

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, 2011 to June 30, 2011 (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. Although the ANIC Statement shows that the Liquidator paid \$18,706.40 to consultants during the January 1, 2011 to June 30, 2011 reporting

period, those expenses were incurred in the prior reporting period (June 30, 2010 to December 31, 2010) in relation to reinsurance recoveries in the prior reporting period totaling \$328,616.33. 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, 2011 to June 30, 2011, as set forth in the attached Exhibit A.

Respectfully submitted,
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Acceleration National Insurance Company*

EXHIBIT A

January 1, 2011 to June 30, 2011

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, 2011

	Current Period 1/1/2011 TO 6/30/2011	YTD 1/1/2011 TO 6/30/2011	CUMULATIVE FROM 2/28/2001
Beginning Cash & Invested Assets (Note 1)	13,732,492.20	13,732,492.20	3,527,972.02
Receipts:			
Interest Income (Note 2)	77,330.22	77,330.22	3,089,761.33
Premiums Collected	0.00	0.00	1,630.70
Reinsurance Recoveries (Note 3)	619.20	619.20	12,091,215.64
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 (Note 4)	567,490.90	567,490.90	1,346,126.02
Transfer of Unencumbered Funds to Operating (Note 5)	106,631.27	106,631.27	106,631.27
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 6)	31.27	31.27	15,801.62
Voided Class 2 Interim Distribution Checks (Note 7)	107,250.00	107,250.00	107,250.00
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
Total Receipts	859,352.86	859,352.86	19,476,463.81
Disbursements:			
Compensation			
Salaries (Note 8)	75,880.13	75,880.13	1,287,491.41
Employee Benefits (Note 9)	16,303.08	16,303.08	192,123.84
Payroll & Other Taxes (Note 10)	5,828.69	5,828.69	97,484.87
Professional Fee			
Legal Fees (Note 11)	1,547.37	1,547.37	739,060.20
Consulting Fees and Other Outside Contracts (Note 12)	18,706.40	18,706.40	1,610,212.84
Tax Preparation & Audit Fees (Note 13)	222.22	222.22	171,744.30
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 14)	27,786.21	27,786.21	329,926.56
Maintenance / Repair - Facility and FF & E (Note 15)	442.33	442.33	6,581.54
Travel and Travel Items (Note 16)	274.50	274.50	74,953.74
Postage, Freight, Telephone and Internet (Note 17)	1,239.68	1,239.68	37,457.41
Office Supply Expense (Note 18)	215.63	215.63	9,637.96
Data Processing (Note 19)	2,841.22	2,841.22	82,561.53
Banking and Investment Expense	1,767.54	1,767.54	25,747.31
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 20)	4,543.67	4,543.67	188,731.44
All Other Disbursements: (Note 21)			
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	638,365.01
Interim Distribution to Insurance Guaranty Associations	2,996,173.81	2,996,173.81	8,159,535.18
Interim Distribution to Class 2 Claimants-Non IGA	1,626,040.48	1,626,040.48	1,626,040.48
Total Disbursements	4,779,812.96	4,779,812.96	15,316,621.77
Security Amortization for the Period	178.90	178.90	(96,209.76)
Encumbered Cash Accounts (Statutory Deposit) - OR (Note 5)	(106,604.53)	(106,604.53)	199,484.86
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>9,705,606.47</u>	<u>9,705,606.47</u>	<u>9,705,606.47</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, 2011 through June 30, 2011

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 1/1/11	14,618,004.41
Decrease in Cash and Invested Assets (Unencumbered)	(3,920,281.20)
Actual decrease in Cash and Invested Assets (Unencumbered)	<u>(3,920,281.20)</u>
Decrease in Cash (Encumbered)	(106,604.53) *
Decrease in Non Cash Assets (Encumbered)	(782,714.22) **
Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 6/30/11	<u><u>9,808,404.46</u></u>

* Decrease in Encumbered Cash due to the transfer of the Unencumbered portion to Operating, according to the Determined Value of Admin, Los Expense for Oregon IGA.

** Decrease in Encumbered Assets due to the return of SC & NM special deposits.

Acceleration National Insurance Company, in Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period January 1, 2011 through June 30, 2011

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 1/1/2011	Ending Balance 6/30/2011
Unencumbered Cash & Invested Assets			
Cash		91,654.74	95,805.61
U.S. Government Obligations		8,893,730.17	8,893,909.07
JP Morgan Funds - Money Market		<u>4,441,017.90</u>	<u>516,406.93</u>
Total Unencumbered Cash & Invested Assets		<u>13,426,402.81</u>	<u>9,506,121.61</u>
Cash Encumbered		<u>306,089.39</u>	<u>199,484.86</u>
Subtotal		<u>13,732,492.20</u>	<u>9,705,606.47</u>
Encumbered Non Cash Assets			
Statutory Deposits (C)		<u>885,512.21</u>	<u>102,797.99</u>
Total Encumbered Non Cash Assets		<u>885,512.21</u>	<u>102,797.99</u>
Total Cash and Invested Assets and Non Cash Assets		<u><u>14,618,004.41</u></u>	<u><u>9,808,404.46</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	<u>Cusip # Description</u>	<u>Where Deposited</u>	<u>PAR Value</u>	<u>Offset Early Access</u>	<u>Remaining Value PAR / Amort. *</u>
AR	705000196	Regions Bank	330,877.60	(236,444.42)	94,433.18
GA	Evergreen Money Market Fund # 299920439	US Bank	32,271.06	(25,406.25)	6,864.81
NM	912828-HS-2	Bank of Albuquerque	<u>1,500.00</u>	<u>0.00</u>	<u>1,500.00</u>
			<u>364,648.66</u>	<u>(261,850.67)</u>	<u>102,797.99</u>
Balance per General Ledger					<u>102,797.99</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, 2011 through June 30, 2011

