

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

MARY TAYLOR, Ohio Superintendent of Insurance, in her capacity as Liquidator of LMI Insurance Company,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Case No. 00-CV-002431
	:	
LMI Insurance Company,	:	Judge Charles A. Schneider
	:	
Defendant.	:	

MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING FOR THE PERIOD OF JANUARY 1, 2012 TO JUNE 30, 2012

Plaintiff, Mary Taylor in her capacity as Liquidator ("Liquidator") of LMI Insurance Company ("LMI"), requests this Court to approve the Statement of Receipts and Disbursements for the period of January 1, 2012 to June 30, 2012, as set forth in the attached Exhibit A. A Memorandum in Support is attached and incorporated by reference.

Respectfully submitted,

MIKE DEWINE
Attorney General of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

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*Attorneys for Mary Taylor, in her capacity as
Liquidator of LMI Insurance Company*

MEMORANDUM IN SUPPORT

By Order of this Court entered on May 23, 2000, the Ohio Superintendent of Insurance was appointed Liquidator of LMI Insurance Company. As part of the liquidation and pursuant to the Order of Liquidation and Ohio Revised Code Chapter 3903, the Liquidator undertakes to collect where reasonable all debts and moneys due to LMI, and makes payment of necessary expenses. The Liquidation Order and O.R.C. 3903.21(A)(4) provide, in pertinent part, that the Liquidator may:

Pay reasonable compensation to persons appointed and defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of the insurer.

Section 3903.42(A) of the Ohio Revised Code provides that the expenses of administration be given first priority in the distribution of assets.

The Liquidator is also required by R.C. 3903.18(E) to periodically account to the Court, throughout the pendency of LMI's liquidation proceedings, to be submitted in the form attached hereto as Exhibit A. Such accountings may assist the Court and interested persons in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in LMI's liquidation proceedings.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests the Court to approve LMI's Statement of Receipts and Disbursements of the Liquidator for the period January 1, 2012 to June 30, 2012, as set forth in the attached Exhibit A.

Respectfully submitted,

MIKE DEWINE
Ohio Attorney General

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler

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Facsimile: (614) 221-0216

*Attorneys for Mary Taylor, in her capacity as
Liquidator of LMI Insurance Company*

CERTIFICATE OF NOTICE

I hereby certify that a true and accurate copy of the foregoing Motion for Approval of the Liquidator's Periodic Accounting was posted on the Liquidator's website () under Open Liquidations - LMI Insurance Company substantially contemporaneous with the filing of this Motion.

/s/ Scott R. Mergenthaler
Scott R. Mergenthaler (00122869)

EXHIBIT A
Liquidation Period
January 1, 2012 to June 30, 2012

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2012

	Current Period 1/1/2012 TO 6/30/2012	Year to Date 1/1/2011 TO 6/30/2012	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	14,924,527.07	14,924,527.07	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest income (Note 2)	23,668.24	23,668.24	5,095,786.32
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation (Note 3)	4,500.00	4,500.00	3,507,489.35
Reinsurance Recoveries (Note 4)	192,735.03	192,735.03	14,468,776.45
Proceeds from ADIC Class 5 Distribution	0.00	0.00	1,086,849.69
Refund of General Operating Expenses	0.00	0.00	37.43
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 (Note 5)	124,620.77	124,620.77	1,826,130.03
Reimbursement of Losses Paid	0.00	0.00	145,263.63
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
Recovery from NY Property Ins Underwriting Association	0.00	0.00	159,631.98
Recovery from Property & Casualty Ins Guaranty Corp	0.00	0.00	17,936.00
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 6)	11.01	11.01	418,822.97
Proceeds from Settlement with Directors & Officers	0.00	0.00	3,100,000.00
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	696.93
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 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	358,623.96
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: (Note 4)			
Proceeds from ADIC Estate Closure (Operating) - Remaining Holdback	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure (Collateral) - Remaining Holdback	0.00	0.00	121,862.10
Proceeds - HealthFirst Estate Closure - Remaining Holdback	0.00	0.00	17,168.80
Proceeds - PIC Estate Closure - Remaining Holdback	0.00	0.00	20,233.22
Proceeds - DayMed Estate Closure - Remaining Holdback	0.00	0.00	36,298.26
Proceeds - RHP Estate Closure - Remaining Holdback	0.00	0.00	45,819.94
Proceeds - Oil & Gas Estate Closure - Remaining Holdback	0.00	0.00	333,803.89
Proceeds - Proliance Estate Closure - Remaining Holdback	0.00	0.00	27,146.72
Proceeds - Guarantee Title & Trust Estate Closure - Remaining Holdback	0.00	0.00	21,404.80
Proceeds - Physicians Assurance Corp Estate Closure - Remaining Holdback	0.00	0.00	19,411.67
Receipts - Funds Held - Closed Estates:			
Proceeds Misc. Receipts - ADIC Operating	0.00	0.00	80,364.76
Proceeds Misc. Receipts - ADIC Collateral	0.00	0.00	4,446.56
Proceeds Misc. Receipts - HealthFirst	0.00	0.00	3,104.20
Proceeds Misc. Receipts - RHP	0.00	0.00	2.07
Proceeds Misc. Receipts - DayMed	0.00	0.00	0.36
Proceeds Misc. Receipts - Proliance	0.00	0.00	363.77
Total Receipts	345,535.05	345,535.05	32,358,368.75

