



GOVERNOR'S OFFICE OF GENERAL COUNSEL

April 7, 2009

RECEIVED & FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
2009 APR -7 P 1:59

Michael R. Krimmel, Chief Clerk
Commonwealth Court
628 South Office Building
Harrisburg, PA 17120-0001

Re: *Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania v. Legion Insurance Company*
No. 183 M.D. 2002

Dear Mr. Krimmel:

Enclosed for filing, please find an original and two (2) copies of the Petition for Approval of Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008 regarding the above-referenced matter.

As directed by the Court, I am also enclosing the documents on a computer disk.

Very truly yours,

Preston M. Buckman
Special Funds Counsel

PMB:jlh
Encs.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

JOEL S. ARIO, Insurance Commissioner :
of the Commonwealth of Pennsylvania, :

Plaintiff, :

v. :

LEGION INSURANCE COMPANY, :

Defendant. :

No. 183 M.D. 2002

RE: Liquidator's Report and Recommendations on Legion Insurance Company
Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008.

ORDER

AND NOW, this _____ day of _____, 2009, upon consideration of the
Liquidator's Petition for Approval of Report and Recommendations on Legion Insurance
Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008 ("Petition"),
it is hereby ORDERED and DECREED:

1. The Petition is GRANTED and the claims listed in the Report and
Recommendations on Legion Insurance Company Claims Undisputed and Resolved as of May 1,
2008 to October 31, 2008 ("Report") are APPROVED and ALLOWED both as to classification
and amount as listed;

2. The Report is incorporated herein by reference; and

3. The Claimants listed in the Report or their lawful assignees shall become eligible

to receive a *pro rata* distribution of assets from the estate of Legion Insurance Company (In Liquidation) in the event that a distribution is made to Claimant's class of creditors as directed by ¶ 5 of this Court's Order of January 11, 2006.

Hon. Mary Hannah Leavitt, Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

RECEIVED & FILED
COMMONWEALTH COURT
OF PENNSYLVANIA
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JOEL S. ARIO, Insurance Commissioner :
of the Commonwealth of Pennsylvania, :

Plaintiff, :

v. :

LEGION INSURANCE COMPANY, :

Defendant. :

No. 183 M.D. 2002

**PETITION FOR APPROVAL OF REPORT AND
RECOMMENDATIONS ON LEGION INSURANCE COMPANY CLAIMS
UNDISPUTED AND RESOLVED FROM MAY 1, 2008 TO OCTOBER 31, 2008**

Petitioner, Joel S. Ario, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as the Statutory Liquidator ("Liquidator") of Legion Insurance Company ("Legion"), in compliance with this Court's Order of January 11, 2006 ("Claims Order") and pursuant to 40 P.S. § 221.45, respectfully petitions this Court for an order approving his Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008 ("Report"). In support of the Petition, the Liquidator avers the following:

BACKGROUND

1. Plaintiff, Insurance Commissioner of the Commonwealth of Pennsylvania, was appointed Liquidator of Legion pursuant to this Court's Order dated July 25, 2003 ("Liquidation Order").

2. The Liquidation Order provided that "in addition to the notice requirements of Section 524 of Article V, 40 P.S. §221.34, the Liquidator shall publish notice in newspapers of general circulation, where Legion has its principal place of business, and in the national edition of the *Wall Street Journal*, that: (a) specifies the last day for the filing of claims; (b) explains the procedure by which claims may be submitted to the Liquidator; (c) provides the address of the Liquidator's office for the submission of claims; and (d) notifies the public of the right to present a claim, or claims, to the Liquidator." See Liquidation Order, ¶18. By the end of the third quarter of 2003, the Liquidator provided Proof of Claim ("POC") forms and instructions to policyholders and creditors of Legion as identified by the books and records of Legion. Additionally, since the fourth quarter of 2004, the POC forms and instructions have been available on the Legion Documents website at www.legioninsurance.com.

