

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.	:	Case No. 00CVH-11-10534
	:	
Acceleration National Insurance Company,	:	Judge Julie M. Lynch
	:	
	:	
Defendant.	:	

MOTION FOR APPROVAL OF LIQUIDATOR’S FINAL REPORT OF INDEPENDENT AUDITORS FOR THE PERIODS ENDED NOVEMBER 30, 2012 AND JUNE 30, 2012

Mary Taylor, Ohio Superintendent of Insurance, in her capacity as Liquidator (“Liquidator”) of Acceleration National Insurance Company (“ANIC”), moves this Court for an order approving the Final Report of Independent Auditors for the periods ended November 30, 2012 and June 30, 2012, attached as Exhibit A.

A Memorandum in Support is attached.

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

/s/ Scott R. Mergenthaler
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Company

MEMORANDUM IN SUPPORT

On November 21, 2012, this Court entered a Final Closing Order terminating the ANIC liquidation proceedings, discharging the Liquidator, closing ANIC's bank accounts and closing this liquidation estate (the "Closing Order"). Pursuant to R.C. 3903.46(A), the Closing Order requires the Liquidator to file a final audit report for post-closure approval. This Motion requests approval of the Final Report of Independent Auditors for the periods ended November 30, 2012 and June 30, 2012 (the "Report"). The Report is attached as Exhibit A and is incorporated herein by reference.

Pursuant to the Liquidation Order entered in this case on February 28, 2001, ANIC was ordered liquidated pursuant to R.C. Chapter 3903. Further, the Liquidator Order appointed the Ohio Superintendent of Insurance as ANIC's Liquidator and empowered, authorized and directed the Liquidator to liquidate ANIC's property and assets in accordance with the laws of Ohio and under the continuing jurisdiction of this Court.

One of the Liquidator's primary responsibilities was the marshaling of assets of the ANIC liquidation estate for ultimate distribution to the estate's policyholders and creditors pursuant to R.C. Chapter 3903. The Liquidator therefore undertook to collect debts and moneys due to ANIC, and made payment of necessary expenses pursuant to the Liquidation Order and R.C. Chapter 3903. In the process of marshaling ANIC's assets, the Liquidator routinely received and deposited cash and purchased and sold 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. As required by R.C. 3903.18(E) and the Liquidation Order, the Liquidator filed Periodic Accountings of this activity semi-annually with the Court in the form of a statement of receipts and disbursements throughout the pendency of ANIC's liquidation proceedings. This Court approved all of the Liquidator's Periodic Accountings in this case.

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 cash receipts and disbursements and the purchase and sale of investment securities in order to ensure the integrity of the Liquidator's accounting system. Pursuant to the Administrative Operating Procedure Updated Effective January 1, 2011, which was approved in this case on January 26, 2011, the retention of independent auditors is reassessed no less frequently than every five years, and modified based on upon responses to requests for proposals (RFPs). The last RFP was issued in 2011. As a result of the responses received from several public accounting firms, the Liquidator engaged Maloney + Novotny LLC to perform the audit. 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 Accountings, as it was the Liquidator's intention to file the report with this Court to demonstrate the integrity of the Periodic Accountings.

Maloney + Novotny LLC has completed its final audit of the statements of cash and invested assets of ANIC as of November 30, 2012 and June 30, 2012, and the related statements of cash receipts and cash disbursements for the periods ended November 30, 2012 and June 30, 2012. Maloney + Novotny LLC issued the Report containing its audit findings which opines that the Liquidator's financial statements present fairly, in all material respects, both the cash and invested assets of ANIC at November 30, 2012 and June 30, 2012, and cash receipts and cash disbursements for the periods ended November 30, 2012 and June 30, 2012.

By this Motion, the Liquidator seeks this Court's approval of the Final Report of Independent Auditors for the periods ended November 30, 2012 and June 30, 2012 (the "Report"), attached hereto 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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*Attorneys for Mary Taylor, in her capacity as
Liquidator of Acceleration National Insurance
Company*

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion for the Approval of Liquidator's Final Report of Independent Auditors was posted on the Liquidator's website (www.ohliq.com) substantially contemporaneous with the filing of this Motion.

/s/ Scott. R. Mergenthaler _____

Scott R. Mergenthaler (00122869)

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

FINANCIAL REPORT

NOVEMBER 30, 2012 and JUNE 30, 2012

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

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of cash and invested assets	3
Statement of cash receipts and cash disbursements	4
Notes to financial statements	5-7

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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 financial statements of Acceleration National Insurance Company, in Liquidation ("Estate"), which comprise the statements of cash and invested assets arising from cash transactions of Acceleration National Insurance Company, in Liquidation as of November 30, 2012 and June 30, 2012, and the related statement of cash receipts and cash disbursements for the period ended November 30, 2012, and the related notes to the financial statements.

Office of the Ohio Insurance Liquidator's Responsibility for the Financial Statements

The Office of the Ohio Insurance Liquidator is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court. The Office of the Ohio Insurance Liquidator is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Office of the Ohio Insurance Liquidator, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

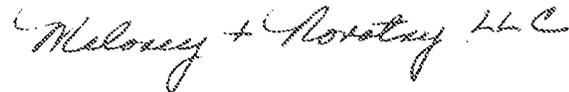
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Acceleration National Insurance Company, in Liquidation as of November 30, 2012 and June 30, 2012, and the related statement of cash receipts and cash disbursements for the period ended November 30, 2012 in accordance with the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by the Office of the Ohio Insurance Liquidator on the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter. The financial statements are not intended to be a complete presentation of the Estate's assets and liabilities.

