 30<sup>th</sup> and December 31<sup>st</sup> of the year (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the CGIC liquidation estate, for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to 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. Pursuant to the Administrative Operating Procedure Updated Effective January 1, 2011, which was approved in this case on January 6, 2011, the retention of independent auditors is

reassessed no less frequently than every five years, and modified based on upon responses to requests for proposals (RFPs). The last RFP was issued in 2011. As a result of the responses received from several public accounting firms, the Liquidator engaged Maloney + Novotny LLC to perform the audits. The Liquidator requested the auditing firm to render an opinion in its audit reports 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.

Maloney + Novotny LLC has completed its audits of the statements of cash and invested assets of CGIC as of June 30, 2014 and 2013 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2014 and 2013. Maloney + Novotny LLC issued the Report 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 CGIC at June 30, 2014 and 2013 and cash receipts and cash disbursements for the years ended June 30, 2014 and 2013.

By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2014 and 2013 (the "Report"), attached as Exhibit A.

Respectfully submitted,

**MIKE DEWINE**  
**Attorney General State of Ohio**

By Special Counsel:

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*Attorney for Mary Taylor, in her capacity as Liquidator of  
Credit General Insurance Company*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and accurate copy of the foregoing *Motion for Approval of Liquidator's Report of Independent Auditors for the Years Ended June 30, 2014 and 2013* was posted on the Liquidator's website ([www.ohliq.com](http://www.ohliq.com)) substantially contemporaneous with the filing of this *Motion*. The undersigned hereby certifies that a true and accurate copy of the foregoing Motion was emailed to the persons on the attached Credit General Insurance Company Courtesy Copy E-Mail List and served upon the following via Regular Mail, postage prepaid, on this 9th day of September, 2014:

Lynn Berg  
Anchor Claims Management  
P.O. Box 819045  
Dallas, TX 75381-9045

Sean C. Logan, Esq.  
Annapolis Consulting Group LLC  
2530 Riva Road, Suite 400  
Annapolis, MD 21401  
*PRS Trustee*

Wayne D. Wilson  
Executive Director  
CA Insurance Guarantee Assn.  
P.O. Box 29066  
Glendale, CA 91209-9066

/s/ Valoria C. Hoover  
Valoria C. Hoover (0059596)

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

David H. Levitt	<a href="mailto:dlevitt@hinshawlaw.com"><u>dlevitt@hinshawlaw.com</u></a>
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**OFFICE OF THE OHIO  
INSURANCE LIQUIDATOR  
CREDIT GENERAL  
INSURANCE COMPANY,  
IN LIQUIDATION**

**FINANCIAL REPORT**

**JUNE 30, 2014 and 2013**

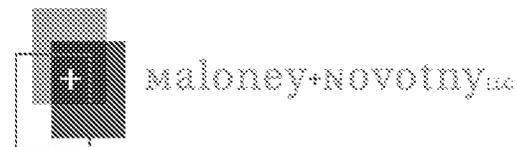
OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
CREDIT GENERAL INSURANCE COMPANY,  
IN LIQUIDATION

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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 financial statements of Credit General Insurance Company, in Liquidation ("Estate"), which comprise the statements of cash and invested assets arising from cash transactions of Credit General Insurance Company, in Liquidation as of June 30, 2014 and 2013, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2014, and the related notes to the financial statements.

### **Office of the Ohio Insurance Liquidator's Responsibility for the Financial Statements**

The Office of the Ohio Insurance Liquidator is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court. The Office of the Ohio Insurance Liquidator is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Office of the Ohio Insurance Liquidator, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

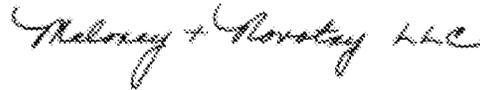
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Credit General Insurance Company, in Liquidation as of June 30, 2014 and 2013, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2014 in accordance with the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court as described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Office of the Ohio Insurance Liquidator in accordance with the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter. The financial statements are not intended to be a complete presentation of the Estate's assets and liabilities.