Note 2	<u>Interest Income</u>	
	Interest on Bonds	44,470.00
	Interest on CD Held as Statutory Deposit	69.84
	Interest on Bonds Held as Statutory Deposit	1,531.25
	Return of SC Special Deposit	30,870.10
	Interest- Money Market Fund	389.03
		<u>77,330.22</u>
Note 3	<u>Reinsurance Recoveries</u>	
	Recovery from Willis Re, Inc.	619.20
		<u>619.20</u>
Note 4	<u>Recovery of Statutory Deposits</u>	
	Return of South Carolina Special Deposit	220,484.65
	Return of New Mexico Special Deposit	347,006.25
		<u>567,490.90</u>
Note 5	<u>Transfer of Unencumbered Funds to Operating Account</u>	
	Release of Unencumbered portion of JPM ANIC Oregon Special Deposit to Operating Account	106,631.27
		<u>106,631.27</u>
Note 6	<u>Other Income</u>	
	Sale of Surplus Office Equipment	31.27
		<u>31.27</u>
Note 7	<u>Voided Interim Class 2 Distribution Checks</u>	
	2nd Early Access Distribution to IGAs - Class 2 voided check	107,250.00
		<u>107,250.00</u>
Note 8	<u>Salaries</u>	
	Chief Deputy Liquidator	8,559.77
	Deputy Liquidators	13,901.75
	Employee Salaries	53,418.61
		<u>75,880.13</u>
Note 9	<u>Employee Benefits</u>	
	Salaries 401K Employer Contribution	2,255.73
	Employee Insurance Benefits	12,615.86
	Employee Related Expense - Other	1,431.49
		<u>16,303.08</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, 2011 through June 30, 2011

Note 10 Payroll and Other Taxes

Workers Compensation Insurance	245.57
State Unemployment Tax	674.13
Federal Unemployment Tax	164.74
FICA Tax	4,744.25
	<u>5,828.69</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 11 Legal Fees

Attorney General Contracted Legal Fees

Carlile, Patchen & Murphy LLP	1,345.55
Subtotal Legal Fees	<u>1,345.55</u>

Attorney General Contracted Legal Expenses

Carlile, Patchen & Murphy LLP	201.82
Subtotal Legal Expenses	<u>201.82</u>

Total Attorney General Contracted Fees & Expenses

1,547.37

Note 12 Consulting Fees and Other Outside Contracts

ADP-Process Liquidation Payroll	316.37
Advanced Technology - IT Consultants	433.00
Inpoint Services - Reinsurance Consultants	13,038.58
RASP Consulting - IT Consultant	4,857.31
Thinsolutions - IT Consultant	61.14
	<u>18,706.40</u>

Note 13 Tax Preparation and Audit Fees

Tax Preparation & Audit Fees

Schneider Downs and Company, Inc. - Tax & Audit	222.22
Subtotal Tax Preparation & Audit Fees	<u>222.22</u>

Total Tax Preparation & Audit Fees and Expenses

222.22

Note 14 Rent & Rent Items

Rent on Leased Properties	23,322.49
Trash/Recycling	99.70
Furniture & Equipment Rent	4,364.02
	<u>27,786.21</u>

Note 15 Maintenance / Repair: Facility and FF & E

CDW Direct	106.32
Columbus Time Recorder	9.19
Dell Hardware Support	182.80
Gordon Flesch Co	144.02
	<u>442.33</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, 2011 through June 30, 2011

Note 16	<u>Travel & Travel Items</u>	
	Travel - Accommodation and Transportation	234.76
	Travel - Expenses and Meals	39.74
		<u>274.50</u>
Note 17	<u>Postage, Freight, Telephone and Internet</u>	
	Office Postage	130.54
	Express & Freight	107.98
	Telephone and Fax	447.02
	Internet - Internet Access	554.14
		<u>1,239.68</u>
Note 18	<u>Office Supply Expense</u>	
	Office Supplies	215.63
		<u>215.63</u>
Note 19	<u>Data Processing</u>	
	Computer Supplies	44.10
	Software Expense Purch/Maint	2,797.12
		<u>2,841.22</u>
Note 20	<u>Other Expenses</u>	
	Insurance - Building Liability	986.21
	Registration & Dues	27.82
	Storage Retrieval - Fireproof Records Center	27.10
	FF & E and IT - Non Capitalized Purchases	925.29
	Contract Printing and Copying (Projects)	229.19
	Return of NM Special Deposit	2,348.08
		<u>4,543.67</u>
Note 21	<u>Interim Distribution to Insurance Guaranty Associations-IGA's</u>	
	2nd Early Access Distribution to IGAs - Class 1	111,212.06
	2nd Early Access Distribution to IGAs - Class 2	2,884,961.75
	1st Interim Distribution - Class 2 Claimants-Non IGA	1,626,040.48
		<u>4,622,214.29 (A)</u>

(A) - Payments made pursuant to Court Order.