

IN THE COURT OF COMMON PLEAS, 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

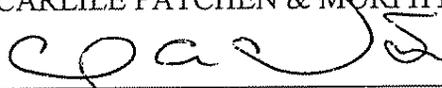
Judge Julie M. Lynch

MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING FOR THE PERIOD OF JULY 1, 2010 TO DECEMBER 31, 2010

Plaintiff, Mary Taylor, in her capacity as Liquidator of Acceleration National Insurance Company ("ANIC"), moves this Court for an Order approving the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2010 to December 31, 2010, as set forth in the attached Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,
MIKE DEWINE
Attorney General of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



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CLERK OF COURTS

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

MEMORANDUM IN SUPPORT

This motion is brought by the Liquidator requesting that this Court approve the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2010 to December 31, 2010 (the "Statement"). The Statement is described and set forth in the attached Exhibit A.

By Order of this Court entered on February 28, 2001, the Ohio Superintendent of Insurance was appointed Liquidator of Acceleration National Insurance Company ("ANIC"), and was empowered, authorized and directed to liquidate all of the property and assets of ANIC 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 all debts and moneys due to ANIC, 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 ANIC's liquidation proceedings, to be submitted in the form attached hereto as Exhibit A. Such accountings may assist the Court in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in ANIC'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. In particular, the Liquidator has taken steps to increase efficiencies in, and reduce costs associated with, the use of outside counsel and consultants. The Liquidator will continue to take steps

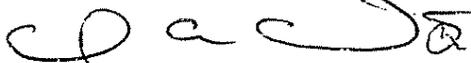
to reduce and control costs and continue to investigate ways to improve efficiencies in the liquidation process and implement other procedures that are aimed at conserving estate assets for timely distributions to policyholders and creditors.

While the Liquidator's outside consulting fees increased in the second half of 2010, the bulk of the increase was due to reinsurance recoveries. Over half of the reported consulting fees were fees due Paragon Reinsurance Strategic Solutions, now known as Inpoint Services¹, in regard to the reinsurance collections and reinsurance settlements with Redland Insurance Company and Market International Insurance Company/Terra Nova.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests the Court to approve ANIC's Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2010 to December 31, 2010, 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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¹ Paragon/Inpoint was paid \$8,822 41 in the second half of 2010. Paragon/Inpoint handles the ANIC reinsurance billings and collections, and its arrangement is that it is paid based upon a percentage of the recoveries.

EXHIBIT A

July 1, 2010 to December 31, 2010

ACCELERATION NATIONAL INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE FEBRUARY 28, 2001
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
CUMULATIVE FROM FEBRUARY 28, 2001 THROUGH DECEMBER 31, 2010

