

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

Mary Taylor,	:	
Ohio Superintendent of Insurance,	:	CASE NO. 09CVH 08 12492
In her Capacity as Liquidator of	:	
The Physicians' Assurance Corporation,	:	JUDGE LAUREL BEATTY
	:	
Plaintiff,	:	
	:	
vs.	:	
	:	
The Physicians' Assurance Corporation,	:	
	:	
Defendant.	:	

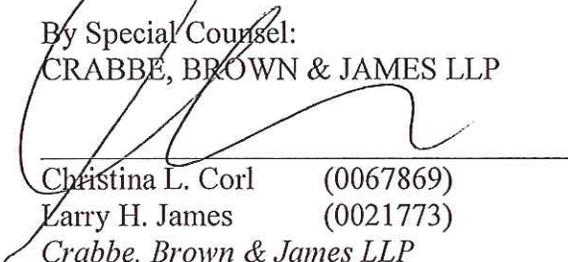
MOTION FOR THE APPROVAL OF LIQUIDATOR'S INDEPENDENT AUDITOR'S REPORT FROM THE LIQUIDATION DATE OF AUGUST 18, 2009 THROUGH JUNE 30, 2010

Plaintiff, Mary Taylor in her capacity as Liquidator ("Liquidator") of The Physicians' Assurance Corporation ("TPAC"), moves this Court for an order approving her Report of Independent Auditors for the period August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010, which is attached as Exhibit A and hereby incorporated by reference into this Motion. A Memorandum in Support is attached and incorporated by reference.

Respectfully submitted,

MICHAEL DEWINE
Ohio Attorney General

By Special Counsel:
CRABBE, BROWN & JAMES LLP



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The Physicians' Assurance Corporation

FILED
COMMON PLEAS COURT
FRANKLIN CO., OHIO
2011 JAN 14 PM 3:17
CLERK OF COURTS

MEMORANDUM IN SUPPORT

This Liquidator requests this Court to approve the Report of Independent Auditors for the period August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010 (the "Report"). The Report is attached as Exhibit A and incorporated herein by reference.

Pursuant to the Liquidation Order entered in this case on August 18, 2009, TPAC was ordered liquidated pursuant to R.C. Chapter 3903. Further, the Liquidator Order appointed the Ohio Superintendent of Insurance as TPAC's Liquidator and empowered, authorized and directed the Liquidator to liquidate all of TPAC's property and assets in accordance with the laws of Ohio and under the continuing jurisdiction of this Court.

As part of the liquidation and pursuant to the Liquidation Order and R.C. Chapter 3903, the Liquidator undertook to collect all debts and moneys due to TPAC, and make payment of necessary expenses. The Liquidation Order and 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) provides that the expenses of administration are to be given first priority in the distribution of assets.

The Liquidator is also required by R.C. 3903.18(E) and paragraph 10(c) of the Liquidation Order to submit accountings semi-annually to the Court in the form of a statement of receipts and disbursements of the Liquidator throughout the pendency of TPAC's liquidation proceedings (the "Periodic Accountings").

In the process of marshaling TPAC's 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 security balances are reported by the Liquidator to this Court in the Periodic Accountings mentioned above.

Consistent with long standing liquidation procedures, the Liquidator hires 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 Accountings, as it was the Liquidator's intention to file the report with this Court to demonstrate the integrity of the Periodic Accountings.

Schneider Downs has completed its audit of the statements of cash and invested assets of TPAC as of August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010, and the related statements of cash receipts and cash disbursements for this period. 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 TPAC at August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010, and cash receipts and cash disbursements for this period.

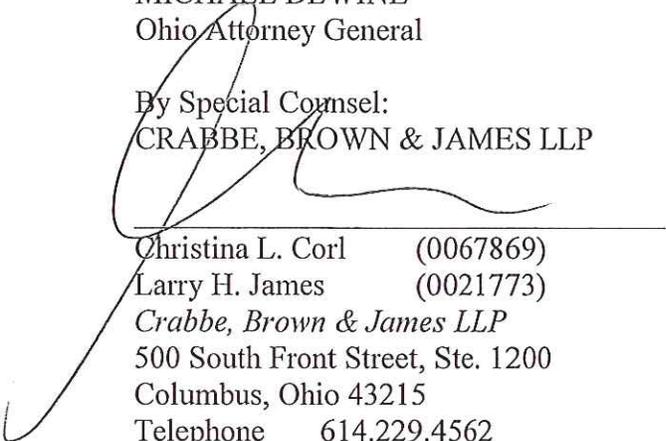
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For the reasons outlined above, the Liquidator respectfully requests the Court to approve TPAC's Report as set forth in the attached Exhibit A.