Franklin County Ohio Clerk of Courts of the Common Pleas- 2012 Aug 07 10:30 AM-00CV002431

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 CUMULATIVE FROM MAY 23, 2000 THROUGH JUNE 30, 2012

	Current Period 1/1/2012 TO 6/30/2012	Year to Date 1/1/2011 TO 6/30/2012	CUMULATIVE FROM 5/23/2000
Disbursements:			
Compensation:			
Salaries (Note 7)	105,728.33	105,728.33	3,384,262.33
Employee Benefits (Note 8)	13,067.93	13,067.93	397,019.05
Payroll and Other Taxes (Note 9)	9,986.89	9,986.89	249,295.05
Professional Fees:			
Legal Fees (Note 10)	5,659.24	5,659.24	2,074,316.72
Tax Preparation and Audit Fees (Note 11)	1,500.00	1,500.00	108,053.93
Consulting Fees and Other Outside Contracts (Note 12)	5,841.01	5,841.01	3,109,907.83
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
		0.00	
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 13)	52,275.50	52,275.50	683,036.47
Maintenance / Repair - Facility and FF & E (Note 14)	119.16	119.16	18,797.96
Travel and Travel Items (Note 15)	548.73	548.73	60,217.17
Postage, Freight, Telephone and Internet (Note 16)	1,537.84	1,537.84	132,731.95
Office Supply Expense (Note 17)	255.17	255.17	29,678.13
Data Processing (Note 18)	4,031.29	4,031.29	272,014.55
Banking and Investment Expense (Note 19)	1,365.59	1,365.59	19,387.71
Paid Losses Direct	0.00	0.00	81,257.31
Furniture, Fixtures & Equipment Cost	0.00	0.00	108,761.17
Moving and Relocation Costs	0.00	0.00	13,151.11
Warehouse Consolidation Project Expenses	0.00	0.00	15,206.67
Reorganization & Consolidation of Files/Records/Documents (Note 20)	113.38	113.38	113.38
Other Expenses (Note 21)	3,267.48	3,267.48	423,332.95
		0.00	
All Other Disbursements:			
Prepaid Postage	0.00	0.00	324.69
Ohio Bureau of Worker's Compensation Security Deposit	0.00	0.00	339.99
Return of Funds to NJ Comm. Auto Insurance	0.00	0.00	49,931.00
Return of Funds - Reinsurance Overpayments	0.00	0.00	40,988.29
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	2,409.99
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	12,042,899.24
Interim Distribution to Class 2 Claimants-Non IGA	0.00	0.00	159,285.74
Federal Income Tax	0.00	0.00	0.00
Disbursements from Funds Held For Closed Estates:			
ADIC Estate Closure - Operating Expenses	0.00	0.00	170,756.34
ADIC Estate Closure - Reissued Distribution Checks	0.00	0.00	71,717.76
ADIC Estate Closure - Return of Collateral	0.00	0.00	21,129.51
ADIC Estate Closure - Remaining Funds to Div. of Unclaimed Funds	0.00	0.00	181,039.21
HealthFirst Estate Closure - Operating Expenses	0.00	0.00	12,463.25
HealthFirst Estate Closure - Warehouse Consolidation Project Expenses	0.00	0.00	340.13
PIC Estate Closure - Operating Expenses	0.00	0.00	447.19
PIC Estate Closure-Funds Released to Other Insurance Companies-Admin Exp	0.00	0.00	27,255.65
	0.00	0.00	27,255.65
Total Disbursements	205,297.54	205,297.54	24,008,398.18
	0.00	0.00	504,876.89
Recovery of Statutory Deposit (US Trea. Note) OH	2,608.67	2,608.67	(74,008.85)
Security Amortization for the Period			
	15,067,373.25	15,067,373.25	15,067,373.25
Ending Cash & Invested Assets (Note 1)			