Restriction on Use

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



Cleveland, Ohio
September 4, 2013

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

EXHIBIT A

STATEMENTS OF CASH AND INVESTED ASSETS

November 30, 2012 and June 30, 2012

	November 30, <u>2012</u>	June 30, <u>2012</u>
Cash and encumbered assets	\$ -	\$ 64,370
Invested assets	<u>-</u>	<u>2,390,659</u>
	<u>\$ -</u>	<u>\$2,455,029</u>

The accompanying notes are an integral part of these financial statements.

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

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

Period Ended November 30, 2012

CASH AND ENCUMBERED ASSETS AT JULY 1, 2012	\$ 64,370
CASH RECEIPTS	
Net investment proceeds from bonds and money market funds	2,390,855
Interest and dividend income - encumbered assets	1
Interest and dividend income (including interest paid on bonds)	47
Other income	304
Ancillary deposits - funds returned	15,079
Transfer of encumbered funds to operating (Oregon)	59,329
Total cash receipts	<u>2,465,615</u>
CASH DISBURSEMENTS	
Salaries, wages and employee benefits	36,693
Professional fees	18,209
Final distribution to Insurance Guaranty Associations (IGA) - Class 1 & 2 claims	1,871,335
Final distribution to Class 2 claims - loss/loss adjustment expense - non IGA	426,023
Transfer encumbered assets to operating (Oregon)	59,329
Net voided and reissued Class 2 interim distribution checks	97,629
General and administrative expenses	20,767
Total cash disbursements	<u>2,529,985</u>
CASH AND ENCUMBERED ASSETS AT NOVEMBER 30, 2012	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Background and Basis of Presentation

Ohio Revised Code Chapter 3903 contains the Insurers' Supervision, Rehabilitation and Liquidation Act (the "Act"). The Act governs all aspects of an insurance company's rehabilitation or liquidation (sometimes referred to as receivership) resulting from insolvency.

When the Ohio Superintendent of Insurance, as regulator, determines that an Ohio-domiciled insurer is insolvent or is operating in a financially hazardous manner, the Superintendent files a Complaint in the Franklin County, Ohio Common Pleas Court ("Liquidation Court") for a court order placing the company into rehabilitation or liquidation. If the Court agrees with the Complaint, the Court enters a rehabilitation or liquidation order appointing the Superintendent of Insurance in the separate fiduciary capacity of Rehabilitator or Liquidator ("receiver") of the company, empowered to act on behalf of the creditors of the estate to secure, marshal and eventually rehabilitate or liquidate the company's assets.

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 statements of cash and invested assets include 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 statements 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 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 of America and, accordingly, the statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Note 2. Order to Dissolve the Acceleration National Insurance Company

On November 21, 2012, the Court issued a final Order Closing the Acceleration National Insurance Estate and terminating the liquidation case (the "Closing Order").

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Order to Dissolve the Acceleration National Insurance Company (Continued)

Assets remaining subsequent to November 21, 2012 were reserved (held-back) to pay administrative expenses related to the closure of the Acceleration National Insurance Estate. The Closing Order approved the Liquidator's pre-payment of \$15,902 of the Acceleration National Insurance Estate's unpaid administrative expenses related to the closure of the Acceleration National Insurance Estate to LMI Insurance Company, in Liquidation ("LMI") upon closure of the Acceleration National Insurance Estate case in exchange for the LMI Estate's assumption, administration and payment of the remaining administrative expense obligations of the Acceleration National Insurance Estate. The payment and receipt of these funds were reported, respectively, in the Acceleration National Insurance Estate final accounting and the LMI periodic accountings, but the expenditure of them is not separately tracked, accounted for or reported pursuant to the provisions of paragraph 3 on page 8 of the Administrative Expense Operating Procedure applicable to Closed and Closing Estates that was updated and approved most recently beginning on December 21, 2010 in the LMI Liquidation Case, Case No. 00CVH03-2431 ("AOP"). The AOP is based upon the Liquidator's Accounting Department Internal Control for handling administrative costs and expenses for closing and closed Estates after a final distribution of assets to creditors, which dates back to 1995.

The Closing Order also ordered the Acceleration National Insurance Company to be dissolved pursuant to Ohio Revised Code Section 3903.20, which occurred on November 30, 2012 and all assets had been distributed.

Note 3. Cash and Encumbered Assets

Cash includes \$-0- and \$59,328 of encumbered assets held in a separate bank account as of November 30, 2012 and June 30, 2012, respectively. The change in the encumbered assets is due to the release of Oregon encumbered funds held for payment to the Oregon IGA as a part of the final distribution on October 15, 2012 (see Note 6). Some portion of these encumbered assets may be due to various third parties and, thus, these were not part of the general assets of the Estate.

Note 4. 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.

Money market funds are recorded at cost, which approximates fair value, and Federal Government bonds are recorded at amortized cost.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Invested Assets (Continued)

At November 30, 2012 and June 30, 2012, invested assets and their carrying values consisted of the following:

	November 30, 2012 Carrying Value	June 30, 2012 Carrying Value
	<u> </u>	<u> </u>
Money market funds	\$ -	\$1,390,855
Federal Government bonds at amortized cost	<u>-</u>	<u>999,804</u>
	<u>\$ -</u>	<u>\$2,390,659</u>

Note 5. 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 November 30, 2012 and June 30, 2012 was \$-0- and \$101,151, respectively.

Note 6. Distributions

On October 15, 2012, the Liquidation Court ordered the Acceleration National Insurance Estate to make a 100% final distribution of assets to Class 1 claimants and a final prorata distribution of assets to Class 2 claimants. Insurance Guaranty Association ("IGA") Class 1 and Class 2 payments totaled \$1,871,335 and non IGA prorated Class 2 payments totaled \$426,023.

Note 7. 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 September 4, 2013, which is the date that the financial statements were available to be issued. No material subsequent events were noted.