Respectfully submitted,

MICHAEL DEWINE
Ohio Attorney General

By Special Counsel:
CRABBE, BROWN & JAMES LLP


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Attorneys for the Liquidator of

The Physicians' Assurance Corporation

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Motion for Approval of the Report of Independent Auditors was posted on the Liquidator's website (www.ohliq.com) substantially contemporaneous with the filing of this Motion and per agreement, sent via email to the following non-parties:

Joshua D. Weber, Esq., *Charles Misfud LLC*
Brian Gianangeli, Esq., *Charles Misfud LLC*
Charles A. Misfud, Esq., *Charles Misfud LLC*

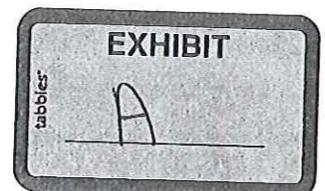

Christina L. Corl (0067869)

EXHIBIT A

**Independent Auditors' Report
For the period August 18, 2009 (the date of TPAC's liquidation)
through June 30, 2010**

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION,
IN LIQUIDATION
Columbus, Ohio

Financial Statements
For the period from August 18, 2009
(the date of liquidation) to June 30, 2010
and Independent Auditors' Report Thereon

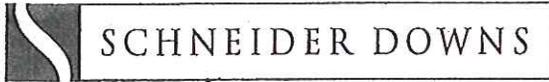


OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 2010

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INSIGHT ■ INNOVATION ■ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
The Physicians Assurance Corporation, in Liquidation

We have audited the accompanying statement of cash and invested assets arising from cash transactions of The Physicians Assurance Corporation, In Liquidation (Estate) as of June 30, 2010 and the related statement of cash receipts and cash disbursements for the period from August 18, 2009 (the date of liquidation) to 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 audit 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 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 audit provides a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of The Physicians Assurance Corporation, 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 The Physicians Assurance Corporation, in Liquidation as of June 30, 2010, and the related statement of cash receipts and cash disbursements for the period from August 18, 2009 (the date of liquidation) to 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.
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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION
IN LIQUIDATION

STATEMENT OF CASH AND INVESTED ASSETS
JUNE 30, 2010

	<u>June 30,</u> <u>2010</u>
Cash	\$ 50,194
Invested Assets	<u>3,554,756</u>
	<u>\$ 3,604,950</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE PERIOD FROM AUGUST 18, 2009 (THE DATE OF LIQUIDATION) TO JUNE 30, 2010

Cash at August 18, 2009 (the date of liquidation)	\$ 761,924
Cash Receipts:	
Interest and dividend income	1,757
Premiums collected	2,062,760
Reinsurance recoveries	885,005
Reimbursements of paid claims	139,309
Refund of general operating expenses	453
Uncashed and voided checks	15,283
Commissions received	180
Reimbursement of expenses - care initiative ventures	19,634
Return of statutory deposits	110,386
Pharmacy rebates	66,563
Salvage and subrogation	1,086
Return of workers' comp deposit	338
Proceeds from sale of assets	31
Other income	1,418
Total Cash Receipts	<u>3,304,203</u>
Cash Disbursements:	
Investment purchases in money market funds	3,501,104
Salaries, wages and employee benefits	349,824
Professional fees	17,892
General and administrative expenses	47,477
Reissued claims payments	11,138
Return of claim recoveries to Ohio IGA	88,375
Return of funds sent in error by EBMC	123
Total Cash Disbursements	<u>4,015,933</u>
Cash at June 30, 2010	<u>\$ 50,194</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

The Physicians Assurance Corporation (Company) was placed in liquidation on August 18, 2009 by the Court and it became The Physicians Assurance Corporation, 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 - 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 and certificates of deposit are recorded at cost, which approximates fair value.

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

	<u>2010</u> <u>Carrying</u> <u>Value</u>
Money market funds	\$ 3,501,104
Certificate of deposit	<u>53,652</u>
	<u>\$ 3,554,756</u>

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE PHYSICIANS ASSURANCE CORPORATION,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 - LITIGATION

In liquidating the Corporation, 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 4 - 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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**IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO**

MARY TAYLOR,	:	CASE NO. 09CVH 08 12492
Ohio Superintendent of Insurance,	:	
In her Capacity as Liquidator of	:	
The Physicians' Assurance Corporation,	:	JUDGE LAUREL BEATTY
	:	
Plaintiff,	:	
	:	
vs.	:	
	:	
The Physicians' Assurance Corporation,	:	
	:	
Defendant.	:	

**JOURNAL ENTRY AND ORDER APPROVING
LIQUIDATOR'S INDEPENDENT AUDITOR'S REPORT FROM THE LIQUIDATION
DATE OF AUGUST 18, 2009 THROUGH JUNE 30, 2010**

This matter came before the Court upon the motion ("Motion") of Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator ("Liquidator") of The Physicians' Assurance Corporation ("TPAC"), for approval of her Report of Independent Auditors for the period August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010, which was attached to the Motion as Exhibit A.

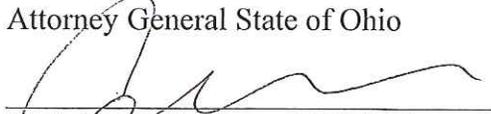
Upon consideration of the Motion, the Memorandum in Support and the Exhibit thereto, the Court finds the Motion is well taken and is GRANTED.

It is ORDERED, ADJUDGED AND DECREED that TPAC's Report of Independent Auditors for the period August 18, 2009 (the date of TPAC's liquidation) through June 30, 2010, as set forth in Exhibit A attached to the Motion is hereby approved.

Dated: _____
Judge Laurel Beatty

APPROVED:

MICHAEL DEWINE
Attorney General State of Ohio



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Larry H. James (0021773)

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Insurance, in her Capacity as Liquidator of
The Physicians' Assurance Corporation*