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, 2012 THROUGH JUNE 30, 2012

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 1/1/12	15,760,901.69
Increase in Cash and Invested Assets (Unencumbered)	142,846.18
	<u>142,846.18</u>
Cash (Encumbered)	0.00
Non Cash Asset (Encumbered)	(707,026.09) *
Actual Net Decrease in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<u>(564,179.91)</u>
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<u>0.00</u>
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 6/30/12	<u><u>15,196,721.78</u></u>

* Virginia Special Deposit turned over to the IGA

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JANUARY 1, 2012 THROUGH JUNE 30, 2012

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 1/1/2012	Ending Balance 6/30/2012
Unencumbered Cash & Invested Assets			
Cash		10,405.78	11,588.11
Certificate of Deposits		250,000.00	250,000.00
U.S. Government Obligations		13,493,216.00	13,495,624.67
JP Morgan Funds - Money Market		1,170,905.29	1,309,960.47
Total Unencumbered Cash & Invested Assets		<u>14,924,527.07</u>	<u>15,067,373.25</u>
Encumbered Cash		<u>0.00</u>	<u>0.00</u>
Total Cash & Invested Assets		14,924,527.07	15,067,373.25
Encumbered Non Cash Assets:			
Statutory Deposits (A)		<u>836,374.62</u>	<u>129,348.53</u>
Total Encumbered Non Cash Assets		<u>836,374.62</u>	<u>129,348.53</u>
Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets		<u>15,760,901.69</u>	<u>15,196,721.78</u>

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	<u>Cusip # Description</u>	<u>Where Deposited</u>	<u>Interest Rate</u>	<u>PAR</u>	<u>Remaining Value PAR / Amort. *</u>
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	100,000.00	129,348.53
Subtotal				615,000.00	129,348.53
Balance per General Ledger					<u>129,348.53</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2012 THROUGH JUNE 30, 2012

Note 2	<u>Interest Income</u>	
	Interest on Bonds	23,428.12
	Interest on CD	184.94
	Interest on Money Market	55.18
		<u>23,668.24</u>
Note 3	<u>Salvage & Subrogation</u>	
	Eliades Law Firm - Christian Thompson	4,500.00
		<u>4,500.00</u>
Note 4	<u>Reinsurance Recoveries</u>	
	General Security/Sorema	192,735.03
		<u>192,735.03</u>
Note 5	<u>Return of Statutory Deposit</u>	
	Industrial Commission of Arizona - Return of Workers Comp Statutory Deposit	124,620.77
		<u>124,620.77</u>
Note 6	<u>Other Income</u>	
	Misc Income	11.01
		<u>11.01</u>
Note 7	<u>Salaries</u>	
	Chief Deputy Liquidator	14,680.26
	Deputy Liquidators	18,125.12
	Liquidation Office Employees	72,922.95
		<u>105,728.33</u>
Note 8	<u>Employee Benefits</u>	
	Salaries - 401K Contrib	2,972.77
	Employee Insurance Benefits	8,389.39
	Employee Related Expense - Other	1,705.77
		<u>13,067.93</u>
Note 9	<u>Payroll & Other Taxes</u>	
	Workers Comp Insurance	731.82
	State Unemployment Tax	1,065.48
	Federal Unemployment Tax	848.20
	FICA Tax	7,341.39
		<u>9,986.89</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2012 THROUGH JUNE 30, 2012

