

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

Mary Jo Hudson, 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,

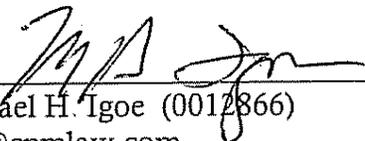
Defendant.

**MOTION FOR APPROVAL OF SEMI-ANNUAL ACCOUNTING OF LIQUIDATOR  
FOR JANUARY 1, 2007 THROUGH JUNE 30, 2007**

Now comes plaintiff, Mary Jo Hudson, 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, 2007 through June 30, 2007. The reasons for this Motion are more fully set forth in the attached Memorandum in Support.

Respectfully submitted,

MARC DANN  
Attorney General, State of Ohio

By:   
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*Outside Counsel for the Attorney General, State of  
Ohio, representing Mary Jo Hudson, Superintendent of  
Insurance, Ohio Department of Insurance, in her  
capacity as Liquidator of LMI Insurance Company*

FILED  
COMMON PLEAS COURT  
FRANKLIN CO., OHIO  
2007 SEP -7 PH 3:59  
CLERK OF COURTS-CV

## 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, 2007 through June 30, 2007. These receipts and expenditures are attached hereto as "Exhibit 1."

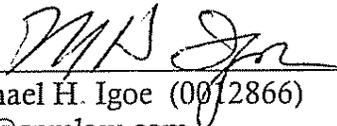
On May 23, 2000, LMI Insurance Company ("LMI") was declared insolvent and placed into liquidation, and the Ohio Superintendent of Insurance was appointed Liquidator. Section 3903.21 of the Ohio Revised Code and the Liquidation Order of May 23, 2000, direct the Liquidator to take possession of and liquidate 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, 2007 through June 30, 2007.

Respectfully submitted,

MARC DANN  
Attorney General, State of Ohio

By:   
Michael H. Igoe (0012866)  
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*Outside Counsel for the Attorney General, State of Ohio, representing Mary Jo Hudson, Superintendent of Insurance, Ohio Department of Insurance, in her capacity as Liquidator of LMI Insurance Company*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served upon Mary Jo Hudson, Superintendent, Ohio Department of Insurance, c/o Mr. Douglas L. Hertlein, Chief Deputy Liquidator, Office of the Ohio Insurance Liquidator, 1366 Dublin Road, Columbus, OH 43215 by ordinary U.S. Mail, postage prepaid, on this 7<sup>th</sup> day of September, 2007.