	Current Period 7/1/2010 TO 12/31/2010	YTD 1/1/2010 TO 12/31/2010	CUMULATIVE FROM 2/28/2001
Beginning Cash & Invested Assets (Note 1)	13,523,222.23	13,082,323.83	3,527,972.02
Receipts:			
Interest Income (Note 2)	48,120.47	97,638.63	3,012,431.11
Premiums Collected	0.00	0.00	1,630.70
Reinsurance Recoveries (Note 3)	328,616.33	339,536.68	12,090,596.44
Salvage & Subrogation	0.00	0.00	847,217.52
Reimbursement of Losses Paid	0.00	0.00	1,669.58
Return of Overpymt. - NJ Unsat. Claim & Judgment Fd.	0.00	0.00	23,082.63
Recovery From Various Guaranty Associations	0.00	0.00	26,437.99
Recovery of Statutory Deposit	0.00	0.00	287,000.00
Recovery of Insured's Policy Deductible	0.00	0.00	8,144.90
Proceeds from Adner Enterprises, Inc. Settlement	0.00	0.00	50,522.82
Proceeds from First Commercial Holdings, Inc. Settlement	0.00	0.00	13,080.53
Proceeds from The Hartford Insurance Co. - D & O Settlement	0.00	0.00	250,000.00
Recovery of Preference Payments	0.00	0.00	655,694.14
Refund of General Operating Expenses	0.00	0.00	27.48
Tax Refunds	0.00	0.00	193,765.24
Other Income (Note 4)	406.50	454.36	15,770.35
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	284.30
Replacement of Ancillary Deposits - Funds Returned	0.00	491,635.12	1,097,213.24
Proceeds from Closed Bank Account - Uncashed Checks on Loss & LAE	0.00	0.00	42,541.98
Total Receipts	377,143.30	929,264.79	18,617,110.95
Disbursements:			
Compensation			
Salaries (Note 5)	96,412.64	162,138.91	1,211,611.28
Employee Benefits (Note 6)	14,229.49	21,881.04	175,820.76
Payroll & Other Taxes (Note 7)	4,610.22	9,157.89	91,656.18
Professional Fee			
Legal Fees (Note 8)	401.66	675.02	737,512.83
Consulting Fees and Other Outside Contracts (Note 9)	14,102.91	18,795.59	1,591,506.44
Tax Preparation & Audit Fees (Note 10)	5,415.78	6,222.67	171,522.08
Ohio Department of Insurance - Examiner Fees	0.00	0.00	25,716.36
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 11)	25,371.41	44,656.61	302,140.35
Maintenance / Repair - Facility and FF & E (Note 12)	180.37	292.88	6,139.21
Travel and Travel Items (Note 13)	733.80	1,453.61	74,679.24
Postage, Freight, Telephone and Internet (Note 14)	1,035.64	1,760.95	36,217.73
Office Supply Expense (Note 15)	229.18	486.07	9,422.33
Data Processing (Note 16)	296.21	2,556.95	79,720.31
Banking and Investment Expense	2,472.84	3,702.70	23,979.77
Moving and Relocation Costs	0.00	0.00	5,083.40
Warehouse Consolidation Project Expenses	0.00	0.00	8,166.39
Other Expenses (Note 17)	2,709.42	3,666.81	184,187.77
All Other Disbursements:			
Additional Cost - Replacement of Ancillary Deposits	0.00	2,255.86	638,365.01
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	5,163,361.37
Total Disbursements	168,201.57	279,703.56	10,536,808.81
Security Amortization for the Period	181.87	360.76	(96,388.66)
Encumbered Cash Accounts (Statutory Deposit) - OR	146.37	246.38	306,089.39
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	1,978,276.69
Short Term Investment - Book Value Adjustment	0.00	0.00	(63,759.38)
Ending Cash & Invested Assets (Note 1)	13,732,492.20	13,732,492.20	13,732,492.20

See Schedule A for Analysis of Increase in Cash and Invested Assets (Unencumbered)



ACCELERATION NATIONAL INSURANCE COMPANY, IN LIQUIDATION
LIQUIDATION DATE: FEBRUARY 28, 2001
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)
For the Period July 1, 2010 through December 31, 2010

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 7/1/10	14,426,925.36
Decrease in Cash and Invested Assets (Unencumbered)	209,123.60
Actual decrease in Cash and Invested Assets (Unencumbered)	<u>209,123.60</u>
Increase in Cash (Encumbered)	146.37
Decrease in Non Cash Assets (Encumbered)	(18,190.92) *
Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/10	<u><u>14,618,004.41</u></u>

* Decrease in Encumbered Assets due to reclassification of LA special deposit taken by IGA, \$17,093.79 plus interest of \$1,097.13.

Acceleration National Insurance Company, In Liquidation
 Liquidation Date February 28, 2001
 Notes to Statement of Cash Receipts and Disbursements
 For the Period July 1, 2010 through December 31, 2010

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 7/1/2010	Ending Balance 12/31/2010
Unencumbered Cash & Invested Assets			
	Cash	56,762.38	91,654.74
	U.S Government Obligations	8,893,548.30	8,893,730.17
	JP Morgan Funds - Money Market	4,266,968.53	4,441,017.90
	Total Unencumbered Cash & Invested Assets	<u>13,217,279.21</u>	<u>13,426,402.81</u>
	Cash Encumbered	305,943.02	306,089.39
	Subtotal	<u>13,523,222.23</u>	<u>13,732,492.20</u>
Encumbered Non Cash Assets			
	Statutory Deposits (C)	903,703.13	885,512.21
	Total Encumbered Non Cash Assets	<u>903,703.13</u>	<u>885,512.21</u>
	Total Cash and Invested Assets and Non Cash Assets	<u>14,426,925.36</u>	<u>14,618,004.41</u>

Statutory Deposits (C)

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>PAR Value</u>	<u>Offset Early Access</u>	<u>Remaining Value PAR / Amort. *</u>
AR	912828-AD-2	Regions Bank	100,000.00	(72,752.13)	27,247.87
AR	912827-7E-6	Regions Bank	225,000.00	(163,692.29)	61,307.71
GA	Evergreen Money Market Fund # 299920439	US Bank	7,416.77	(406.25)	7,010.52
*NM	912828-HS-2	Bank of Albuquerque	350,632.37	0.00	350,632.37
SC	912827-7K-2	Wachovia Bank	309,375.00	(42,036.76)	267,338.24
SC	912827-7E-6	Wachovia Bank	200,000.00	(28,024.50)	171,975.50
			<u>1,192,424.14</u>	<u>(306,911.93)</u>	<u>885,512.21</u>
					<u>885,512.21</u>

