

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

Ann H. Womer Benjamin, Superintendent of Insurance, Ohio Department of Insurance, in her capacity as Liquidator of LMI Insurance Company,

Plaintiff,

Case No. 00CVH03-2431

v.

Judge Schneider

LMI Insurance Company,

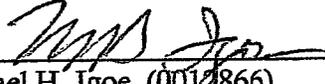
Defendant.

**MOTION FOR APPROVAL OF SEMI-ANNUAL ACCOUNTING OF LIQUIDATOR FOR JANUARY 1, 2005 – JUNE 30, 2005**

Now comes plaintiff, Ann H. Womer Benjamin, Superintendent of Insurance, Ohio Department of Insurance, in her capacity as Liquidator of LMI Insurance Company, and moves this Court for an Order approving the Statement of Receipts and Disbursements of the Liquidator for the period from January 1, 2005 through June 30, 2005. The reasons for this Motion are more fully set forth in the attached Memorandum in Support.

Respectfully submitted,

JIM PETRO  
Attorney General, State of Ohio

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*Special Counsel for the Attorney General, State of Ohio, representing Ann H. Womer Benjamin, Superintendent of Insurance, Ohio Department of Insurance, in her capacity as Liquidator of LMI Insurance Company*

FILED  
COMMON PLEAS COURT  
FRANKLIN COUNTY, OHIO

2005 SEP 16 AM 11:13

CLERK OF COURTS

## MEMORANDUM IN SUPPORT

The Liquidator brings this Motion in order to request that the Court approve the Statement of Receipts and Disbursements of the Liquidator for the period of January 1, 2005 through June 30, 2005. These receipts and expenditures are attached hereto as "Exhibit A."

On May 23, 2000, LMI Insurance Company ("LMI") was declared insolvent and placed into liquidation, and the Ohio Superintendent of Insurance was appointed Liquidator. Section 3903.21 of the Ohio Revised Code and the Liquidation Order of May 23, 2000, direct the Liquidator to take possession of and liquidate all property and assets of LMI, to collect all debts and monies due LMI, and to pay reasonable compensation to persons employed to assist with the liquidation, and defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing, or otherwise dealing with the business property of the insurer.

The Liquidation Order and § 3903.18(E) of the Ohio Revised Code provide that the Liquidator must submit periodic accountings to the Court. Such accountings assist the Court in monitoring the status of the liquidation proceedings, and in particular, the receipt and disbursements in the LMI liquidation proceedings.

WHEREFORE, for the aforementioned reasons, the Liquidator respectfully requests that the Court approve the attached Statement of Receipts and Disbursements of the Liquidator for the period from January 1, 2005 through June 30, 2005.

Respectfully submitted,

JIM PETRO  
Attorney General, State of Ohio

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Ohio, representing Ann H. Womer Benjamin,  
Superintendent of Insurance, Ohio Department of  
Insurance, in her capacity as Liquidator of*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served upon Ann Womer Benjamin, Superintendent, Ohio Department of Insurance, c/o Mr. Douglas L. Hertlein, Chief Deputy Liquidator, Ohio Department of Insurance, 1366 Dublin Road, Columbus, OH 43215 by ordinary U.S. Mail, postage prepaid, on this 16<sup>th</sup> day of September, 2005.