**Restriction on Use**

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



Cleveland, Ohio  
August 27, 2014

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

EXHIBIT A

STATEMENTS OF CASH AND INVESTED ASSETS

June 30, 2014 and 2013

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	<u>2014</u>	<u>2013</u>
Cash	\$ 20,907	\$ 21,605
Invested assets	<u>105,410,230</u>	<u>105,250,693</u>
	<u>\$105,431,137</u>	<u>\$105,272,298</u>

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
CREDIT GENERAL INSURANCE COMPANY,  
IN LIQUIDATIONEXHIBIT A

## STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year Ended June 30, 2014

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CASH AT JULY 1, 2013	\$ 21,605
<b>CASH RECEIPTS</b>	
Net investment proceeds from money market funds	1,639,264
Net investment proceeds from certificates of deposit	250,000
Interest and dividend income (including interest paid on bonds)	105,244
Reinsurance recoveries	677,640
Salvage and subrogation recoveries	7,904
Proceeds from the sale of assets	4
Recoveries under high deductible policies	79,316
Other income	4,152
Total cash receipts	<u>2,763,524</u>
<b>CASH DISBURSEMENTS</b>	
Net investment purchases in bonds	1,877,286
Salaries, wages and employee benefits	646,470
Professional fees	33,134
General and administrative expenses	194,033
Reorganization and consolidation of records	13,299
Total cash disbursements	<u>2,764,222</u>
CASH AT JUNE 30, 2014	<u>\$ 20,907</u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

**Note 1. Background and Basis of Presentation**

Ohio Revised Code Chapter 3903 contains the Insurers' Supervision, Rehabilitation and Liquidation Act (the "Act"). The Act governs all aspects of an insurance company's rehabilitation or liquidation (sometimes referred to as receivership) resulting from insolvency.

When the Ohio Superintendent of Insurance, as regulator, determines that an Ohio-domiciled insurer is insolvent or is operating in a financially hazardous manner, the Superintendent files a Complaint in the Franklin County, Ohio Common Pleas Court ("Liquidation Court") for a court order placing the company into rehabilitation or liquidation. If the Court agrees with the Complaint, the Court enters a rehabilitation or liquidation order appointing the Superintendent of Insurance in the separate fiduciary capacity of Rehabilitator or Liquidator ("receiver") of the company, empowered to act on behalf of the creditors of the Estate to secure, marshal and eventually rehabilitate or liquidate the company's assets.

Credit General Insurance Company ("Company") was placed in liquidation on January 5, 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 statements of cash and invested assets include 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 statements 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 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 of America and, accordingly, the statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**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.

Money market funds and certificates of deposit are recorded at cost, which approximates fair value, and Federal Government bonds are recorded at amortized cost.

At June 30, 2014 and 2013, invested assets and their carrying values consisted of the following:

	2014 Carrying Value	2013 Carrying Value
	<u>                    </u>	<u>                    </u>
Money market funds	\$ 1,193,842	\$ 2,833,107
Federal Government bonds at amortized cost	104,216,388	102,167,586
Certificates of deposit	<u>                    -</u>	<u>                  250,000</u>
	<u><u>\$105,410,230</u></u>	<u><u>\$105,250,693</u></u>

**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, 2014 and 2013 was \$15,000 and \$2,979,895, respectively. During the course of the Liquidation, the Department of Labor released a statutory deposit in the amount of \$99,895 to the Liquidator. The Massachusetts Insurance Guaranty Association received, as part of settlement, \$2,865,000 in statutory deposits to reimburse ancillary and IGA paid losses, LAE and administrative costs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Reinsurance Recoveries**

In May of 2008, consultants working on reinsurance collections for the Credit General Insurance ("Insurance") and Credit General Indemnity ("Indemnity") estates began to split their charges for fees and expenses 90/10 to Insurance and Indemnity, respectively. As a result, most reinsurance recoveries on and after May 2008 under reinsurance contracts covering both Insurance and Indemnity are split on a 90/10 basis. The reinsurance recoveries listed in the statement of cash receipts and cash disbursements for the year ended June 30, 2014 were \$677,640. These amounts are net of the monies transferred to the Indemnity estate.

**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 Chapter 3903, et seq.

**Note 6. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and the disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 27, 2014, which is the date that the financial statements were available to be issued. No material subsequent events were noted.