Note 10	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	1,420.23
	Crabbe, Brown & James LLP	1,907.50
	Kegler, Brown, Hill & Ritter	250.00
	Kohrman, Jackson, & Krantz PLL	315.00
	Subtotal Attorney General Contracted Legal Fees	3,892.73
	<u>Attorney General Contracted Legal Expenses</u>	
	Carlile, Patchen & Murphy LLP	252.74
	Kegler, Brown, Hill & Ritter	15.25
	Subtotal Attorney General Contracted Legal Expenses	267.99
	<u>Non-Attorney General Contracted Legal Fees</u>	
	Eliades Law Firm - Subro : Christian Thompson	1,498.52
	Subtotal Non-Attorney General Contracted Legal Fees	1,498.52
	Total Attorney General and Non-Attorney General Fees & Expenses	5,659.24
Note 11	<u>Tax Preparation and Audit Fees</u>	
	Maloney + Novotny LLC - 1120PC Tax Returns	1,500.00
	Total Tax Preparation & Audit Fees/Expenses	1,500.00
Note 12	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Process Liquidation Office Payroll	408.26
	Aktion Associates-IT Consultant	1,301.15
	RASP Consulting, Inc. - IT Consultant	3,105.10
	Nesser Consulting Group - Accounting Consultant	1,026.50
	Subtotal Consulting Fees and Other Outside Contracts	5,841.01
Note 13	<u>Rent and Rent Items</u>	
	Rent on Leased Properties - Columbus Office Space	37,905.15
	Rent on Leased Properties - 1450 Dublin Rd Warehouse	5,822.31
	Rent on Leased Properties - Fireproof Records Center	3,733.80
	Furniture, Fixtures, & Equipment Rent	4,638.77
	Trash/Recycling	175.47
	Subtotal Rent and Rent Items	52,275.50
Note 14	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co	119.16
	Subtotal Maintenance / Repair: Facility and FF & E	119.16

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JANUARY 1, 2012 THROUGH JUNE 30, 2012

Note 15	<u>Travel and Travel Items</u>	
	Travel/Accommodation-Transportation	485 15
	Travel Expenses and Meals	63.58
		<u>548.73</u>
Note 16	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	240 37
	Express & Freight	18 12
	Telephone & Fax	510 17
	Internet Fees	769.18
		<u>1,537.84</u>
Note 17	<u>Office Supply Expense</u>	
	Office Supplies	255.17
		<u>255.17</u>
Note 18	<u>Data Processing</u>	
	Computer Supplies	303 49
	Software Expense Purch/Maint	3,727.80
		<u>4,031.29</u>
Note 19	<u>Banking & Investment Expense</u>	
	Banking & Investment Expense	1,365.59
		<u>1,365.59</u>
Note 20	<u>Reorganization & Consolidation of Files/Records/Documents</u>	
	Storage Retrieval - Truck Rental/fuel	36 19
	Office Supplies - Boxes	77.19
		<u>113.38</u>
Note 21	<u>Other Expenses</u>	
	Prepaid Postage Expense	(69.49)
	Employee Health Insurance Co Pay	2,250.00 A
	Amount Withheld Supplemental Insurance	(557 21) A
	Training & Seminars	5 13
	Insurance - Building Liability	1 228 97
	Registration & Dues	97 68
	Storage Retrieval	21 93
	FF & E and IT - Non Capitalized Purchases	89 80
	Contract Printing and Copying (Projects)	200.67
		<u>3,267.48</u>

Note A: Per the Administrative Costs and Expenses Procedures effective January 1, 2011, the LMI Insurance Company became responsible for the issuance of pay checks and payments of all employer payroll taxes and withholding and remittance of employees' taxes, employer 401K and HSA contributions to services provided to one or more of the Estates (i.e. the Employer Estate Payroll Liabilities).