  
Michael H. Igoe

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2005

	Current Period 01/01/2005 TO 06/30/2005	Year to Date 01/01/2005 TO 06/30/2005	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	12,992,567.50	12,992,567.50	6,286,634.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	90,466.55	90,466.55	2,910,584.15
Premiums Collected (Note 3)	1,155.00	1,155.00	47,031.16
Salvage & Subrogation (Note 4)	41,300.00	41,300.00	3,368,301.97
Reinsurance Recoveries (Note 5)	193,278.06	193,278.06	4,368,011.62
Refund of Premium Tax Overpayment	0.00	0.00	37,778.62
Return of Statutory Deposits (Note 6)	90,000.00	90,000.00	1,692,435.50
Reimbursement of Losses Paid	0.00	0.00	70,283.63
Loc Draw Down-(REAC)	0.00	0.00	2,141.00
Recovery of Loss Adjustment Expenses	0.00	0.00	8,847.79
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 7)	32,444.69	32,444.69	87,265.49
Recovery from NC-Ins. Underwriting Assoc.	0.00	0.00	44,375.34
Return of Collateral	0.00	0.00	35,000.00
Refund of Corporate Franchise Tax	0.00	0.00	82,868.24
First Union National Bank - Reimbursement of 1995 Fraudulent Check	0.00	0.00	15,011.11
Recovery from Compensation Rating and Inspection Bureau	0.00	0.00	33,333.78
Recovery from California Fair Plan Association	0.00	0.00	204,503.00
Recovery from New Jersey Comm. Auto Insurance	0.00	0.00	49,931.00
Recovery from NJ Dept of Treasury-Proceeds From Unsatisfied Claims	0.00	0.00	358,623.98
Prudential PruPac Arbitration	0.00	0.00	13,276.22
RPNY-American Home Buyout-LAD/CLAD Buyout Files	0.00	0.00	5,163.00
Total Receipts	448,644.30	448,644.30	13,796,520.90
Disbursements:			
Compensation:			
Salaries (Note 8)	144,989.87	144,989.87	1,436,392.66
Employee Benefits (Note 9)	20,225.33	20,225.33	150,410.46
Payroll and Other Taxes (Note 10)	12,114.76	12,114.76	111,036.96
Professional Fees:			
Legal Fees (Note 11)	179,468.46	179,468.46	1,348,380.40
Tax Preparation and Audit Fees	2,833.10	2,833.10	32,737.17
Consulting Fees and Other Outside Contracts (Note 12)	278,966.59	278,966.59	2,636,325.07
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 13)	21,213.41	21,213.41	223,172.97
Equipment Expenses (Note 14)	1,413.19	1,413.19	12,577.91
Travel and Travel Items (Note 15)	2,469.02	2,469.02	41,658.84
Postage, Freight and Telephone (Note 16)	3,318.06	3,318.06	73,727.25
Office Supply Expense (Note 17)	1,201.48	1,201.48	18,665.21
Data Processing (Note 18)	78,175.08	78,175.08	221,227.17
Paid Losses Direct	0.00	0.00	81,257.31
Other Expenses (Note 19)	25,963.70	25,963.70	283,610.75
All Other Disbursements:			
Return of Funds to NJ Comm. Auto Insurance	0.00	0.00	49,931.00
Return of Funds - Reinsurance Overpayments	0.00	0.00	5,672.78
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	2,409.99
Interim Distribution to Insurance Guaranty Associations (Note 20)	1,549,080.00	1,549,080.00	2,782,377.00
Total Disbursements	2,321,432.16	2,321,432.16	9,467,999.66
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,878.89
Security Amortization for the Period	0.00	0.00	(153.22)
Ending Cash & Invested Assets (Note 1)	11,119,779.65	11,119,779.65	11,119,779.65

See Schedule A for Analysis of Increase in Cash and Invested Assets (Unencumbered)



**LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)  
FOR THE PERIOD JANUARY 1, 2005 THROUGH JUNE 30, 2005**

**SCHEDULE A**

<b>Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/04</b>	<b>13,391,831.03</b>
<b>Decrease in Cash and Invested Assets (Unencumbered)</b>	<b><u>(1,872,787.85)</u></b>
<b>Actual Decrease in Cash and Invested Assets (Unencumbered)</b>	<b>(1,872,787.85)</b>
<b>Decrease in Non Cash Asset (Encumbered)</b>	<b><u>(90,000.00)</u></b>
<b>Actual decrease in Cash and Invested Assets (Encumbered)</b>	<b>(1,962,787.85)</b>
<b>Non Cash Assets (Encumbered) Amortization of Premium/Discount</b>	<b><u>365.21</u></b>
<b>Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 06/30/05</b>	<b><u><u>11,429,408.39</u></u></b>

**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2000**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JANUARY 1, 2005 THROUGH JUNE 30, 2005**

