

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
JULY 1, 2012 TO DECEMBER 31, 2012**

Plaintiff, Mary Taylor, Ohio Superintendent of Insurance 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 July 1, 2012 to December 31, 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, and was empowered, authorized and directed to liquidate all of the property and assets of LMI in accordance with the laws of Ohio and under the continuing jurisdiction of this Court. 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.

Since 2008, the Liquidator has made required changes in many areas aimed at preserving and utilizing estate assets for the benefit of the estate's creditors and substantially reducing and controlling costs, including the implementation of closing plans in mature estates. During the period July 1, 2012 to December 31, 2012, at issue in this Motion, the Liquidator closed the following liquidation estate and rehabilitation estate:

Acceleration National Insurance Company, Case No.00CVH11-10534
Closing Order Entered November 21, 2012 (Liquidation)

Home Value Insurance Company, Case No. 12CV010970
Closing Order Entered December 27, 2012 (Rehabilitation)

The closure of these separate estates is relevant to this Motion because LMI's Statement of Receipts and Disbursements for the period July 1, 2012 to December 31, 2012, as set forth in the attached Exhibit A, shows that the LMI estate received certain remaining funds (the "administrative reserve") of each of these closed estates. LMI's receipt of funds reflects a payment by each closed estate to LMI of (i) each closed estate's remaining post-closing administrative expense obligations and (ii) each closed estate's pre-payment to LMI of the funds needed for LMI to administer and pay for those obligations.¹ This is done pursuant to provisions of paragraph 3 on page 8 (Closed and Closing Estates) of the Updated Administrative Expense Operating Procedure approved most recently in this case on December 21, 2010 ("AOP"), and because the closed estates may not hold open their own bank accounts after the estate is closed and the Liquidator or Rehabilitator is discharged in order to pay for remaining administrative obligations (such as a final audit and a final tax return) that can be incurred only after the estate is closed.

Pursuant to R.C. 3903.42, R.C. 3903.46(A) and the AOP, the Court in each of the above-referenced closed liquidation and rehabilitation cases approved, as of the time of closing, the pre-payment to LMI of the closed estates' remaining administrative expense reserve at the time of

¹ The Liquidator administers and accounts for the administrative holdback pursuant to the long standing Administrative Operating Procedure updated and approved most recently on December 21, 2010 in the this case, Case No. 00CVH03-2431 (the "updated AOP"). The process set forth in the updated AOP for Closed Estates has been in place since the early 1990s.

closing. The payment and receipt of these funds is reported in the LMI periodic accounting, but the expenditure of it is not separately tracked, accounted for or reported hereafter by any estate pursuant to the provisions of paragraph 3 on page 8 of the AOP approved by this Court on December 21, 2010 that apply to Closed and Closing Estates.

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 July 1, 2012 to December 31, 2012, as set forth in the attached Exhibit A.

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

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.

Scott R. Mergenthaler
Scott R. Mergenthaler (0012869)

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2012

	Current Period 7/1/2012 TO 12/31/2012	Year to Date 1/1/2012 TO 12/31/2012	CUMULATIVE FROM 36,669.00
Beginning Cash & Invested Assets (Note 1)	15,067,373.25	14,924,527.07	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	23,918.18	47,586.42	5,119,704.50
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation (Note 3)	497.49	4,997.49	3,507,986.84
Reinsurance Recoveries	0.00	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	0.00	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 (Note 5)	17,911.00	17,911.00	35,847.00
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 6)	4,585.75	4,596.76	423,408.72
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
Proceeds - Acceleration National Insurance Estate Closure - Remaining Holdback	15,901.55	15,901.55	15,901.55
Proceeds - Home Value Insurance Estate Closure - Remaining Holdback	18,168.90	18,168.90	18,168.90
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	80,982.87	426,517.92	32,439,351.62

