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COMMONWEALTH OF PENNSYLVANIA
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March 20, 2006

Daniel Schuckers
Prothonotary
Commonwealth Court
628 South Office Building
Harrisburg, PA 17120-0001

RE: M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania v. Legion Insurance Company,
No. 183 M.D. 2002

Dear Mr. Schuckers:

Enclosed for filing please find the original and two hard copies of the Liquidator's Supplement to her Petition for Approval of Commutation, Settlement and Release Agreement between the Liquidator and Hannover.

As directed by the Court's Order we are also enclosing copies of the documents on a computer disk in word format.

Thank you for your courtesies in filing the documents.

Very truly yours,

Amy L. Weber
Special Funds Counsel

ALW:mm
Enclosure

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. Diane Koken
Insurance Commissioner of the
Commonwealth of Pennsylvania

Plaintiff,

v.

Legion Insurance Company
One Logan Square, Suite 1400
Philadelphia, PA 19103

Defendant.

Docket No. 183 M.D. 2002

RECEIVED
COMMONWEALTH COURT
2006 MAR 12 06

LIQUIDATOR'S SUPPLEMENT TO HER PETITION FOR APPROVAL OF
COMMUTATION, SETTLEMENT AND RELEASE AGREEMENT BETWEEN THE
LIQUIDATOR AND HANNOVER

In accordance with this Court's March 9, 2006 Order, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania in her official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company (In Liquidation) ("Legion") and Villanova Insurance Company (In Liquidation) ("Villanova"), respectfully submits this supplement to provide the information requested by the Court.

1. Paragraph 1 of the Order requires the Liquidator to explain the discrepancy between the commutation amount to be paid as stated in paragraph 13 of the petition and in paragraph 4 of exhibit 1 to the petition. The discrepancy in the amount appears because the petition in paragraph 13 identifies the combined commutation payment after allocation to the individual estate, and exhibit 1 in paragraphs 4, provides the amount to be paid by each Hannover company prior to the allocation between the Legion and Villanova estates.

The chart below supplements the Petition to outline the amounts that are to be paid under the

separate HannoverRuckversicherungs-Aktiengesellschaft ("Hannover Re") and Insurance Corporation of Hannover commutation to each of the Legion and Villanova estates:

	Hannover Re	Insurance Corporation of Hannover	Total
Legion	28,909,564	3,044,579	31,954,143
Villanova	3,208,009	337,848	3,545,857
Total	32,117,573	3,382,427	35,500,000

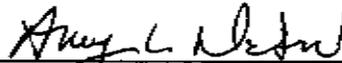
By way of further explanation, paragraph 13 of the Legion Petition states that the agreed commutation payment to Legion is \$31, 954,143. (This amount represents the combined amount of \$28,909,564 from Hannover Re and \$3,044,579 from ICH). Similarly, paragraph 13 of the Villanova Petition states that the agreed commutation payment to Villanova is \$3,545,857. (This combined amount represents \$3,208,009 from Hannover Re and \$337,848 from ICH.)

Common to both Petitions, paragraph 4 of exhibit 1 (Commutation Agreement with Hannover Re) states that the Reinsurer agrees to pay \$32,117,573. As shown in the chart above, Hannover Re will pay \$28,909,564 to Legion and \$3,208,009 to Villanova. Paragraph 4 of exhibit 1 (Commutation Agreement with Insurance Corporation of Hannover) states that the Reinsurer agrees to pay \$3,382,427. As shown above, this amount is allocated \$3,044,579 to Legion and \$337,848 to Villanova. Legion and Villanova had distinct participation with the reinsurers, but their respective obligations were combined into one contract with each reinsurer, and the commutation agreements were prepared in the same manner.

2. Paragraph 2 of the Order requires the Liquidator to explain why commutation payments for the benefit of Villanova Insurance Company (In Liquidation) will be made to Legion Insurance Company (In Liquidation) instead of directly to Villanova. The Liquidator provides the following information to supplement her petition. The contracts with Legion and Villanova were on a combined basis with each of the reinsurers. To reduce the legal costs related to the settlement transactions, the Legion and Villanova estates agreed to their proportional share of the settlement based upon their respective exposures and rights under the contracts, which results in a single payment from each of the reinsurers. Upon Legion's receipt of those payments, amounts attributable to Villanova will be immediately transferred to the Villanova estate. (The amounts owed per estate for each of the reinsurers is listed in the chart above.) Since the two estates use the same management, personnel and systems to administer the estate, this is the least expensive way to conduct the transaction.

Wherefore, based on her Petition and the Supplement thereto, the Liquidator respectfully requests that this Court enter an Order approving the Commutation, Settlement and Release Agreement ("Commutation") between Legion and Hannover Ruckversicherungs-Aktiengesellschaft, Hannover, Germany and Insurance Corporation of Hannover, Itasca, Illinois (the Hannover reinsurer parties together "Hannover").

Respectfully submitted,



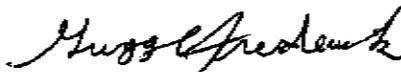
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Attorney for M. Diane Koken, Insurance
Commissioner of the Commonwealth of
Pennsylvania, in her official capacity as Statutory
Liquidator of Legion Insurance Company (In
Liquidation)

Dated: 3/20/06

VERIFICATION

I, Gregg Frederick, am Executive Vice President, Reinsurance, and certify that I am authorized to make this Verification on behalf of the Honorable M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator of Legion Insurance Company (In Liquidation). I have reviewed the Liquidator's Supplement to her Petition for Approval of Commutation, Settlement and Release Agreement between the Liquidator and Hannover and verify that the matters stated therein are true and correct to the best of my knowledge, information and belief. I understand that the Verification is made subject to the penalties of 18 Pa. C.C. § 4904 relating to unsworn falsification to authorities.



Gregg Frederick
Executive Vice President, Reinsurance

Dated: March 17, 2006