

take possession of the assets of the insolvent P.I.E. and to administer them under the general supervision of the court, pursuant to the Liquidation Order and R.C. 3903.18(A).

The Liquidator proceeded to marshal P.I.E.'s assets and collect debts and moneys due and claims belonging to P.I.E., pursuant to the Liquidation Order and R.C. 3903.21(A)(6).

II. Asset Recoveries during P.I.E. Liquidation Proceeding

The Liquidator has collected on numerous complex and substantial claims on behalf of the liquidation estate.

A. Third Party Litigation And Collection Actions

The Liquidator's significant asset recoveries included:

- Pursued litigation against three former senior executives (Larry Rogers, CEO; James Marietta, CFO; and Warren Udisky, General Counsel) to recover over \$11.5 million in so-called commutation payments.
 - Negotiated, settled and documented agreements with two of the three executives to repay amounts in full (Court approval was granted as to Rogers on April 18, 2000, as to Marietta on April 11, 2003, and as to Udisky on April 14, 2000).
 - Ultimately, the Liquidator collected more than \$7 million from the three officers.
- Successfully pursued litigation against KPMG LLP, the company's outside auditors, recovering just shy of \$10 million for the P.I.E. liquidation estate. (Court approval granted October 11, 2000).

- Successfully pursued litigation against the Carvill Group of companies, the company's reinsurance intermediaries, and a Kentucky insurance agency, Creech & Stafford Insurance Agency, Inc., recovering \$1.975 million for the P.I.E. liquidation estate. (Court approval granted April 29, 2005).
- Successfully pursued litigation against Benesch, Friedlander, Coplan and Arnoff ("BFC&A"), the company's outside legal counsel, recovering \$8.75 million for the P.I.E. liquidation estate. (Court approval granted October 27, 2000).
- Successfully pursued litigation against Jacobson, Maynard, & Tuschman Co., LPA ("JM&T"), the retained defense counsel for the company, recovering \$4 million for the liquidation estate. (Court approval granted June 1, 2000).
- Successfully pursued litigation against members of the P.I.E. Board of Trustees recovering \$1 million for the liquidation estate. (Court approval granted April 10, 2000).
- Identified more than \$3 million in potential preferential payments and fraudulent transfers to vendors for recovery by the Liquidator, and successfully recovered approximately \$2.6 million of those payments for the P.I.E. liquidation estate.
- Initiated actions against several insurance agencies that had represented P.I.E. to recover return premiums and commissions owed as a result of P.I.E.'s liquidation.
- Successfully pursued preference and fraudulent transfer claims against certain other P.I.E. employees.

B. Reinsurance Recoveries

In addition to the third party litigation and collection actions, the Liquidator's asset recoveries in the P.I.E. liquidation in major part included reinsurance recoveries. P.I.E.'s

reinsurance recoverable represented the largest asset of the P.I.E. liquidation estate. The Liquidator successfully resolved many extremely complex and disputed reinsurance claims resulting in the recovery of over \$148 million in assets for the P.I.E. liquidation estate.

Reinsurance recoveries were handled by Reinsurance Solutions International L.L.C. ("RSI") since the inception of the liquidation. The Liquidator's Professional Services Agreement with RSI for the on-going administration of the P.I.E. reinsurance operations and collection of all available reinsurance recoverable, through billings, collections and/or pursuit of reinsurance commutations, was approved by this Court in its Entry and Order Granting Motion for Approval of Outsourcing Reinsurance Administration Contract with Reinsurance Solutions International L.L.C. dated May 29, 1998.

The Liquidator and RSI looked at and pursued all available reinsurance recoveries in P.I.E. The Liquidator's and RSI's assessment of what reinsurance was recoverable included consideration of the purported \$51 million LAE reinsurance receivable reported on P.I.E.'s 1996 financial statement and which management claimed to have received payment of in full in early 1997. By 2005, RSI had documented in P.I.E.'s general ledger that the LAE expense was not a valid recoverable.