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2012

	Current Period 7/1/2012 TO 12/31/2012	Year to Date 1/1/2012 TO 12/31/2012	CUMULATIVE FROM 36,669.00
Disbursements:			
Compensation:			
Salaries (Note 7)	72,810.04	178,538.37	3,457,072.37
Employee Benefits (Note 8)	9,758.27	22,826.20	406,777.32
Payroll and Other Taxes (Note 9)	8,278.99	18,265.88	257,574.04
Professional Fees:			
Legal Fees (Note 10)	1,608.67	7,267.91	2,075,925.39
Tax Preparation and Audit Fees (Note 11)	24,150.00	25,650.00	132,203.93
Consulting Fees and Other Outside Contracts (Note 12)	1,536.62	7,377.63	3,111,444.45
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
Other Expenses of Administration of Company and its Property:		0.00	
Rent and Rent Items (Note 13)	36,446.57	88,722.07	719,483.04
Maintenance / Repair - Facility and FF & E (Note 14)	548.86	668.02	19,346.82
Travel and Travel Items (Note 15)	575.89	1,124.62	60,793.06
Postage, Freight, Telephone and Internet (Note 16)	1,273.93	2,811.77	134,005.88
Office Supply Expense (Note 17)	143.07	398.24	29,821.20
Data Processing (Note 18)	1,671.35	5,702.64	273,685.90
Banking and Investment Expense (Note 19)	1,583.73	2,949.32	20,971.44
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)	70.39	183.77	183.77
Other Expenses (Note 21)	6,748.06	10,015.54	430,081.01
All Other Disbursements:		0.00	
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:		0.00	
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
Total Disbursements	167,204.44	372,501.98	24,175,602.62
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	2,154.02	4,762.69	(71,854.83)
Ending Cash & Invested Assets (Note 1)	14,983,305.70	14,983,305.70	14,983,305.70

n 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 JULY 1, 2012 THROUGH DECEMBER 31, 2012**

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 7/1/12	15,196,721.78
Decrease in Cash and Invested Assets (Unencumbered)	(84,067.55)
	<u>(84,067.55)</u>
Cash (Encumbered)	0.00
Non Cash Asset (Encumbered)	(68.52)
Actual Net Decrease in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<u>(84,136.07)</u>
Non Cash Assets (Encumbered) Amortization of Premium/Discount	<u>0.00</u>
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 12/31/12	<u><u>15,112,585.71</u></u>

**LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012**

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 7/1/2012	Ending Balance 12/31/2012
Unencumbered Cash & Invested Assets			
	Cash	11,588.11	31,856.16
	Certificate of Deposits	250,000.00	250,000.00
	U.S. Government Obligations	13,495,824.67	13,251,380.57
	JP Morgan Funds - Money Market	1,309,960.47	1,450,068.97
	Total Unencumbered Cash & Invested Assets	<u>15,067,373.25</u>	<u>14,983,305.70</u>
	Encumbered Cash	<u>0.00</u>	<u>0.00</u>
	Total Cash & Invested Assets	15,067,373.25	14,983,305.70
Encumbered Non Cash Assets:			
	Statutory Deposits (A)	129,348.53	129,280.01
	Total Encumbered Non Cash Assets	<u>129,348.53</u>	<u>129,280.01</u>
	Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets	<u><u>15,196,721.78</u></u>	<u><u>15,112,585.71</u></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.

<u>State</u>	<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%	<u>100,000.00</u>	<u>129,280.01</u>
Subtotal				100,000.00	129,280.01
Balance per General Ledger					<u><u>129,280.01</u></u>

**LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012**

Note 2	<u>Interest Income</u>	
	Interest on Bonds	27,026.24
	Accrued Discount on Bonds from Maturity	0.00
	Amortized Premium on Bonds from Maturity	0.00
	Interest Paid on Bonds	(3,401.51)
	Interest on CD	184.95
	Interest on Money Market	108.50
	Interest on Ancillary Bonds	0.00
		<u>23,918.18</u>
Note 3	<u>Salvage & Subrogation</u>	
	Eliades Law Firm - Christian Thompson	497.49
	Kernan, Scully & McDonald - LMI Prudential v Jesse Ceci	0.00
		<u>497.49</u>
Note 4	<u>Transfer Remaining Holdback Proceeds from Estate Closure</u>	
	Remaining Holdback (Administrative Expense) Transfer from Acceleration National Insurance Co *	15,901.55
	Remaining Holdback (Administrative Expense) Transfer from Home Value Insurance Company **	18,168.90
		<u>34,070.45</u>
	* Per Court Order dated 11/21/2012.	
	** Per Court Order dated 12/27/2012.	
Note 5	<u>Recovery from Property & Casualty Ins Guaranty Corp</u>	
	Property & Casualty Ins Guaranty Corp-1998 Assessment refund	17,911.00
		<u>17,911.00</u>
Note 6	<u>Other Income</u>	
	Workers Comp Insurance refund	4,575.92
	Wells Fargo - Building insurance refund	9.83
		<u>4,585.75</u>
Note 7	<u>Salaries</u>	
	Chief Deputy Liquidator	10,798.05
	Deputy Liquidators	15,044.42
	Liquidation Office Employees	46,967.57
		<u>72,810.04</u>
Note 8	<u>Employee Benefits</u>	
	Salaries - 401K Contrib	2,120.84
	Employee Insurance Benefits	6,785.69
	Employee Related Expense - Other	851.74
		<u>9,758.27</u>
Note 9	<u>Payroll & Other Taxes</u>	
	Workers Comp Insurance	4,054.24
	State Unemployment Tax	1.62
	FICA Tax	4,223.13
		<u>8,278.99</u>

**LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012**

Note 10 Legal Fees

Attorney General Contracted Legal Fees

Carlile, Patchen & Murphy LLP	1,037.80
Crabbe, Brown & James LLP	175.00
Kohrman, Jackson, & Krantz PLL	227.50
Subtotal Attorney General Contracted Legal Fees	<u>1,440.30</u>

Attorney General Contracted Legal Expenses

Carlile, Patchen & Murphy LLP	8.69
Subtotal Attorney General Contracted Legal Expenses	<u>8.69</u>

Non-Attorney General Contracted Legal Fees

Eliades Law Firm - Subro : Christian Thompson	159.68
Subtotal Non-Attorney General Contracted Legal Fees	<u>159.68</u>

Total Attorney General and Non-Attorney General Fees & Expenses	<u>1,608.67</u>
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Note 11 Tax Preparation and Audit Fees

Maloney + Novotny LLC - 1120PC Tax Returns	10,500.00
Maloney + Novotny LLC - Audit Fees - 6/30/2012 Year Ended	13,650.00
Total Tax Preparation & Audit Fees/Expenses	<u>24,150.00</u>

Note 12 Consulting Fees and Other Outside Contracts

ADP-Process Liquidation Office Payroll	312.94
RASP Consulting, Inc. - IT Consultant	1,223.68
	<u>1,536.62</u>

Note 13 Rent and Rent Items

Rent on Leased Properties - Columbus Office Space	26,459.06
Rent on Leased Properties - 1450 Dublin Rd Warehouse	3,208.60
Rent on Leased Properties - Fireproof Records Center	3,219.58
Rent Other - National City Safety Deposit Box	26.87
Furniture, Fixtures, & Equipment Rent	3,386.77
Trash/Recycling	145.69
	<u>36,446.57</u>

Note 14 Maintenance / Repair: Facility and FF & E

CDW Direct	396.40
Gordon Flesch Co	152.46
	<u>548.86</u>

**LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2012 THROUGH DECEMBER 31, 2012**

Note 15 Travel and Travel Items

Travel/Accommodation-Transportation	507.40
Travel Expenses and Meals	68.49
	<u>575.89</u>

Note 16 Postage, Freight, Telephone and Internet

Postage	100.29
Express & Freight	16.11
Telephone & Fax	399.29
Internet Fees	758.24
	<u>1,273.93</u>

Note 17 Office Supply Expense

Office Supplies	143.07
	<u>143.07</u>

Note 18 Data Processing

Computer Maintenance	1,375.56
Computer Supplies	14.86
Software Expense Purch/Maint	280.93
	<u>1,671.35</u>

Note 19 Banking & Investment Expense

Banking & Investment Expense	1,583.73
	<u>1,583.73</u>

A

Note 20 Reorganization & Consolidation of Files/Records/Documents

Storage Retrieval - Truck Rental/fuel	70.39
	<u>70.39</u>

Note 21 Other Expenses

Prepaid Postage Expense	(99.80)
Amount Withheld Supplemental Insurance	815.00 A
Professional and D & O / EPLIC Liability Insurance	5,523.54
Registration & Dues	55.30
FF & E and IT - Non Capitalized Purchases	81.52
Miscellaneous Expense	372.50
	<u>6,748.06</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).