3. This Court entered its Claims Order in January of 2006 establishing a comprehensive claims procedure in furtherance of the relevant provisions of the Insurance Department Act of 1921, 40 P.S. §§ 221.1 – 221.63 (the "Act"). The Claims Order requires that the Liquidator present to the Court a report of the Liquidator's recommendations with respect to each Proof of Claim. The Report shall include the following: the Claimant's name, address, class, and the particulars of the claim, including whether the value of the claim was determined without objection (hereinafter referred to as "Undisputed Claims") or after settlement of an objection (hereinafter referred to as "Resolved Claims"). Additionally, the Report shall

include the amount of the claim finally recommended. See Claims Order, ¶ 3; See also 40 P.S. § 221.45(a).

4. The Claims Order further provides that “[U]pon approval of the Liquidator’s recommendations in the Report, the Claimant becomes eligible to receive a *pro rata* distribution of assets from the estate of Legion Insurance Company (In Liquidation) in the event that a distribution is made to Claimant’s class of creditors.” See Claims Order ¶ 5.

**REPORT AND RECOMMENDATIONS ON CLAIMS
UNDISPUTED AND RESOLVED AS OF OCTOBER 31, 2008**

5. The Liquidator’s Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved from May 1, 2008 to October 31, 2008¹ is comprised of two parts and attached hereto as Exhibits A and B (collectively referred to as “Report”). The claims are sorted alphabetically, within each class, by the Claimant’s last name or company name. The amount claimed by the Claimant, *inter alia*, is also included in the Report.²

6. A small number of the undisputed NODs listed in Exhibit A may actually be amended NODs issued to correct the class or allowed amount of a claim previously recommended by the Liquidator and approved by this Court. For example, if new information later comes to the attention of the claims evaluator which would alter the allowed amount or priority, an amended NOD is issued. The claimant then has an opportunity to object to the amended NOD. 40 P.S. §221.45(b) of the Act authorizes the Liquidator to recommend and this Court to consider modifications of and to claims previously approved by the Court.

7. The first part of the Report, which addresses claims that were “determined without objection”, reflects Notices Of Determinations (“NODs”) issued by the Liquidator for

¹ The Liquidator has filed four previous Reports and Recommendations on Legion Insurance Company Claims Undisputed and Resolved with the latest one being approved by court order dated October 21, 2008.

which the objection period expired on or before October 31, 2008. The total number of Undisputed Claims is 4,184 with an allowed amount of \$10,238,375.98. The list of Undisputed Claims filed against the assets of the Legion estate is attached hereto as Exhibit A.

8. The second part of the Report, which addresses claims that were “determined after settlement of an objection” is a list of the disputed claims to which objections were filed and resolved on or before October 31, 2008. The total number of Resolved Claims is 98, with an allowed amount of \$1,107,076.00. The list of Resolved Claims is attached hereto as Exhibit B.

9. Upon resolution of the disputed claims listed in Exhibit B, the Liquidator issued an Amended NOD for these claims reflecting the resolution of the dispute and an agreement that no objection would be filed to the Amended NOD, or in some cases, the claimant withdrew their objection.

10. As set forth in Exhibits A and B, the Liquidator respectfully submits his recommendations for a total of 4,282 claims with a total allowed amount of \$11,345,451.98³ in accordance with ¶ 3 of the Claims Order and 40 P.S. § 221.45 for this Court’s approval.

11. NODs have been issued in both the undisputed and resolved categories referencing allowed amounts subject to a policy aggregate limit. In these cases, the NOD states that the allowed amount of the claim is subject to 40 P.S. §221.40(d) which requires that if “...the aggregate allowed amount of the claims to which the same limit of liability in the policy is applicable exceeds that limit, then each claim as allowed shall be reduced a proportionate amount so that the total equals the policy limit.” The NODs recommended in this report are submitted subject to 40 P.S. §221.40(d).

² If the claimant did not indicate a specific claim amount on the Proof of Claim, the claimed amount is noted as \$0.
³ For purposes of this Report, the Class A claims are costs incurred and paid as administrative expenses; therefore, the NOD reflects a value of \$0. In addition, the majority of Class B claims are claims that are the responsibilities of guaranty associations. Therefore, the NOD reflects a value of \$0.

