

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of Insurance, in her capacity as Liquidator of Acceleration National Insurance Company, Plaintiff,
v. Acceleration National Insurance Company, Defendant.
Case No. 00CVH-11-10534
Judge Julie M. Lynch

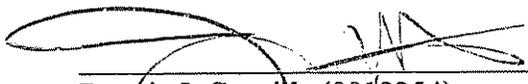
MOTION FOR APPROVAL OF LIQUIDATOR'S REPORT OF INDEPENDENT AUDITORS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Acceleration National Insurance Company ("ANIC"), moves this Court for an order approving her Report of Independent Auditors for the years ended June 30, 2009 and 2008, which is attached as Exhibit A and hereby incorporated by reference into this Motion. A Memorandum in Support is attached.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:
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COMMON PLEAS COURT
FRANKLIN COUNTY
OHIO

*Attorneys for Mary Jo Hudson, in her capacity as
Liquidator of Acceleration National Insurance
Company*

MEMORANDUM IN SUPPORT OF MOTION

Pursuant to R.C. Section 3903.18(A), this Court's February 28, 2001 Order to liquidate the business of ANIC, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of ANIC and to administer those assets under the general supervision of this Court. As provided in R.C. Section 3903.18(E), the Order also requires the Liquidator to account to this Court at specified intervals. Accordingly, the Liquidator submits accountings to this Court on a semiannual basis for the periods ending June 30th and December 31st of the year (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the ANIC liquidation estate, for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to R.C. Chapter 3903, under the supervision of this Court. In the process of marshaling assets, the Liquidator routinely receives and deposits cash and purchases and sells various investment securities. In order to record this activity, the Liquidator built an internal accounting department capable of tracking costs and recoveries and generating basic financial reports. The cash and investment securities balances are reported by the Liquidator to this Court in the Periodic Accountings mentioned above.

In July of 1991, the Liquidator determined that it was in the best interests of all of the Ohio liquidation estates to hire an independent auditing firm to perform an annual audit of the Liquidator's internal controls relating to cash receipts and disbursements and the purchase and sale of investment securities in order to ensure the integrity of the Liquidator's accounting system. The Liquidator requested the auditing firm to render an opinion in its audit report as to the propriety of the information presented in the Periodic Accounting, as it was the Liquidator's intention to file the report with this Court to demonstrate the integrity of the Periodic Accountings.

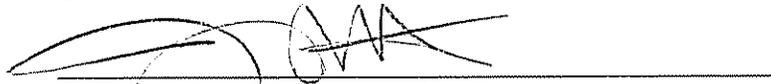
By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2009 and 2008 (the "Report"), attached hereto as Exhibit A.

Schneider Downs has completed its audit of the statements of cash and invested assets of ANIC as of June 30, 2009 and 2008 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2009 and 2008. Schneider Downs issued the Report containing its audit findings which opine that the Liquidator's financial statements present fairly, in all material respects, both the cash and invested assets of ANIC at June 30, 2009 and 2008 and cash receipts and cash disbursements for the years ended June 30, 2009 and 2008.

Respectfully submitted,

RICHARD CORDRAY
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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION
Columbus, Ohio

Financial Statements
For the years ended June 30, 2009 and 2008
and Independent Auditors' Report Thereon



INSIGHT ■ INNOVATION ■ EXPERIENCE

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Cash and Invested Assets, June 30, 2009 and 2008	2
Statement of Cash Receipts and Cash Disbursements, June 30, 2009	3
Notes to Financial Statements	4



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INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
Acceleration National Insurance Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of Acceleration National Insurance Company, in Liquidation (Estate) as of June 30, 2009 and 2008, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2009. These financial statements are the responsibility of the Estate. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of Acceleration National Insurance Company, in Liquidation, pursuant to the accounting practices prescribed or permitted by the Ohio Department of Insurance and Franklin County Court of Common Pleas, described in Note 1, and is not intended to be a complete presentation of the Company's assets and liabilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Acceleration National Insurance Company, in Liquidation as of June 30, 2009 and 2008, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2009, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Office of the Ohio Insurance Liquidator and the Franklin County Court of Common Pleas and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co., Inc.

