

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

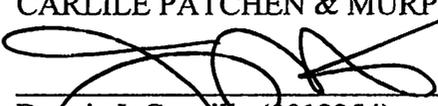
Mary Taylor, Ohio Superintendent of Insurance, in her capacity as Liquidator of Acceleration National Insurance Company,	:	
	:	
Plaintiff,	:	
	:	
v.	:	Case No. 00CVH-11-10534
	:	
Acceleration National Insurance Company,	:	Judge Julie M. Lynch
	:	
Defendant.	:	

MOTION FOR APPROVAL OF LIQUIDATOR’S REPORT OF INDEPENDENT AUDITORS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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, 2011 and 2010, 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:
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Attorneys for the 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 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 modified her previous retention and 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.

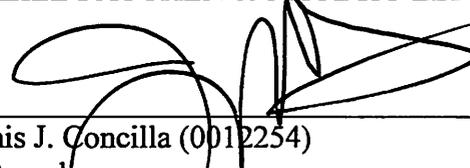
Maloney + Novotny LLC has completed its audit of the statements of cash and invested assets of ANIC as of June 30, 2011 and 2010 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2011 and 2010. Maloney + Novotny LLC issued the Report containing its audit 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, 2011 and 2010 and cash receipts and cash disbursements for the years ended June 30, 2011 and 2010.

By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2011 and 2010 (the "Report"), attached hereto as Exhibit A.

Respectfully submitted,

MIKE DE WINE
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP

A handwritten signature in black ink, appearing to read 'Dennis J. Concilla', is written over a horizontal line. The signature is stylized with large loops and a long horizontal stroke at the end.

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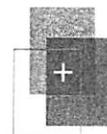
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*Attorneys for the Liquidator of Acceleration National
Insurance Company*

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

FINANCIAL REPORT

JUNE 30, 2011 and 2010



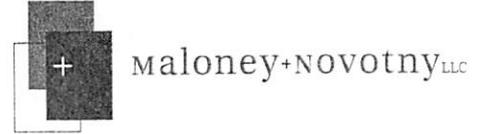
maloney+novotny^{llc}

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

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of cash and invested assets	2
Statement of cash receipts and cash disbursements	3
Notes to financial statements	4-6

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

Independent Auditors' Report

We have audited the accompanying statement of cash and invested assets arising from cash transactions of Acceleration National Insurance Company, in Liquidation ("Estate") as of June 30, 2011, and the related statement of cash receipts and cash disbursements for the year then ended. These financial statements are the responsibility of the Estate. Our responsibility is to express an opinion on these financial statements based on our audit. The Estate's 2010 statement of cash and invested assets was audited by other auditors whose report dated November 22, 2010 expressed an unqualified opinion.

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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Acceleration National Insurance Company, in Liquidation pursuant to the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court, described in Note 1, and are 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, 2011, and the related statement of cash receipts and cash disbursements for the year then ended, 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, Ohio Common Pleas Court and is not intended to be and should not be used by anyone other than these specified parties.

Maloney + Novotny LLC

Cleveland, Ohio
October 7, 2011

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

STATEMENTS OF CASH AND INVESTED ASSETS

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash and encumbered assets	\$ 295,290	\$ 362,705
Invested assets	<u>9,410,316</u>	<u>13,160,517</u>
	<u>\$ 9,705,606</u>	<u>\$13,523,222</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

Year Ended June 30, 2011

CASH AND ENCUMBERED ASSETS AT JULY 1, 2010	\$ 362,705
CASH RECEIPTS	
Investment proceeds from money market funds	3,924,611
Interest and dividend income - encumbered assets	173
Interest and dividend income (including interest paid on bonds)	125,451
Reinsurance recoveries	329,235
Other income	438
Return of special deposits	567,491
Transfer of encumbered funds to operating (Oregon)	106,631
Voided Class 2 interim distribution checks	<u>107,250</u>
Total cash receipts	5,161,280
CASH DISBURSEMENTS	
Investment purchases in money market funds	174,049
Salaries, wages and employee benefits	213,264
Professional fees	40,396
Interim distribution to Insurance Guaranty Associations (IGA) - Class 1 & 2 claims	2,996,174
Interim distribution to Class 2 claims - loss/loss adjustment expense - non IGA	1,626,041
Transfer encumbered assets to operating (Oregon)	106,631
General and administrative expenses	<u>72,140</u>
Total cash disbursements	<u>5,228,695</u>
CASH AND ENCUMBERED ASSETS AT JUNE 30, 2011	<u>\$ 295,290</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. Cash and Encumbered Assets

Cash includes \$199,485 and \$305,943 of encumbered assets held in a separate bank account as of June 30, 2011 and 2010, respectively. 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Invested Assets (Continued)

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

At June 30, 2011 and 2010, invested assets and their carrying values consisted of the following:

	2011 Carrying Value	2010 Carrying Value
Money market funds	\$ 516,407	\$ 4,266,969
Bonds at amortized cost	<u>8,893,909</u>	<u>8,893,548</u>
	<u>\$ 9,410,316</u>	<u>\$13,160,517</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, 2011 and 2010 was \$102,798 and \$903,703, respectively. The change in special deposit balances during the audit period was primarily due to \$567,491 being returned to the Estate and \$237,417 being applied as early access offsets to various Insurance Guaranty Associations.

Note 5. Distributions

Pursuant to the April 18, 2011 Order of the Court, the Estate made its interim distribution payment to Insurance Guaranty Associations totaling \$2,996,174 on April 27, 2011. The Estate also made an interim distribution payment totaling \$1,626,041 to non-guaranty Class 2 claimants on April 27, 2011.

Note 6. 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 Chapter 3903, et seq.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 October 7, 2011, which is the date that the financial statements were available to be issued. No material subsequent events were noted.