  
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, 2007

	Current Period 1/1/2007 TO 6/30/2007	Year to Date 1/1/2007 TO 6/30/2007	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	13,342,890.04	13,342,890.04	6,286,534.54
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	338,240.57	338,240.57	4,121,382.45
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation (Note 3)	4,262.45	4,262.45	3,481,471.93
Reinsurance Recoveries (Note 4)	400,000.00	400,000.00	5,767,233.17
Proceeds from ADIC Class 5 Distribution	0.00	0.00	1,086,849.69
Proceeds from Sale of Prudential Stock	0.00	0.00	245,760.65
Refund of Premium Tax Overpayment	0.00	0.00	37,778.62
Return of Statutory Deposits	0.00	0.00	1,692,435.50
Reimbursement of Losses Paid	0.00	0.00	70,263.63
Loc Draw Down-(REAC)	0.00	0.00	2,141.00
Insurance Recovery - Theft of Computer/Equipment	0.00	0.00	5,128.26
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 5)	49,941.43	49,941.43	258,889.18
Recovery from NC Ins. Underwriting Assoc.	0.00	0.00	44,373.34
Return of Collateral	0.00	0.00	35,000.00
Refund of Corporate Franchise Tax	0.00	0.00	52,668.24
First Union National Bank - Reimbursement of 1995 Fraudulent	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	0.00	0.00	358,623.96
Prudential PruPac Arbitration	0.00	0.00	13,276.22
RPNY-American Home Buyout-LAD/CLAD Buyout Files	0.00	0.00	5,153.00
Cash Transfers:			
Proceeds from ADIC Estate Closure - Operating Funds	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure - Collateral Funds	0.00	0.00	121,662.10
Proceeds - HealthFirst Estate Closure - Operating Funds	0.00	0.00	17,168.80
Proceeds - PIC Estate Closure - Operating Funds	0.00	0.00	20,233.22
Receipts - Funds Held - Closed Estates:			
Proceeds Misc. Receipts - ADIC Operating (Note 6)	41,489.50	41,489.50	41,489.50
Proceeds Misc. Receipts - ADIC Collateral (Note 7)	2,557.91	2,557.91	2,557.91
Proceeds Misc. Receipts - HealthFirst (Note 8)	500.06	500.06	500.06
Total Receipts	836,991.92	836,991.92	18,481,853.99
Disbursements:			
Compensation:			
Salaries (Note 9)	190,257.43	190,257.43	1,999,122.80
Employee Benefits (Note 10)	23,463.77	23,463.77	219,586.55
Payroll and Other Taxes (Note 11)	14,546.83	14,546.83	154,286.49
Professional Fees:			
Legal Fees (Note 12)	110,354.08	110,354.08	1,939,820.10
Tax Preparation and Audit Fees	3,596.25	3,596.25	43,942.50
Consulting Fees and Other Outside Contracts (Note 13)	19,916.47	19,916.47	2,954,454.51
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 14)	24,632.70	24,632.70	309,745.95
Equipment Expenses (Note 15)	396.53	396.53	15,890.69
Travel and Travel Items (Note 16)	1,370.75	1,370.75	45,693.94
Postage, Freight and Telephone (Note 17)	5,322.36	5,322.36	90,649.97
Office Supply Expense (Note 18)	1,107.36	1,107.36	23,536.55
Data Processing (Note 19)	1,771.19	1,771.19	255,405.11
Paid Losses Direct	0.00	0.00	81,257.31
Furniture, Fixtures & Equipment Cost	0.00	0.00	108,761.17
Other Expenses (Note 20)	1,904.56	1,904.56	361,797.45
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			2,782,377.00
Disbursements from Funds Held For Closed Estates:			
ADIC Estate Closure - Operating Expenses	20,418.83	20,418.83	20,418.83
ADIC Estate Closure - Reissued Distribution Checks	40,819.65	40,819.65	40,819.65
ADIC Estate Closure - Return of Collateral (Note 21)	21,129.51	21,129.51	21,129.51
HealthFirst Estate Closure - Operating Expenses	1,272.37	1,272.37	1,272.37
PIC Estate Closure - Operating Expenses	169.64	169.64	169.64
Total Disbursements	482,450.28	482,450.28	11,575,680.62
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	0.00	0.00	(153.22)
Ending Cash & Invested Assets (Note 1)	13,697,431.68	13,697,431.68	13,697,431.68

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, 2007 THROUGH JUNE 30, 2007

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 12/31/06	13,652,786.91
Increase in Cash and Invested Assets (Unencumbered)	393,804.17
	<u>393,804.17</u>
Decrease in Cash ( Encumbered ) - Note A	(39,262.53)
Decrease in Non Cash Asset (Encumbered)	(100,000.00)
Actual Net Increase in Cash ( Unencumbered & Encumbered ) and Invested Assets (Encumbered)	<u>254,541.64</u>
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<u>103.13</u>
Ending Cash ( Unencumbered & Encumbered ) and Non Cash (Encumbered) Assets as of 06/30/07	<u><u>13,907,431.68</u></u>

Note A - This net decrease is comprised of :

Net Proceeds and Expenditures related to the ADIC Estate Closure - Operating Funds	-\$19,748.98
Net Proceeds and Expenditures related to the ADIC Estate Closure - Collateral Funds	-18,571.60
Net Proceeds and Expenditures related to the HealthFirst Estate Closure - Operating Funds	-772.31
Net Proceeds and Expenditures related to the PIC Estate Closure - Operating Funds	-169.64
Total	<u><u>-\$39,262.53</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, 2007 THROUGH JUNE 30, 2007