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 12/31/2004	Ending Balance 06/30/2005
<b>Unencumbered Cash &amp; Invested Assets</b>			
Cash		81,567.50	16,435.87
Repurchase Agreements		12,911,000.00	2,604,000.00
U.S. Government Obligations		0.00	8,499,343.78
<b>Total Unencumbered Cash &amp; Invested Assets</b>		<b>12,992,567.50</b>	<b>11,119,779.65</b>
<b>Encumbered Non Cash Assets</b>			
Statutory Deposits (A)		399,263.53	309,628.74
<b>Total Encumbered Non Cash Assets</b>		<b>399,263.53</b>	<b>309,628.74</b>
<b>Total Cash and Invested Assets and Non Cash Assets</b>		<b>13,391,831.03</b>	<b>11,429,408.39</b>

**Statutory Deposit (A)**

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	Cusip # Description	Where Deposited	Interest Rate	PAR	Amortized Value
California	912827-AL-4 U S Treasury Note	Citibank	1.875%	90,000.00	90,000.00
Delaware	912828-BU-3 U S Treasury Note	Wilmington Trust Co	1.875%	100,000.00	99,628.74
Georgia	Evergreen Inst. Treasury M/M Fund	Wachovia Bank	2.115%	100,000.00	100,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.640%	15,000.00	15,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.640%	500,000.00	500,000.00
* New Jersey	State of New Jersey Cash Management Fund	Morgan Stanley Trust	1.200%	8,036,776.00	8,036,776.00
Arizona	Evergreen Inst. Treasury M/M Fund	Wachovia Bank	2.115%	110,000.00	110,000.00
Subtotal				8,951,776.00	8,951,404.74

**Other Investment or Withheld Interest:**

CA - Returned to the Liquidation Office				(90,000.00)	(90,000.00)
NJ - Interest Income withheld					620,228.31
VA - Interest Income withheld					33,086.30
GA - Interest Income withheld					15,035.76
AZ - Interest Income withheld					1,619.28
<b>Subtotal</b>				<b>8,861,776.00</b>	<b>9,531,374.29</b>

**Statutory Deposit (B)**

Please note the following deposits have now become the assets of either the various Insurance Departments or IGA's.

* NJ - Liquidated to the IGA	State of New Jersey Cash Management Fund	Morgan Stanley Trust	1.200%	(8,036,776.00)	(8,036,776.00)
NJ - Interest Income withheld					(620,228.31)
VA - Liquidated Bureau of Insura	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.640%	(15,000.00)	(15,000.00)
VA - Liquidated Bureau of Insura	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.640%	(500,000.00)	(500,000.00)
VA - Interest Income withheld					(33,086.30)
GA - Interest Income withheld					(15,035.76)
AZ - Interest Income withheld					(1,619.28)
<b>Ending Balance As of June 30, 2005</b>				<b>310,000.00</b>	<b>308,628.74</b>

\* Deposit Net of Early Access Offset.

**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2000**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JANUARY 1, 2005 THROUGH JUNE 30, 2005**

Note 2	<b><u>Interest Income</u></b>	
	Interest on Repurchase Agreements	88,572.80
	Interest on Ancillary Bonds	<u>1,893.75</u>
		<u><u>90,466.55</u></u>

Note 3	<b><u>Premiums Collected</u></b>	
	Uncollected Premium	<u>1,155.00</u>
		<u><u>1,155.00</u></u>

Note 4	<b><u>Salvage &amp; Subrogation</u></b>	
	Salvage & Subrogation	<u>41,300.00</u>
		<u><u>41,300.00</u></u> *

\* Some portion may be due various reinsurers, and thus not be part of the general assets of the estate.

Note 5	<b><u>Reinsurance Recoveries</u></b>	
	American Agricultural Insurance Company	3,750.00
	American States Insurance Company	18,834.01
	Dorinco Reinsurance Company	3,768.80
	Folksamerica Reinsurance Company	126.02
	GE Reinsurance Corporation	37,668.02
	Genamerica Management	7,500.00
	GMAC RE/Motors Insurance Corporation	18,834.01
	Nationwide Mutual Insurance Company	56,250.00
	North Star Reinsurance	45,000.00
	Partner Reinsurance Company	126.02
	Toa Reinsurance Company	336.05
	Terra Nova Insurance	1,045.12
	Zenith Insurance Company	<u>42.01</u>
		<u><u>183,278.06</u></u>

Note 6	<b><u>Recovery of Statutory Deposits</u></b>	
	Return of Special Deposit - California	<u>90,000.00</u>
		<u><u>90,000.00</u></u>

