

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of  
Insurance, in her capacity as Liquidator of  
Acceleration National Insurance Company,

Plaintiff,

v.

Acceleration National Insurance Company,

Defendant.

Case No. 00CVH-11-10534

Judge Julie M. Lynch

**MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING  
FOR THE PERIOD OF JULY 1, 2009 TO DECEMBER 31, 2009**

Plaintiff, Mary Jo Hudson, in her capacity as Liquidator of Acceleration National Insurance Company ("ANIC"), moves this Court for an Order approving the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2009 to December 31, 2009, as set forth in the attached Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,

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## MEMORANDUM IN SUPPORT

This motion is brought by the Liquidator requesting that this Court approve the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2009 to December 31, 2009 (the "Statement"). The Statement is described and set forth in the attached Exhibit A.

By Order of this Court entered on February 28, 2001, the Ohio Superintendent of Insurance was appointed Liquidator of Acceleration National Insurance Company ("ANIC"), and was empowered, authorized and directed to liquidate all of the property and assets of ANIC in accordance with the laws of Ohio and under the continuing jurisdiction of this Court. As part of the liquidation and pursuant to the Orders of Liquidation and Ohio Revised Code Chapter 3903, the Liquidator undertakes to collect all debts and moneys due to ANIC, and makes payment of necessary expenses. The Liquidation Order and O.R.C. 3903.21(A)(4) provide, in pertinent part, that the Liquidator may:

Pay reasonable compensation to persons appointed and defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of the insurer.

Section 3903.42(A) of the Ohio Revised Code provides that the expenses of administration be given first priority in the distribution of assets.

The Liquidator is also required by R.C. 3903.18(E) to periodically account to the Court, throughout the pendency of ANIC's liquidation proceedings, to be submitted in the form attached hereto as Exhibit A. Such accountings may assist the Court in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in ANIC's liquidation proceedings.

Since 2008, the Liquidator has made required changes in many areas aimed at preserving and utilizing estate assets for the benefit of the estate's creditors and substantially reducing and controlling costs. In particular, the Liquidator has taken steps to increase efficiencies in, and reduce costs associated with, the use of outside counsel and consultants. In 2009, the Liquidator reduced outside

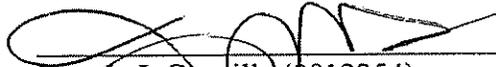
counsel legal expenses in this estate by 90% of the total expenditure for legal expenses in 2008, and reduced outside consultant expenses by nearly 75% of the 2008 consultant expenditure.

The Liquidator will continue to take steps to reduce and control costs and continue to investigate ways to improve efficiencies in the liquidation process and implement other procedures that are aimed at conserving estate assets for timely distributions to policyholders and creditors.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests the Court to approve ANIC's Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2009 to December 31, 2009, as set forth in the attached Exhibit A.

Respectfully submitted,  
RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
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*Attorneys for Mary Jo Hudson, in her capacity as Liquidator  
of Acceleration National Insurance Company*

**EXHIBIT A**

*July 1, 2009 to December 31, 2009*

ACCELERATION NATIONAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE FEBRUARY 28, 2001  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM FEBRUARY 28, 2001 THROUGH DECEMBER 31, 2009