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 1/1/2007	Ending Balance 6/30/2007
<b>Unencumbered Cash &amp; Invested Assets</b>			
Cash		10,656.52	11,469.69
Repurchase Agreements		12,935,000.00	13,328,000.00
U.S. Government Obligations		<u>0.00</u>	<u>0.00</u>
<b>Total Unencumbered Cash &amp; Invested Assets</b>		<u>12,945,656.52</u>	<u>13,339,469.69</u>
<b>Encumbered Cash (A)</b>		<b>397,233.52</b>	<b>357,970.99</b>
<b>Encumbered Non Cash Assets:</b>			
Statutory Deposits (B)		<u>309,896.87</u>	<u>210,000.00</u>
<b>Total Encumbered Non Cash Assets</b>		<u>309,896.87</u>	<u>210,000.00</u>
<b>Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets</b>		<u><b>13,652,786.91</b></u>	<u><b>13,907,431.68</b></u>
<b>Encumbered Cash (A) Maintained in Separate Bank Accounts:</b>			
	ADIC Estate - Operating Funds	237,969.40	210,220.42
	ADIC Estate - Collateral Funds	121,862.10	103,290.50
	HealthFirst Estate - Operating Funds	17,168.80	16,396.49
	PIC Estate - Operating Funds	<u>20,233.22</u>	<u>20,063.58</u>
		397,233.52	357,970.99

Statutory Deposit (B)

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
Delaware	912828-DJ-6 U.S. Treasury Note	Wilmington Trust Co	3.125%	100,000.00	100,000.00
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	4.870%	100,000.00	100,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	5.300%	15,000.00	15,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	5.300%	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	US Bank	4.870%	110,000.00	110,000.00
Subtotal				<u>8,861,776.00</u>	<u>8,861,776.00</u>

Other Investment or Withheld Interest:

NJ - Interest Income withheld	620,228.31
VA - Interest Income withheld	147,524.98
GA - Interest Income withheld	24,829.99
AZ - Interest Income withheld	10,683.52
<b>Subtotal</b>	<u><b>8,861,776.00</b></u> <u><b>8,665,042.80</b></u>

Statutory Deposits (C)

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 Insurance	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	5.300%	(15,000.00)	(15,000.00)
VA - Liquidated Bureau of Insurance	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	5.300%	(500,000.00)	(500,000.00)
VA - Interest Income withheld					(147,524.98)
DE - Liquidated to the IGA	Delaware Insurance Guaranty Association	Wilmington Trust	3.125%	(100,000.00)	(100,000.00)
GA - Interest Income withheld					(24,829.99)
AZ - Interest Income withheld					(10,683.52)
	<b>Ending Balance As of June 30, 2007</b>			<u><b>210,000.00</b></u>	<u><b>210,000.00</b></u>

\* Deposit Net of Early Access Offset

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2008  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

Note 2	<u>Interest Income</u>	
	Interest on Repurchase Agreements	335,678.07
	Interest on Ancillary Bonds	<u>1,562.50</u>
		<u>338,240.57</u>
Note 3	<u>Salvage &amp; Subrogation</u>	
	Salvage & Subrogation	4,262.45
		<u>4,262.45</u>
	* Some portion may be due various reinsurers, and thus not be part of the general assets of the estate.	
Note 4	<u>Reinsurance Recoveries</u>	
	Scor Re - Commutation Settlement	400,000.00
		<u>400,000.00</u>
Note 5	<u>Other Income</u>	
	Reimbursement for Copying Documents	345.74
	Proceeds - Connecticut Fair Plan	213.81
	Equipment Income	49,381.88
		<u>49,941.43</u>
Note 6	<u>Proceeds Misc. Receipts - ADIC Operating</u>	
	Interest on Repurchase Agreements	5,527.33
	Reimbursement for LAE expenses-Fellon Enterprises	3,185.40
	Kansa Reinsurance Recovery	31,405.89
	OGIC Surplus Distribution	1,370.78
		<u>41,489.50</u>
Note 7	<u>Proceeds Misc. Receipts - ADIC Collateral</u>	
	Interest on Repurchase Agreements	2,557.91
		<u>2,557.91</u>
Note 8	<u>Proceeds Misc. Receipts - HealthFirst</u>	
	Reifen TTP Settlement Fund - Anitrust Litigation	500.06
		<u>500.06</u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

Note 9	<u>Salaries</u>	
	Chief Deputy Liquidator	4,073.47
	Deputy Liquidators	11,454.34
	Liquidation Office Employees	<u>174,728.62</u>
		<u>190,257.43</u>

Note 10	<u>Employee Benefits</u>	
	(Liquidation Office Employees)	
	Employee Relations Other	117.90
	Employee Insurance Benefits	19,340.70
	Salaries 401K Employer Contribution	<u>4,005.17</u>
		<u>23,463.77</u>

