

IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

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

MOTION FOR THE APPROVAL OF LIQUIDATOR’S FINAL PERIODIC ACCOUNTING FOR LMI INSURANCE COMPANY FOR THE PERIOD OF JULY 1, 2014 THROUGH DECEMBER 31, 2014

Plaintiff, Mary Taylor, Ohio Superintendent of Insurance in her capacity as Liquidator of LMI Insurance Company (“LMI”) requests this Court to approve the Liquidator’s Final Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2014 through December 31, 2014, as set forth in the attached **Exhibit A**.

The reasons in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:

CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler

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

MEMORANDUM IN SUPPORT

On October 23, 2014, this Court entered an Order granting the Liquidator’s motion for an order approving the Liquidator’s Final Report of Claims, Final Reserve and Payment of Administrative Expenses, and Authorizing Final Distribution of the Assets of LMI Insurance Company (“LMI”). The Liquidator completed the final distribution of LMI assets in November, 2014. On December 18, 2014, this Court entered an Order granting the Liquidator’s Application for an Order Terminating the Liquidation Proceedings of LMI Insurance Company, discharging the Liquidator and making other provisions to close the LMI liquidation estate and terminate the LMI liquidation case (the “Final Closing Order”). Pursuant to R.C. 3903.46(A), the Final Closing Order requires the Liquidator to file for post-closure approval of a final accounting. This Motion requests approval of the Liquidator’s Final Statement of Receipts and Disbursements for the period of July 1, 2014 to December 31, 2014 (the “Final Accounting”). The Final Accounting is attached and incorporated by reference as Exhibit A.

By Order of this Court entered on May 23, 2000, the Ohio Superintendent of Insurance was appointed Liquidator of LMI 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 undertook the collection of all debts and moneys due to LMI, and made payment of LMI’s necessary expenses in liquidation. The Liquidation Order and 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 account periodically to the Court, throughout the pendency of LMI's liquidation proceedings, in the form of a statement of receipts and disbursements of the Liquidator. The attached Exhibit A is the form required. The accountings are to assist the Court in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in LMI's liquidation proceedings.

As noted above, on October 23, 2014, this Court approved the Liquidator's Final Report of Claims and authorized the Liquidator to make a final distribution of the remaining assets of LMI to claimants in Class 1, totaling \$494,573.50, and Class 2, pro-rata totaling \$14,185,692.54, on their allowed claims. On October 31, 2014, the Liquidator issued the LMI distribution checks. The distribution payments are reflected under Disbursements on the first page of the Final Accounting and also detailed in Notes 22 and 23.

This Court's October 23, 2014 Order also approved the Liquidator's reservation of funds from the assets of the LMI estate for the Liquidator's payment of administrative expenses under Class 1 of R.C. 3903.42 relating to closing the LMI estate. Pursuant to the December 18, 2014 Final Closure Order, the final expenses for completing the remaining post-closure obligations of LMI are reported in the attached Final Accounting.

By this Motion, the Liquidator seeks this Court's approval of the Final Accounting for the period July 1, 2014 through December 31, 2014, attached as Exhibit A.

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:

CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler
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*Counsel 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 Ohio Department of Insurance’s website regarding Ohio Insurance Liquidations (www.insurance.ohio.gov/liq) substantially contemporaneous with the filing of this Motion.

/s/ Scott R. Mergenthaler
Scott R. Mergenthaler (0012869)