Prior to liquidation, it had been determined that the payments represented by P.I.E.'s management to have been received in satisfaction of the LAE receivable claim were, in fact, payments made in exchange for the complete commutation of reinsurance unrelated to the LAE claim and the movement of money between P.I.E. controlled accounts.

Further, prior to Liquidation, it had been determined that P.I.E.'s management had commuted prior to Supervision much of the reinsurance to which the LAE receivable had been attributed, thereby eliminating much of the coverage for the payment of the LAE receivable.

To further investigate the circumstances surrounding P.I.E. reinsurance coverage and the purported \$51 million LAE reinsurance receivable, the Liquidator hired a renowned reinsurance law expert, James Veach of Mound, Cotton and Wollan in New York. Mr. Veach obtained sworn testimony from P.I.E.'s reinsurance broker and several lead reinsurers. He also obtained and reviewed thousands of pages of correspondence and contract documents related to P.I.E.'s reinsurance programs and the alleged LAE receivable claim.

As a result of Mr. Veach's investigation, the Liquidator concluded that the projected cost to the estate, both in litigation expenses and possible lost value to the estate of avoiding the reinsurance commutations completed by P.I.E.'s management prior to Supervision or Rehabilitation (which would be a necessary prerequisite to seeking a recovery of the alleged LAE receivable claim) outweighed any likely benefit of pursuing the claim. Upon investigation, it was determined that no claim for such LAE recoveries from the applicable reinsurers had ever been submitted to the reinsurers. Further, documents and testimony uncovered during Mr. Veach's investigation supported the reinsurer's contention that LAE of the type reflected in the 1996 financial statements was not considered by the parties to the applicable treaties to be recoverable when those treaties were negotiated and executed. Moreover, evidence existed that certain of the applicable reinsurance treaties had been specifically modified by P.I.E.'s management prior to Supervision and Rehabilitation to expressly exclude the LAE from coverage under the treaties.

The circumstances surrounding the fabrication and presentation of the LAE receivable as an asset on the 1996 financial statement became the basis for causes of action which were subsequently successfully pursued against KPMG, BFC&A and Carvill resulting in recoveries of in excess of \$20 million for the estate.

In February, 2009, RSI reported to the Liquidator that all reinsurance recoverable items had been addressed in the P.I.E. liquidation and that it had officially wrapped-up its reinsurance recovery activities. The wrap-up of RSI's work brought finality to all reinsurance issues.

C. Asset Dispositions

In addition to the litigation recoveries described above, the Liquidator conducted a program of asset dispositions which added many millions more to the liquidation estate, including the highly successful sale of the Sea Pines Estates real estate for approximately \$25 million.

III. Conclusion

At the present time, the Liquidator has concluded her statutory duty of marshalling all of P.I.E.'s assets, with all reasonably collectable assets collected for the estate.

As set forth in some detail above, particular attention was paid to the subject of reinsurance recoverable, and the Liquidator believes that the maximum possible return on this asset has been achieved. Pursuit of the supposed "LAE recoverable" was carefully considered by the Liquidator's specially retained reinsurance counsel, as well as by the regular litigation counsel to the estate, all of whom concluded that not only was that supposed receivable highly unlikely to ever be collected, but that the costs and risks of attempting to collect it would have substantially damaged the liquidation estate.

No further attempts at asset collection or recovery are, in the judgment of the Liquidator, either warranted or likely to produce any positive impact on the assets of the estate. Prompt closure of the estate is the best strategy for maximizing the value of the assets available for distribution to claimants.

We ask the Court to accept the Liquidator's Report and Notice of Conclusion of Asset Recoveries in The P.I.E. Mutual Insurance Company Liquidation Proceeding.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that he caused a copy of the foregoing Notice of Conclusion of Asset Recoveries in The P.I.E. Mutual Insurance Company Liquidation Proceeding to be mailed to the following persons, properly addressed, proper postage prepaid, this ____ day of June, 2009:

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