Balance per General Ledger

** Par Value plus Interest withheld by SC

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period July 1, 2010 through December 31, 2010

Note 2	<u>Interest Income</u>	
	Interest on Bonds	44,470.00
	Interest on CD Held as Statutory Deposit	69.85
	Interest on Bonds Held as Statutory Deposit	1,531.25
	Interest- Money Market Fund	2,049.37
		<u>48,120.47</u>
Note 3	<u>Reinsurance Recoveries</u>	
	Recovery from Willis Re, Inc.	31,227.45
	Recovery from Markel/Terra Nova - Commutation Agreement	35,875.88
	Recovery from Redlands - Commutation Agreement	261,513.00
		<u>328,616.33</u>
Note 4	<u>Other Income</u>	
	Assessment Refund- Property & Casualty Ins - 1998	406.50
		<u>406.50</u>
Note 5	<u>Salaries</u>	
	Chief Deputy Liquidator	7,500.52
	Deputy Liquidators	19,312.64
	Employee Salaries	69,599.48
		<u>96,412.64</u>
Note 6	<u>Employee Benefits</u>	
	Salaries 401K Employer Contribution	2,148.83
	Employee Insurance Benefits	10,644.77 *
	Employee Related Expense - Other	1,435.89
		<u>14,229.49</u>

*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax.

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period July 1, 2010 through December 31, 2010

Note 7	Workers Compensation Insurance	90.30
	State Unemployment Tax	1.27
	FICA Tax	4,518.65 *
		<u>4,610.22</u>

*This amount may have fluctuated over the last period due to changes in COBRA mandated by The American Recovery and Reinvestment Act of 2009, which reduced the cost of the COBRA health insurance premium remitted by eligible former employees. The reduced cost of COBRA results in an initial higher payment of COBRA premiums by the employer, subject to a later credit on their payroll FICA tax.

Note 8	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	401.66
	Subtotal Legal Fees	<u>401.66</u>
	Total Attorney General Contracted Fees & Expenses	<u>401.66</u>

Note 9	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Process Liquidation Payroll	270.98
	Paragon Reinsurance Risk Consultants Mgmt., Inc.(NKA:Inpoint Ser	8,822.41
	RASP Consulting-IT Consultant	5,009.52
		<u>14,102.91</u>

Note 10	<u>Tax Preparation and Audit Fees</u>	
	<u>Tax Preparation & Audit Fees</u>	
	Schneider Downs and Company, Inc. - Tax & Audit	5,415.78
	Subtotal Tax Preparation & Audit Fees	<u>5,415.78</u>
	Total Tax Preparation & Audit Fees and Expenses	<u>5,415.78</u>

Note 11	<u>Rent & Rent Items</u>	
	Rent on Leased Properties	21,123.57
	Rent - Other- Safety Deposit Box	12.46
	Trash/Recycling	70.89
	Furniture & Equipment Rent	4,164.49
		<u>25,371.41</u>

Acceleration National Insurance Company, In Liquidation
Liquidation Date February 28, 2001
Notes to Statement of Cash Receipts and Disbursements
For the Period July 1, 2010 through December 31, 2010

Note 12	<u>Maintenance / Repair: Facility and FF & E</u>	
	Gordon Flesch Co	173.80
	Columbus Time Recorder	6.57
		<u>180.37</u>
Note 13	<u>Travel & Travel Items</u>	
	Travel - Accommodation and Transportation	644.14
	Travel - Expenses and Meals	89.66
		<u>733.80</u>
Note 14	<u>Postage, Freight, Telephone and Internet</u>	
	Office Postage	249.43
	Express & Freight	40.97
	Telephone and Fax	331.29
	Internet - Internet Access	413.95
		<u>1,035.64</u>
Note 15	<u>Office Supply Expense</u>	
	Office Supplies	229.18
		<u>229.18</u>
Note 16	<u>Data Processing</u>	
	Computer Supplies	85.07
	Software Expense Purch/Maint	211.14
		<u>296.21</u>
Note 17	<u>Other Expenses</u>	
	Training & Seminars	43.29
	Insurance - Building Liability	(21.87)
	Professional and D & O / EPLIC Liability Insurance	2,574.36
	Registration & Dues	8.04
	Storage Retrieval - Fireproof Records Center	54.70
	FF & E and IT - Non Capitalized Purchases	30.96
	Books & Periodicals	20.33
	Miscellaneous Expense	(0.39)
		<u>2,709.42</u>