Note 7	<b><u>Other Income</u></b>	
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**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2000**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JANUARY 1, 2005 THROUGH JUNE 30, 2005**

Reimbursement for Copying Documents	779.88
Equipment Income	<u>31,664.81</u>
	<u><u>32,444.69</u></u>

Note 8

**Salaries**

Chief Deputy Liquidator	5,066.03
Deputy Liquidators	11,366.70
Liquidation Office Employees	<u>127,957.24</u>
	<u><u>144,389.97</u></u>

Note 9

**Employee Benefits**

(Liquidation Office Employees)	
Employee Relations Other	105.99
Employee Insurance Benefits	16,652.28
Salaries 401K Employer Contribution	<u>3,467.06</u>
	<u><u>20,225.33</u></u>

Note 10

**Payroll & Other Taxes**

(Liquidation Office Employees)	
Workers Comp Insurance	439.82
State Unemployment Tax	938.69
Federal Unemployment Tax	286.11
FICA Tax	<u>10,439.84</u>
	<u><u>12,114.76</u></u>

Note 11

**Legal Fees**

**Special Counsel**

Carile, Patchen & Murphy LLP

Rehabilitation Expenses Paid after Liquidation	Post Liquidation Expenses
<u>0.00</u>	<u>178,330.15</u>
<u><u>0.00</u></u>	<u><u>178,330.15</u></u>

**Legal Counsel**

Kegler, Brown, & Hill and Ritter

Rehabilitation Expenses Paid after Liquidation	Post Liquidation Expenses
<u>0.00</u>	<u>1,138.31</u>
<u><u>0.00</u></u>	<u><u>1,138.31</u></u>



**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2000**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JANUARY 1, 2005 THROUGH JUNE 30, 2005**

Postage	2,132.61
	<u>3,318.06</u>

Note 17

**Office Supply Expense**

Liquidation Office Computer Supplies	409.61
Liquidation Office - Office Supplies	791.87
	<u>1,201.48</u>

Note 18

**Data Processing**

Computer Hardware and Software Costs - ( COSI )	75,986.72
Computer Maintenance	2,188.36
	<u>78,175.08</u>

Note 19

**Other Expenses**

Training & Seminars	114.22
Building Insurance	1,146.58
Registration & Dues	89.14
Other Outside Contracts - Depositions	3,779.50
FF & E Non Capital	572.59
Books & Periodicals	269.24
Contract Printing - Checks Printed	94.52
401 K Plan Expense	136.17
Moving Expenses	65.42
Temporary Help	4,943.35
Collection Fees - Trout & Associates, Ltd.	388.02
Collection Fees - Mauro C. Casci	13,866.71
Collection Fees - Virginia Law Foundation	130.00
Investment Expense	240.00
Miscellaneous Expense	128.24
	<u>26,963.70</u>

Note 20

**Interim Distribution to Insurance Guaranty Associations-IGA's**

Early Access Distribution - ( Second )	<u>1,549,080.00 (A)</u>
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IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

Ann H. Womer Benjamin, Superintendent of  
Insurance, Ohio Department of Insurance, in  
her capacity as Liquidator of LMI Insurance  
Company,

Plaintiff,

Case No. 00CVH03-2431

v.

Judge Schneider

LMI Insurance Company,

Defendant.

**ENTRY AND ORDER SETTING HEARING DATE ON THE MOTION FOR  
APPROVAL OF SEMI-ANNUAL ACCOUNTING OF LIQUIDATOR FOR  
JANUARY 1, 2005 – JUNE 30, 2005**

A hearing shall be held on the Motion for Approval of the Semi-Annual Accounting  
of the Liquidator for the period January 1, 2005 through June 30, 2005, on the regular  
scheduled hearing date of \_\_\_\_\_, 2005 at 8:30 a.m.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Judge Charles Schneider

APPROVED:

JIM PETRO  
Attorney General, State of Ohio

By:   
Michael H. Igoe  
Supreme Court No. 0012866  
CARLILE PATCHEN & MURPHY LLP  
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*Special Counsel for the Attorney General,  
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Benjamin, Superintendent of Insurance,  
Ohio Department of Insurance, in her capacity  
as Liquidator of LMI Insurance Company*