

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 JANUARY 1, 2010 TO JUNE 30, 2010

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 January 1, 2010 to June 30, 2010, 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,
RICHARD CORDRAY
Attorney General of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

Dennis J. Concilla (0012254)

djc@cpmlaw.com

Carl A. Aveni, II (0070664)

caa@cpmlaw.com

Scott R. Mergenthaler (00122869)

srm@cpmlaw.com

366 East Broad Street

Columbus, Ohio 43215

Telephone: (614) 228-6135

Facsimile: (614) 221-0216

FILED
COMMON PLEAS COURT
FRANKLIN COUNTY, OHIO
2010 NOV -5 PM 3:19
CLERK OF COURTS

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

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 January 1, 2010 to June 30, 2010 (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 Order 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

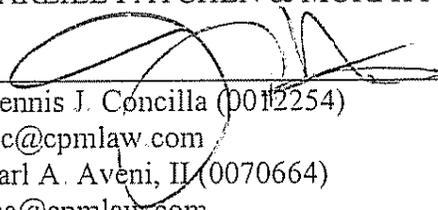
counsel legal expenses in this estate by 90% of the total expenditure for legal expenses in 2008, and reduced outside consultant expenses by nearly 75% of the 2008 consultant expenditure.

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 January 1, 2010 to June 30, 2010, as set forth in the attached Exhibit A.

Respectfully submitted,
RICHARD CORDRAY
Attorney General of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



Dennis J. Concilla (0012254)
djc@cpmlaw.com
Carl A. Aveni, II (0070664)
caa@cpmlaw.com
Scott R. Mergenthaler (00122869)
srm@cpmlaw.com
366 East Broad Street
Columbus, Ohio 43215
Telephone: (614) 228-6135
Facsimile: (614) 221-0216

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

EXHIBIT A

January 1, 2010 to June 30, 2010

ACCELERATION NATIONAL INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE FEBRUARY 28, 2001
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM FEBRUARY 28, 2001 THROUGH JUNE 30, 2010

	Current Period 1/1/2010 TO 6/30/2010	YTD 1/1/2010 TO 6/30/2010	CUMULATIVE FROM 2/28/2001
Beginning Cash & Invested Assets (Note 1)	13,082,323.83	13,082,323.83	3,527,972.02
Receipts:			
Interest Income (Note 2)	49,518.16	49,518.16	2,964,310.64
Premiums Collected	0.00	0.00	1,630.70
Reinsurance Recoveries (Note 3)	10,920.35	10,920.35	11,761,980.11
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	0.00	0.00	27.48
Tax Refunds	0.00	0.00	193,765.24
Other Income (Note 4)	47.86	47.86	15,363.85
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	284.30
Replacement of Ancillary Deposits - Funds Returned (Note 1-Ci)	491,635.12	491,635.12	1,097,213.24
Proceeds from Closed Bank Account - Uncashed Checks on Loss & LAE	0.00	0.00	42,541.98
Total Receipts	<u>552,121.49</u>	<u>552,121.49</u>	<u>18,239,967.65</u>
Disbursements:			
Compensation			
Salaries (Note 5)	65,726.27	65,726.27	1,115,198.64
Employee Benefits (Note 6)	7,651.55	7,651.55	161,591.27
Payroll & Other Taxes (Note 7)	4,547.67	4,547.67	87,045.96
Professional Fee			
Legal Fees (Note 8)	273.36	273.36	737,111.17
Consulting Fees and Other Outside Contracts (Note 9)	4,692.68	4,692.68	1,577,403.53
Tax Preparation & Audit Fees (Note 10)	806.89	806.89	166,106.30
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)	19,285.20	19,285.20	276,768.94
Maintenance / Repair - Facility and FF & E (Note 12)	112.51	112.51	5,958.84
Travel and Travel Items (Note 13)	719.81	719.81	73,945.44
Postage, Freight, Telephone and Internet (Note 14)	725.31	725.31	35,182.09
Office Supply Expense (Note 15)	256.89	256.89	9,193.15
Data Processing (Note 16)	2,260.74	2,260.74	79,424.10
Banking and Investment Expense	1,229.86	1,229.86	21,506.93
Moving and Relocation Costs	0.00	0.00	5,083.40
Warehouse Consolidation Project Expenses	0.00	0.00	8,166.39
Other Expenses (Note 17)	957.39	957.39	181,478.35
All Other Disbursements:			
Additional Cost - Replacement of Ancillary Deposits - New Mexico	2,255.86	2,255.86	638,365.01
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	5,163,361.37
Total Disbursements	<u>111,501.99</u>	<u>111,501.99</u>	<u>10,368,607.24</u>
Security Amortization for the Period	178.89	178.89	(96,570.53)
Encumbered Cash Accounts (Statutory Deposit) - OR	100.01	100.01	305,943.02
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)
Ending Cash & Invested Assets (Note 1)	<u>13,523,222.23</u>	<u>13,523,222.23</u>	<u>13,523,222.23</u>

