IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of Insurance, in her capacity as Liquidator of Proliance Insurance Company,	:	
Plaintiff,	:	
v.	:	Case No. 00CVH12-11391
Proliance Insurance Company,	:	Judge Julie M. Lynch
Defendant.	:	

MOTION FOR APPROVAL OF LIQUIDATOR'S REPORT OF INDEPENDENT AUDITORS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Plaintiff, Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Proliance Insurance Company ("Proliance"), moves this Court for an order approving her Report of Independent Auditors for the years ended June 30, 2008 and 2007, copies of which are attached to this Motion and marked as Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum and Exhibit.

Respectfully submitted,

NANCY H. ROGERS
Attorney General of Ohio

By Special Counsel:
MAGUIRE & SCHNEIDER, LLP

By:
Keith W. Schneider (0041616)
Wayne E. Hassay (0055360)
250 Civic Center Drive, Suite 500
Columbus, Ohio 43215
Telephone: (614) 224-1222
Facsimile: (614) 224-1236
kwschneider@ms-lawfirm.com
whassay@ms-lawfirm.com

Attorneys for Mary Jo Hudson, in her capacity as Liquidator of Proliance Insurance Company

DEC -1 PM 3:02
CLERK OF COURTS

MEMORANDUM IN SUPPORT OF MOTION

Pursuant to O.R.C. Section 3903.18(A), this Court's April 24, 2001 Order to liquidate the business of Proliance, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of Proliance and to administer those assets under the general supervision of this Court. As provided in O.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 30th and December 31st of the year (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the Proliance liquidation estate, for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to O.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. The Liquidator requested the auditing firm to render an opinion in its audit report 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.

By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2008 and 2007 (the "Report"), attached hereto as Exhibit A.

Schneider Downs has completed its audit of the statements of cash and invested assets of Proliance as of June 30, 2008 and 2007 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2008 and 2007. Schneider Downs 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 Proliance at June 30, 2008 and 2007 and cash receipts and cash disbursements for the years ended June 30, 2008.

Respectfully submitted,

NANCY H. ROGERS
Attorney General of Ohio

By Special Counsel:
MAGUIRE & SCHNEIDER, LLP

By: ______________________________

Keith W. Schneider (0041616)
Wayne E. Hassay (0055360)
250 Civic Center Drive, Suite 500
Columbus, Ohio 43215
Telephone: (614) 224-1222
Facsimile: (614) 224-1236
kwschneider@ms-lawfirm.com
whassay@ms-lawfirm.com

Attorneys for Mary Jo Hudson, in her capacity as Liquidator of Proliance Insurance Company

Exhibit A

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator

In planning and performing our audits of the statements of cash and invested assets and the statements of cash receipts and disbursements of the Office of the Ohio Insurance Liquidator Renaissance Health Plan, Inc., The Ohio General Insurance Company, LMI Insurance Company, DayMed Health Maintenance Plan, Credit General Indemnity Company, Acceleration National Insurance Company, Credit General Insurance Company, P.I.E. Mutual Insurance Company, The Oil & Gas Insurance Company, Personal Physician Care Insurance Company, Proliance Insurance Company, The American Chambers Life Insurance Company and Builder and Contractors Employee Benefit Association Trust (the "Estates") for the period July 1, 2007 to June 30, 2008, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the Estates' cash receipts and cash disbursements functions and not to provide assurance on internal control. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Estates' internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Ohio Department of Insurance as deemed appropriate by the Office of the Ohio Insurance Liquidator and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co., Inc.

Columbus, Ohio
October 29, 2008

Schneider Downs & Co., Inc.
www.schneiderdowns.com

1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412.261.3644
FAX 412.261.4876

41 S. High Street
Suite 2100
Columbus, OH 43215-6102
TEL 614.621.4060
FAX 614.621.4062

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PROLIANCE INSURANCE COMPANY, IN LIQUIDATION

Columbus, Ohio

Financial Statements
For the years ended June 30, 2008 and 2007

and Independent Auditors' Report Thereon

SCHNEIDER DOWNS

INSIGHT ■ INNOVATION ■ EXPERIENCE

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PROLIANCE INSURANCE COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

CONTENTS

SCHNEIDER DOWNS

INSIGHT ▪ INNOVATION ▪ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
Proliance Insurance Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of Proliance Insurance Company, in Liquidation (Estate) as of June 30, 2008 and 2007 and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008. These financial statements are the responsibility of the Estate. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of Proliance Insurance Company, in Liquidation, pursuant to the accounting practices prescribed or permitted by the Ohio Department of Insurance and Franklin County Court of Common Pleas, described in Note 1, and is not intended to be a complete presentation of the Company's assets and liabilities.

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 Proliance Insurance Company, in Liquidation as of June 30, 2008 and 2007, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2008, on the basis of accounting described in Note 1.

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

Schneider Downs & Co., Inc.

Columbus, Ohio
October 29, 2008

Schneider Downs & Co., Inc.
www.schneiderdowns.com

IGAF

1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412.261.3644
FAX 412.261.4876

41 S. High Street
Suite 2100
Columbus, OH 43215-6102
TEL 614.621.4060
FAX 614.621.4062

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PROLIANCE INSURANCE COMPANY,
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2008 AND 2007

	2008	2007
Cash	$ 25,555	$ 5,325
Invested Assets	895,000	477,000
	$ 920,555	$ 482,325

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PROLIANCE INSURANCE COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Cash at July 1, 2007	$ 5,325
Cash Receipts:	
Investment proceeds in Repo agreements	26,000
Interest and dividend income	19,944
Subrogation recoveries	1,290
Reinsurance recoveries	472,777
Total Cash Receipts	520,011
Cash Disbursements:	
Investment purchases in Repo agreements	444,000
Salaries, wages and employee benefits	31,637
Professional fees	14,919
General and administrative expenses	7,662
Moving and relocation costs	542
GMAC reinsurance payment on ceded Post-Liq Salvage & Subro	1,021
Total Cash Disbursements	499,781
Cash at June 30, 2008	$ 25,555

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - BACKGROUND AND BASIS OF PRESENTATION

Pursuant to the Ohio Revised Code (Code), the Superintendent of the Ohio Department of Insurance is appointed as Liquidator of domestic insurance companies, which have been determined by the Franklin County Court of Common Pleas, State of Ohio (Court), to be insolvent as specified in the Code.

The Liquidator marshals the assets of the insurance company and liquidates such assets and administers the business affairs of the Company as approved by the Court. The Liquidator is empowered by the Code to employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as considered necessary to assist in the liquidation.

Proliance Insurance Company (Company) was placed in liquidation on April 24, 2001 by the Court and it became Proliance 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 statement of cash and invested assets includes 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 statement 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 market values and 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, and accordingly, the statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

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.

Repurchase agreements are valued at cost, which approximates fair value.

At June 30, 2008 and 2007, invested assets and their approximate values consisted of the following:

	2008 Carrying Value	2007 Carrying Value
Repurchase agreements	$ 895,000	$ 477,000

NOTE 3 - 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 Section 3903, et seq.

[This Page Intentionally Left Blank]