

association limit is \$100,000 per policyholder, with some states having higher limits. The Liquidator's Notice of the ANIC Liquidation explained that policyholders whose claims exceed guaranty association limits should file a proof of claim with the Liquidator on or before the bar date for the excess loss.

In total, the Liquidator received approximately 1073 proofs of claims, 965 of which were received as of the bar date. The Claims Department is well along in the process of reviewing all proofs of claims. To date, the Liquidator has classified and fully determined and adjudicated 1,005 proofs of claims pursuant to Ohio R.C. 3903.35, *et seq.* This Court has resolved substantially all timely-filed, unresolved objections to the Liquidator's claims determinations received to date.

In this case, as in others where there is guaranty fund protection, the claims of the IGAs are the largest claims against the estate. IGAs expend monies to pay policyholder claims long before resolution of the ultimate financial condition of the liquidating insurer's estate. 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. *See* R.C. 3903.42(B).

As of the time of this Report, the Liquidator continues to work closely with the IGAs in the administration and payment of Class 2 policyholder claims under policies of ANIC. Although 1 of the IGAs still retains a small number of open claims files, the Liquidator is in the process of confirming the claims and expenditures of all 35 IGAs who handled claims after ANIC's liquidation. To date, the 35 IGAs loss (Class 2) claims combined total \$15,914,265.83. To date, the ANIC Liquidator has paid \$3,066,149.06 via First Early Access Payments (cash and

special deposit offsets) to the IGAs on their Class 1 claims. To date, the Liquidator has paid \$3,838,475.82 to the IGAs on their Class 2 claims via First Early Access Payments (cash and special deposit offsets) pursuant to Ohio liquidation statutes and orders of this Court. The Liquidator filed a Motion contemporaneously with this Status Report requesting authority to pay through cash payments and special deposit offsets an additional \$2,996,173.81 to the IGAs on their Class 1 and Class 2 claims as Second Early Access Payments and also to make an interim distribution of \$1,626,040.48 cash (representing 39% of the amount of the allowed claim) to Class 2 Claimants whose Class 2 claims are not covered by IGAs.

There has been no adjustment in the proof of claim filing deadline in the ANIC liquidation proceeding. The deadline was February 28, 2002. While people may still file claims if they choose, all claims filed after February 28, 2002 are late filed, Class 7 claims that will not receive any distribution because of the asset position of this estate. See R.C. 3903.42. In any event, the Liquidator has not received any new proofs of claim in the liquidation in the past several years.

III. ASSET RECOVERY

The Liquidator has completed major asset recovery, but is still pursuing certain reinsurance recoverables and one statutory deposit. Major asset recoveries to date include reinsurance recoveries totaling \$12,090,596.44, investment income of \$3,012,431.11, salvage and subrogation recoverable of \$847,217.52 and the return of \$655,694.14 in voidable transfers. More detailed descriptions of assets are set forth in the Liquidator's Periodic Accountings filed with this Court.

IV. GOOD FAITH CLOSING ESTIMATES

The liquidation process often takes more than 10 years when the liabilities include ongoing policyholder claims and when there is significant asset recovery litigation. Although the Liquidator cannot precisely determine the Estate's exact claims liability and corresponding exact distribution percentage until all remaining claims and other active matters in the liquidation are finally resolved, the Liquidator is making an effort to try to provide claimants with good faith estimates of the time in which the Liquidator hopes to close the estate and make a final distribution to claimants other than IGAs and, when possible, to also provide a preliminary distribution percentage estimate based on current projections of assets and liabilities. This new practice of posting good faith estimates in mature estates is part of this Liquidator's commitment to the creditors of the estates we manage. This information might be useful for financial planning and lead to more informed consumer decisions, in particular when claimants are approached by claims buyers, but all persons must note that the good faith estimates are based upon information and the circumstances known at the time they were made, which is subject to change. Before any person makes any decision that takes the estimates into account, be aware that the underlying facts and circumstances upon which the good faith estimates are based, and therefore the good faith estimates and actual distribution percentages years from now, are subject to change.

The Liquidator presently estimates in good faith that she will pay 100% of allowed claims in Class 1. The Liquidator presently estimates in good faith that she will pay allowed Class 2 claims (both IGA and non-IGA) under R.C. 3903.42(B) in the 80-83% range as follows:

In 2004, the Liquidator made a First Early Access Payment to IGAs on their allowed Class 2 claims as required by R.C. 3903.34. At that time, the IGAs received distributions on their allowed Class 2 claims in various percentages.

The Liquidator has contemporaneously with this Report filed a Motion seeking court approval to make a Second Early Access Payment to the IGAs in April 2011 which is

intended to bring the payments to certain IGAs up to 39% of their allowed Class 2 claims.

The Liquidator has contemporaneously with this Report filed a Motion seeking court approval to make a First Interim Distribution to all claimants holding allowed Class 2 claims that are not covered in whole or in part by an IGA ("non-IGA Class 2 claims") equal to 39% of the amount of their allowed Class 2 claims.

The Liquidator presently estimates in good faith that she will file a motion for authority to make a Third Early Access Distribution to IGAs and a Second Interim Distribution to Non-IGA Class 2 Claimants in the fourth quarter of 2011 equal to at least an additional 35% of the amount of the allowed Class 2 claims.

The Liquidator presently estimates in good faith that, in 2012, she will request authority to make a final distribution to Class 2 claimants of at least an additional 9% of their allowed claims.

The Liquidator does not expect to make any distributions to claimants in Classes 3 through 9 under R.C. 3903.42. The Liquidator expects to close this estate in 2012.

These good faith estimates could change prior to any actual distribution or at any time prior to closing the ANIC estate. 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 ANIC.

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