

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of
Insurance, in her capacity as Liquidator of
American Chambers Life Insurance Company,

Plaintiff,

v.

American Chambers Life Insurance Company,

Defendant.

Case No. 00CVH03-2206

Judge Richard Sheward

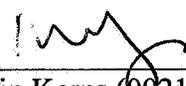
**MOTION FOR APPROVAL OF LIQUIDATOR'S REPORT
OF INDEPENDENT AUDITORS FOR THE YEARS ENDED
JUNE 30, 2008 AND 2007**

Plaintiff, Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of American Chambers Life Insurance Company ("ACLIC"), 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:
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Liquidator of American Chambers Life Insurance
Company*

FILED
COMMON PLEAS COURT
FRANKLIN COUNTY, OHIO
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CLERK OF COURTS

MEMORANDUM IN SUPPORT OF MOTION

Pursuant to O.R.C. Section 3903.18(A), this Court's May 8, 2000, order to liquidate the business of ACLIC, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of ACLIC 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 ACLIC 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 Reports of Independent Auditors for the years ended June 30, 2008 and 2007 (the "Reports"), attached hereto as Exhibit A.

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

Respectfully submitted,

NANCY H. ROGERS
Attorney General State of Ohio

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



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capacity as Liquidator of American Chambers Life
Insurance Company

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion and Accompanying Memorandum was served via first class ordinary U.S. Mail, postage prepaid, this 2nd day of December, 2008 upon the following:

Charles Richardson, Esq.
Baker & Daniels
805 15th Street NW, Suite 700
Washington, DC 20005

Alan F. Berliner, Esq.
Thompson Hine LLP
41 South High Street, Suite 1700
Columbus, Ohio 43215-6101



Richard W. Schuermann, Jr. (0032546)

Exhibit A

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
AMERICAN CHAMBERS LIFE 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
AMERICAN CHAMBERS LIFE INSURANCE COMPANY,
IN LIQUIDATION

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of cash and invested assets arising from cash transactions of American Chambers Life 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 audit 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 American Chambers Life 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 American Chambers Life 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. LLC

Columbus, Ohio
October 29, 2008

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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
AMERICAN CHAMBERS LIFE INSURANCE COMPANY,
IN LIQUIDATION

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

| | <u>2008</u> | <u>2007</u> |
|----------------------------|----------------------|----------------------|
| Cash and Encumbered Assets | \$ 552,666 | \$ 5,706 |
| Invested Assets | <u>40,222,000</u> | <u>40,008,000</u> |
| | <u>\$ 40,774,666</u> | <u>\$ 40,013,706</u> |

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
AMERICAN CHAMBERS LIFE INSURANCE COMPANY,
IN LIQUIDATION

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

| | |
|--|-------------------|
| Cash at July 1, 2007 | \$ 5,706 |
| Cash Receipts: | |
| Investment proceeds from Repo agreement | 1,756,000 |
| Interest and dividend income | 1,404,961 |
| Recovery of statutory deposits | 1,261,681 |
| Proceeds from settlements | 1,541,458 |
| Refund assessments | 392 |
| Recovery of IRS refund - Riverbend | 1 |
| Recovery of restitution payments | 178 |
| Proceeds - ACLIC/PLIC - escrow account (Encumbered Assets) | 491,408 |
| Interest and dividend income - ACLIC/PLIC escrow account - (Encumbered Assets) | 10,726 |
| Total Cash Receipts | <u>6,466,805</u> |
| Cash Disbursements: | |
| Investment purchases in Repo agreement | 1,970,000 |
| Salaries, wages and employee benefits | 265,623 |
| Professional fees | 255,809 |
| Return of premium payable to IGA's | 3,203,513 |
| Moving and relocation costs | 14,930 |
| General and administrative expenses | 209,970 |
| Total Cash Disbursements | <u>5,919,845</u> |
| Cash and Encumbered Assets at June 30, 2008 | <u>\$ 552,666</u> |

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
AMERICAN CHAMBERS LIFE INSURANCE COMPANY,
IN LIQUIDATION

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.

American Chambers Life Insurance Company (Company) was placed in liquidation on May 8, 2000 by the Court and it became American Chambers Life 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 - CASH AND ENCUMBERED ASSETS

Cash includes \$502,134 and \$0 in encumbered assets held with National City Bank as of June 30, 2008 and 2007, respectively. These assets are held in an interest bearing account in agreement with Antares Management Solutions (Protective Life Insurance Company) as of November 1, 2007.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
AMERICAN CHAMBERS LIFE INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 (See Note 4).

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:

| | <u>2008</u> <u>Carrying Value</u> | <u>2007</u> <u>Carrying Value</u> |
|-----------------------|--------------------------------------|--------------------------------------|
| Repurchase agreements | \$ <u>40,222,000</u> | \$ <u>40,008,000</u> |

NOTE 4 - STATUTORY DEPOSITS

In the normal course of writing insurance in various states, the Company was required by state statute to deposit funds with various state insurance departments. When the Estate entered liquidation, the statutory deposits were impounded by the various state insurance departments for the protection of policyholders within their jurisdiction. Since the Liquidator does not have direct control over those assets held by state insurance departments or related entities, and it is uncertain whether all or a portion of such assets will be available to the Liquidator in satisfying the obligations of the liquidation proceedings, they are not considered invested assets by the Liquidator until complete and direct control over them is established. The amount of statutory deposits as of June 30, 2008 and 2007 was \$100,157 and \$1,305,000, respectively.

NOTE 5 - DISTRIBUTIONS

Pursuant to the January 16, 2008 Order of the Court, the Estate made distribution payments to release premiums to Insurance Guaranty Associations in various states totaling \$3,203,513 on January 28, 2008.

NOTE 6 - 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.

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