	Current Period 7/1/2009 TO 12/31/2009	YTD 1/1/2009 TO 12/31/2009	CUMULATIVE FROM 2/28/2001
Beginning Cash & Invested Assets (Note 1)	13,224,933.30	13,312,987.24	3,527,972.02
Receipts:			
Interest Income (Note 2)	5,204.23	41,140.96	2,914,792.48
Premiums Collected	0.00	0.00	1,630.70
Reinsurance Recoveries (Note 3)	1,759.60	7,261.74	11,751,059.76
Salvage & Subrogation	0.00	0.00	847,217.52
Reimbursement of Losses Paid	0.00	0.00	1,669.58
Return of Overpymt. - NJ Unsat. Claim & Judgment Fd.	0.00	0.00	23,082.63
Recovery From Various Guaranty Associations	0.00	0.00	26,437.99
Recovery of Statutory Deposit	0.00	0.00	287,000.00
Recovery of Insured's Policy Deductible	0.00	0.00	8,144.90
Proceeds from Adner Enterprises, Inc. Settlement	0.00	0.00	50,522.82
Proceeds from First Commercial Holdings, Inc. Settlement	0.00	0.00	13,080.53
Proceeds from The Hartford Insurance Co. - D & O Settlement	0.00	0.00	250,000.00
Recovery of Preference Payments	0.00	0.00	655,694.14
Refund of General Operating Expenses (Note 4)	27.48	27.48	27.48
Tax Refunds	0.00	0.00	193,765.24
Other Income (Note 5)	1.29	26.83	15,315.99
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	284.30
Replacement of Ancillary Deposits - Funds Returned	0.00	0.00	605,578.12
Proceeds from Closed Bank Account - Uncashed Checks on Loss & LAE	0.00	0.00	42,541.98
<b>Total Receipts</b>	<b>6,992.60</b>	<b>48,457.01</b>	<b>17,687,846.16</b>
Disbursements:			
Compensation			
Salaries (Note 6)	89,712.04	170,339.38	1,049,472.37
Employee Benefits (Note 7)	12,572.75	25,328.78	153,939.72
Payroll & Other Taxes (Note 8)	6,204.22	12,683.90	82,498.29
Professional Fee			
Legal Fees	0.00	0.00	736,837.81
Consulting Fees and Other Outside Contracts (Note 9)	1,412.71	2,115.34	1,572,710.85
Tax Preparation & Audit Fees (Note 10)	6,746.17	7,050.17	165,299.41
Ohio Department of Insurance - Examiner Fees	0.00	0.00	25,716.36
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 11)	18,826.26	35,658.26	257,483.74
Maintenance / Repair - Facility and FF & E (Note 12)	216.98	425.92	5,846.33
Travel and Travel Items (Note 13)	511.29	1,068.82	73,225.63
Postage, Freight, Telephone and Internet (Note 14)	1,280.37	1,702.74	34,456.78
Office Supply Expense (Note 15)	207.79	640.64	8,936.26
Data Processing (Note 16)	207.65	749.48	77,163.36
Banking and Investment Expense	2,790.30	3,540.74	20,277.07
Moving and Relocation Costs	0.00	0.00	5,083.40
Warehouse Consolidation Project Expenses (Note 17)	4,357.81	8,166.39	8,166.39
Other Expenses (Note 18)	4,848.72	5,829.18	180,520.96
All Other Disbursements:			
Additional Cost - Replacement of Ancillary Deposits	0.00	4,830.45	636,109.15
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	5,163,361.37
<b>Total Disbursements</b>	<b>149,895.06</b>	<b>280,130.19</b>	<b>10,257,105.25</b>
Security Amortization for the Period	64.25	64.25	(96,749.42)
Encumbered Cash Accounts (Statutory Deposit) - OR	228.74	945.52	305,843.01
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	1,978,276.69
Short Term Investment - Book Value Adjustment	0.00	0.00	(63,759.38)
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>13,082,323.83</b>	<b>13,082,323.83</b>	<b>13,082,323.83</b>

See Schedule A for Analysis of Increase in Cash and Invested Assets (Unencumbered)

ACCELERATION NATIONAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE: FEBRUARY 28, 2001  
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)  
For the Period July 1, 2009 through December 31, 2009

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 7/01/09	13,232,088.99
Decrease in Cash and Invested Assets (Unencumbered)	(142,838.21)
<b>Actual decrease in Cash and Invested Assets (Unencumbered)</b>	<u>(142,838.21)</u>
Increase in Cash (Encumbered)	228.74
Decrease in Non Cash Assets (Encumbered) - Includes Premium/(Discount) on Reinvestment	(71.77)
<b>Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/09</b>	<u><u>13,089,407.75</u></u>

Acceleration National Insurance Company, in Liquidation  
 Liquidation Date February 28, 2001  
 Notes to Statement of Cash Receipts and Disbursements  
 For the Period July 1, 2009 through December 31, 2009

Note 1	Cash and Invested Assets	Beginning Balance 7/1/2009	Ending Balance 12/31/2009
<b>Unencumbered Cash &amp; Invested Assets</b>			
	Cash	12,967.35	74,528.14
	U.S. Government Obligations	0.00	8,893,369.41
	JP Morgan Funds - Money Market	12,906,351.68	3,808,583.27
	<b>Total Unencumbered Cash &amp; Invested Assets</b>	<b>12,919,319.03</b>	<b>12,776,480.82</b>
	Cash Encumbered	305,614.27	305,843.01
	<b>Subtotal</b>	<b>13,224,933.30</b>	<b>13,082,323.83</b>
<b>Encumbered Non Cash Assets</b>			
	Statutory Deposits (C)	7,155.69	7,083.92
	<b>Total Encumbered Non Cash Assets</b>	<b>7,155.69</b>	<b>7,083.92</b>
	<b>Total Cash and Invested Assets and Non Cash Assets</b>	<b>13,232,088.99</b>	<b>13,089,407.75</b>

Statutory Deposits (C)

These assets are held by various state insurance departments as statutory deposits for the benefit of creditors in their states. It is uncertain whether all or any portion of such assets will be returned to the Liquidator.