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 January 1, 2010 through June 30, 2010

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 1/1/10	13,089,407.75
Decrease in Cash and Invested Assets (Unencumbered)	440,798.39
Actual decrease in Cash and Invested Assets (Unencumbered)	440,798.39
Increase in Cash (Encumbered)	100.01
Increase in Non Cash Assets (Encumbered) - Includes Premium/(Discount) on Reinvestment	896,619.21 *
Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 6/30/10	14,426,925.36

* Increase in Encumbered Assets due to reclassification of early access offsets of \$896,693.42 for AR, LA, NM, & SC.

6/30/2010	903,703.13
12/31/2009	7,083.92
Difference	896,619.21
Reclassify Early Access Offset	896,693.42
2010 Interest & Custody fee	(74.21)

Acceleration National Insurance Company, In Liquidation
 Liquidation Date February 28, 2001
 Notes to Statement of Cash Receipts and Disbursements
 For the Period January 1, 2010 through June 30, 2010

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 1/1/2010	Ending Balance 6/30/2010
Unencumbered Cash & Invested Assets			
	Cash	74,528.14	55,762.38
	U.S. Government Obligations	8,893,369.41	8,893,548.30
	JP Morgan Funds - Money Market	<u>3,808,583.27</u>	<u>4,265,968.53</u>
	Total Unencumbered Cash & Invested Assets	<u>12,776,480.82</u>	<u>13,217,279.21</u>
	Cash Encumbered	<u>305,843.01</u>	<u>305,943.02</u>
	Subtotal	<u>13,082,323.83</u>	<u>13,523,222.23</u>
Encumbered Non Cash Assets			
	Statutory Deposits (C)	<u>7,083.92</u>	<u>903,703.13</u>
	Total Encumbered Non Cash Assets	<u>7,083.92</u>	<u>903,703.13</u>
	Total Cash and Invested Assets and Non Cash Assets	<u><u>13,089,407.75</u></u>	<u><u>14,426,925.36</u></u>

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)	0.00
GA	Evergreen Money Market Fund # 299920439	US Bank	7,415.96	(406.25)	7,009.71
*NM	912828-HS-2	Bank of Albuquerque	350,000.00	(273.57)	351,730.31
*SC	912827-7K-2	Wachovia Bank	300,000.00	(42,036.76)	257,338.24
*SC	912827-7E-6	Wachovia Bank	200,000.00	(28,024.50)	171,975.50
*LA	CD #0860057057301	JP Morgan Chase Bar	20,000.00	(15,116.06)	4,883.94
*LA	CD #0860057057302	JP Morgan Chase Bar	<u>50,000.00</u>	<u>(37,790.15)</u>	<u>12,209.85</u>
			<u>2,102,415.96</u>	<u>(437,282.07)</u>	<u>903,703.13 *</u>

Balance per General Ledger 903,703.13

Note 1	Arizona special deposit returned, less IGA e	912,907.67	Total Par value plus interest
		(498,482.91)	IGA expenses
		77,190.36	Early Access Offset
		<u>(491,635.12)</u>	Cash Received
		0.00	

* Increase in Encumbered Assets due to reclassification of early access offsets of \$896,693.42 for AR, LA, NM, & SC