0C297 - R25

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 DECEMBER 31, 2014

	Current Period 7/1/2014 TO 12/31/2014	Year to Date 1/1/2014 TO 12/31/2014	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	14,881,626.76	15,014,838.55	6,286,534.64
Receipts:			
Recovery from Affiliates	-	-	397,753.45
Interest Income (Note 2)	5,380.66	10,381.77	5,165,171.69
Premiums Collected	-	-	48,031.16
Salvage & Subrogation (Note 3)	6,226.85	6,226.85	3,584,639.33
Reinsurance Recoveries (Note 4)	237.72	237.72	14,639,027.62
Proceeds from ADIC Class 5 Distribution	-	-	1,086,849.69
Refund of General Operating Expenses	-	-	37.43
Proceeds from Sale of Prudential Stock	-	-	245,760.65
Refund of Premium Tax Overpayment	-	-	37,778.62
Return of Statutory Deposits	-	-	1,826,130.03
Reimbursement of Losses Paid	-	-	145,263.63
Loc Draw Down-(REAC)	-	-	2,141.00
Insurance Recovery - Theft of Computer/Equipment	-	-	5,128.26
Recovery of Loss Adjustment Expenses	-	-	8,847.79
Recovery from NY Property Ins Underwriting Association	-	-	159,631.98
Recovery from Property & Casualty Ins Guaranty Corp	-	-	35,847.00
Miscellaneous Interest Income	-	-	56.13
Dividend Income	-	-	4,217.63
Other Income (Note 6)	4,147.77	8,149.52	435,063.76
Proceeds from Settlement with Directors & Officers	-	-	3,100,000.00
Reimbursement of Prior Period Intercompany Expenses	-	-	696.93
Recovery from NC Ins. Underwriting Assoc.	-	-	44,373.34
Return of Collateral	-	-	35,000.00
Refund of Corporate Franchise Tax	-	-	52,668.24
First Union National Bank - Reimbursement of 1995 Fraudulent Check	-	-	15,011.11
Recovery from Compensation Rating and Inspection Bureau	-	-	33,333.78
Recovery from California Fair Plan Association	-	-	204,503.00
Recovery from New Jersey Comm. Auto Insurance	-	-	49,931.00
Recovery from NJ Dept of Treasury-Proceeds From Unsatisfied Claims	-	-	358,623.96
Prudential PruPac Arbitration	-	-	13,276.22
RPNY-American Home Buyout-LAD/CLAD Buyout Files	-	-	5,153.00
Cash Transfers: (Note 5)			
Proceeds from ADIC Estate Closure (Operating) - Remaining Holdback	-	-	237,969.40
Proceeds from ADIC Estate Closure (Collateral) - Remaining Holdback	-	-	121,862.10
Proceeds - HealthFirst Estate Closure - Remaining Holdback	-	-	17,168.80
Proceeds - PIC Estate Closure - Remaining Holdback	-	-	20,233.22
Proceeds - DayMed Estate Closure - Remaining Holdback	-	-	36,298.26
Proceeds - RHP Estate Closure - Remaining Holdback	-	-	45,819.94
Proceeds - Oil & Gas Estate Closure - Remaining Holdback	-	-	333,803.89
Proceeds - Proliance Estate Closure - Remaining Holdback	-	-	27,146.72
Proceeds - Guarantee Title & Trust Estate Closure - Remaining Holdback	-	-	21,404.80
Proceeds - Physicians Assurance Corp Estate Closure - Remaining Holdback	-	-	19,411.67
Proceeds - Acceleration National Insurance Estate Closure - Remaining Holdback	-	-	15,901.55
Proceeds - Home Value Insurance Estate Closure - Remaining Holdback	-	-	18,168.90
Proceeds - American Chambers Life Insurance Estate Closure - Remaining Final Reserve	-	-	16,546.59
Proceeds - Credit General Indemnity Estate Closure - Remaining Final Reserve	-	-	23,707.00
Proceeds - Credit General Insurance Estate Closure - Remaining Final Reserve	151,165.68	151,165.68	151,165.68
Receipts - Funds Held - Closed Estates:			
Proceeds Misc. Receipts - ADIC Operating	-	-	80,364.76
Proceeds Misc. Receipts - ADIC Collateral	-	-	4,446.56
Proceeds Misc. Receipts - HealthFirst	-	-	3,104.20
Proceeds Misc. Receipts - RHP	-	-	2.07
Proceeds Misc. Receipts - DayMed	-	-	0.36
Proceeds Misc. Receipts - Proliance	-	-	363.77
Total Receipts	167,158.68	176,161.54	32,934,837.67