State	Cusip # Description	Where Deposited	PAR Value	Offset Early Access	Remaining Value PAR / Amort. *
*AR	912828-AD-2	Regions Bank	100,000.00	(72,752.13)	27,247.87
*AR	912827-7E-6	Regions Bank	225,000.00	(163,692.29)	61,307.71
*AZ	Evergreen M/M Fund Cusip 299920439	US Bank	850,000.00	(77,190.36)	772,809.64
*NM	912828-HS-2	Bank of Albuquerque	350,000.00	(273.57)	350,531.78
*SC	912827-7K-2	Wachovia Bank	300,000.00	(42,036.76)	257,963.24
*SC	912827-7E-6	Wachovia Bank	200,000.00	(28,024.50)	171,975.50
*LA	CD #0860057057301	JP Morgan Chase Bank	20,000.00	(15,116.06)	4,883.94
*LA	CD #0860057057302	JP Morgan Chase Bank	50,000.00	(37,790.15)	12,209.85
			<b>2,095,000.00</b>	<b>(436,875.82)</b>	<b>1,658,929.53</b>

*Georgia - Interest Income Withheld	7,083.92
Arizona - market value retainage	10,000.00
Arizona - interest income withheld	130,097.21
South Carolina - Special Interest Withheld	9,375.00
<b>Balance per General Ledger</b>	<b>1,815,485.66</b>

Additional Early Access Offset - Special Deposit:

*AR	912828-AD-2	Regions Bank	(27,247.87)
*AR	912827-7E-6	Regions Bank	(61,307.71)
*AZ	Evergreen M/M Fund Cusip 299920439	US Bank	(772,809.64)
*NM	912828-HS-2	Bank of Albuquerque	(350,531.78)
*SC	912827-7K-2	Wachovia Bank	(257,963.24)
*SC	912827-7E-6	Wachovia Bank	(171,975.50)
*LA	CD #0860057057301	JP Morgan Chase Bank	(4,883.94)
*LA	CD #0860057057302	JP Morgan Chase Bank	(12,209.85)
			<b>(1,658,929.53)</b>

Other Adjustments:

AZ	Market Value Retainage	(10,000.00)
AZ	Interest Income Withheld	(130,097.21)
SC	Interest Income Withheld	(9,375.00)

**Ending Balance As of December 31, 2009 - Georgia Interest Income Withheld** **7,083.92**

**Acceleration National Insurance Company, In Liquidation**  
**Liquidation Date February 28, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

<b>Note 2</b>	<b><u>Interest Income</u></b>	
	Interest Paid on Bonds	(6,597.20)
	Interest on CD	69.84
	Interest on Bonds Held as Statutory Deposit	3,500.00
	Interest- Money Market Fund	8,231.59
		<u>5,204.23</u>
<b>Note 3</b>	<b><u>Reinsurance Recoveries</u></b>	
	Recovery from Willis Re, Inc.	1,759.60
		<u>1,759.60</u>
<b>Note 4</b>	<b><u>Refund of General Operating Expenses</u></b>	
	American Electric Power	10.10 *
	Columbia Gas	17.38 *
		<u>27.48</u>
	* Refund of Utility Costs Due to Warehouse Consolidation	
<b>Note 5</b>	<b><u>Other Income</u></b>	
	FUTA Tax Refund	1.29
		<u>1.29</u>
<b>Note 6</b>	<b><u>Salaries</u></b>	
	Chief Deputy Liquidator	3,645.21
	Deputy Liquidators	7,352.00
	Employee Salaries	78,714.83
		<u>89,712.04</u>
<b>Note 7</b>	<b><u>Employee Benefits</u></b>	
	Salaries 401K Employer Contribution	2,023.84
	Employee Insurance Benefits	8,979.02
	Employee Related Expense - Other	1,569.89
		<u>12,572.75</u>
<b>Note 8</b>	<b><u>Payroll &amp; Other Taxes</u></b>	
	Workers Compensation Insurance	354.07
	State Unemployment Tax	4.74
	Federal Unemployment Tax	0.81
	FICA Tax	5,844.60
		<u>6,204.22</u>

**Acceleration National Insurance Company, In Liquidation**  
**Liquidation Date February 28, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