	903,703.13	6/30/2010
	<u>7,083.92</u>	12/31/2009
	896,619.21	Difference
	<u>896,693.42</u>	Reclassify Early Access Offset
	(74,211.00)	2010 Interest & Custody fee

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period January 1, 2010 through June 30, 2010

Note 2	<u>Interest Income</u>	
	Interest on Bonds	44,470.00
	Interest on CD	69.84
	Interest on Bonds Held as Statutory Deposit	3,593.06
	Interest- Money Market Fund	1,385.26
		<u>49,518.16</u>
Note 3	<u>Reinsurance Recoveries</u>	
	Recovery from Willis Re, Inc.	10,920.35
		<u>10,920.35</u>
Note 4	<u>Other Income</u>	
	Sale of Surplus Office Equipment	27.86
	Assessment Refund- Property & Casualty Ins - 1998	20.00
		<u>47.86</u>
Note 5	<u>Salaries</u>	
	Chief Deputy Liquidator	4,478.43
	Deputy Liquidators	9,122.79
	Employee Salaries	52,125.05
		<u>65,726.27</u>
Note 6	<u>Employee Benefits</u>	
	Salaries 401K Employer Contribution	1,604.33
	Employee Insurance Benefits	4,844.00 *
	Employee Related Expense - Other	1,203.22
		<u>7,651.55</u>
	*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax	
Note 7		
	Workers Compensation Insurance	128.55
	State Unemployment Tax	345.41
	Federal Unemployment Tax	159.24
	FICA Tax	3,914.47 *
		<u>4,547.67</u>
	*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax	

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period January 1, 2010 through June 30, 2010

Note 8	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	273.36
	Subtotal Legal Fees	<u>273.36</u>
	Total Attorney General Contracted Fees & Expenses	<u>273.36</u>
Note 9	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Process Liquidation Payroll	238.53
	Aktion Associates - IT Consultants	654.43
	Paragon Reinsurance Risk Consultants Mgmt., Inc (NKA:Inpoint Services) - Reir	1,197.96
	RASP Consulting-IT Consultant	2,555.83
	Thoroughbred Technologies - IT Consultants	45.93
		<u>4,692.68</u>
Note 10	<u>Tax Preparation and Audit Fees</u>	
	<u>Tax Preparation & Audit Fees</u>	
	Schneider Downs and Company, Inc - Tax & Audit	798.34
	Subtotal Tax Preparation & Audit Fees	<u>798.34</u>
	<u>Tax Preparation & Audit Expenses</u>	
	Schneider Downs and Company, Inc. - Tax & Audit	8.55
	Subtotal Tax Preparation & Audit Expenses	<u>8.55</u>
	<u>Total Tax Preparation & Audit Fees and Expenses</u>	<u>806.89</u>
Note 11	<u>Rent & Rent Items</u>	
	Rent on Leased Properties	15,776.28
	Trash/Recycling	48.36
	Furniture & Equipment Rent	3,460.56
		<u>19,285.20</u>
Note 12	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co	112.51
		<u>112.51</u>
Note 13	<u>Travel & Travel Items</u>	
	Travel - Accommodation and Transportation	630.89
	Travel - Expenses and Meals	88.92
		<u>719.81</u>
Note 14	<u>Postage, Freight, Telephone and Internet</u>	
	Office Postage	257.19
	Express & Freight	44.86
	Telephone and Fax	228.99
	Internet - Internet Access	194.27
		<u>725.31</u>

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period January 1, 2010 through June 30, 2010

Note 15	<u>Office Supply Expense</u>	
	Office Supplies	256.89
		<u>256.89</u>
Note 16	<u>Data Processing</u>	
	Computer Maintenance	516.62
	Computer Supplies	121.53
	Software Expense Purch/Maint	1,622.59
		<u>2,260.74</u>
Note 17	<u>Other Expenses</u>	
	Training & Seminars	92.61
	Insurance - Building Liability	765.45
	Registration & Dues	55.44
	Storage Retrieval - Fireproof Records Center	14.50
	FF & E and IT - Non Capitalized Purchases	29.00
	Miscellaneous Expense	0.39
		<u>957.39</u>