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LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM MAY 23, 2000 DECEMBER 31, 2014

	Current Period 7/1/2014 TO 12/31/2014	Year to Date 1/1/2014 TO 12/31/2014	CUMULATIVE FROM 5/23/2000
Disbursements:			
Compensation:			
Salaries (Note 7)	239,740.64	335,963.46	3,955,444.83
Employee Benefits (Note 8)	4,354.84	14,356.11	436,471.13
Payroll and Other Taxes (Note 9)	12,672.86	20,283.40	290,532.23
	-	-	-
Professional Fees:			
Legal Fees (Note 10)	3,169.91	5,266.29	2,082,376.89
Tax Preparation and Audit Fees (Note 11)	34,450.00	42,150.00	200,558.93
Consulting Fees and Other Outside Contracts (Note 12)	12,367.82	17,966.31	3,141,333.61
Ohio Department of Insurance - Examiner Fees	-	-	46,528.76
	-	-	-
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 13)	5,325.70	12,091.76	770,126.48
Maintenance / Repair - Facility and FF & E (Note 14)	244.21	282.94	19,776.82
Travel and Travel Items (Note 15)	767.30	1,049.31	62,611.19
Postage, Freight, Telephone and Internet (Note 16)	4,100.38	6,314.44	142,723.94
Office Supply Expense (Note 17)	329.79	362.87	30,341.90
Data Processing (Note 18)	521.70	1,453.90	280,093.21
Banking and Investment Expense (Note 19)	680.18	1,481.70	25,243.72
Paid Losses Direct	-	-	81,257.31
Furniture, Fixtures & Equipment Cost	-	-	108,761.17
Moving and Relocation Costs	-	-	13,151.11
Warehouse Consolidation Project Expenses	-	-	15,206.67
Reorganization & Consolidation of Records	-	57.28	2,468.02
Secure Records & Property Storage Expense (Note 20)	3,605.30	7,144.26	9,311.33
Other Expenses (Note 21)	17,859.52	18,988.65	458,803.95
	-	-	-
All Other Disbursements:			
Prepaid Postage	-	-	324.69
Ohio Bureau of Worker's Compensation Security Deposit	-	-	339.99
Return of Funds to NJ Comm. Auto Insurance	-	-	49,931.00
Return of Funds - Reinsurance Overpayments	-	-	40,988.29
Additional Cost - Replacement of Ancillary Deposits	-	-	2,409.99
Interim & Final Distributions to Class 1 and Class 2 Claimants Insurance Guaranty Associations	14,549,032.49	14,549,032.49	26,591,931.73
Interim & Final Distributions to Class 2 Claimants - Non IGA	131,233.55	131,233.55	290,519.29
Federal Income Tax	-	-	-
Disbursements from Funds Held For Closed Estates:			
ADIC Estate Closure - Operating Expenses	-	-	170,756.34
ADIC Estate Closure - Reissued Distribution Checks	-	-	71,717.76
ADIC Estate Closure - Return of Collateral	-	-	21,129.51
ADIC Estate Closure - Remaining Funds to Div. of Unclaimed Funds	-	-	181,039.21
HealthFirst Estate Closure - Operating Expenses	-	-	12,463.25
HealthFirst Estate Closure - Warehouse Consolidation Project Expenses	-	-	340.13
PIC Estate Closure - Operating Expenses	-	-	447.19
PIC Estate Closure-Funds Released to Other Insurance	-	-	-
Companies-Admin Exp	-	-	27,255.65
	-	-	-
Total Disbursements	15,020,456.19	15,165,478.72	39,634,717.22
Recovery of Statutory Deposit (US Treas. Note) OH	-	-	504,876.89
Security Amortization for the Period	415.61	3,223.49	(62,787.12)
	-	-	-
Ending Cash & Invested Assets (Note 1)	28,744.86	28,744.86	28,744.86
			(0.00)

