

IN THE COMMON PLEAS COURT  
FRANKLIN COUNTY, OHIO

Mary Taylor, Ohio Superintendent of Insurance, in her Capacity as Liquidator of Credit General Insurance Company,	:	
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	:	
Plaintiff,	:	
	:	Case No. 00 CVH 11-9867
v.	:	
	:	Judge Mark Serrott
Credit General Insurance Company, et al.,	:	
	:	
Defendants.	:	
	:	

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REPORT ON STATUS OF LIQUIDATION

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I. INTRODUCTION

This report is filed to inform the Court and claimants in the Credit General Insurance Company (“CGIC”) liquidation case of the status of the liquidation and the Liquidator’s progress on her closing plan since the last status report filed on June 6, 2013. See *Report on Status of Liquidation* filed on June 6, 2013.

As a point of clarification, prior to its liquidation, CGIC owned a subsidiary corporation, Credit General Indemnity Company (“Indemnity”). Indemnity was ordered liquidated by this Court on December 12, 2000, and its liquidation proceeded under this Case No. 00CVH 11-9867 (“Indemnity Liquidation”). In 2013, with this Court’s approval, the Indemnity Liquidation completed a final distribution of its assets. On December 10, 2013, pursuant to this Court’s Order, the Indemnity Liquidation estate was closed and its proceeding, handled under the same case number, was terminated. A copy of the *Indemnity Final Closing Order* may be viewed on

the Liquidator's website at <http://www.ohliq.com>, under Insurance Companies - Closed, Credit General Indemnity Company, at Public Document #83.

Focusing now on CGIC, as previously reported, in 2012, the Liquidator established a closing plan in CGIC to wrap-up all policyholder level claims, whether covered by a guaranty association or not, so that she may finally determine all proofs of claim filed in the estate and make the final distribution of estate assets pursuant to the priority of distribution provisions contained in R.C. §3903.42. The Liquidator's stated goal was to complete the CGIC final distribution by year-end 2013.

The full implementation of the closing plan required, at a minimum, that all of the following occur: (i) the Liquidator collects all remaining reinsurance owed the estate; (ii) the Liquidator determines all remaining proofs of claims that have not yet been adjudicated; (iii) the Liquidator resolves all existing and future claims objections; and (iv) the Liquidator obtains the required release of claims from the federal government. Each of these items is a "Closing Plan Pre-Condition."

Throughout 2013, the Liquidator worked to complete her closing plan. However, by the fall of 2013, it became clear that one of the most critical Closing Plan Pre-Conditions would not be achieved – the Liquidator would not obtain the required release of claims from the federal government (the "Federal Release") by year-end 2013. This Report explains the development of the delay on the Federal Release, and the progress made on the closing plan since the *2013 Report*.

The Liquidator will continue to keep the Court and claimants informed of her progress and of any necessary further adjustments to the closing plan and timeline.

## II. DELAY IN FEDERAL RELEASE PROCESS FOR CGIC

On April 27, 2012, the Liquidator submitted her request for a Federal Release to the United States Department of Justice (“DOJ”) for the CGIC estate.<sup>1</sup> The Liquidator’s release submission package included an affidavit and other documents required by the federal government to assist it with its review and determination as to whether it has any specific claims against the CGIC estate.<sup>2</sup> The United States had filed two (2) proof of claim forms against the CGIC estate, one of which was a “blanket” (unspecified and unstated) proof of claim in an unstated amount. The Liquidator’s goal was to obtain the Federal Release for CGIC from the United States no later than June 30, 2013, so that she could proceed with the final distribution of estate assets by year-end 2013.

On April 29, 2013, the DOJ advised the Liquidator that United States Environmental Protection Agency attorneys were searching their records for potential claims against CGIC for the release process. DOJ asked the Liquidator if a list of policyholders could be provided for the estate. On the same day, the Liquidator responded that a policyholder list was not available for CGIC. But, the Liquidator provided to DOJ a copy of the list of potential claimants notified of CGIC’s liquidation (also used for notice of the Absolute Final Bar Date for filing claims established by the Liquidator). This potential claimants list had been previously submitted to DOJ with the initial federal release requests in CGIC.

Further, on May 15, 2013, the Liquidator filed a supplemental affidavit for CGIC with the DOJ explaining that the Liquidator had resolved several potential federal claims against

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<sup>1</sup> At the same time, the Liquidator submitted her request for a Federal Release to the DOJ for the Indemnity Liquidation estate. The Liquidator obtained the Federal Release in the Indemnity Liquidation on June 27, 2013. The Liquidator was then able to proceed with her final distribution of the Indemnity Liquidation estate’s assets and close that estate by year-end 2013.