Note 11	<u>Payroll &amp; Other Taxes</u>	
	(Liquidation Office Employees)	
	Workers Comp Insurance	407.10
	State Unemployment Tax	711.93
	Federal Unemployment Tax	275.41
	FICA Tax	<u>13,152.39</u>
		<u>14,546.83</u>

Note 12	<u>Legal Fees</u>			
	<u>Special Counsel</u>	<u>Rehabilitation Expenses Paid after Liquidation</u>	<u>Post Liquidation Expenses</u>	<u>Total</u>
	Carile, Patchen & Murphy LLP	<u>0.00</u>	<u>110,250.74</u>	<u>110,250.74</u>
		<u>0.00</u>	<u>110,250.74</u>	<u>110,250.74</u>
	<u>Legal Counsel</u>	<u>Rehabilitation Expenses Paid after Liquidation</u>	<u>Post Liquidation Expenses</u>	<u>Total</u>
	Kegler, Brown, & Hill and Ritter	<u>0.00</u>	<u>103.34</u>	<u>103.34</u>
		<u>0.00</u>	<u>103.34</u>	<u>103.34</u>
	Total Legal Fees	<u>0.00</u>	<u>110,354.08</u>	<u>110,354.08</u>

Note 13	<u>Consulting Fees and Other Outside Contracts</u>			
		<u>Rehabilitation Expenses Paid after Liquidation</u>	<u>Post Liquidation Expenses</u>	<u>Total</u>
	ADP-Process Liquidation Office Payroll	0.00	348.64	348.64
	1099 Connection - Governmental Reporting	0.00	3.73	3.73
	Glenn Cornett - Claims Consultant	0.00	632.50	632.50
	KB Resolutions - Reinsurance Consultant	0.00	11,937.50	11,937.50
	Lynda G Loomis - Reinsurance Consultant	0.00	2,525.00	2,525.00
	Kim M Burnside - POC Admin. Consultant	0.00	549.60	549.60
	Smart & Associates - Forensic Accountants	0.00	3,919.50	3,919.50
		<u>0.00</u>	<u>19,916.47</u>	<u>19,916.47</u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2009  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

Note 14	<u>Rent and Rent Items</u>	
	Rent on Leased Properties	19,703.47
	Furniture, Fixtures, & Equipment Rent	1,040.18
	Utilities - Gas & Electric	4,051.72
	Janitor Service	837.33
		<u>24,632.70</u>
Note 15	<u>Equipment Expense (Includes Furniture &amp; Fixtures Expense)</u>	
	ABCO Fire Protection Inc	67.15
	ADT Security	82.69
	Gordon Flesch Co - Copier Maintenance	201.50
	Pan-L-Tek, Inc. - Electrical Repair	8.73
	Parallel Technologies Inc - Phone Maintenance	36.46
		<u>396.53</u>
Note 16	<u>Travel and Travel Items</u>	
	(Liquidation Office Employees)	
	Travel/Accommodation-Transportation	1,221.77
	Travel Expenses and Meals	148.98
		<u>1,370.75</u>
Note 17	<u>Postage, Freight and Telephone</u>	
	Postage	3,944.58
	Express & Freight	404.30
	Liquidation Office Phone & Fax	760.06
	Internet Fees	213.42
		<u>5,322.36</u>
Note 18	<u>Office Supply Expense</u>	
	Liquidation Office Computer Supplies	374.50
	Liquidation Office - Office Supplies	732.86
		<u>1,107.36</u>
Note 19	<u>Data Processing</u>	
	Computer Maintenance	1,433.77
	Computer Software Lease	337.42
		<u>1,771.19</u>
Note 20	<u>Other Expenses</u>	
	Training & Seminars	147.37
	Insurance - Building Liab	1,134.78
	Registration & Dues	75.29
	FF & E Non Capital	28.57
	Books & Periodicals	240.85
	Contract Printing	196.26
	Temporary Help	2.65
	Investment Expense	75.00
	Miscellaneous Expense	3.79
		<u>1,904.56</u>
Note 21	<u>ADIC Estate Closure - Return of Collateral</u>	
	David Deron Blanton	1,441.61
	Charles Zebley Jr Trustee	16,502.50
	LMI / ADIC Reimbursement for LAE Expenses-Felton Enterprises	3,185.40
		<u>21,129.51</u>