

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of
Insurance, in her capacity as Liquidator of
Personal Physician Care, Inc.,

Plaintiff,

v.

Personal Physician Care, Inc.,

Defendant.

Case No. 98CVH08-6251

Judge Stephen L. McIntosh

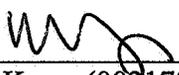
**MOTION FOR APPROVAL OF LIQUIDATOR'S FINAL REPORT
OF INDEPENDENT AUDITORS FOR THE YEARS ENDED
DECEMBER 31, 2008 AND JUNE 30, 2008**

Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Personal Physician Care, Inc. ("PPC"), moves this Court for an order approving her Final Report of Independent Auditors for the years ended December 31, 2008 and June 30, 2008, which is attached as Exhibit A and hereby incorporated by reference into this Motion. A Memorandum in Support is attached.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:
KEGLER, BROWN, HILL & RITTER, CO. P.A.

By: 
R. Kevin Kerns (0021781)
Richard W. Schuermann, Jr. (0032546)
65 E. State Street, Suite 1800
Columbus, Ohio 43215
Telephone: (614) 462-5400
Facsimile: (614) 464-2634
kkerns@keglerbrown.com
rschuermann@keglerbrown.com

*Attorneys for Mary Jo Hudson, in her capacity as
Liquidator of Personal Physician Care, Inc.*

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FRANKLIN CO. OHIO
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MEMORANDUM IN SUPPORT OF MOTION

Pursuant to R.C. Section 3903.18(A), this Court's August 20, 1998 Order to liquidate the business of PPC, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of PPC and to administer those assets under the general supervision of this Court. As provided in 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 PPC liquidation estate, for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to 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.

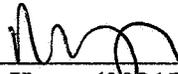
This will be the final Independent Audit Report filed in this liquidation proceeding as this Court authorized the closing of the PPC estate in an order filed on December 22, 2008. By this Motion, the Liquidator seeks this Court's approval of the Final Report of Independent Auditors for the years ended December 31, 2008 and June 30, 2008 (the "Final Report"), attached hereto as Exhibit A.

Schneider Downs has completed its audit of the statements of cash and invested assets of PPC as of December 31, 2008 and June 30, 2008 and the related statements of cash receipts and cash disbursements for the years ended December 31, 2008 and June 30, 2008. 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 PPC at December 31, 2008 and June 30, 2008 and cash receipts and cash disbursements for the years ended December 31, 2008 and June 30, 2008.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:
KEGLER, BROWN, HILL & RITTER, CO. L.P.A.

By: 
R. Kevin Kerns (0021781)
Richard W. Schuermann, Jr. (0032546)
65 E. State Street, Suite 1800
Columbus, Ohio 43215
Telephone: (614) 462-5400
Facsimile: (614) 464-2634
kkerns@keglerbrown.com
rschuermann@keglerbrown.com

*Attorneys for Mary Jo Hudson, in her capacity as
Liquidator of Personal Physician Care, Inc.*

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PERSONAL PHYSICIAN CARE INSURANCE COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE PERIODS ENDING DECEMBER 31, 2008 AND JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of cash and invested assets arising from cash transactions of Personal Physician Care Insurance Company, in Liquidation (Estate) as of December 31, 2008 and June 30, 2008 and the related statement of cash receipts and cash disbursements for the period ended December 31, 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 Personal Physician Care 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 Personal Physician Care Insurance Company, in Liquidation as of December 31, 2008 and June 30, 2008, and the related statement of cash receipts and cash disbursements for the period ended December 31, 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
November 16, 2009

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
PERSONAL PHYSICIAN CARE INSURANCE COMPANY,
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
DECEMBER 31, 2008 AND JUNE 30, 2008

	<u>December 31, 2008</u>	<u>June 30, 2008</u>
Cash	-	\$ 50,823
Invested Assets	-	124,000
	-	<u>\$ 174,823</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PERSONAL PHYSICIAN CARE INSURANCE COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2008

Cash at July 1, 2008	\$ 50,823
Cash Receipts:	
Investment proceeds in repurchase agreements	124,000
Interest and dividend income	600
Uncashed and voided Class 2, 4, and 5 distribution payments	15,091
Recovery of restitution payments	150
Proceeds from sale of assets	50
Total Cash Receipts	<u>139,891</u>
Cash Disbursements:	
Salaries, wages and employee benefits	31,829
Professional fees	7,788
General and administrative expenses	84,021
Transfer of funds to Ohio Division of Unclaimed Funds:	
Class 2 - loss/LAE claims	5,696
Class 4 and 5 - employee claims	1,633
Class 5 general creditor claims	59,747
Total Cash Disbursements	<u>190,714</u>
Cash at December 31, 2008	<u>\$ -</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PERSONAL PHYSICIAN CARE INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND JUNE 30, 2008

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.

Personal Physician Care Insurance Company (Company) was placed in liquidation on August 20, 1998 by the Court and it became Personal Physician Care 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 - ORDER TO DISSOLVE THE ESTATE

On February 20, 2008, the Court ordered the Estate to make the final distribution of assets to Class 2, 4, and 5 claimants. On February 29, 2008, the Estate disbursed \$7,961,053 to Class 2, 4 and 5 claimants. The Estate also made a distribution payment totaling \$4,572 for the employer portion of the Class 4 and 5 payroll taxes. On December 22, 2008 the Court ordered the Estate to submit unclaimed distributions of \$67,076 to the Ohio Department of Commerce, Division of Unclaimed Funds. The Estate distributed these funds on December 22, 2008. Assets remaining after the submission to Unclaimed Funds were used in administrative activities with the purpose of closing out the Estate. As of December 22, 2008, all assets of the Estate had been distributed.

Effective December 22, 2008, the Court ordered that the Estate be dissolved pursuant to Ohio Revised Code Sections 3903.20. This order discharged and released the Liquidator from any and all responsibility and liability in connection with the liquidation of the Estate.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
PERSONAL PHYSICIAN CARE INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND JUNE 30, 2008

NOTE 3 - 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 approximate fair value.

At December 31, 2008 and June 30, 2008, invested assets and their approximate values consisted of the following:

	December 31, 2008 <u>Carrying Value</u>	June 30, 2008 <u>Carrying Value</u>
Repurchase agreements	-	\$ 124,000

NOTE 4 - 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.

NOTE 5 - SUBSEQUENT EVENTS

The Estate has adopted Statement of Financial Accounting Standard No. 165, *Subsequent Events* (SFAS 165). This guidance defines subsequent events as events or transactions that occur after the date of the financial statements, but before the financial statements are issued or are available to be issued. The Liquidator has evaluated subsequent events through November 16, 2009, which is the date that the financial statements were available to be issued.

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