<sup>2</sup> See the *2012 Report on Status of Liquidation* at pages 9-10 and the *2013 Report on Status of Liquidation* at pages 10-11 for further discussion regarding this Federal Release request and process.

CGIC directly with various federal agencies. On June 21, 2013, the Liquidator's staff met with DOJ regarding the status of its review of the Liquidator's federal release request in the CGIC estate. Representatives of the EPA attended the meeting because of the potential environmental claims in CGIC.

On November 21, 2013, the Liquidator received a lengthy list of potential EPA claims against alleged insureds of CGIC. Claims under policies for losses incurred (policy-level claims) are afforded priority over non-policy claims of the federal government. Policy-level claims are Class 2 claims under the priority of distribution provisions contained in R.C. §3903.42. *See* R.C. 3903.42 (B). Non-policy claims of the federal government are Class 3 claims. *See* R.C. 3903.42 (C). The Liquidator's team has been reviewing and analyzing the EPA's listing of potential environmental claims regarding alleged CGIC insureds. The Liquidator's team plans to work with DOJ and EPA to resolve this potential claims liability. Until that process completes, the Liquidator will not be able to obtain the federal release required for the final CGIC distribution.

Unfortunately, the process of obtaining the Federal Release in CGIC has unexpectedly been extended beyond the Liquidator's normal experience and was unanticipated. Given this unusual stance of the EPA, we now cannot using our best estimates determine when in 2014 the fourth Closing Plan Pre-Condition will be satisfied. As soon as we obtain a Federal Release in CGIC, we will proceed towards the final distribution of CGIC's assets.

### **III. PROGRESS REPORT ON CLOSING PLAN PRE-CONDITIONS ONE THROUGH THREE**

Since the *2013 Report*, the Liquidator concluded the reinsurance billing process on CGIC and recovered a total of \$677,639.99. This satisfies the Closing Plan Pre-Condition that (i) the Liquidator collects all remaining reinsurance owed the estate.

Since the *2013 Report*, the Liquidator concluded the determination and adjudication of all remaining proofs of claims<sup>3</sup>, except three. Two of the three proofs of claim are those of the federal government and they will be addressed through the Federal Release. The third proof of claim is in the process of adjudication and will be concluded before the Federal Release is obtained. Thus, the Liquidator has a specific plan for completion of the Closing Plan Pre-Condition that (ii) the Liquidator determines all remaining proofs of claims that have not yet been adjudicated.

As to the third Closing Plan Pre-Condition that (iii) the Liquidator resolves all existing and future claims objections, the Liquidator has resolved all claims objections as of the date of this Report. The Liquidator anticipates no objection on the one outstanding proof of claim that does involve the federal government. The Liquidator is working towards resolving the alleged CGIC liability to the federal government as discussed in Section II.

#### **IV. CLOSING THE ESTATE**

The Liquidator cannot determine the estate's exact claims liability or the corresponding distribution percentage until the remaining claims – particularly the potential claims of the federal government - are finally resolved. As previously described, the Liquidator has substantially narrowed the remaining impediments to expediting the closure of the CGIC estate.

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<sup>3</sup> For example, the Liquidator concluded her reconciliation work with the various insurance guaranty associations (“IGAs”) on Class 2 policyholder level claims for Unearned Premium (“UEP”). As of December 31, 2013, the Liquidator and the IGAs have agreed on the total amount of the UEP liability owed by the CGIC estate to the IGAs.

Interested persons may check the Liquidator's website at <http://www.ohliq.com> → Insurance Companies → Open → Credit General Insurance Company → Public Documents to see key documents and monitor this liquidation case.

Respectfully submitted,

**MIKE DEWINE**  
**Attorney General State of Ohio**

By Special Counsel:

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*Attorney for Mary Taylor, in her capacity as Liquidator of  
Credit General Insurance Company*

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and accurate copy of the foregoing *Report on Status of Liquidation* was posted on the Liquidator's website ([www.ohliq.com](http://www.ohliq.com)) substantially contemporaneous with the filing of this *Report*. The undersigned hereby certifies that a true and accurate copy of the foregoing *Report* was emailed to the persons on the attached Credit General Insurance Company Courtesy Copy E-Mail List and was served upon the following via ordinary mail, postage prepaid, on this 30th day of January, 2014:

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