

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

Mary Taylor, 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

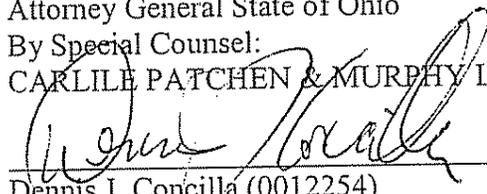
Judge Julie M. Lynch

**MOTION FOR APPROVAL OF LIQUIDATOR'S REPORT OF INDEPENDENT
AUDITORS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

Mary Taylor, 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, 2010 and 2009, which is attached as Exhibit A and hereby incorporated by reference into this Motion. A Memorandum in Support is attached.

Respectfully submitted,

MIKE DE WINE
Attorney General State of Ohio
By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



Dennis J. Concilla (0012254)

djc@cpmlaw.com

Carl A. Aveni, II (0070664)

caa@cpmlaw.com

Scott R. Mergenthaler (00122869)

srm@cpmlaw.com

366 East Broad Street

Columbus, Ohio 43215

Telephone: (614) 228-6135

Facsimile: (614) 221-0216

*Attorneys for the Liquidator of Acceleration National
Insurance Company*

FILED
COMMON PLEAS COURT
FRANKLIN CO., OHIO
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CLERK OF COURTS

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.

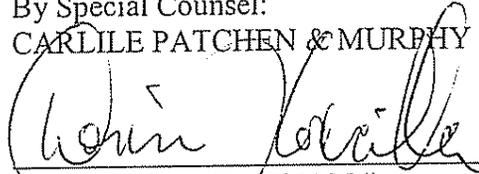
By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2010 and 2009 (the "Report"), attached hereto as Exhibit A.

Schneider Downs has completed its audit of the statements of cash and invested assets of ANIC as of June 30, 2010 and 2009 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2010 and 2009. 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, 2010 and 2009 and cash receipts and cash disbursements for the years ended June 30, 2010 and 2009.

Respectfully submitted,

MIKE DE WINE
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



Dennis J. Concilla (0012254)

djc@cpmlaw.com

Carl A. Aveni, II (0070664)

caa@cpmlaw.com

Scott R. Mergenthaler (00122869)

srm@cpmlaw.com

CARLILE PATCHEN & MURPHY LLP

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Columbus, Ohio 43215

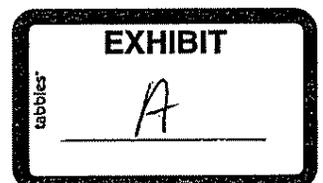
Telephone: (614) 228-6135

Facsimile: (614) 221-0216

*Attorneys for the Liquidator of Acceleration National
Insurance Company*

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

Financial Statements
For the years ended June 30, 2010 and 2009
and Independent Auditors' Report Thereon



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

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

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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, 2010 and 2009, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2010. 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, 2010 and 2009, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2010, 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 22, 2010

Schneider Downs & Co., Inc.
www.schneiderdowns.com

1133 Penn Avenue
Pittsburgh, PA 15222-4205
TEL 412 261 3644
FAX 412 261 4676

41 S. High Street
Suite 2100
Columbus, OH 43215-6102
TEL 614 621 4060
FAX 614 621 4062



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

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2010 AND 2009

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash and Encumbered Assets	\$ 362,705	\$ 318,581
Invested Assets	<u>13,160,517</u>	<u>12,906,352</u>
	<u>\$ 13,523,222</u>	<u>\$ 13,224,933</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, 2010

Cash and Encumbered Assets at July 1, 2009	\$ 318,581
Cash Receipts:	
Investment proceeds in money market funds	9,097,769
Interest and dividend income	54,722
Reinsurance recoveries	12,680
Other income	49
Replacement of ancillary deposits- funds returned	491,635
Refund of general operating expenses	27
Interest and dividend income - ANIC escrow account - (Encumbered Assets)	329
Total Cash Receipts	<u>9,657,211</u>
Cash Disbursements:	
Investment purchases in bonds	8,893,305
Investment purchases in money market funds	458,385
Salaries, wages and employee benefits	186,414
Professional fees	13,932
Replacement of ancillary deposits	2,256
Warehouse consolidation project expenses	4,358
General and administrative expenses	54,437
Total Cash Disbursements	<u>9,613,087</u>
Cash and Encumbered Assets at June 30, 2010	<u>\$ 362,705</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

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 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 hire employees, 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 \$305,943 and \$305,614 of encumbered assets held in a separate bank account as of June 30, 2010 and 2009. 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, 2010 AND 2009

NOTE 3 - INVESTED ASSETS (Continued)

During the fiscal year ending June 30, 2010, a portion of the money market funds were used to purchase bonds. Money market funds are recorded at cost, which approximates fair value, and bonds are recorded at amortized cost.

At June 30, 2010 and 2009, invested assets and their carrying values consisted of the following:

	<u>2010</u> Carrying Value	<u>2009</u> Carrying Value
Money market funds	\$ 4,266,969	\$ 12,906,352
Bonds at amortized cost	<u>8,893,548</u>	<u>-</u>
	<u>\$ 13,160,517</u>	<u>\$ 12,906,352</u>

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, 2010 was \$903,703.

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.

NOTE 6 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and the disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 22, 2010, which is the date that the financial statements were available to be issued. No material subsequent events were noted.

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