Columbus, Ohio
November 16, 2009

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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash and Encumbered Assets	\$ 318,581	\$ 344,296
Invested Assets	<u>12,906,352</u>	<u>12,960,231</u>
	<u>\$ 13,224,933</u>	<u>\$ 13,304,527</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Cash and Encumbered Assets at July 1, 2008		\$ 344,296
Cash Receipts:		
Investment proceeds		231
Investment proceeds in repurchase agreements		12,960,000
Investment proceeds in money market funds		16,853
Interest and dividend income		204,650
Reinsurance recoveries		5,502
Other income		43
Intercompany reimbursement expenses from prior period		284
Interest and dividend income net of bank fees - NCB/Oregon special deposit - (Encumbered Assets)		2,257
Total Cash Receipts		13,189,820
Cash Disbursements:		
Investment purchases		75,602
Investment in money market funds		12,923,205
Salaries, wages and employee benefits		151,578
Moving and relocation costs		95
General and administrative expenses		47,331
Warehouse consolidation project expenses		3,809
Professional fees		9,085
Total Cash Disbursements		13,210,705
Other Disbursements:		
Replacement of ancillary deposits		4,830
Total Other Disbursements		4,830
Cash and Encumbered Assets at June 30, 2009		\$ 318,581

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - BACKGROUND AND BASIS OF PRESENTATION

Pursuant to the Ohio Revised Code (Code), the Superintendent of the Ohio Department of Insurance is appointed as Liquidator of domestic insurance companies, which have been determined by the Franklin County Court of Common Pleas, State of Ohio (Court), to be insolvent as specified in the Code.

The Liquidator marshals the assets of the insurance company and liquidates such assets and administers the business affairs of the company as approved by the Court. The Liquidator is empowered by the Code to employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as considered necessary to assist in the liquidation.

Acceleration National Insurance Company (Company) was placed in liquidation on February 28, 2001 by the Court and it became Acceleration National Insurance Company, in Liquidation (Estate).

As is common with entities placed in fiduciary control, the Liquidator has prepared the accompanying financial statements on the cash-basis of accounting, whereby, the statement of cash and invested assets includes only the cash and invested assets of the Estate, and the statement of cash receipts and cash disbursements reflects only cash transactions; consequently, all other assets and liabilities of the Estate are not included in the statement of cash and invested assets, and uncollected revenues and unpaid expenses are not included in the statement of cash receipts and cash disbursements. Changes in market values and amortization of bond premiums and discounts are reflected in invested assets, however, these amounts are not reflected in the statement of cash receipts and disbursements as they are non-cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, and accordingly, the statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

NOTE 2 - CASH AND ENCUMBERED ASSETS

Cash includes \$305,614 and \$303,358 of encumbered assets held in a separate bank account as of June 30, 2009 and 2008. Some portion of these encumbered assets may be due to various third parties, and thus, these are not part of the general assets of the Estate.

NOTE 3 - INVESTED ASSETS

Invested assets consist of those assets that are under the complete and direct control of the Liquidator and are being specifically held as investments (see Note 4).

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY.
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 - INVESTED ASSETS (Continued)

During the fiscal year ending June 30, 2009, the repurchase agreements were transferred to a money market fund and the short term investments were sold. The repurchase agreements and short-term investments were valued at cost, which approximated fair value. The money market funds are recorded at fair value.

At June 30, 2009 and 2008, invested assets and their approximate values consisted of the following:

	2009 Carrying Value	2008 Carrying Value
Money market funds	\$ 12,906,352	-
Repurchase agreements	-	\$ 12,960,000
Short-term investments	-	231
	\$ 12,906,352	\$ 12,960,231

NOTE 4 - STATUTORY DEPOSITS AND ESCROW ACCOUNT

In the normal course of writing insurance in various states, the Company was required by state statute to deposit funds with various state insurance departments. When the Estate entered liquidation, the statutory deposits were impounded by the various state insurance departments for the protection of policyholders within their jurisdiction. Since the Liquidator does not have direct control over those assets held by state insurance departments or related entities, and it is uncertain whether all or a portion of such assets will be available to the Liquidator in satisfying the obligations of the liquidation proceedings, they are not considered invested assets by the Liquidator until complete and direct control over them is established. The amount of statutory deposits as of June 30, 2009 and 2008 was \$7,156 and \$9,011, respectively.

NOTE 5 - LITIGATION

In liquidating the Estate, the Liquidator may initiate legal action to clarify claims, recover reinsurance proceeds and determine legal responsibilities of the Liquidation. The Liquidator believes that none of these actions will adversely affect the value of cash and invested assets. The determination and priority of claims, and any distribution thereof, is defined pursuant to Ohio Revised Code Section 3903, et seq.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
ACCELERATION NATIONAL INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - SUBSEQUENT EVENTS

The Estate has adopted Statement of Financial Accounting Standard No. 165, *Subsequent Events* (SFAS 165). This guidance defines subsequent events as events or transactions that occur after the date of the financial statements, but before the financial statements are issued or are available to be issued. The Liquidator has evaluated subsequent events through November 16, 2009, which is the date that the financial statements were available to be issued.