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 JULY 1, 2014 THROUGH DECEMBER 31, 2014

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 1/1/14	14,881,626.76
Increase(Decrease) in Cash and Invested Assets (Unencumbered)	(14,852,881.90)
	<hr style="width: 100%; border: 0.5px solid black;"/> (14,852,881.90)
Non Cash Asset (Encumbered)	0.00
Actual Net Decrease in Cash (Unencumbered & Encumbered) and Invested Assets (Encumbered)	<hr style="width: 100%; border: 0.5px solid black;"/> (14,852,881.90)
Ending Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 6/30/14	<hr style="width: 100%; border: 0.5px solid black;"/> 28,744.86
	Note
	Subsequent Event*

* Subsequent Event: The 12/31/2014 cash balance of \$28,744.86 was paid out on 01/02/2015 to the Ohio Insurance Deputy Liquidators for their administration of post-closing obligations pursuant to the court-approved Final Closing Orders providing for the termination of the liquidation proceedings and the closing of the LMI Insurance Company and Credit General Insurance Company liquidation estates.

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2014 THROUGH DECEMBER 31, 2014

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 6/30/2014	Ending Balance 12/31/2014
Unencumbered Cash & Invested Assets			
	Cash	67,902.44	28,744.86
	U.S. Government Obligations	14,342,584.39	-
	JP Morgan Funds - Money Market	471,139.93	-
	Total Unencumbered Cash & Invested Assets	<u>14,881,626.76</u>	<u>28,744.86</u>
	Encumbered Cash	-	-
	Total Cash & Invested Assets	14,881,626.76	28,744.86
Encumbered Non Cash Assets:			
	Statutory Deposits	-	-
	Total Encumbered Non Cash Assets	<u>-</u>	<u>-</u>
	Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets	<u>14,881,626.76</u>	<u>28,744.86</u>

The 12/31/2014 cash balance of \$28,744.86 was paid out on 01/02/2015 to the Ohio Insurance Deputy Liquidators for their administration of post-closing obligations pursuant to the court-approved Final Closing Orders providing for the termination of the liquidation proceedings and the closing of the LMI Insurance Company and Credit General Insurance Company liquidation estates.

Note 2	<u>Interest Income</u>	
	Interest on Bonds	4,963.12
	Interest on Money Market	417.54
		<u>5,380.66</u>

Note 3	<u>Salvage & Subrogation</u>	
	Vengroff Williams - Imexpain, USA. Inc.	2,706.00
	McNall & Associates - Golley Claim	568.96
	Bressler -Duyk - Correct Air Heating	2,951.89
		<u>6,226.85</u>

Note 4	<u>Reinsurance Recoveries</u>	
	Liberty Mutual Insurance - Bambi Enterprise	237.72
		<u>237.72</u>

Note 5	<u>Cash Transfers</u>	
	Remaining Final Reserve for Administrative Expense from Credit General Insurance Company**	151,165.68
		<u>151,165.68</u>

* Per LMI Court Approved Closing Order dated 12/18/2014

Note 6	<u>Other Income</u>	
	Proceeds from Sale of Asset - Office Furniture & Equipment (Fully Depreciated)	3,143.48
	Proceeds from Sale of Asset - Fully Depreciated Items Funds held in PayPal Acct	175.00
	PayPal Fees - Offset Sale of Assets	(72.99)
	Bureau of Workers Comp Rebate 7/1/12 to 6/30/13	391.77
	Premium Refund Business Property Insurance	444.00
	FICA Refund 4Q13 Severance Pay	66.51
		<u>4,147.77</u>

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2014 THROUGH DECEMBER 31, 2014