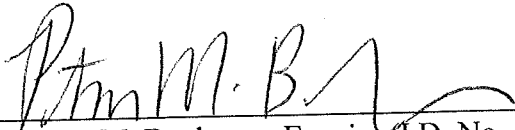
12. In fulfilling his statutory requirements, the Liquidator carefully reviewed all documentation submitted by the claimants in support of the claims and independently determined the merit, classification and value of each claim, as required by the Act. See 40 P.S. §§ 221.37, 221.38, 221.44, 221.45.

13. Given the discretion afforded the Liquidator pursuant to 40 P.S. § 221.45(a) to “comport, compromise, or in any other manner negotiate the amount for which claims will be recommended to the court”, the Liquidator believes that the classification and amounts he has determined for the reported claims are appropriate, fair and equitable and consistent with the relevant provisions of the Act and this Court’s Claims Order. The Liquidator further believes that the approval of the claims listed in the attached Report is in the best interests of the Legion estate, policyholders, claimants and other creditors.

14. Pursuant to 40 P.S. § 221.45(b) and relevant provisions of the Claims Order, the Liquidator respectfully requests that this Court approve the classification and allowed amount of the claims listed in the Report. In accordance with ¶5 of the Claims Order, upon approval of the claims listed in the Report the Claimants or their lawful assignees will become eligible to receive a *pro rata* distribution of assets from the estate of Legion in the event that a distribution is made to Claimant’s class of creditors.

WHEREFORE, the Liquidator respectfully requests that this Court grant his Petition and approve and allow the claims as listed in the Report attached as Exhibits A and B, enter an Order in the form attached hereto, and grant such other relief as the Court shall determine appropriate and just.

Respectfully submitted:

By: 
Preston M. Buckman, Esquire (I.D. No. 57570)
Special Funds Counsel
Pennsylvania Insurance Department
Capitol Associates Building
Governor's Office of General Counsel
901 North 7th Street
Harrisburg, PA 17102
(717) 787-6009

Attorney for Plaintiff, Joel S. Ario,
Insurance Commissioner of the Commonwealth
of Pennsylvania, in his official capacity as
Liquidator of Legion Insurance Company

Date: 4/7/09

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

Joel S. Ario
 Insurance Commissioner of the
 Commonwealth of Pennsylvania

Plaintiff,

v.

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

Defendant.

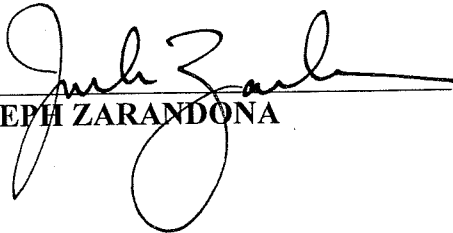
Docket No. 183 M.D. 2002

**VERIFICATION OF JOSEPH ZARANDONA IN SUPPORT OF
 THE PETITION FOR APPROVAL OF REPORT AND RECOMMENDATIONS
 ON LEGION INSURANCE COMPANY CLAIMS
UNDISPUTED AND RESOLVED AS OF OCTOBER 31, 2008**

I, **JOSEPH ZARANDONA**, hereby depose and state as follows:

1. I am Chief Liquidation Officer of Legion Insurance Company (In Liquidation) (“the Estate”), and am responsible for overseeing its daily business operations.
2. I have reviewed the Report and Recommendations on Legion Insurance Company Claims Undisputed and Resolved as of October 31, 2008 (“the Report”).
3. Based on my knowledge, the claims information included in the Report fairly presents in all material respects the status of Legion Insurance Company Claims Undisputed and Resolved as of October 31, 2008.
4. My certification is made in reasonable reliance on the work of qualified staff and the Estate’s internal procedures for claims operations.
5. I verify that the matters stated therein are true and correct to the best of my

5. I verify that the matters stated therein are true and correct to the best of my knowledge, information and belief, and make these statements subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



JOSEPH ZARANDONA

Sworn to and subscribed before me
this 6 th day of April 2009.



NOTARY PUBLIC
COMMONWEALTH OF PENNSYLVANIA

Notarial Seal
Maureen Greenfield, Notary Public
City Of Philadelphia, Philadelphia County
My Commission Expires Dec. 23, 2010
Member, Pennsylvania Association of Notaries