<b>Note 9</b>	<b><u>Consulting Fees and Other Outside Contracts</u></b>	
	ADP-Process Liquidation Payroll	247.36
	Centracomm-IT Consultants	56.70
	RASP Consulting-IT Consultant	1,108.65
		<u>1,412.71</u>
<b>Note 10</b>	<b><u>Tax Preparation and Audit Fees</u></b>	
	<b><u>Tax Preparation &amp; Audit Fees</u></b>	
	Schneider Downs and Company, Inc - Tax & Audit	6,723.74
	<b>Subtotal Tax Preparation &amp; Audit Fees</b>	<u>6,723.74</u>
	<b><u>Tax Preparation &amp; Audit Expenses</u></b>	
	Schneider Downs and Company, Inc - Tax & Audit	22.43
	<b>Subtotal Tax Preparation &amp; Audit Expenses</b>	<u>22.43</u>
	<b><u>Total Tax Preparation &amp; Audit Fees and Expenses</u></b>	<u>6,746.17</u>
<b>Note 11</b>	<b><u>Rent &amp; Rent Items</u></b>	
	Rent on Leased Properties	15,776.74
	Storage Expense -Fireproof Records Center	631.96
	Rent - Other-National City Bank Safe Deposit Box	11.76
	Utilities - Gas / Electric	44.59
	Trash/Recycling	61.08
	Furniture & Equipment Rent	2,300.13
		<u>18,826.26</u>
<b>Note 12</b>	<b><u>Maintenance / Repair: Facility and FF &amp; E</u></b>	
	Corporate Office-Refrigerator repair	5.29
	Gordon Flesch Co	211.69
		<u>216.98</u>
<b>Note 13</b>	<b><u>Travel &amp; Travel Items</u></b>	
	Travel - Accommodation and Transportation	455.96
	Travel - Expenses and Meals	55.33
		<u>511.29</u>
<b>Note 14</b>	<b><u>Postage, Freight, Telephone and Internet</u></b>	
	Office Postage	276.78
	Express & Freight	543.04
	Telephone and Fax	252.18
	Internet - Internet Access	208.37
		<u>1,280.37</u>

**Acceleration National Insurance Company, In Liquidation**  
**Liquidation Date February 28, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

<b>Note 15</b>	<b><u>Office Supply Expense</u></b>	
	Office Supplies	207.79
		<u>207.79</u>
<b>Note 16</b>	<b><u>Data Processing</u></b>	
	Computer Maintenance	124.64
	Computer Supplies	83.01
		<u>207.65</u>
<b>Note 17</b>	<b><u>Warehouse Consolidation Project Expenses*</u></b>	
	Liquidation Employees Travel Expense - Mileage Reimbursement (Various Employ	37.80
	Office Supplies - Boxes, Labels and Cleaning	115.52
	Cintas - Storage Box Purchase - 5/09, 6/09 I/C correction	(3,137.10)
	Storage - FRC Storage Fees	239.12
	Destruction - FRC Destruction Fees (Court Approved Motion)	565.84
	FRC Pack & Pickup Expense / Remove & Reinstall Shelving	2,509.45
	Cintas - Permanent Removal / Storage Fees	191.46
	Destruction - Cintas Document Mgmt. Fee (Court Approved Motion)	1,818.15
	Moving Expense ( Gordon Flesch & Truck Rental / Gas)	244.83
	Leasehold Improvement - Warehouse (Paint & Power Clean)	1,853.52
	Landlord Improvement Credit	(796.95)
	Prologis - Move out / Repair of AC	427.03
	Trash & Recycling Expenses	15.86
	Temporary Help-Dawson Resources	273.28
		<u>4,357.81</u>

\* To reduce administrative expenses and conserve estate assets for the benefit of policyholders and claimants, the Liquidator elected not to renew at 6/30/2009 three (3) warehouse leases. Rather, the Liquidator repaired and re-shelved the one (1) remaining warehouse to hold records required for the ongoing administration of the the liquidation proceedings. Simultaneously, the Liquidator undertook a review of all records stored in the four (4) warehouses to determine which records of the insolvent companies should be retained for future reference, which should be placed in offsite storage, and which were no longer useful. Pursuant to R.C. 3903.48, the Liquidator sought court orders from the courts supervising the liquidation proceedings to destroy records that were determined to be no longer useful. The Liquidator also moved approximately 100,000 boxes of records to Fireproof Records Center to be held until such time as they may be destroyed pursuant to records destruction schedules approved by the courts. The Liquidator estimates that the results of this warehouse consolidation will reduce overhead expenses attributable to the closed warehouse by approx. \$169,000/year and achieve more expeditious closing of an estate.

<b>Note 18</b>	<b><u>Other Expenses</u></b>	
	Training & Seminars	2.83
	Professional and D & O / EPLIC Liability Insurance	4,664.07
	Registration & Dues	26.55
	FF & E and IT - Non Capitalized Purchases	90.34
	Books & Periodicals	21.45
	Contract Printing and Copying ( Projects )	37.88
	Storage Retrieval - Fireproof Records Center	5.60
		<u>4,848.72</u>