Note 7	<u>Salaries</u>	
	Chief Deputy, Deputy Liquidators and Employees Salaries	239,740.64
	(Includes final wages, severance pay and accrued PTO cash out)	
		239,740.64
Note 8	<u>Employee Benefits</u>	
	Employee Insurance Benefits	3,462.11
	Employee Related Expense - Other	892.73
		4,354.84
Note 9	<u>Payroll & Other Taxes</u>	
	Workers Comp Insurance	177.99
	State Unemployment Tax	0.00
	Federal Unemployment Tax	672.00
	FICA Tax	11,822.87
		12,672.86
Note 10	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	1,720.14
		1,720.14
	<u>Attorney General Contracted Legal Expenses</u>	
	Carlile, Patchen & Murphy LLP	14.31
	Subtotal Attorney General Contracted Legal Expenses	14.31
	<u>Non-Attorney General Contracted Legal Fees</u>	
	Vengroff, Bressler, McNall	1,435.46
	Subtotal Non-Attorney General Contracted Legal Fees	1,435.46
	Total Attorney General and Non-Attorney General Fees & Expenses	3,169.91
Note 11	<u>Tax Preparation and Audit Fees</u>	
	Maloney + Novotny LLC (Final Audit Fees incl. closed Estates & Final Audit)	31,650.00
	Maloney + Novotny LLC (Final Tax Preparation)	2,800.00
		34,450.00
Note 12	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Payroll Processing	1,621.44
	RASP Consulting, Inc. - IT Consultant	10,746.38
		12,367.82
Note 13	<u>Rent and Rent Items</u>	
	Rent on Leased Properties - 1450 Dublin Rd Warehouse	5,125.94
	Trash and Recycling	199.76
		5,325.70

LMI INSURANCE COMPANY, IN LIQUIDATION
 LIQUIDATION DATE MAY 23, 2000
 NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 FOR THE PERIOD JULY 1, 2014 THROUGH DECEMBER 31, 2014

Note 14	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co Inc - Copier Maintenance	102.47
	Pallet Jack	141.74
		<u>244.21</u>
Note 15	<u>Travel and Travel Items</u>	
	Travel/Accommodation and Transportation	704.23
	Travel Expenses and Meals & Incidental Expenses	63.07
		<u>767.30</u>
Note 16	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	103.86
	Express & Freight	40.91
	Telephone & Fax	891.61
	Internet Fees	3,064.00
		<u>4,100.38</u>
Note 17	<u>Office Supply Expense</u>	
	Office Supplies	329.79
		<u>329.79</u>
Note 18	<u>Data Processing</u>	
	Computer Software Lease Certification Renewal	5.70
	Software Expense Purchase/Maintenance	516.00
		<u>521.70</u>
Note 19	<u>Banking & Investment Expense</u>	
	Banking & Investment Expense	680.18
		<u>680.18</u>
Note 20	<u>Secure Records & Property Storage Expense</u>	
	Secure Records & Property Storage Expense	3,605.30
		<u>3,605.30</u>
Note 21	<u>Other Expenses</u>	
	Amount Withheld Supplemental Insurance	524.18 A
	Professional and D & O / EPLIC Liability Insurance	8,357.22
	Truck rental & gas - records transport	31.69
	Destruction of records and warehouse supplies	7,604.34
	Check Stock	170.79
	Truck rental - reorganization/wrap-up	45.13
	Temporary Help - Warehouse Closing	231.77
	Misc Expense (incl. court costs, dissolution fees, etc.)	894.40
		<u>17,859.52</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).

LMI INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE MAY 23, 2000
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD JULY 1, 2014 THROUGH DECEMBER 31, 2014

Note 22 Interim & Final Distributions to Class 1 and Class 2 Claimants Insurance Guaranty Associations (IGAs)

Final Distribution Class 1 Insurance Guaranty Associations	494,573.50
Final Distribution Class 2 Insurance Guaranty Associations	14,054,458.99
	<u>14,549,032.49</u>

Note 23 Interim & Final Distributions to Class 2 Claimants - Non IGA

Final Distribution Class 2 Claimants Non-IGA	131,233.55
	<u>131,233.55</u>